Europe and China's New Silk Roads

Edited by: Frans-Paul van der Putten, John Seaman,
Mikko Huotari, Alice Ekman, Miguel Otero-Iglesias

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Cover photo: © Federico Gambarini/dpa/Alamy Live News. German Minister of Economics and Energy Sigmar Gabriel (SPD, L-R), China's president Xi Jinping and the governor of North Rhine- Westphalia Hannelore Kraft (SPD) sit on a podium in Duisburg, Germany, 29 March 2014.

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Foreword

The European Think-tank Network on China (ETNC) is a gathering of China experts from a selection of European policy research institutes. It is devoted to the study of Chinese foreign policy and European Union (EU)–China relations and facilitates regular exchanges among participating researchers. ETNC strives to deepen the understanding of how Europe, as a complex set of actors, relates with China and how China's development and evolving global role will impact the future of Europe. When examining the EU–China relationship, the network's discussions, analyses and recommendations take a decidedly 'bottom–up' approach, examining the bilateral relationships between individual EU member states and China in order to generate a more complex perspective on the broader EU–China relationship.

The network was first launched on the initiative of the Elcano Royal Institute and the French Institute of International Relations (Ifri, Institut français des relations internationales) in Brussels on 6 November 2014. This meeting brought together experts from eleven EU member states, as well as observers from EU institutions. The ETNC members decided to meet in a different capital every six months and the Mercator Institute of China Studies (MERICS) joined Elcano and Ifri in their efforts to move the project forward.

ETNC's goals are:
- To facilitate regular exchanges among European researchers on key issues related to China and Chinese foreign policy, particularly on how they relate to the EU and individual EU member states.
- To generate discussions among European policy experts on bilateral relationships between EU member states and China, and subsequently on the EU–China relationship more broadly.
- To contribute to the analysis of China's emerging grand strategy by focusing on European perspectives, with an eye on how this crucial relationship impacts the broader global economic and political order.
- To provide recommendations for the conduct of Europe–China relations based on in-depth discussions and research conducted by experts within the network.
- To create a European pool of expertise and contact networks in and on China that can be activated and utilized whenever one of the participating members requires it.

Ultimately, ETNC's main aim is to enhance European expertise, knowledge and networking capacity on China's foreign policy and its foreign relations with the EU member states and the EU itself, by focusing on all the different levels of interaction. These range from the local to the supranational, but ETNC considers the national sphere to be the analytical point of departure.

This report is the second in an on-going effort to dissect and reassemble Europe–China relations from an EU member state perspective. The first roundtable discussions on the report were graciously hosted by the ESSCA School of Management in Budapest, Hungary, in April 2016, and its conclusions further refined in discussions organized at the Institute of International Relations in Prague, Czech Republic, in October 2016. The Netherlands Institute of International Relations 'Clingendael' has provided key leadership in editing and publishing this report.

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- French Institute of International Relations (Ifri), France
- Mercator Institute for China Studies (MERICS), Germany

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- Egmont Royal Institute for International Relations, Belgium
- Institute of International Relations, Czech Republic
- Danish Institute for International Studies (DIIS), Denmark
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1 The Role of OBOR in Europe–China Relations

Frans-Paul van der Putten, Mikko Huotari, John Seaman, Alice Ekman and Miguel Otero-Iglesias

The purpose of this report is to provide a comparative perspective of China's 'One Belt, One Road' initiative (OBOR), as seen from the various European Union (EU) member states. The Chinese leadership officially launched this framework in autumn 2013, presenting it immediately as a key national concept and foreign policy priority for the years to come. Yet OBOR is not a formal policy or a well-defined strategy, but rather a very broad conceptual framework for policies that aim at contributing to greater economic integration within Asia, between Asia and Europe, and between Asia and Africa through a diversity of activities and projects. At the heart of OBOR is a strategic approach to infrastructure development in a very broad sense. Accordingly, China's first action plan on OBOR[1] identified transport, energy and telecommunication infrastructure as priorities (although this list is not exhaustive).

No official or generally accepted definition of OBOR exists. According to China's action plan, the initiative is aimed at 'Asian, European and African continents and their adjacent seas'. The Chinese authorities claim that 65 countries have shown their interest in participating in this endeavour but no official list has been presented. The geography of OBOR is therefore vague and continuously evolving. The criteria used in this report – unless indicated otherwise – are that policies or activities are considered part of OBOR if they are referred to as such by the Chinese government. However, besides official OBOR policies and activities, it is important to consider also other activities that involve Chinese actors who are active in international transport, energy, financial or telecommunication infrastructure in Asia, Europe or Africa. China's action plan and other official communication on OBOR make it clear that the formal purpose of the 'One Belt, One Road' initiative is for China to contribute to international economic development by strengthening 'connectivity' – a key word promoted by China's public diplomacy. This implies that any Chinese activity that contributes to 'connectivity' in Asia, Africa and Europe may eventually be considered as part of OBOR by the Chinese government

Not only is OBOR not clearly defined and therefore malleable as a concept, but its name is also evolving. 'One Belt, One Road' refers to the combination of the Silk Road Economic Belt (an economic corridor across the Eurasian continent) and the 21st Century Maritime Silk Road (a network of maritime trade routes connecting Asia with Africa and Europe). It is the English translation of the Chinese term '*yidai yilu*' (一带一路). However, the Chinese government itself uses the term 'Belt and Road initiative' (BRI) in official English-language statements, and other terms such as '*Nouvelles routes de la soie*' in French, and '*nueva ruta de la seda*' in Spanish. Similarly, in Europe the international trade and communication corridors that result in part from the Chinese initiative are often referred to as the 'New Silk Road' (or Roads or Routes), or by corresponding translations in various European languages. While this introductory chapter uses the term OBOR, the editors left it to the authors to decide on the most appropriate term for their respective chapter.

1 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', March 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

This report covers the role of OBOR in the relations between China and fourteen EU member states, including all larger countries and many middle-sized ones, as seen from the European side. Apart from the Balkan region and the Baltic states, all geographic sub-regions within the EU are represented. Moreover, a separate chapter discusses the EU perspective on OBOR. The report does not focus on China's domestic motivations for OBOR. It also does not take up the task of weighing China's economic drivers – such as a push for development of China's western regions, the export of overcapacities and excess savings – against political and strategic considerations by the Chinese leadership.[2] Instead, the report seeks to take stock of how the OBOR project is playing out in Europe. It does so by systematically treating three basic questions across a selection of EU member states and at the EU level itself:

1. Which OBOR-related activities exist currently in the host countries and at the EU level?
2. What is China's approach towards individual EU member states with regard to OBOR?
3. What are the perceptions and reactions in individual European countries and at the EU level?

This is the second report by the European Think-tank Network on China (ETNC).[3] ETNC members represent major European think tanks and are specialized in analysing China–Europe relations. The purpose of ETNC is to exchange information on relations with China among its members and to provide information on China–Europe relations from the perspective of the EU member states. When examining the EU–China relationship, the network's discussions, analyses and recommendations take a decidedly 'bottom-up' approach, examining the perspectives of individual EU member states towards China or China-related issues (in this report, OBOR) in order to generate a more comprehensive perspective on the broader EU–China relationship.[4] This introductory chapter is based on the information and views in this report and a survey among the report's contributors.

Ports and Railways

Formal OBOR projects in the EU often involve container terminals and railways. Among the port projects, the port of Piraeus in Greece stands out as the most prominent case. China's shipping and logistics giant COSCO has been operating and modernizing part of the port since 2009, and COSCO greatly expanded its involvement in summer 2016 when it acquired a controlling share in the Piraeus Port Authority. COSCO and other Chinese port companies have invested (or have expressed an interest in doing so) in seaports in Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia and Lithuania.[5] With regard to railways, the planned construction of a new Belgrade–Budapest railway by Chinese companies is a notable OBOR-related project. In addition, several other China–Europe rail services are increasing in number and frequency. Chinese local governments and companies are involved in these freight services, which connect various cities in China with destinations in Poland,

2 See Simeon Djankov *et al.* (2016), 'China's Belt and Road Initiative: Motives, Scope and Challenges', PIIE Briefing 16:2, March; Christopher K. Johnson (2016), *President Xi Jinping's 'Belt and Road Initiative' – A Practical Assessment of the Chinese Communist Party's Roadmap for China's Global Resurgence*, CSIS Report, March; Mikko Huotari and Maximilian Mayer (2015), 'China und globale Infrastrukturen', *Welttrends*, No. 105, July.

3 First ETNC report, *Mapping Europe–China Relations: A Bottom-Up Approach*, 2015, available online free of charge.

4 This report provides a bottom-up approach to understanding the role of OBOR in EU–China relations, and thus complements other reports on this topic, such as Alicia Garcia Herrero and Jianwei Xu (2016), 'China's Belt and Road Initiative: Can Europe Expect Trade Gains?', Bruegel working paper no. 5; Alessandro Arduino (2016), 'China's One Belt, One Road: Has the European Union Missed the Train?', RSIS policy report, March; Christina Müller-Markus (2016), '"One Belt, One Road": The Chinese Dream and its Impact on Europe', CIDOB notes internacionals 148, May; Guy de Jonquières (2016), 'Xi Jinping's Long Road to Nowhere? China's OBOR Initiative and How Europe Should Respond', ECIPE policy brief, 2; Jiang Shixue (2015), 'Europe and China's "One Belt, One Road" Initiative', discussion paper presented at SWP-SIIS workshop in Shanghai, September.

5 See also Christina Lin (2016), 'China Drops Anchor in Mediterranean Ports', MERICS Blog, 25 May.

Germany, the Netherlands, Belgium, France and Spain. Many of these port and rail projects date from before the launch of OBOR and have been given the OBOR label since 2013. Such ‘repackaging’ of existing projects is a general feature of OBOR that can be observed in most of the EU’s member states.

It should be noted that OBOR projects outside the European Union that involve European actors also play an important role in Sino–European relations. This may apply to infrastructure projects in Africa or Asia in which European capital or companies are involved. The Asian Infrastructure Investment Bank (AIIB), which includes fourteen EU member states as founding members but that focuses on Asia, is a special case. In terms of Chinese policy ambitions, the AIIB is closely related to OBOR. At the same time, it presents itself as a joint multilateral development bank that is formally not following the OBOR logic or Chinese policy guidance.

Some activities within the EU that are initiated by Chinese actors are relevant for, but are not formally designated part of, OBOR. Several European airports have attracted Chinese investments (including Parchim in Germany and Toulouse in France) or expressions of interest (such as Kastelli in Greece). In some cases, Chinese companies provide logistical services for non-Chinese clients that do not involve direct investments in the EU and that are not visible to outsiders. For example, COSCO Logistics, a subsidiary of COSCO, designed and implemented the transport of HP components from Foxconn factories in Chongqing, central China, over land to Guangdong province.[6] They are shipped from there by sea to Piraeus, and then onwards by train to assembly plants in the Czech Republic that are also owned by Foxconn. The final products are then sold by HP across Europe. COSCO Logistics has been instrumental in setting up this operation, including a cross-docking centre at Piraeus for HP products.[7] Because HP is the client, this new transport corridor seems more an initiative of private American and Taiwanese firms than a purely Chinese activity. While the Piraeus port activities of COSCO Shipping Ports, another COSCO subsidiary, are thus widely seen as being part of OBOR, the scope of COSCO’s role is much greater.

OBOR-related activities that have been initiated by the European side also tend not to be designated as formal OBOR projects. The Five Ports Alliance, a major container terminal project in the northern Adriatic that involves ports in Italy, Slovenia and Croatia appears to be a regional response to the New Silk Road. Chinese investors have shown an interest in participating in this project. Moreover, as the final chapter of this report shows, the European Union responded to OBOR by proposing the Connectivity Platform for EU–China cooperation on infrastructure and transport. The Chinese government accepted this proposal, and several meetings have already been held as part of the Connectivity Platform.

China’s OBOR Strategy towards Europe

The Chinese government has stated that OBOR is an international effort that is non-exclusive. It has signalled to all the EU member states covered in this report – and probably to all EU member states in general – that they are welcome to propose joint activities. The Chinese government has also emphasized that OBOR is ‘complementary’ to existing national and European plans (such as the so-called ‘Juncker Plan’ or plans promoted by individual EU member states) to develop infrastructure and boost connectivity in Europe and beyond. Praising the importance of OBOR for bilateral relations appears to be a standard ingredient in ambassadorial speeches in most or all European countries.

6 Frans-Paul van der Putten (2016), ‘Greece: Piraeus and the Maritime Silk Road’, in Frans-Paul van der Putten (ed.), *The Geopolitical Relevance of Piraeus and China’s New Silk Road for Southeast Europe and Turkey*, Clingendael Report, December.

7 COSCO Logistics (2013), ‘COSCO Logistics Set Up Cross-Docking Center for Hewlett-Packard in Piraeus’, COSCO Logistics website, http://www.cosco-logistics.com.cn/e_about%20us/news.jsp?newsid=95000620.

China's inclusive approach does not mean that it regards all EU member states as equally relevant for OBOR. Within Europe, China targets two regions in particular to promote the New Silk Road: Central and Eastern Europe (CEE); and the European Mediterranean countries (Southern Europe, especially Greece). With regard to CEE, China has used the CEE 16+1 mechanism to boost OBOR. At the core of this mechanism are the annual summits that involve China's Premier Li Keqiang and the leaders of sixteen CEE countries. However, some Eastern European countries that are not part of CEE 16+1, such as Belarus, Moldova and Ukraine, are also relevant to OBOR. A regional platform similar to the CEE 16+1 does not exist with regard to the European Mediterranean, but the Chinese government has shown an interest in establishing sectorial cooperation mechanisms (focusing on agriculture and maritime cooperation) with six southern European countries (Greece, Malta, Cyprus, Italy, Spain and Portugal).[8]

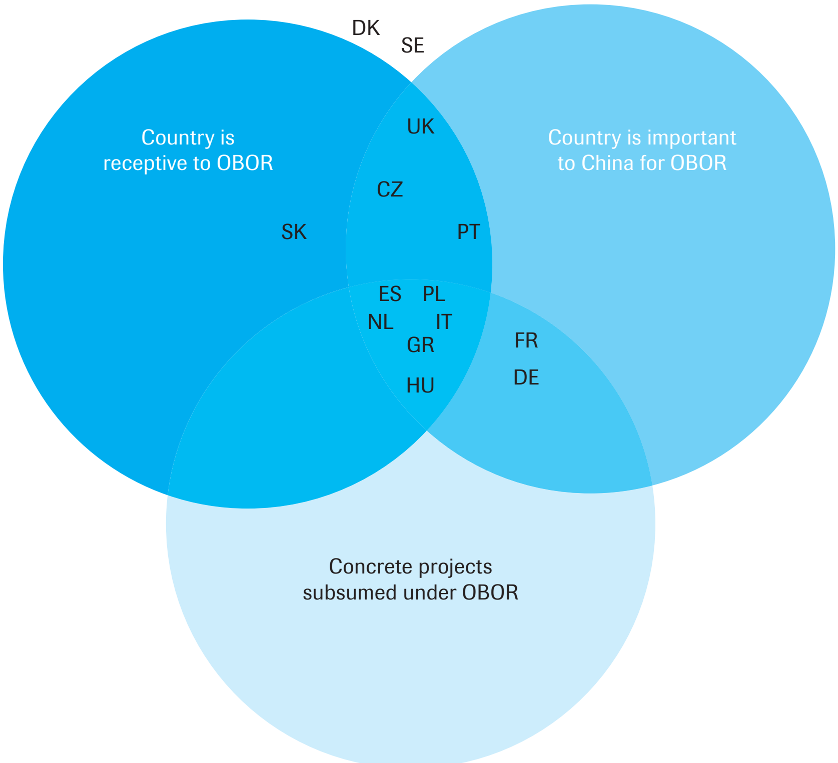
There are various indications of China's special interest in CEE (including countries that are not members of the EU or of the CEE 16+1) and Mediterranean regions (primarily Greece). First, many of the formal OBOR projects are located in these regions. Of particular importance are the Greek port of Piraeus, the Land–Sea Express Route between Greece and Central Europe, the China–Europe railway hubs in Poland and Belarus, the seaports of the Baltic states, and Madrid as the final destination of the longest China–Europe railway service. However, some OBOR activities go beyond these two regions, such as the rail services to Germany and other Western European countries. China also regards the renminbi (RMB) internationalization process in London as highly relevant for OBOR. Second, China's President Xi Jinping and Premier Li Keqiang made visits to several countries in these two regions where they gave public speeches about OBOR. This applies to Greece, Romania, the Czech Republic, Serbia and Poland. Here, too, it should be noted that such activities have not taken place exclusively in the CEE countries and Greece. President Xi also discussed OBOR in speeches that he delivered in Germany and Belgium (in 2014) and the United Kingdom (in 2015). Third, major international conferences on OBOR have been held in Poland and Spain, and OBOR-related institutes have been established in Hungary and the Czech Republic.

While China's OBOR approach has been mainly targeting the CEE and Mediterranean countries, other parts of Europe have not been entirely neglected and the list of countries forming part of OBOR is evolving. Beyond regional clusters that play an important role for China's practical outreach, countries can be categorized very roughly by distinguishing three factors (see Figure 1 below):

(1) whether a country hosts major concrete 'OBOR projects';
(2) whether China attaches great importance and attention to a country in terms of its OBOR outreach; and
(3) whether a country is strongly receptive to China's OBOR initiative.

8 Alice Ekman (2016), 'La Chine en méditerranée: un nouvel activisme', Ifri, *Politique étrangère*, 81:4, December.

Figure 1 Selected European Union Member States and OBOR



Apart from the railway projects in Western European countries and China's interest in the United Kingdom's role in the internationalization of the RMB, the Chinese government has shown an interest in cooperating with mainly Western European countries – such as the United Kingdom, France, Portugal and Spain – on OBOR projects in 'third countries' – that is, countries in Asia, Africa and even Latin America. China shows active willingness to cooperate with France in francophone Africa, with Spain in Spanish-speaking countries in Latin America, and with Portugal in Portuguese-speaking countries in Africa and Brazil.

To an important extent, China's official approach to Europe (and elsewhere) with regard to OBOR is a matter of public diplomacy. Not only Chinese diplomats, but also researchers from Chinese think tanks and universities, Chinese companies and Chinese English-language media often refer to OBOR when addressing European audiences. China promotes not only the actual instances of Sino–European cooperation on connectivity, which are still relatively few, but also OBOR as a narrative. According to this narrative, China's economic expansion across Eurasia and Africa is a transformative process that is inclusive and beneficial to all.

A key component of the Chinese public diplomacy effort is systematic outreach to foreign actors for 'OBOR brainstorming' opportunities in China, Europe and beyond. This includes the organization of international conferences, seminars and forums of various kinds, during which foreign actors (government and business representatives, but also academics and individuals from non-governmental organizations (NGOs), etc.), are invited to propose ideas and specific projects under the OBOR framework, or are asked to formulate criticisms and comments. This provides the Chinese government with the dual advantage of not only appearing to be a listener, potentially diffusing criticisms of an offensive/assertive strategist, but also at the same time collecting ideas and information that will ultimately be helpful for the fine-tuning of its OBOR implementation process and communication strategy.

Table 1 Timeline: OBOR and Official Relations between China and Europe

2013	September	Xi Jinping first announces Silk Road Economic Belt
	October	Xi Jinping first announces Maritime Silk Road
2014	March–April	First reference to Silk Road Economic Belt by Xi Jinping during a visit to Europe (Germany and Belgium)
2015	March	China publishes action plan on OBOR
	June	Signing of articles of agreement for the AIIB
	September	EU–China agreement to establish Connectivity Platform
	October	OBOR promoted by Xi during visit to the United Kingdom
2016	March	OBOR promoted by Xi during visit to Czech Republic
	June	OBOR promoted by Xi during visits to Serbia and Poland

European Perceptions and Responses

In every country covered by this report, awareness of OBOR among the general public is limited, at best. It is therefore difficult to say whether public views of China's initiative are positive or negative. The main target audiences of Chinese diplomatic efforts are likely to be decision-makers in political and business circles. In general, the views of policy-makers at the level of central governments across Europe appear to be diverse. A survey among the report's contributors on official attitudes showed outcomes varying from 'rather negative' to 'welcoming', with a majority of governments being thought to have a 'neutral' to 'rather positive' attitude. Most authors believe that their national government regards OBOR as having 'minor' or 'moderate' relevance. This latter assessment is reflected in the reactive response, or even the lack thereof, to OBOR by many European national governments. In some cases, such as Germany, interest in OBOR at the central government appeared to be declining, possibly because policy-makers are disappointed with the limited concrete manifestations of the Chinese initiative so far. Although many governments may still be cautiously positive about OBOR, they feel little incentive to take the initiative. In this regard, it should be taken into account that opinions within government – that is, between relevant ministries – can be diverse as well.

The most consequential response to OBOR so far by European governments – in particular those in Western Europe – has been joining the AIIB, even though this bank is not formally an OBOR institution. Examples of a relatively proactive approach to OBOR itself are two joint publications by the British Foreign & Commonwealth Office (FCO) and the China–Britain Business Council that help UK companies identify new business opportunities related to OBOR. Regardless of their government's position, various European companies have responded energetically to seize the perceived new opportunities that come with OBOR. This applies, for instance, to providers of logistical services in countries such as Poland, Germany and the Netherlands, which have direct rail links with China. In some instances, OBOR-related activities have met with political obstacles. In Greece, for example, the privatization process that eventually led to COSCO's acquisition of the Piraeus Port Authority was stalled for more than one year after the left-wing SYRIZA party won the Greek national elections in early 2015.

In many countries surveyed, local governments have also been keen to take the initiative and capitalize on what is perceived as an opportunity to attract Chinese investment, boost regional economic development and develop trade-relevant infrastructure. Whereas OBOR has not been picked up at the level of national discourse in countries such as Germany or France, local or regional authorities in Duisburg, Hamburg, or Lyon (Rhône-Alpes) have been proactive. In other countries that have been more overtly welcoming of OBOR, such as Spain or Poland, local governments such as Zaragoza, Valencia or Lodz have also taken up the initiative.

Table 2 Overview of OBOR-related Features of EU Member Countries Covered in this Report

	AIIB membership	MoU on OBOR	CEEC 16+1 membership	OBOR-related port projects	OBOR-related rail projects	Third country focus	OBOR-related speeches during high-level visits	OBOR institute or major international conference
Czech Republic		X	X				XJP	Institute
Denmark	X					X		
France	X				X	X		
Germany	X				X	X	XJP	
Greece				X	X		XJP, LKJ	
Hungary		X	X		X			Institute
Italy	X			X				
Netherlands	X			X	X	X		
Poland	X	X	X	X	X		XJP	Conference
Portugal	X			X		X		
Slovakia		X	X					
Spain	X				X	X		Conference
Sweden	X					X		
United Kingdom	X					X	XJP	

Key: XJP: China's President Xi Jinping; LKJ: China's Premier Li Keqiang.

Implications

While the impact of OBOR varies strongly across EU member states, the initiative is slowly gaining ground across Europe, with clear economic effects, shaping bilateral political relations and strategic implications, including for the coherence of EU policies.

Economically, three years after the launch of the 'One Belt, One Road' initiative, the number of concrete OBOR activities in Europe remains relatively limited and involves mostly projects that were under development already before 2013. However, some CEE and Mediterranean governments are particularly eager to follow up on OBOR and associated financing and investment promises, but not only with a view to expanding hard infrastructural connectivity. Local governments, operators of transport hubs and companies in the logistics sector in many countries are jumping on the OBOR train to capitalize on emerging business opportunities. While the concrete 'connectivity impact' of OBOR on European soil is still limited, new transport corridors are already emerging and the frequency of their usage is increasing fast. One is the east–west rail link between China and Western Europe via Poland to Germany and further; another is the south–north corridor between Greece and the Baltic region via Central Europe, with Piraeus as a fast-growing hub in the Mediterranean and actors in Italy competing to boost their profile as part of an expanding south–north logistics network. Meanwhile, third-country cooperation remains in very early stages, as the extent to which European firms are willing and able to participate in China-led infrastructure projects outside Europe remains unclear.

In bilateral relations, there is hardly a European country where the Chinese initiative has not stirred debate in policy-making circles about China's motivations, the feasibility and challenges of OBOR, as well as potential opportunities for EU member states and business. Yet among most European governments, a wait-and-see attitude prevails. In some Western European countries, after a first wave of diplomatic engagement, the Chinese government has been quite passive regarding the promotion of

OBOR, in comparison with a more proactive attitude towards CEE countries, as well as Mediterranean countries. With the exception of Greece, OBOR is usually just one of many aspects of China's bilateral relationship with EU countries (this applies also to the EU level).

Nevertheless, at the broader diplomatic and strategic level, OBOR has come to symbolize China's growing significance in international affairs, reshaping regional dynamics in geographical areas close to or even inside Europe. On the most basic level, the strategic implications of OBOR result not so much from assemblages of single connectivity projects, but from its encompassing umbrella nature. OBOR has become a catalyst for Beijing's increasing willingness to be proactive and take initiatives across issue-areas, whether they concern the narrow fields of infrastructure development and development financing, or broader issues such as trade, global governance reform or even international security. Initiatives related to OBOR such as the AIIB have already altered the global landscape of development financing. Equally, in the field of security relations, the need to protect assets and citizens abroad is leading to the 'securitization' of China's OBOR engagement abroad, which is likely to alter substantially China's role in regions of European interests.

Inside Europe and in combination with China's sub-regional 'minilateral' initiatives such as the CEE 16+1, OBOR also contributes to changes in the landscape of European–China policy-making. In the diplomatic sphere, OBOR seems to have contributed to a balancing effect on China's previous focus on the large EU member states: China's leaders now pay much more attention to countries in the centre and south-east of Europe. While this is mostly welcomed by these countries and could certainly provide benefits, there are signs that China's increasing significance has boosted its capacity to influence the choices of European states and has complicated EU diplomacy, threatening to undermine EU standard-setting power in newer EU member states and neighbouring countries. Following the pronouncement of the Permanent Court of Arbitration in The Hague on the status of land masses in the South China Sea in July 2016, for instance, the stances of Hungary and Greece – key countries for China's OBOR initiative – resulted in a more convoluted European position on the ruling.

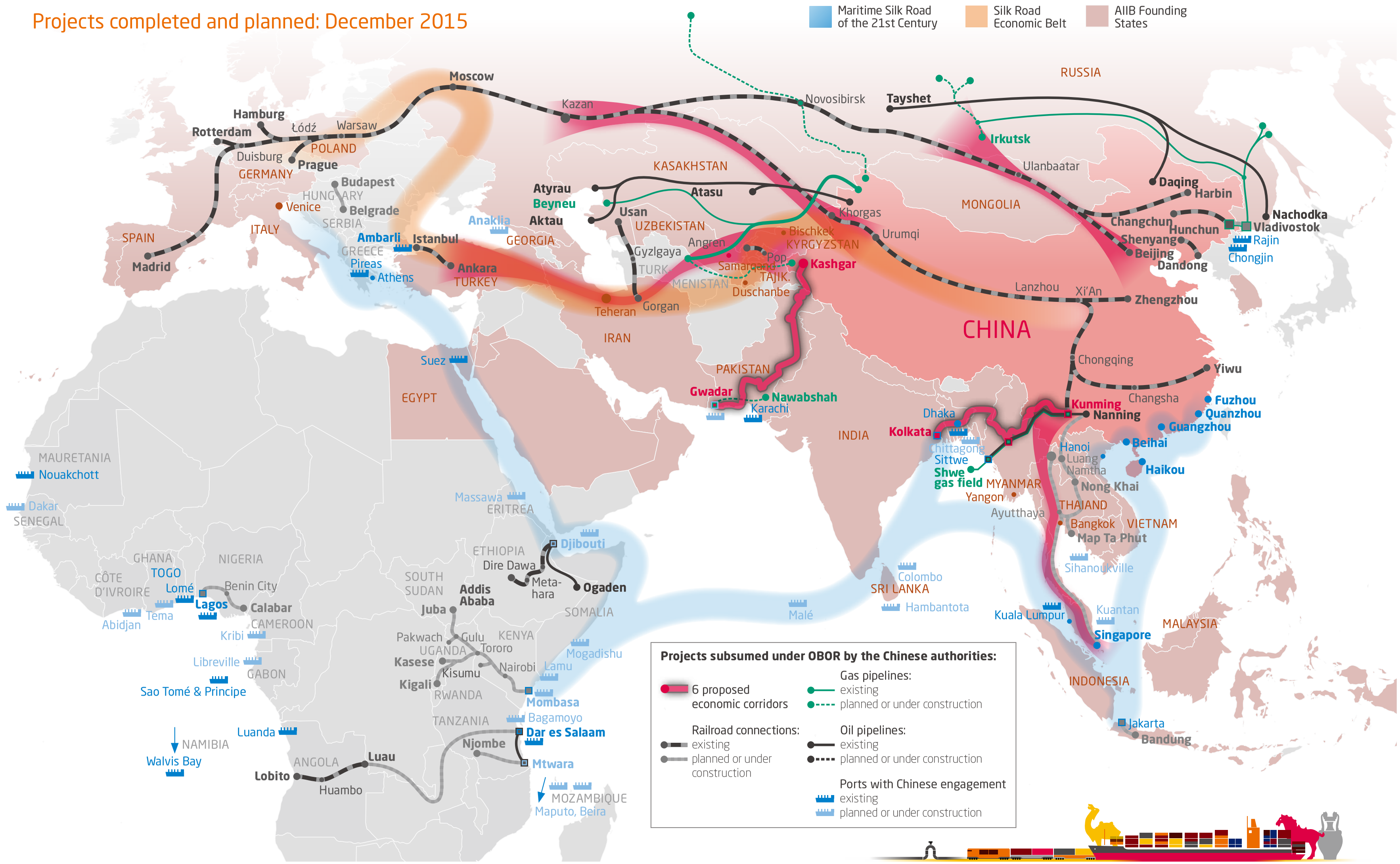
No European country, nor the EU, has so far developed a comprehensive strategic approach in responding to the impact of OBOR on regional dynamics and the way in which European engagement should be developed. Meanwhile, and despite necessary doubts about the durability of this deepening partnership, OBOR has increasingly become a framework for advancing China's relations with Russia. At the same time, OBOR catalyses China's presence in Central Asia, and in Europe's neighbouring countries in the South Caucasus, the Balkans, Turkey and North Africa, as well as in critical areas of European interest: the Middle East and East Africa.

As the global context of Europe–China relations is becoming much less stable in the wake of the US presidential election fall-out, the broad long-term vision of OBOR as a catalyst for deeper Eurasian transcontinental economic integration might also appear even more appealing to some EU member states than already today. This could, in turn, contribute to shifting the general strategic orientations of EU member states, which would then rely less on the United States – not only in security terms, but also in economic affairs – thereby further complicating transatlantic and intra-EU relations.

MERICS China Mapping

One Belt, One Road: With the Silk Road Initiative, China Aims to Build a Global Infrastructure Network

Projects completed and planned: December 2015



2 The Czech Republic: New Strategic Partnership with China, yet Little Real OBOR Touch

Rudolf Fürst, Senior Research Fellow, Institute of International Relations (IIR), Prague

(September 2016)

Summary
Czech bilateral relations with China have reached their strongest yet level in terms of political agenda, and the first relevant investment flows were confirmed during the inaugural visit of a Chinese President to Prague in 2016 and the declaration of the strategic partnership. The Czech Republic's new pragmatic policy is based on a strong domestic consensus and takes advantage of the regional format of China plus the sixteen post-communist European states (CEE 16+1), as well as the EU–China strategic partnership. The OBOR project, of which Prague has declared its support, provides only a little impact on the bilateral ties. In fact, China's OBOR diplomacy in the Czech context has so far remained only partly synthetized with Czech domestic priorities. Recent Chinese acquisitions and investments have focused on financial services, health care, aviation, transportation, media, tourism and real estate. Czech export ambitions in China have received no significant upgrade from the political agenda. Moreover, Chinese OBOR-related investment priorities found insufficient opportunities from Czech energy and infrastructure bids.

Introduction

The Czech Republic's bilateral relations with the People's Republic of China (PRC) recently experienced the biggest improvement within the whole EU 28 since 2013, when pro-China former Prime Minister Miloš Zeman was elected president. From the Czech perspective, this improvement is not directly connected to the Chinese 'One Belt, One Road' strategy, or any specific OBOR-related multilateral project. From the Chinese view, however, Czech rhetorical support for OBOR is an important element of bilateral diplomatic dealings, and some of China's engagement on the ground is framed 'in OBOR terms'.

More than the OBOR strategy itself, the dynamic development of Czech–Chinese relations indicates a change in Beijing's strategy towards a more differentiated view of the European regional structure, which places much greater emphasis on the new post-communist EU member states. From the CEE perspective, the OBOR initiative can be described more as an ad-hoc integration of the previous regional CEE 16+1 project into a broader framework, which is only distantly linked to the EU–PRC strategic partnership. The upgrading of the Czech Republic's status for China is very much driven by the (late) discovery of investment opportunities (indeed, the Czech Republic is now the biggest receiver of foreign direct investment (FDI) per capita in post-communist Europe).

The stunning overall progress in bilateral ties culminated in the declaration of a strategic partnership between the two countries during the first ever visit of a Chinese president to Prague in March 2016. While Chinese OBOR diplomacy is very visible and present, it has thus far remained rather detached from Czech economic realities and domestic political priorities on the ground. OBOR itself remains a very minor and unclear issue in political and media debates, particularly in contrast with the attention that overall economic and political bilateral relations are receiving.

Chinese diplomats and other actors continuously promote the theme of OBOR by inviting Czech delegations for conferences and meetings with think tanks, businesses and investment forums in China, while Czech politicians, lobbies, media and scholars accept this rhetoric on a very general level, and tend to highlight mainly Czech interests on the bilateral level. The Czech side also tends to blend this narrative with more specific references to the Silk Road (*Hedvábná stezka*) and the CEE 16+1 regional format.

Czech support for OBOR was formalized in a Joint Memorandum of Understanding in November 2015, in line with the upswing of high-level political exchanges that continued with Czech Prime Minister Bohuslav Sobotka's visit to Beijing in that month. The Czech Republic followed Bulgaria, Poland, Slovakia and Serbia (all members of the CEE 16+1 format), which had previously signed such memorandums.

The opening of a New Silk Road Institute in Prague (NSRIP) in late 2015 supplements the existing institutional frameworks of Czech–Chinese dialogue. The NSRIP is a non-governmental organization that exists in parallel with the previously established China Investment Forum (launched in 2013), which is more directly connected to the CEE 16+1 agenda. The NSRIP's first official session in late 2015 was launched in the Senate of the Czech Parliament, chaired by former Minister of Foreign Affairs Jan Kohout, and addressed by Prime Minister Bohuslav Sobotka. The NSRIP's mission is to promote Euro–Asian cooperation, and to study and spread awareness of the OBOR initiative. The NSRIP has so far organized two seminars and attended several meetings with regional partners in the PRC: in Sichuan (the Mianyang High-tech Industrial Development Zone); and Guizhou. The NSRIP's chairman is former Czech Foreign Minister Jan Kohout, and members of the advisory board include former Prime Minister Petr Nečas, several Parliamentary deputies and businessmen.[9]

On the Czech side, the main actors pushing the deepening of relations with China are the current pro-Chinese Czech political establishment, comprising the populist President Miloš Zeman, the Social Democratic coalition government that also includes ANO, which is de facto a political party owned by business and media oligarch Andrej Babiš. It was this unusually strong domestic political consensus, together with the growing influence of business lobbies, mainly involving regional financial elites, that opened the door for China's formally private company CEFC Financial Holding Group, which opted for Prague as its European strategic base. Soon after, the first visit by a Chinese President to Prague in March 2016 confirmed the upgrading of the political ties in line with the expansion of economic cooperation.

Chinese Engagement in the Czech Republic: On a Shopping Spree with Little OBOR Touch?

Projects by Chinese companies in the Czech Republic are rapidly increasing by numbers. A huge package of new deals was announced by Czech President Zeman and China's President Xi during their meeting in Prague in March 2016. Even if not all of these deals materialize, they will probably shape Czech–China relations more than infrastructure projects related to the OBOR initiative.
The only example of an OBOR-related investment so far is the plan to build a canal on Czech territory that would connect three rivers – the Danube, the Oder and the Elbe. This huge transcontinental project, linking the Black, Baltic and North Seas and their main river ports – Hamburg, Szczecin and Constanța – appealed to Chinese investment circles, and received backing from Czech political and business lobbies, mainly those that are close to the current government and President Zeman. The project will soon be subject to a feasibility study. Among several interested Chinese companies are those that took part in construction of the Three Gorges dam.

9 New Silk Road Institute Prague (NSRIP), http://nsrip.org/en/.

This water corridor project was strongly criticized by Czech experts in academia (including the Czech Academy of Sciences) and environmental organizations. At the Visegrad Four (V4) summit in Prague in 2014, however, the project received an endorsement from the presidents of the Czech Republic, Poland, Slovakia and Hungary, as well as from those of Austria and Slovenia. Its Czech promoters have suggested joint financing, with EU support. Project realization might begin on the Oder River, with a smaller Czech–Polish joint project.[10]

The non-directly OBOR-related investment deals announced by Presidents Zeman and Xi in March 2016 already reached a total of 95 billion Czech Korunas (CZK) – that is, €3.5 billion – for the year 2016. However, the total value of the deals included in the document for the period 2016–2020 is 231 billion CZK (€8.58 billion).[11]

Major Investing Actors Claim to be Helping to Implement OBOR

The structure of recent Chinese investment deals mostly does not match the Czech Republic's need to boost high-level technology industries, or raise exports and employment rates. Instead, the deals mostly comprise acquisitions in the areas of financial services, real estate, health care, media, tourism and sport. The direct effects on the Czech national economy are expected to be minor and secondary. According to Czech national statistics for 2015, the share of Chinese FDI in the Czech Republic's total FDI reached only 0.35 per cent.

Some of these new financial linkages do, however, also have a strong political component. Czech economic media analysts point to the concentration of FDI provided by CEFC, which has chosen Prague as the strategic centre of its European financial expansion, although this may not substantially increase the Czech Republic's real national FDI statistics. Ties to this strong Chinese financial holding group enhance the financial presence of Czech and Slovakian oligarchs in aviation, media and financial sectors, and strengthen the related Czech political parties that might, in turn, further back the Czech Republic's new pro-China political orientation. The Chinese investment flows are expected to raise the financial capital and political power of affiliated Czech financial groups.

Besides the financial interlinkages, three direct flights between China and the Czech Republic opened within one year, now connecting Prague with Beijing (Hainan Airlines, since September 2015), Shanghai (China Eastern Airlines, since June 2016), and Chengdu (China's Sichuan Airlines, since August 2016). These new air links confirm the spectacular boom of tourism and people-to-people exchanges between the two countries, and feed into what the Chinese government also considers an element of OBOR relations.

10 Jo Harper (2016), 'Danube–Oder–Elbe Water Corridor Project Gives Way to Smaller Water Canal Project on Oder', *Central European Financial Observer*, 18 April, http://www.financialobserver.eu/poland/danube-oder-elbe-water-corridor-project-gives-way-to-smaller-water-canal-project-on-oder/.

11 A list of agreements signed by both the Czech and the Chinese President, The Office of the Czech President, https://www.hrad.cz/file/edee/2016/03/seznam-dohod.pdf, accessed May 2016. The largest deals include: a joint investment fund of J&T Finance Group and Ping An Bank (€4.5 billion); a deal between SAIC Motor Co. and Škoda Auto (VW) worth €2.1 billion; an agreement on a joint investment fund between the CEFC Energy Co., the Hengfeng Bank Co., ŽĎAS and TS Machinery Pilsen (€1.1 billion); an agreement between the China Longyuan Power Group and the Czech SWO SE Group (on environmental energy, €0.55 billion), an additional purchase of 20 per cent of the J&T stock by CEFC (€0.5 billion). Some other important projects remained off record or are not yet completed: two deals involving Home Credit and SOTIO (both of these are deals between the Czech PPF Group and its partners in China, although the negotiations of these deals are not yet finished); ICBC's €1 billion joint investment project, which was negotiated with leading Czech banks, as well as with PPF and J&T; a private investment by a Chinese partner in the nanotechnology of the Czech company HE3DA, which developed a revolutionary battery model (€100 million).

Domestic Discussions and Doubts

The upgrading of bilateral relations has lifted the Czech Republic into the prominent league of China's strategic partners. If the signed agreements materialize, Chinese investments might place the PRC into the group of five biggest investors in the Czech Republic. Yet the Czech public debate on this issue indicates more doubts than optimism regarding this historical breakthrough in relations with this Asian strategic partner. In fact, the arrival of China's President Xi in early 2016 was met with massive public demonstrations and occasional clashes with Chinese organized supporters of the President, who attacked local demonstrators with Tibetan flags and protest banners.

Czech media coverage pointed to the poor volumes of Czech exports to China, the minor economic relevance of the Chinese investments and their structural inadequacies. Furthermore, many Czechs found the welcoming ceremony for the Chinese delegation during the Chinese President's visit to be cheesy and insensitive to Czechs, as red Chinese flags were hung along the streets, thus triggering depressive memories of Soviet-style red flags that had decorated celebrations of state anniversaries and military parades during the communist era.

Political opposition parties, human rights-supporting NGOs and Tibet groups, backed by academic circles, accused Czech politicians of giving up on human rights criticism and therefore also committing treason to the ideas of former dissident and former Czech President Vaclav Havel.

On the occasion of the Chinese presidential visit, some red PRC flags along the main street leading from the airport to the downtown area of Prague were painted black over the course of one night, and some were replaced with Tibetan flags by activists. The Czech opposition and NGOs protested the allegedly improper police assistance for the Chinese delegation, as the police allegedly did not protect Czech citizens sufficiently against aggressive Chinese attackers. Media criticism also addressed the violation of protest groups' rights by city and state authorities, who prevented protesters from approaching public spaces near governmental buildings.

Debate on Security Risks

Another element of the critical media coverage included allegations about the dubious identities and Chinese military-related background of the CEFC leadership, which some critics regard as a security risk. These allegations are based on the Project2049.net resource, which mentioned the CEFC and its chairman, Ye Jianming, who was formally appointed as the Economic Adviser to the Czech president. Ye Jianming is also chairman of the China Energy Fund Committee (the think tank affiliated with the Chinese Communist Party and People's Liberation Army (PLA) General Political Department), which is focused on propaganda and public diplomacy activities.[12] Media reports have highlighted the security risks of China's allegedly subversive strategy of making use of the weak Czech political and security establishment to spread its power networks into the EU.[13]

Along with the material improvement of bilateral relations since Czech Foreign Minister Lubomír Zaorálek's visit to Beijing in 2014, China is becoming an important domestic political issue. Not much of this public attention is, however, directly linked to OBOR (and even less to the European context of Chinese engagement and investment strategy). While Chinese actors continue to use the OBOR

12 Mark Stokes and Russell Hsiao (2013), 'The People's Liberation Army General Political Department Political Warfare with Chinese Characteristics', *Project2049.net*, 14 October, https://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf.

13 Olga Lomová (2016), 'Czech–Chinese Honeymoon I: Will It Bring Economic Advantage or End in Security Risk?', *The V4 Revue*, 9 February, http://visegradrevue.eu/czech-chinese-honeymoon-part-i-will-it-bring-economic-advantage-or-end-in-security-risk/.

narrative to frame some of their engagement, the public and media debate shows growing politicization and polarization in the perception of the Czech Republic's relations (and the relationship of Czech President Zeman personally) with non-democratic powers such as China and Russia.

Such a negative discourse reveals a gap between strong consensus on China's relevance among political and business circles, and public opinion on the other side. Czech President Miloš Zeman, the key supporter of the Czech Republic's pragmatic pro-China policy, himself stimulated media criticism with his hardly acceptable statements for China Central Television (CCTV), when during an interview he mentioned the Czech policy [towards China] being no longer 'submissive to pressure from the United States and from the European Union'.[14] The Czech President's controversial rhetoric raised concerns not just among the Czech public, but also attracted attention abroad.

14 Interview with Czech President Zeman for the CCTV, 23 March 2016, http://newscontent.cctv.com/NewJsp/news.jsp?fileId=348257.

3 OBOR from a Danish Perspective: Still Mainly Limited to the AIIB

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(September 2016)

Summary
Denmark's participation in China's overseas infrastructure and development initiatives has so far been limited to the Asian Infrastructure Investment Bank (AIIB), although business and governmental actors have recently started to explore the potentials of Sino-Danish cooperation within the framework of OBOR. Despite some critical media stories and oppositional voices in the Danish Parliament, the Danish government's attitude overall towards the AIIB has been positive and pragmatic. Importantly, Denmark's membership and engagement in the AIIB could very well be a precursor to greater Danish involvement in OBOR in the years to come. As the only Scandinavian country with a Comprehensive Strategic Partnership with China, Denmark is poised to tap into business opportunities created by OBOR as part of the extension of OBOR's northern route. At the same time, Denmark is likely to insist on international standards for labour, the environment, transparency, and so on, in these projects.

Introduction

Although Denmark's relationship with the PRC has occasionally experienced some serious setbacks, the relationship is currently in very good shape. Since 2008, Denmark has – the only Nordic country to have done so – enjoyed a Comprehensive Strategic Partnership (CSP) with the PRC, and Denmark and China signed a renewed partnership agreement during Danish Prime Minister Lars Løkke Rasmussen's scheduled visit to Beijing in December 2016. Indeed, the Sino-Danish relationship has been progressing smoothly in the current decade, propelled by a vast array of bilateral initiatives to spur trade, investments, tourism, student exchange programmes and cooperation on research. Today, China is Denmark's second largest non-EU trading partner (second only to the United States), with Sino-Danish bilateral trade in goods and services reaching a historical high of around 120 billion Danish Kroner (€16 billion) in 2015.

Given the excellent state of Sino-Danish relations, it is somewhat surprising to learn – based on a survey of the Danish media and a range of interviews with Danish and Chinese key actors – that China's ambitious 'One Belt, One Road' project has so far had a very limited impact in a Danish context. Not only are there few explicit references to OBOR in the public debate, but the project is rarely mentioned in diplomatic exchanges between Denmark and China, or deliberations within the Danish Ministry of Foreign Affairs in general. The only specific form of Danish participation in OBOR so far has been Denmark's decision to join the AIIB.

Denmark's overall positive engagement with the AIIB, however, is likely to be indicative of how the Danish government will perceive the wider OBOR project in the years to come. There are some signs of an emerging interest in OBOR from the Danish business society, as the Danish-Chinese Business Forum has recently put OBOR on its meeting agenda. Maersk, the Danish shipping giant, made a public statement in November 2015 that it looked forward to working with Chinese firms on OBOR. Maersk has established a joint venture with Qingdao Port Group to build the Qingdao Port Dongjiakou Multi-Purpose Terminal, as Qingdao's new Dongjiakou Port area is set to become a national hub for Chinese bulk and energy cargoes. Maersk has also signed a memorandum of understanding (MoU) with

Qingdao Port Group for joint investment in a new port terminal at Vado Ligure, Italy, which is scheduled to open in 2018.

Finally, given that the Danish Ministry of Foreign Affairs (MFA) is currently exploring new ways to stimulate Sino–Danish connectivity as part of the renewed Comprehensive Strategic Partnership agreement, we may soon see more direct attempts from the Danish government to tap into the overall OBOR project.

Denmark's Engagement with the AIIB: Indicative of the Broader OBOR Project?

According to sources both in the Danish MFA and the Chinese Embassy in Copenhagen, there has been no official dialogue on Denmark's potential participation in OBOR. However, Chinese diplomats have said that Denmark is located on the extension of the OBOR routes and could well be a participant in OBOR in the future. Yet in the lead-up to Denmark's decision to join the AIIB in March 2015, representatives of the PRC eagerly used their contacts in the Danish MFA to sow the seeds for Danish membership of the new bank, which is widely seen as an integral part of the overall Silk Road initiatives. After Danish membership of the AIIB was secured, China dispatched the AIIB's President, Jin Liqun, on a charm offensive to Denmark in March 2016 to promote the bank's image as 'lean, clean and green'. Addressing a Danish audience, Jin said that all members of the bank should be able to play a role; in that way, a good balance can be achieved and the views of small countries can be heard.[15]

As seen more broadly from Beijing's perspective, Denmark is favourably positioned in the Western institutional architecture, being not only a very close ally of the United States, but also a member of the North Atlantic Treaty Organization (NATO), the EU, the Nordic Council and, not least, the Arctic Council. Furthermore, despite its small state status, Denmark enjoys a high profile in development aid and green technology, which are likely to become major assets in developing the AIIB's investment programme.

Official Danish Perceptions of OBOR and the AIIB

On a rhetorical level, the Danish and Chinese governments announced in May 2015 – as part of their 65th anniversary of establishing diplomatic relations – that they would work together to deepen their comprehensive strategic partnership, including within the framework of OBOR.[16] Danish Foreign Minister Kristian Jensen also showed great interest in the OBOR project during his visit to Beijing in October 2015. Yet there have so far been no systematic attempts from the Danish government or business community to become actively involved in OBOR.

With respect to the AIIB, however, official Danish perceptions and reactions have been quite informative with regard to how the Danish government views its long-term relations with China. To begin with, the Danish MFA was subject to some pressure from Washington DC, as the Americans voiced their concerns about the standards and underlying rationale of the new China-led bank. Yet after several of Denmark's key European partners (especially the United Kingdom) announced their willingness to join the AIIB, the Danish government decided to follow suit and apply for membership

15 Adam Hannestad (2016), 'Danmark sender kæmpecheck til asiatisk bank i sidste øjeblik [Denmark Sends Huge Check to AIIB at Last Minute]', *Politiken*, 29 January.

16 Martin Lidegaard and Wang Yi (2015), 'Deepening China–Denmark Comprehensive Strategic Partnership and Building a Model for China–Europe Cooperation', joint article published in the Danish newspaper *Jyllandsposten*, 11 May, http://um.dk/en/about-us/the-ministers/speeches-and-articles-by-former-ministers/martin-lidegaard-speeches-and-articles/deepening-china-denmark-comprehensive-strategic-partnership/.

in order to strengthen further the Sino–Danish relationship and to exploit the opportunities offered by the new bank.[17]

Explaining the Danish government's decision, then Danish Minister of Trade and Development Mogens Jensen stressed in March 2015 that 'We need to be on board when most of our European partners participate. We believe that we can influence the bank in a favourable direction that supports our overall foreign policy interests'.[18] In the same interview, Mogens Jensen specified that Denmark's motivation for joining the bank was closely linked to its plans for investing in energy, electricity, agriculture, rural development, water supply and environmental protection in several Asian countries, where Denmark's economic and development interests are currently growing.

In September 2015, the Danish MFA published an official report to provide insights into the economic potential for the Danish business community following Denmark's participation in the AIIB. The report also emphasizes the importance assigned by the Danish government to international standards of transparency and sustainability with respect to the specific investment projects of the AIIB.[19] After the general election in Denmark, the new Danish Foreign Minister Kristian Jensen visited China in October 2015 to sign the Articles of Agreement of AIIB, stressing Denmark's need 'to engage in and influence the bank's investment decisions from its beginning'.[20]

In January 2016, the Danish government transferred 500 million kroner (approximately €67 million) as investment capital to the AIIB after much debate in the Danish Parliament. Some parties were against Denmark's participation in the bank on the grounds that it was a form of government subsidy to companies involved in the infrastructure projects and that the money was taken from Denmark's development aid budget. Others supported Denmark's membership in the AIIB, because Danish trade and development interests were at stake and because they wanted to have influence in the new bank's investment profile.[21] On balance, however, most Danish politicians held a positive view of the AIIB, and even critical parties decided not to block Denmark's contribution.

Danish Media and Experts on OBOR and the AIIB

The Danish media have mainly focused on the underlying rivalry between China and the West, thus describing the AIIB in terms of a wider attempt by the Chinese government to counter Western dominance over global financial institutions such as the World Bank and the International Monetary Fund (IMF).[22] Apart from this, most stories about the AIIB in the Danish media have been centred on the ethical dimension of the new bank, questioning whether the AIIB would lower Western standards on, for instance, corruption, transparency, environmental sustainability, human rights and labour rights. Finally, policy experts have in general called upon Denmark to participate actively in the AIIB and more broadly in OBOR, despite the political undertones and business risks.

17 Ole Damkjær (2015), 'Kinas nye udviklingsbank splitter Vesten [China's New Development Bank Splits the West]', *Berlingske*, 29 March, http://www.b.dk/globalt/kinas-nye-udviklingsbank-splitter-vesten.

18 Rasmus D. Nielsen and Britt Christensen (2015), 'Mogens Jensen: Det her er en stor mulighed i Asien [Mogens Jensen: Here is a Great Opportunity in Asia]', *Politiken*, 29 March.

19 Danish Ministry of Foreign Affairs (2015), 'Udenrigsøkonomisk perspektivanalyse XI: Den Asiatiske Infrastruktur Investeringsbank (AIIB) og danske erhvervsinteresser [Foreign Economic Analysis 11: The AIIB and Danish Business Interests]', 8 September.

20 Danish Ministry of Foreign Affairs (2015), 'Danish Foreign Minister Broadens Bilateral Cooperation with China', 29 October, http://kina.um.dk/en/news/newsdisplaypage/?newsid=b950e101-6b9e-4167-b09e-7db0c361a0e5.

21 Adam Hannestad (2016), 'Ingen lande bør opføre sig som en tyran over for andre [No Country should Behave like a Tyrant over Others]', *Politiken*, 9 March.

22 See Kim Rathcke Jensen (2016), 'Kina sætter USA udenfor indflydelse [China Sets US out of Influence]', *Politiken*, 29 March.

Conclusion

Denmark's participation in China's overseas infrastructure and development initiatives has so far been limited to the AIIB, although business and governmental actors are starting to explore the potentials of Sino–Danish cooperation within the framework of OBOR. Despite some critical media stories and occasional oppositional voices in the Danish Parliament, the overall official Danish government attitude towards the AIIB has been both positive and pragmatic. The new bank is viewed as an important institutional platform that offers important economic opportunities for Denmark and therefore requires direct Danish involvement.

Importantly, Denmark's membership and engagement in the AIIB could very well be a precursor of larger Danish involvement in OBOR in the years to come, as Chinese investment and development plans gradually materialize. Denmark, at least, seems poised to exploit the opportunities offered by China's New Silk Road initiatives.

4 France: On the Periphery of China's New Silk Roads

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Summary

China has been promoting its 'Belt and Road' project in France, or Nouvelles routes de la soie (New Silk Roads) as it is dubbed in French, in a proactive manner, as it has done in many other European countries. If the project had initially raised curiosity among French policy-makers and business communities – who were eager to learn more about this vague concept shortly after it was launched at the end of 2013 – it seems that the so-called 'Belt and Road' (B&R) is now considered a secondary issue by many French actors. The number of projects launched in France under this framework remains quite limited so far, the French government does not seem to have a clear-cut, finalized position on the topic, and the Chinese government seems to invest comparatively less in the promotion of the project in France than it does in other European countries (including the Mediterranean countries and Central and Eastern European countries, in particular).

A Limited Number of Existing and Planned Activities

Sino–French cooperation under the banner of 'Belt and Road' remains a largely theoretical endeavour for the time being, but some concrete interaction has begun to emerge. In late April 2016, for instance, the French city of Lyon welcomed its first delivery of freight from the Chinese city of Wuhan, marking the opening of an 11,300 kilometre, or 16-day, rail link, which builds on a trunk line opened in 2012 between Duisburg in Germany and the Chinese metropolis of Chongqing. Wuhan Asia–Europe Logistics (an affiliate of COSCO) is labelled as the only operator along this specific branch, and the role of French partners – particularly the rail company SNCF – is minimal. Nevertheless, local authorities in Lyon have been keen to feed into China's Silk Road initiative, playing up Lyon's role as a historic commercial and political hub in Europe, and a 'city of silk'. Indeed, local and provincial governments more broadly have sought to benefit from what is viewed as an opportunity to attract Chinese investment or to construct links with the Chinese market. As well as Lyon, regional authorities in Normandy have been pitching the advantages of the local economy, in particular the deep-water port of Le Havre and connections to the inland ports of Rouen and Paris. At this point, however, concrete projects under the Silk Road banner in France are limited in number, and while French local authorities are taking initiatives, the central authorities appear more reserved about the Chinese project.

Curiously, however, Chinese investments that have recently taken place in France in sectors that fall under the B&R (transport and telecommunications, for example) have shied away from an overt 'Silk Road' labelling. Such investments include a 49.9 per cent stake in the operator of the Toulouse Blagnac airport (home to European conglomerate Airbus) by the conglomerate Symbiose in late 2014, or heavy investments in the tourism industry, such as Club Med or Louvre Hotels. More Chinese investment in French transport, telecommunications and tourism infrastructure is likely to be made. In many respects, the health of France's own economy may determine its ultimate place in the Chinese project, as ageing French infrastructure and dwindling public resources could present opportunities in the event of privatization of transport hubs, such as the Port of Marseille or the airports of Lyon-Saint Exupéry or Nice Côte d'Azur.

For the time being, some French companies may stand to benefit most from opportunities brought to third countries by Chinese Silk Road financing. The first investment made by the new Silk Road Fund, for instance, provided key financing for the development of the Yamal liquefied natural gas (LNG) terminal on Russia's Arctic coast, in which the French multinational Total has a 20 per cent stake. The project, which is slated to begin LNG shipments in 2017, was on hold for lack of financing until the Chinese Silk Road Fund agreed to purchase a 9.9 per cent stake in Novatek, the Russian co-investor. China National Petroleum Corporation (CNPC) is the other core investor in the project.

Moving forward, French construction, transport, logistics and energy companies also look at China's B&R with an air of opportunity. For instance, the French shipping company CMA CGM, which is based in Marseille and is the world's third largest transporter of seaborne freight, has openly welcomed the 'Belt and Road' initiative by signing a Silk Road partnership agreement in June 2015 with China Merchants Holdings International (at a ceremony presided over by China's Premier Li Keqiang during his visit to Marseille). The agreement also accompanied a deal between CMA CGM and the Export–Import Bank of China for a US$ 1 billion credit line to purchase Chinese container ships.

China's Low-key Approach and France's Mixed Perception

China's strategy has so far been very low key in France, in contrast to more high-profile lobbying in countries such as Spain, Greece, Poland, or even Germany. Perhaps the most visible promoter of Silk Road projects in France is the Confucius Institute of the NEOMA Business School of Rouen (Normandy), which organized several events on the topic, including an event in June 2015 that hosted France's then Foreign Minister Laurent Fabius, during which the minister gave the only official speech by a French leader to touch on the B&R to date. More behind-the-scenes salesmanship (including promotions by diplomats of the Chinese Embassy in Paris and by Chinese delegations visiting France, and inviting French personalities to OBOR forums held in China, etc.) can certainly not be discounted, but this more low-key approach is noteworthy. When promoting the B&R project in France, Chinese officials and researchers from state-sponsored think tanks have emphasized the potential economic opportunities that the B&R may generate, but usually do not put forward any specific project. China's approach consists of inviting French actors (businesses, officials and researchers, etc.) to brainstorm and identify for themselves what France could do with China under this framework.

For French policy-makers, businesses and citizens, China's 'Belt and Road' initiative is generally met with a wary sense of optimism. As French Foreign Minister Fabius noted in his June 2015 speech, China's Silk Road project must be viewed, among other perspectives, through a geopolitical lens. Ultimately, the project could have net benefits for peace and stability in Eurasia – citing, for example, Afghanistan and Iran. Fabius also expressed the view that the B&R initiative should be a platform for Franco–Chinese cooperation in third markets, such as Africa (a joint declaration for 'trilateral' cooperation between France, China and Africa was also signed in June 2015), in addition to a vehicle for developing 'roads of green growth'. In this sense, (now former) French Foreign Minister Fabius laid out a clear, official stance that welcomes China's international engagement and 'new forms of cooperation'. Apart from the limited communication of the French Ministry of Foreign Affairs, other French ministries have so far refrained from referring to the Chinese project, and France has no coordinated, trans-ministerial position or strategy on the topic. In broader terms, France so far appears mainly reactive on the B&R, and official cooperation in this domain has largely been limited to participation in the AIIB.

Meanwhile, some economic and corporate strategists, while noting the opportunities in various sectors, are also concerned by the evolving nature of the B&R initiative and have questions about the ultimate consequences on the norms that govern local, regional and global commerce. Arms of the French defence establishment, which carries special weight in French policy-making circles, also look with a wary eye to China's development of a blue-water navy and its parallel investments in the growth of deep-water ports throughout the Indian Ocean (such as Colombo in Sri Lanka and

Gwadar in Pakistan), around the Horn of Africa (Djibouti) and into the Mediterranean (Cherchell in Algeria) – including the opening of a military logistics facility in Djibouti, alongside the existing French, American and Japanese facilities there. Indeed, as China's interests abroad expand – particularly through the 'Belt and Road' initiative – the need to protect these interests will inevitably grow stronger, further anchoring China within France's more traditional spheres of influence. Seen in this light, and in the context of reinforced competition of influence between China and the United States, the 'Belt and Road' initiative is increasingly perceived in France as an ambitious project with potentially significant geoeconomic, geopolitical and geostrategic implications in the long term.

5 Germany and the 'Belt and Road' Initiative: Tackling Geopolitical Implications through Multilateral Frameworks

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Summary
Although Germany was an early European prime target of high-level Chinese 'Belt and Road Initiative' (BRI) promotion activities, BRI has not yielded any tangible investment activities in Germany. Rather, BRI activities related to Germany remain limited to a slim line of – mostly rebranded – railway operation projects connecting Germany and China. Chinese BRI-related promotion activities at the political and business levels have also largely waned. Following an initial period of 'open-mindedness' about BRI and keen interest in the initiative's substantive propositions, the German government also began to take a closer look at BRI's potential to dilute EU investment rules and to erode EU political unity. Lately, these concerns have somewhat subsided, and German government departments are primarily interested in understanding the impact of BRI in Eurasia and specifically the countries of Central Asia and Afghanistan. Overall, the German government has devised a multilateralized approach to BRI, which draws on the EU–China Connectivity Platform in an attempt to ensure conformity of BRI's activities in Europe with EU standards. At the same time, Berlin uses the Organization for Security and Cooperation in Europe (OSCE), the G20 and – most prominently – the AIIB to shape BRI activities in wider Eurasia. Looking beyond the federal government, German regional and municipal officials continue to entertain a strong interest in BRI as a means to strengthen regional economic development. In contrast, Germany's industry has by and large adopted a rather cautious approach towards BRI, and German press coverage has often been negative, focusing on concerns about China's geopolitical ambitions in Eurasia.

Existing and Planned Activities: Creating a New Silk Road on Rails

BRI has neither yielded infrastructure investments in Germany, nor has it featured as a driver of Chinese mergers and acquisitions (M&A) and greenfield investment activities. Rather, BRI activities related to Germany have so far been limited to a slim line of railway operation projects connecting Germany and China. As indicated in Table 3 below, five German–Chinese railway operation projects have come to be framed as part of BRI, and more BRI-related railway projects are envisaged.[23] In March 2016, Germany's state-owned railway company *Deutsche Bahn* (DB) and China Railways signed an MoU on further developing the 'Eurasian land bridge'. In May 2016, Germany's logistics giant DHL signed an MoU with the city of Chengdu on improving rail services between Chengdu and Europe.

23 This only takes into account end-to-end railway connections between China and Germany that are branded as part of BRI, while neglecting connecting domestic trains in China and Germany.

Table 3 Five German–Chinese Railway Operations Framed as Part of BRI

Railway link	Inception date	Operator(s)	'Belt and Road' (re-)branding
Leipzig–Shenyang	September 2011	DB Schenker	Initiated in 2011 without a 'Silk Road' label; since 2012, presented by the media as an example of Silk Road transport links
'*Yuxinou* Railway' (Duisburg–Chong-qing)	January 2012	*YuXinOu* Logistics Company (Chinese–German–Russian–Kazakh joint venture); Trans Eurasia Logistics	One regular train per week from 2012 onwards; increased frequency to three trains per week in 2014; presented by the operators as a 'Silk Road project' since Chinese President Xi's visit to Duisburg in March 2014
'Trans Eurasia Express' (Hamburg–Zhengzhou)	Regular traffic since July 2013, further extended July 2015	Joint project by DB Schenker and Zhengzhou city, operated by Trans Eurasia Logistics; DHL Freight operation since July 2016	First 'pilot train' was operational in October 2008 (Xiangtang–Hamburg); actively promoted as a 'Silk Road project' by new operator DHL Freight since 2015
Hamburg–Harbin	June 2015	Trans Eurasia Logistics	Promoted under 'New Silk Road' label from its conception
Nurnberg–Chengdu	October 2015	Hellmann Rail Eurasia	Promoted by Hellmann and German media as part of a 'New Iron Silk Road'

Lately, Germany's sea freight sector has also shown a growing interest in BRI. Germany's largest port in Hamburg, as well as DuisPort (the company operating Germany's biggest inland port in Duisburg), have repeatedly expressed interest in BRI as a way to attract greater volumes of East Asian and global maritime trade. However, the port of Hamburg has reportedly also developed strategies for coping with what is expected to become much heavier competition from a range of southern European ports that China is seeking to promote as gateways for BRI.

Significantly, as Table 3 shows, several of the German–Chinese railway operation projects that are portrayed today as part of BRI had been in the pipeline long before China's President Xi Jinping launched the initiative in 2013. The railway connection from Chongqing to Duisburg illustrates the type of 'BRI rebranding' that has taken place in Germany particularly well. Trans Eurasia Logistics had announced plans to create a new container railway transport route between Germany and China as early as in 2008. However, after the official presentation of BRI in 2013, the joint venture went to great lengths to communicate that the project had always been an early centrepiece of a 'New Silk Road on rails'.

The rebranding of old railway operation projects and the framing of new railway projects as BRI activities seem to be driven by two principal considerations. First, German logistics companies appear eager to capitalize on the positive historical connotations that the concept of the ancient *Seidenstraße* (Silk Road) carries in Germany.[24] Second, and much more importantly, as Chinese regional governments and state-owned enterprises increasingly compete for opportunities to launch BRI projects with European partners, trumpeting BRI tune seems to make it much easier for German cargo companies to find commercial partners in China.[25]

24 DHL Group (2015), 'Auf Schienen über die Seidenstraße [The Silk Road on Rails]', https://www.dpdhl.com/content/dam/dpdhl/ueber_uns/postforum/postforum-sep-2015.pdf.

25 Wade Shepard (2016), 'Why the China–Europe "Silk Road" Rail Network is Growing Fast', *Forbes*, 28 January, http://www.forbes.com/sites/wadeshepard/2016/01/28/why-china-europe-silk-road-rail-transport-is-growing-fast/#5a7897407f24.

China's Approach: Shifting from Top-level Promotion to Cultural Diplomacy

Germany was an early prime target of high-level Chinese BRI promotion activities in Europe. China's President Xi Jinping visited the German city of Duisburg in March 2014 to celebrate the arrival of the first 'official' *Yuxin'ou* train from Chongqing, which was widely portrayed in the Chinese media as a milestone for getting BRI off the ground.[26] Following Xi's visit, the Chinese Embassy in Berlin continued to promote BRI with German political elites. The joint organization of a range of BRI events with Berlin-based think tanks and foundations culminated in the Chinese Embassy co-hosting a BRI 'stock-take exercise' at the *Auswärtiges Amt* (German Foreign Office) in February 2016. The exercise served to explore the scope, breadth and conceptual foundations of BRI and also offered a discussion of BRI's links with the EU–China Connectivity Platform.[27] However, despite gathering senior Chinese, EU and German officials, the event failed to yield any substantive discussion of concrete plans for BRI project related to Germany.

With a view to promoting BRI with German industry, the China Federation of Industrial Economics (CFIE), a Chinese government-sponsored industry association that seeks to promote 'common prosperity along the Silk Road Economic Belt and 21st Century Maritime Silk Road',[28] advertised BRI opportunities at the 2014 high-level business community's 'Hamburg Summit: China Meets Europe'. In June 2015, leading German businesses were invited to attend a bilateral business dialogue in Taicang on '"One Belt, One Road" Initiatives – Dialogue on the new German–Chinese Cooperation'.

Significantly, following the stock-taking exercise at the German Foreign Office in early 2016, Chinese BRI-related outreach at the political and business levels began to wane. Instead, Beijing has invited German 'opinion-shapers' from academia and media to take part in cultural BRI conferences in China, and the Confucius Institutes in Germany have organized a range of Silk Road-related cultural events, including academic conferences, concerts and dance festivals. In early 2016, the Confucius Institute also dedicated a full volume of its German-language flagship publication to explaining BRI's 'cultural and economic win–win character'.

Perception: Taking Primary Interest in BRI's Implications for the Rest of Europe and Eurasia

Berlin's initial perceptions of BRI were fairly positive. The German government took a keen interest in the initiative's substantive propositions and saw it as way to secure Chinese investment in Germany, Europe and Europe's wider neighbourhood. In a speech delivered in Beijing in October 2015, German Chancellor Angela Merkel praised BRI's long-term strategic outlook, stating that 'The European Union also wants to be part of this endeavour'.[29] Despite the positive tone of the statement, Merkel's call for a strong EU role with regard to BRI-related activities may also be seen as testimony to growing German concerns from the second half of 2014 onwards about BRI's potential to dilute EU investment rules and to erode EU political unity. Accordingly, different German government departments continue to monitor closely Chinese BRI activities in Europe and their economic and political implications.

26 The Chongqing–Duisburg line had in fact been operational since 2012, but it was only upon Xi's visit to Duisburg that it was presented as a 'New Silk Road' project (see Table 3).

27 *Auswärtiges Amt* [German Foreign Office] (2016), 'Konferenz im Auswärtigen Amt zur Seidenstraßen-Initiative "OBOR"' [Conference at the Federal Foreign Office on the Silk Road Initiative 'OBOR', https://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Aktuelle_Artikel/China/160202_Seidenstra%C3%9Fe_Initiative.html.

28 CFIE (2016), 'The Belt and Road Industrial and Commercial Alliance', http://www.cfie.org.cn/2710757099819/2726451123930/15923/2883704102710.html.

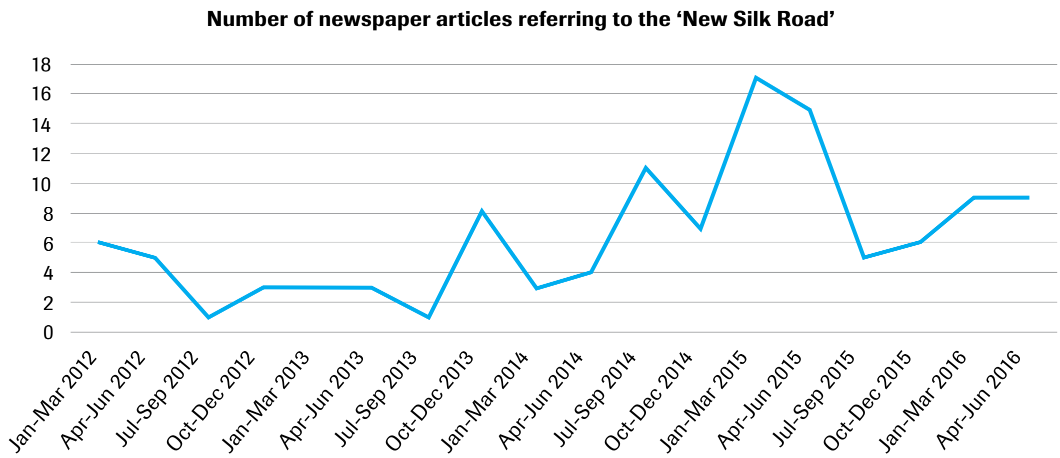
29 *Bundesregierung* [German Federal Government] (2015), 'Rede von Bundeskanzlerin Merkel beim Bergedorfer Gesprächskreis am 29. Oktober 2015 [Chancellor Merkel's Speech at the *Bergedorfer Gesprächskreis* on 29 October 2015]', https://www.bundesregierung.de/Content/DE/Rede/2015/10/2015-10-29-rede-merkel-bergedorfer-gespraechskreis.html.

Lately, the German Foreign Office and other government agencies have increasingly devoted resources to understanding the effects that BRI might have on the wider Eurasian region. Towards this end, the German Federal Ministry of Economic Cooperation and Development, for example, has hosted discussions among officials from different government departments on assessing the development policy implications resulting from China's BRI initiative.

German regional and municipal officials who were present at the February 2016 BRI stock-taking exercise at the Foreign Office underlined their continued interest in BRI as a means to strengthen regional economic development. In contrast, Germany's businesses and the Federal Ministry for Economic Affairs and Energy have adopted a much more sober take on the economic potential of BRI, with public statements on the initiative being mostly neutral in character and lacking major expectations. However, in March 2016, the government-funded German Trade and Invest Agency published a rather positive assessment, encouraging German businesses to seize emerging BRI opportunities.[30]

As Figure 2 shows, Germany's press has reported extensively on the *Neue Seidenstraße* (New Silk Road), as BRI has come to be primarily dubbed in German media, with coverage peaking in early 2015.[31] However, as is captured in Figure 3, rather than analysing BRI's impact on Germany, media discourses predominantly revolved around China's geopolitical ambitions in Eurasia and its endeavour to promote economic development and stability in its own Western regions. German journalists only explicitly picked up on the relationship between BRI and Germany when describing new German–Chinese railway operations or Germany's role in the AIIB.

Figure 2 German Media Interest in the 'Belt and Road' Initiative Peaked in Early 2015

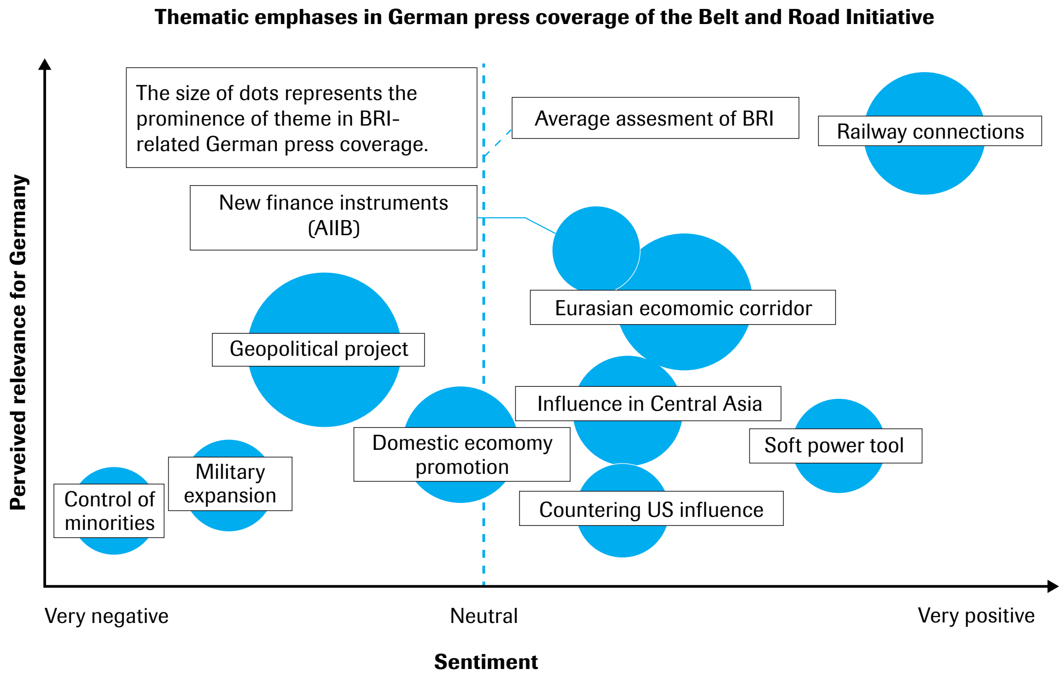


30 Achim Haug and Wolfgang Ehmann (2016), 'Chinas neue Seidenstraßen erschließen Grenzregionen' [China's New Silk Roads Open Up Border Regions], *GTAI*, 14 March, http://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/suche,t=chinas-neue-seidenstrassen-erschliessen-grenzregionen,did=1425882.html.

31 The data presented in Figures 2 and 3 is based on a content analysis of 115 German newspaper articles published between January 2012 and June 2016 and retrieved through the Lexis–Nexis database based on a basic search for the keywords 'Silk Road' and 'China'. Articles exclusively dealing with cultural or historical aspects of the Silk Road were excluded from the analysis.

Significantly, the vast bulk of German press coverage has depicted BRI as either a geopolitical threat[32] or an over-ambitious endeavour that is doomed to fail.[33] Negative press coverage of BRI has also referred to China's military expansion and the status of Uyghur minorities in Xinjiang.[34]

Figure 3 Germany's Press is Primarily Concerned with BRI's Geopolitical Implications



Response: Multilateralizing Germany's Approach to BRI

The German government has increasingly sought to devise a multilateralized approach to BRI, which seems to be a direct consequence of Berlin's growing interest in BRI's wider European and geopolitical implications. In Brussels, Germany has been a keen advocate of using the EU–China Connectivity Platform as a way to ensure the conformity of Chinese BRI-related investments in Europe with EU rules and standards. In addition, the Connectivity Platform is seen by German officials as an important tool to align Chinese infrastructure plans in the European neighbourhood with those of EU member states.[35] With a view as well to deploying other European frameworks to reconcile BRI activities with European rules and standards, Germany has supported the endeavours of the European Investment Bank to provide technical support to the AIIB and to co-fund AIIB projects.

Regarding China's BRI promotion activities in Central Asia, the German government has used its OSCE chairmanship to launch discussions among OSCE members about linking up Eurasian connectivity efforts with BRI. Specifically, the German Foreign Office hosted a high-level OSCE business conference on connectivity in Berlin from 18–19 May 2016. Taking over the G20 presidency from China in 2017,

32 Karl Grobe (2015), 'Peking wird aggressiver [Peking Becomes More Aggressive]', *Frankfurter Rundschau*, 15 March.
33 Tobias Kaiser and Frank Stocker (2014), 'In der Wachstumsfalle [In The Growth Trap]', *Welt am Sonntag*, no. 38, 9 November.
34 Angela Köckritz (2014), 'Aufbruch auf der Seidenstraße [Departure on the Silk Road]', *Die Zeit*, 23 January, pp. 24–25.
35 Markus Ederer (2016), 'Implications of the "One Belt, One Road" Initiative for Europe and the Eurasian Continent – Rede von Staatssekretär Markus Ederer bei der Veranstaltung "Bestandsaufnahme OBOR"', 2 February, http://www.auswaertiges-amt.de/DE/Infoservice/Presse/Reden/2016/160202-StS_E_Seidenstrasseninitiative.html.

Berlin is also interested in marrying core elements of China's BRI strategy with German development policy through launching the 'Chinese–German G20 Cooperation for Sustainable Infrastructure Investment'. Germany's active role in the AIIB and its promotion of AIIB good-governance standards constitutes another indirect attempt to shape China's BRI-related activities in Eurasia.

Germany has also sought bilateral cooperation with China on BRI-related activities in Central Asia. During the fourth German–Chinese intergovernmental consultations in Beijing in June 2016, German Foreign Minister Frank-Walter Steinmeier signed an MoU on Trilateral Cooperation in Afghanistan, as part of which Germany and China plan to launch joint projects to support Afghanistan with regard to infrastructure, energy, transport, environmental protection, agriculture and health.[36]

At regional and municipal levels, the city of Hamburg has so far made the most visible efforts to promote BRI cooperation. The Hamburg Chamber of Commerce is the only German representative in the so-called 'Belt and Road Industrial and Commercial Alliance', a multilateral cooperation mechanism that is sponsored by the CFIE. During his November 2015 visit to China, Hamburg's Mayor Olaf Scholz promoted Hamburg as a major European Silk Road trade hub.

Despite German industry's overall rather cautious stance on BRI, some German businesses with stakes in Eurasian trade are actively involved in promoting BRI-related activities. The *Unternehmerinitiative Seidenstraße* (Silk Road Entrepreneurs' Initiative), for example, has initiated an annual *Zukunftspreis Mittelstand Neue Seidenstraße* (Small and Medium Enterprises New Silk Road Futures Award) to raise awareness of the Silk Road's potential for German small and medium enterprises (SMEs). However, not unlike the limited inroads that BRI has made in terms of concrete projects in Germany to date, it seems that these activities have also done very little to raise awareness of BRI among Germany's SMEs.

36 *Auswärtiges Amt* (2016), 'Enhancing Cooperation: Fourth German–Chinese Intergovernmental Consultations Held in Beijing', http://www.auswaertiges-amt.de/nn_729116/sid_9D5721CC8FA0DFA4CEA4B11443F81953/EN/Aussenpolitik/Laender/Aktuelle_Artikel/China/160613_RegKonsultationen.html.

6 'One Belt, One Road' Projects in Greece: A Key Driver of Sino–Greek Relations

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(November 2016)

Summary

Greece currently hosts one of the few large-scale projects in Europe that is clearly recognizable as part of OBOR. It is not an exaggeration to state that the Piraeus OBOR project is a key driver of Sino–Greek relations. Since 2008, the China Ocean Shipping Company (COSCO) has made a US$ 4.3 billion investment in two of the three piers at the Piraeus seaport. Since April 2016, COSCO has also obtained a majority stake of the Piraeus Port Authority by committing itself to investing some €700 million over the next decade. At the same time, while Greece is an important actor in sea routes between Asia and Europe, at this stage there is no clear-cut OBOR strategy that would allow the Greek government and other stakeholders – for example, Greek shipowners – to promote national interests in a meaningful way.

Piraeus: A Typical OBOR Project

The 'One Belt, One Road' vision set out by China's President Xi Jinping in 2013 focuses on connectivity across Eurasia and towards East Africa, through two main strands: the land-based Silk Road Economic Belt (SREB); and the Maritime Silk Road (MSR). Sitting at the crossroads between Europe, Asia and Africa, and at the same time well known for its large commercial fleet, it is only natural for Greece to be involved in this ambitious plan, or, at least, in its MSR component.

At present, Greece hosts one of the few large-scale projects in Europe that is clearly recognizable as part of OBOR: a US$ 4.3 billion investment by the China Ocean Shipping Company (COSCO) at the port of Piraeus that aims to promote Chinese commodities in South-East and Central Europe. In particular, COSCO has a 35-year management lease for Piers II and III, two of the three terminals at Piraeus. The concession deal, worth €831.2 million (US$ 1 billion) at the time, was signed by Greek Prime Minister Kostas Karamanlis and China's President Hu Jintao in November 2008. Since then, not only has COSCO invested the remaining money in the port's infrastructure, but it has also helped to attract other leading corporations to operate from Piraeus, such as Hewlett Packard, Maersk and the Mediterranean Shipping Company (MSC). Through this investment, Pireaus has become the fastest growing container port worldwide: the annual throughput of COSCO's subsidiary Piraeus Container Terminal (PCT) nearly quadrupled from 880,000 twenty-foot equivalent units (TEU – the unit that measures the capacity of a container ship) in 2010 to 3.36 million TEU in 2015, while the global ranking of Piraeus rose from 93rd to 39th in terms of container capacity over the same period of time.[37]

The significance attached to the investment in Piraeus by Chinese officials in the framework of the Maritime Silk Road and as a gateway to South-East and Central Europe has been no secret, particularly

37 David Glass (2016), 'The Ins and Outs of China Cosco's Pireaus Deal', *Seatrade Maritime News*, 15 April, http://www.seatrade-maritime.com/news/asia/the-ins-and-outs-of-china-coscos-pireaus-deal.html.

after the expansion of the capacity of the Suez Canal in August 2015. Shortly afterwards, in December 2015, COSCO merged with the China Shipping Group, resulting in a new company formally called China COSCO Shipping (but often referred to as COSCO), which gave it an additional boost. A second agreement, which was signed on 8 April 2016, further upgraded China's presence in Greece.

Upon a public tender won by COSCO in January 2016, the company will pay €280.5 million to buy 51 per cent of the shares of the Piraeus Port Authority (PPA) and €88 million for another 16 per cent after five years, on the condition that it invests another €350 million over the next decade. Notably, the deal was signed by COSCO and the Hellenic Republic Asset Development Fund (HRADF), which is in charge of privatizing public utilities in the midst of Greece's current severe fiscal crisis. During his visit to Greece for the official ceremony, China COSCO Shipping Chairman Xu Lirong stated: 'Our goal is to help Piraeus Port become the largest container hub in Europe'.[38]

It is quite clear that COSCO's presence in Piraeus is part and parcel of an ambitious plan that aims at promoting Chinese commodities in South-East and Central Europe and, therefore, a number of spin-off projects are also being considered. There have thus been numerous reports about COSCO's interest in the development and operation of a new logistics centre at Thriasio to the west of Piraeus. A plot of 0.6 square kilometres has been tendered, but the deadline for submission of binding offers has been repeatedly postponed.[39] Yet COSCO aims not only to make Piraeus the biggest commercial port in the Mediterranean, but also the biggest ship-repair point in the eastern Mediterranean and one of the most important cruise tourism junctions in the world.[40]

If Piraeus is to serve as a gateway and a transhipment hub, it is the Greek railway network that provides much-needed access to markets further north in Europe. After winning the bid for Piraeus port, COSCO was expected to make an offer for Greece's rail network in order to build a major transhipment hub. Surprisingly, however, COSCO in the end did not express interest in the privatization of TRAINOSE, the operator of the Greek railway network and a subsidiary of the national railway corporation OSE.

The reason behind COSCO's decision to stay out of the bid, which was won by *Ferrovie dello Stato Italiane S.p.A.* (Italian State Railway),[41] may have to do with political uncertainty in Greece. The postponement of the deadline for submission of binding offers was caused by the migrant crisis in Greece. In November 2015, the railway track into the Former Yugoslav Republic of Macedonia and towards Serbia and Hungary was blocked by a makeshift migrant camp at Idomeni in northern Greece for three weeks. As a result, forwarders were forced to use the seaport of Koper in Slovenia as an alternative route between Piraeus and Central Europe. Next, another blockade of the Greek railway track lasted for more than two months, from mid-March to late May 2016. After strenuous and futile

38 Alexia Vlachou (2016), 'Greek President Hopes for More Investments following Piraeus Port Authority Deal, *Xinhua*, 10 April, http://news.xinhuanet.com/english/2016-04/10/c_135265634.htm.

39 Tomos News (2016), 'Chinese COSCO Eyes Greek Trains, Logistics Center and Airport to Build Europe Hub', 6 February, http://www.tornosnews.gr/en/tourism-businesses/new-investments/14324-chinese-cosco-eyes-greek-trains-logistics-center-and-airport-to-build-europe-hub.html. According to reports in the Greek media, the deadline has been postponed upon the request of other likely contenders, such as Aktor, METKA, Grivalia, Lamda Development and Maersk, etc.

40 Ilias Bellos (2016), 'Cosco Raises Investment Target for Piraeus', *e-kathimerini*, 7 July, http://www.ekathimerini.com/210213/article/ekathimerini/business/cosco-raises-investment-target-for-piraeus.

41 Interestingly, *Ferrovie dello Stato Italiane* (Trenitalia) is undergoing a process of privatization and an initial public offering (IPO) is expected to take place in 2017. Notably, Trenitalia is to build two high-speed lines in Iran. See *Ferrovie dello Stato Italiane*, 'FS Italiane will Build Two High-speed Lines in Iran: Development of a Test Center and Staff Training', 12 April 2016, http://www.fsitaliane.it/cms/v/index.jsp?vgnextoid=e335ebbac6f04510VgnVCM1000008916f90aRCRD&vgnextchannel=93e9b225e86cc410VgnVCM1000008916f90aRCRD

negotiations, forwarders turned to the alternative of bypassing the Idomeni bottleneck through the railway network of neighbouring Bulgaria, although this option incurred extra costs and time delays.[42]

At the same time, another privatization scheme arising in Greece could very well link up to China's OBOR strategy, namely the Thessaloniki Port Authority (THPA) in northern Greece, which is also up for grabs. The Shanghai Ports International Group is reportedly interested in participating in the on-going public tender for 67 per cent of the stock of THPA. It was decided that the PPA tender formula would be applied – that is, 51 per cent plus 16 per cent to be obtained at a later stage.[43] At this time, the five contenders are reported to be APM Terminals (a subsidiary of AP Møller-Maersk); Deutsche Invest Equity Partners; P&O Steam Navigation Company (a subsidiary of DP World from Dubai); International Container Terminal Services (ICTS) from the Philippines; and a consortium of Russian Railways JSC with the Greek company GEK TERNA.

China's OBOR Promotion Strategy

Chinese officials have repeatedly stressed the strategic position of Piraeus, and often use the leitmotif of China and Greece being ancient civilizations at the two extremes of the historic Silk Road. However, while Piraeus is frequently featured in Chinese media outlets, interest in the COSCO investment remains limited in Greece itself. Interestingly, the initial idea about Chinese involvement in Piraeus appears to have been proposed by Greek shipowners long before the announcement of Chinese President Xi Jinping's OBOR vision in 2013.[44] The proposal was accepted by Beijing during the 2006 visit of former Greek Prime Minister Kostas Karamanlis to China.

Subsequently, there has been no shortage of officialdom in negotiations over Chinese investment in infrastructure projects in Greece and their inclusion in the OBOR framework, primarily in relation to COSCO's presence in Piraeus. After the initial 2008 deal was signed by China's President Hu Jintao during an official visit to Greece, there was a visit by Chinese Prime Minister Li Keqiang in June 2014. In March 2015, two months after the government of Alexis Tsipras came to power, Greek Deputy Prime Minister Yannis Dragasakis visited Beijing, with Piraeus prominent on his agenda. In July 2016, Greek Prime Minister Tsipras himself visited China, two days after the Greek Parliament ratified COSCO's takeover of the PPA.

Perceptions of OBOR in Greece

Prime Minister Tsipras is on record referring to the April 2016 agreement as 'an important message to the world's financial community'. After signing the deal on 8 April 2016, he noted that the COSCO investment would make the Maritime Silk Road faster and shorter and that, for Greece, this would be

42 The damage sustained by TRAINOSE is estimated between €2.5 million and €6 million. The alternative route via Bulgaria reportedly raised the cost by at least €5,000 per cargo wagon, which would then reflect on the selling price of the products. In addition, the Greek national railway company OSE had to pay compensation for some 300 wagons blocked at Idomeni.

43 TAIPED decided that the winner of the process would now get 51 per cent of the share capital of the port instead of the original 67 per cent and would receive the remaining 16 per cent five years later after a number of agreed investments; Anastassios Adamopoulos (2015), 'TAIPED Changes Conditions of the Thessaloniki Port Authority Acquisition', *Greek Reporter*, 3 September, http://greece.greekreporter.com/2015/09/03/taiped-changes-conditions-of-the-thessaloniki-port-authority-acquisition/.

44 Asteris Huliaras and Sotiris Petropoulos (2014), 'Shipowners, Ports and Diplomats: The Political Economy of Greece's Relations with China', *Asia Europe Journal*, 3/2014.

'the start for a series of new investments in Greece'.[45] Indeed, this is what Greece is eager to achieve – attract FDI to its cash-strapped economy.

Yet the COSCO investment in Piraeus has been a controversial topic and has anything but enjoyed full-hearted support in Greece. Given the ideology and protectionist inclination of the two parties that form the current ruling coalition (the Coalition of the Radical Left–SYRIZA and the Nationalist Independent Greeks–ANEL), the government prioritizes 'strategic partnership' over 'privatization', and 'public interest' over what is often referred to in Greece as 'neo-colonialist contracts'.[46] Notably, the Greek Ministry of Shipping and Island Policy, which is in charge of seaports, has been a well-known opponent to the concession for years. Piraeus dockworkers are also opposed to the deal, arguing that it will put their jobs at risk. However, apart from the vested interests of some small professional groups in Piraeus, the key objection to the COSCO investment has above all been ideological.

After COSCO won the January 2016 bid, the Greek Ministry of Shipping and Island Policy promoted the creation of a new public ports authority, which was to act in parallel to the existing Regulatory Ports Authority.[47] This and other provisions in the bill that was tabled in the Greek Parliament in late June 2016 caused a strong reaction from COSCO. The Chinese argued that these last-minute and unilateral amendments would fundamentally change the complexion of the agreement. The final text of the bill was hastily brought back in line with the April 2016 deal, the new law was adopted by the Greek Parliament and this opened the way for the visit of Greek Prime Minister Tsipras to China immediately afterwards.[48]

The President of China COSCO Shipping, Xu Lirong, has pledged that as soon as the April 2016 deal comes into effect, the company plans to invest in maintaining Greece's shipbuilding infrastructure, seek a greater share in the cruise sector and organize coastal shipping. He has also assured that COSCO will pay attention to labour relations and will 'provide the best working conditions' for the Greek employees.

Response to OBOR Projects in Greece

Overall, there does not seem to be a clear-cut national strategy in Greece regarding OBOR. National and local authorities take a reactive, if not obstructionist, approach. The true driving force behind OBOR-related projects and other investment schemes in Greece is privatization through HRADF, in line with Greece's commitments, as spelled out in the third Eurozone bailout deal signed by Prime Minister Tsipras on 13 July 2015. As has been pointed out, seven years into Greece's protracted financial crisis, lenders are not taking any chances.[49] EU authorities also play a part, mostly through the regulatory framework that is applicable to all the EU member states. With regard to local businesses, very few have the capacity to make competitive offers and prefer to participate in bigger consortia.

45 David Glass (2016), 'The Ins and Outs of China Cosco's Pireaus Deal', *Seatrade Maritime News*, 15 April, http://www.seatrade-maritime.com/news/asia/the-ins-and-outs-of-china-coscos-pireaus-deal.html.

46 Plamen Tonchev (2015), 'Greece and China: Discovering Each Other At Last?', *Mapping Europe–China Relations: A Bottom-Up Approach*, October.

47 GTP (2016), 'Greek Gov't Pushes for New Port Regulatory System', *Greek Travel Pages*, 5 May, http://news.gtp.gr/2016/05/05/greek-new-port-regulatory-system/.

48 The Minister of Shipping and Island Policy was replaced in a cabinet reshuffle in November 2016.

49 Helena Smith (2016), 'For Sale: Greek Islands, Hotels and Historic Sites', *The Guardian*, 30 May, https://www.theguardian.com/world/2016/may/30/for-sale-greek-islands-hotels-historic-sites-stergios-pitsiorlas.

Conclusion

There is no doubt that Greece is an important actor in the context of China's OBOR strategy. COSCO's investment in Piraeus is a case in point. While there are other significant potential OBOR-related projects that are likely to go ahead in the foreseeable future, two significant impediments need to be taken into consideration: (i) the lack of a Greek OBOR strategy and legal clarity in a number of cases; (ii) Greece's fiscal predicament, which arguably prevents Greece's national authorities from seeking the best possible modalities and maximum benefits to be drawn from related projects funded by the Chinese.

7 Hungary: Along the New Silk Road across Central Europe

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(September 2016)

Summary
Hungary plays an important regional role in the building of the' Road and Belt' project, although references to OBOR itself (or the New Silk Road as it is more widely known in Hungary) are rarely evoked in China's relationship with Hungary. The underlying reason is that Budapest and Beijing mostly cooperate bilaterally or under the framework of the 16+1 network of the Central and Eastern European countries and China. OBOR would mean a third layer or label, so political actors rarely mention it, while media sources tend to overlook it totally. Still, there are at least two major projects in Hungary that qualify as OBOR programmes.

The Budapest–Belgrade Railway

The most obvious project is reconstruction of the railway line between the Hungarian and Serbian capitals – Budapest and Belgrade – on which China, Hungary and Serbia first agreed back in 2013. A consortium of the China Railway Group (CRG), China Railway Corporation (CRC) and the Hungarian State Railways (HSR) was awarded a €1.5 billion contract to refurbish the 160kilometre-long Hungarian section, while an additional 180 kilometres will be built in Serbia to reach Belgrade.[50] According to the original plan, construction should be completed by late 2017. Although 2018 is an election year in Hungary and China's Premier Li Keqiang will also reach the end of his first term, it seems improbable that the railway line will be delivered in time, since construction had yet to begin as of September 2016. The new tracks will be able to accommodate train speeds of up to 200 kilometres per hour. When it comes to the financial background, the Chinese will provide a long-term loan for 85 per cent of the total budget through the Export–Import Bank of China. Most of the important details of the contract are not public, but observers speculate that the interest rate could be at or above 2 per cent, which is not favourable from a Hungarian point of view, especially since the project mostly serves Chinese interests.

The Budapest–Belgrade line would be an important section of OBOR, connecting the port of Piraeus in Greece (run by China COSCO Shipping) to Central and Western Europe via Macedonia, Serbia and Hungary. With the help of this upgraded transport corridor, containers from China may find a shorter and faster route towards the heart of Europe, without the need to sail across Gibraltar towards Rotterdam and Hamburg. At the same time, the Chinese government – through projects like the Budapest–Belgrade railway line – is creating opportunities for its own construction companies to create a track record within the boundaries of the EU, helping them to mitigate their over-capacity issues, and creating investment opportunities for Chinese excess capital single-handedly. Meanwhile, the Hungarians expect some transfer fees as a direct benefit of the projects, although calculations made by logistical experts suggest that – based on current fees and potential maximum transport volume – the project will not pay for itself in any acceptably near future (experts of logistics cited by media resources suggest that it could take up to 2,400 years).

50 *Xinhua* (2015), 'Launch of Hungary–Serbia Railway Marks New Start of China–CEE Cooperation', 24 December, http://europe.chinadaily.com.cn/business/2015-12/24/content_22798392.htm.

As the project seems to be more important to China than to Hungary, one might have expected the Hungarian side to utilize its convenient bargaining position during negotiations. Still, the final agreement seems clearly to benefit the Chinese side more. The Chinese construction companies CRG and CRC will get paid for their work, containers full of Chinese goods will be transported on the new line, and the Export–Import Bank of China will make a decent profit on the loan itself. Meanwhile, Hungary will gain some importance in Central Europe's logistical infrastructure, some Hungarian companies will have the chance to work on the project as subcontractors, and Budapest may receive higher political esteem in Beijing. Of course, Hungary would gain much more if it had a strategy for attracting foreign (Chinese) investors to industrial zones along the railway line in order to build factories, logistical centres, shared service centres (SSCs), and eventually to create jobs. Unfortunately, such a strategy is either non-existent or imperceptible.

The Tourism Factor

The second project is a mixture of CEE 16+1 and OBOR in the fields of tourism. Hungary, as a member of the CEE 16+1 cooperation has had the privilege of hosting the China–Central and Eastern European Countries' Tourism Coordination Centre (TCC) in Budapest since May 2014, based on the Bucharest Guidelines.[51] On 4 March 2016, the China National Tourism Administration opened its first office in the CEE region in Budapest, and imminently started an advertisement campaign under the title 'Beautiful China, Silk Road'.[52] Although this programme was created in late 2015 and has been promoted all around Eurasia (previously in Turkey, Italy and Kazakhstan, etc.), as the regional centre for Chinese tourism, Hungary will eventually play an important role in tourism cooperation, which is frequently labelled as a Silk Road or OBOR project.

Hungarian politicians working in Brussels have taken further steps to strengthen Hungary's position in this regard. The Europe China OBOR Culture & Tourism Development Committee was launched at the China Cultural Centre in Brussels in April 2016, chaired by Minister of the European Parliament (MEP) István Újhelyi, Vice-President of the Committee on Transport and Tourism at the European Parliament. As explained by MEP Újhelyi at the centre's opening ceremony:

> This Committee aims also to promote EU–China cooperation by being the European pillar of the Chinese initiative 'One Belt, One Road'. I am convinced that this new platform, gathering politics, business and the professionals from tourism and culture, could create and participate in very valuable projects.[53]

China's Approach and Hungary's Response

Despite the relevance of the above-mentioned projects, China has not implemented any remarkable strategies to advertise or promote the OBOR project in Hungary. The Chinese Embassy in Budapest generally keeps a low profile, and even though the Chinese ambassador does mention OBOR in his speeches or interviews, the general public knows very little, or indeed nothing, about 'Belt and Road'. This might be surprising given that the Budapest–Belgrade railway line project itself was initiated by

51 The heads of government of China and 16 CEE countries met in Bucharest, Romania, on 26 November 2013. Achievements made in the cooperation between China and the CEE countries were reviewed, and to advance cooperation further, the parties jointly formulated and issued the Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries.

52 CNTA (2016), 'China Opens its First Tourism Office in CEE', 30 May, http://en.cnta.gov.cn/focus/travelnews/201603/t20160307_762631.shtml.

53 CCCB (2016), 'Launching Ceremony of the OBOR Committee', China Cultural Center in Brussels, 27 April, http://www.cccbrussels.be/news/events/launching-ceremony-of-the-obor-committee.html.

the Chinese in order to make their investment in Piraeus viable in the long run. Hence, the entire CEE 16+1 cooperation is regarded as part of OBOR by the Chinese side nowadays. Research institutions in Beijing have reached out to Hungarian researchers and experts and have incorporated them into various OBOR networks. For example, the Central and Eastern European Centre for Asian Studies (in Budapest) has been invited to join the International Silk Road Think Tank Association.

From the point of view of journalists in Hungary, bilateral, CEE 16+1 and EU–China relations already provide more than enough topics for the media to cover, while most policy-makers regard OBOR as a distant opportunity. Potential threats and risks are not discussed, since it is hard for policy-makers to differentiate between OBOR and non-OBOR Chinese activities in Hungary. As a result, these projects are simply labelled as 'Chinese'.

Besides efforts to build the Budapest–Belgrade railway line, Hungary became the first European country to sign a MoU on OBOR with China in June 2015. At the same time, though, Hungary missed the opportunity to join the AIIB. However, since Hungary does not have an official China strategy, an OBOR strategy – or even coordination on OBOR among different governmental actors – is missing as well. Local companies are too small to join construction projects in third countries, and their knowledge on OBOR is very limited or non-existent.

In sum, Hungary has the chance to be one of the first European beneficiaries of a major OBOR-labelled project, but the Hungarian government could do more to utilize all potential aspects. Of course, the size of Hungary and Hungarian companies limits the capacity to cooperate with Chinese partners on a much bigger scale, but the formulation of a national China Strategy might support efforts to articulate Hungarian interests *vis-à-vis* China and the OBOR project itself.

8 OBOR and Italy: Strengthening the Southern Route of the Maritime Silk Road

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(October 2016)

Summary

Located at the centre of the Mediterranean Sea, which is the end-point of China's 21st Century Maritime Silk Road, Italy is considered by Chinese leaders to be an important piece in the implementation of OBOR. Italian ports and rail connections to the markets in Central, Eastern and Northern Europe have become the focus of attention for the Italian government, and the Chinese are keen to exploit opportunities in the logistics and infrastructure sectors to promote the Maritime Silk Road. There is, however, not much discussion in Italy's national media as to what China's 'Belt and Road' is – and what it entails. Likewise, Italian policy-makers do not seem to be very aware of the Chinese initiative. It is the business community – particularly some large private enterprises and state-controlled companies – that is at the forefront of promoting OBOR in Italy.

Introduction

Situated at the midpoint of the Mediterranean Sea, which is considered the limit of China's 21st Century Maritime Silk Road, Italy is deemed by Chinese leaders to be vital for the realization of OBOR. Italian ports and rail connections to the markets in Central, Eastern and Northern Europe have become the Italian government's focus of attention. Meanwhile, the Chinese are eager to develop opportunities in the logistics and infrastructure sectors to promote the Maritime Silk Road.

There is little discussion in the Italian national media, however, as to what China's OBOR is. Likewise, Italian policy-makers do not appear to be very aware about the Chinese initiative. It is Italy's business community, particularly some big companies, that is at the forefront of promoting OBOR in Italy.

When state-owned China National Chemical Corporation – or ChemChina, China's largest chemical company with a turnover of about €40 billion – bought Italy's premium tyre maker, Pirelli, for US$ 7.7 billion in 2015, the deal was funded in part by the Silk Road Fund, which took a 25 per cent stake in the ChemChina unit established to buy Pirelli's shares. This led some Italian business leaders, including personalities such as Marco Tronchetti Provera, Chief Executive Officer (CEO) of Pirelli – which is now effectively controlled by ChemChina – to mount a strong push to steer Italian foreign policy in a pro-China direction, prevailing over reservations in the Italian Ministry of Foreign Affairs. Today, the companies that are likely to benefit from OBOR projects – and that are therefore lobbying the Italian government – are those operating in the logistics and infrastructure sectors.

One particular project has attracted attention from Chinese and Italian business and political leaders since 2015: the five-port initiative in the northern Adriatic Sea. This initiative represents Italy's flagship OBOR project, as it is also part of a series of other proposals presented by the Italian government to its Chinese counterpart during their last bilateral summit in 2016.

Italy's Key OBOR Project: The 'Five-Port Alliance'

The 'five-port alliance' is financed by the Italian government, as well as OBOR money from the Chinese government and Chinese state-owned companies. The initiative received high-level support from Italian and Chinese authorities during the Forum of Cooperation of Silk Road Cities, which was held in Venice on 23 July 2015, and during a follow-up event that was also held in Venice in July 2016. Organizers included the Chinese Silk Road Cities Alliance and the Venice Port Authority, while participants included policy-makers and business leaders from both China and Italy.

The five-port project involves the Italian ports of Venice, Trieste and Ravenna, plus Capodistria (in Slovenia, where the city is called Koper) and Fiume (in Croatia), linked together in the North Adriatic Port Association (NAPA). The consortium aims to attract – and service – China's huge cargo ships that reach the Mediterranean Sea via the Suez Canal. The NAPA alliance is supported by the Italian Ministry of Infrastructure and the Italian Ministry of Foreign Affairs. The plan is to create an offshore/onshore docking system by building a giant multimodal platform off the shore of the city-port of Malamocco, near Venice. The platform, eight miles from the coast where the sea is at least 20 metres deep, is designed to allow the giant cargo ships to dock. Once operational, the platform is expected to handle between 1.8 and 3 million TEU per year. As a comparison, today all of the Italian ports combined can handle 6 million TEU.

Onshore, the project includes building five terminals: three in Italy (Marghera, Ravenna and Trieste); one in Slovenia (Capodistria/Koper, a city that belonged to Italy before the First World War); and one in Croatia (Fiume, which also belonged to Italy before the Great War and where there is still a sizeable Italian community). Once completed, the initiative will consist of a network of ports in the northern Adriatic Sea that is able to service the mega-ships coming from China and that will cut down shipping time to the markets in Central, Eastern and Northern Europe. The journey from Shanghai to the northern Adriatic Sea is around 8,600 miles, compared to 11,000 miles from Shanghai to Hamburg – a route that requires eight more days of navigation.

The project will cost around €2.2 billion. €350 million have already been budgeted by the Italian government to start work on the offshore docking platform near Venice and to build the initial infrastructure to service the mega-cargo ships in the five ports. Chinese investors have already shown interest in this project, particularly: the port authorities of Shanghai and Nongbo; the China Communications Construction Group (CCCG, the world's sixth largest infrastructure company); and the Industrial and Commercial Bank of China (ICBC). The ICBC has recently opened a few branches in Italy and has designed loan schemes to finance OBOR projects that are open to both Chinese and Italian firms.

The five-port initiative seeks to provide Chinese mega-ships with a parallel – and alternative – south–north route to the one running from Piraeus through the Balkans. To this end, the Italian government is upgrading rail connections between the Italian ports in the northern Adriatic Sea with the markets in Central and Northern Europe. There is now a new transalpine railway, which was inaugurated in June 2016 after completion of the San Gotthard tunnel between Italy and Switzerland. Another tunnel in Loetschberg is set to be completed by 2020, allowing trains to run from Zurich to Milan in two and a half hours.

The completion of the San Gotthard tunnel makes it possible to reduce travel time between Italy and Germany significantly. It is expected that up to 250 cargo trains and 65 passenger trains could use the link daily from December 2016, when the route becomes fully operational. Switzerland has invested €21.5 billion (3.5 per cent of its GDP) in this project, while Italy has earmarked €12 billion for the initiative. From Milan, there will be direct rail connections to the port of Genoa on the western side of the Italian peninsula, and to the five-port alliance in the northern Adriatic Sea on the eastern side. The completion of these infrastructural projects will challenge the South-East European ports of Piraeus and Istanbul, as well as the ports of Rotterdam, Antwerp and Hamburg in Northern Europe.

Italy in China’s ‘Ports Strategy’

As part of the Maritime Silk Road, Beijing is currently financing and building a network of ports and other coastal infrastructure projects stretching from South and South-East Asia to East Africa and the Mediterranean Sea. COSCO, which is China’s biggest shipping line, has taken minority stakes in terminals in Antwerp, Suez and Singapore, as well as a majority stake in the port of Piraeus in Greece, where it is building a dock that can handle mega-ships.[54]

Chinese goods are currently shipped through the Suez Canal, then in a wide loop through the Mediterranean, the Bay of Biscay and the English Channel to ports on Europe’s north-western coast, including Rotterdam, Antwerp and Hamburg, from where they are dispatched by road and rail to inland cities. China is investing large sums in the renovation, and upgrade, of rail systems in Southern and Eastern Europe. Once these projects are completed, Chinese products will go from the Suez Canal – which recently doubled its capacity – directly to Piraeus to be loaded on to trains, reaching the markets in Central and Northern Europe through the Balkan high-speed rail link, cutting transit times from roughly 30 to 20 days.

Similarly, the Italian route will include both sea-based and land-based connections. Chinese shipping companies have a well-established presence in the Italian ports of Naples and Genoa, where both COSCO and the China Shipping Company have invested heavily. The port of Gioia Tauro in southern Italy also received some interest from Chinese investors before they decided to turn their focus to the Greek port of Piraeus.[55] With the five-port alliance in the northern Adriatic Sea, Italy thus hopes to regain some of the traffic that has been lost to the Greek port.

Potential Challenges

There is little discussion in the Italian media about OBOR and its implications. Italy’s public debate on the subject has so far focused on the opportunities that Silk Road projects could bring to the Italian economy. A few voices, manly from local media and environmental NGOs, have raised concerns, particularly regarding the potential environmental risks that the five-port project – which involves the docking of giant cargo ships – could have for a city like Venice. So far, it seems that the business community’s argument is winning over environmental concerns. However, as the project enters its implementation phase, it is likely that local committees made up of concerned citizens and associations will be created to oppose the initiative, since this is quite common practice in Italy. These developments will surely apply pressure on politicians, who will thus feel compelled to take action, leaving open the possibility of OBOR’s five-port initiative in the northern Adriatic Sea going through adjustments and/or being downsized, with potential implications for Sino–Italian relations.

54 Nicola Casarini (2016), ‘When All Roads Lead to Beijing: Assessing China’s New Silk Road and its Implications for Europe’, *The International Spectator*, 51:4, December.

55 Marco Sanfilippo (2014), ‘Chinese Investments in Italy: Facing Risks and Grasping Opportunities’, *IAI Working Papers*, 14:19, 19–20 December, http://www.iai.it/en/node/2375.

9 The Netherlands and the New Silk Road: Threats and Opportunities resulting from Changing Trade Routes

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(October 2016)

Summary
The Netherlands – home to Europe's largest port – constitutes an obvious connecting point between the Maritime Silk Road and the Silk Road Economic Belt, the two chief components of China's 'One Belt, One Road' initiative. Whereas awareness of the Silk Road among policy-makers, companies and researchers is increasing, the overall Dutch response has been cautious. Engagement by the Dutch government with the Silk Road initiative remains mainly limited to its membership of the Asian Infrastructure Investment Bank (AIIB). Meanwhile, the Chinese government appears not to regard the Netherlands as one of its priority countries in the EU when it comes to cooperation on the Silk Road. So far, the actors most active in responding to new opportunities are Chinese and Dutch logistics companies, as well as the Chinese city of Chengdu.

The New Silk Road and the Netherlands: Rotterdam, Schiphol and Tilburg

The Netherlands is among China's largest trade partners in the EU. A large portion of Sino–Dutch trade consists of transit trade: nearly two-thirds of imports from China and one-third of Dutch exports to China are transit trade.[56] Germany is a major source of – and destination for – these trade flows. Trade with China is of major importance for the port of Rotterdam, which plays a crucial role for the Dutch economy. Imports from China account for one-quarter of all goods arriving by container in Rotterdam. Schiphol Airport in Amsterdam, as the fourth largest airport in Europe, also contributes to the Netherlands' hub function. Over the past few years, Schiphol, which has direct links with various Chinese cities, has benefited from a growth in air freight from the Netherlands to China.

The port of Rotterdam's relevance for the Silk Road was highlighted in May 2016, when China COSCO Shipping purchased a 35 per cent stake in the Euromax Terminal at Rotterdam. The Euromax Terminal is a highly advanced container terminal that has been operational since 2010. Its operator and majority owner is Europe Container Terminals (ECT), the oldest and largest container terminal operator in Rotterdam. Since 2002, ECT has been a subsidiary of CK Hutchison Holdings, which is based in Hong Kong. The involvement of COSCO in the port of Rotterdam is all the more significant, since COSCO is China's largest shipping company. The investment increases the likelihood that COSCO will continue

56 Hidde Rupp (2015), 'Verschuivingen binnen de Nederlandse import [Shifts in the Dutch Imports]', 13 July, https://www.ebury.nl/blog/2015/07/13/verschuivingen-binnen-de-nederlandse-import/; and Hidde Rupp (2015), 'Nederland als doorvoerland: De gevolgen van de groeiende wederuitvoer [The Netherlands as a Transit Country: The Consequences of Increasing Re-exports]', 28 October, https://www.ebury.nl/blog/2015/10/28/nederland-als-doorvoerland-de-gevolgen-van-de-groeiende-wederuitvoer/.

to use Rotterdam as the 'base port' for its container shipping operations in North-West Europe. On the occasion of its €125 million investment in the Euromax Terminal, COSCO declared:

> The Port of Rotterdam is the largest port in Europe and one of the major hub ports in the world. Rotterdam is located at the junction of land-based 'Silk Road Economic Belt' and ocean-going 'Maritime Silk Road'. Furthermore, it is situated at the end of the European side of new Asia–Europe economic corridor. Based on the medium to long-term development trend, the Port of Rotterdam will continue to be Europe's main hub.[57]

Rotterdam is frequently represented in Chinese accounts as the terminus of the land routes that make up the Silk Road Economic Belt. This is the case with the often-reproduced Xinhua map of the Silk Road. From the early 1990s, under the name 'New Eurasian Land Bridge', the Chinese media have been promoting the idea of a direct freight train connection between Lianyungang on the Chinese east coast via Kazakhstan to Rotterdam. A striking aspect, from a Dutch perspective (but not part of the Chinese narrative), is the fact that Lianyungang port and the first few hundred kilometres of railroad infrastructure inland from Lianyungang (plus related rolling stock) were originally built and partly financed by Dutch firms and investors between 1921 and 1937.[58] In spite of the historical connection with Lianyungang, the New Eurasian Land Bridge never generated much enthusiasm in the Netherlands and, until recently, Rotterdam's role as the western terminus of the overland route has remained merely symbolic.

However, this is now changing. The most visible exponent to date of the Silk Road in the Netherlands is a weekly freight train between Chengdu and Tilburg, which started in April 2016. Tilburg is located 60 kilometres from Rotterdam (and a similar distance from the Belgian port city of Antwerp). Incoming trains from Chengdu, which is in Central China, contain consumer electronics from companies such as Sony, Samsung and Fuji, while outbound trains from Tilburg carry a variety of goods, including products for the oil industry, cars, wine and trees. Russian sanctions on European agricultural produce are an obstacle for more cargo on the trains bound for China, which pass through Russia. In September 2016, Rotterdam was added to this rail service, which is now named the Chengdu–Tilburg–Rotterdam Express. Its operators aim to raise the frequency of departing trains from one to five per week by the end of 2017.[59]

The Chinese Approach: Chengdu and COSCO Taking the Lead

The Chinese government has not approached the Netherlands with specific ideas to cooperate within the framework of 'One Belt, One Road'. In public speeches, the Chinese ambassador to the Netherlands routinely refers to the OBOR initiative as a means of bringing the two countries closer together. However, despite occasional references to specific sectors such as logistics, such official statements do not include proposals for actual projects. During his visit to the Netherlands in March 2014, China's President Xi Jinping did not mention or allude to OBOR, even though this was his first ever state visit to a European country.[60] Half a year earlier, President Xi had used his visits to Kazakhstan and

57 COSCO Shipping Ports (2016), 'COSCO Pacific Limited Entered into a Share Sale and Purchase Agreement with Hutchison Port Holdings Limited for the Acquisition of Equity Interest in Euromax Terminal Rotterdam', 13 May, http://www.coscopac.com.hk/en/news.php?action=content&class_id=16&id=385.

58 Frans-Paul van der Putten (2001), *Corporate Behaviour and Political Risk: Dutch Companies in China, 1903–1941* (Leiden: CNWS), pp. 172 and 180–184.

59 'Eerste spoordienst Nederland-China van start [First Netherlands–China Rail Service Launched]', *RailCargo*, 3 October 2016.

60 Chinese Embassy in The Hague (2014), 'Xi Jinping Meets with King Willem-Alexander of the Netherlands', 23 March, http://nl.china-embassy.org/eng/zgyw/t1140558.htm; and Xi Jinping (2014), 'Ingezonden brief president China: hoge verwachtingen van mijn staatsbezoek [Letter of the President of China: High Expectations of my State Visit]', letter to Dutch newspaper *NRC*, 23 March, http://www.nrc.nl/nieuws/2014/03/23/ik-heb-hoge-verwachtingen-van-mijn-bezoek-aan-europa.

Indonesia to give public speeches in which he launched the overland Silk Road and the maritime Silk Road, respectively. When in the Netherlands, even an implicit reference to cooperation in the field of transport and logistics by way of visiting the port of Rotterdam was not in Xi's programme. Notably, President Xi subsequently went to Germany, where he visited the inland port of Duisburg (which is just 40 kilometres from the Dutch border) and where he publicly called for Sino–German cooperation to expand the Silk Road's overland route. Unfortunately, no information is available to explain why Xi's approaches to the Netherlands and Germany with regard to OBOR were so different.

Contrary to the Chinese central government, some Chinese local governments and companies do have an explicit focus on the Netherlands in relation to the Silk Road. The initiative for the Chengdu–Tilburg rail line, which is part of the Chengdu–Europe Express Railway Service that started in 2013 with a Chengdu–Lodz line, originated with Chengdu International Railways (CDiRS) and the logistics office of the city of Chengdu, which is also subsidizing the rail line's start-up phase. Furthermore, as was mentioned above, the shipping and logistic conglomerate COSCO has taken a minority stake in the Euromax Terminal in Rotterdam. Representatives from other Chinese firms also frequently visit the port of Rotterdam to explore opportunities for investment or other forms of cooperation. Sectors in which Chinese companies have a presence include transport, telecommunications, agriculture and automotive. Trading and logistical activities of Chinese firms in the Netherlands are supported by local branch offices of the Bank of China, the Industrial and Commercial Bank of China, and the China Construction Bank.

The Dutch Perspective: Mixed Views

There have been occasional reports on China's Silk Road initiative in the Dutch media (usually referred to as *nieuwe Zijderoute*, New Silk Road), but awareness of this concept among the general public remains very limited. Many who do know the concept regard it as vague and consider its stage of development too premature to draw firm conclusions. A primary focus point in the media and within the Dutch government has been the involvement of COSCO in the Greek port of Piraeus and the question of whether this is a potential threat to the future role of Rotterdam. The concern is that trade related to Central Europe and southern Germany could increasingly flow via Piraeus rather than Rotterdam. From this starting point, attention in the Dutch government and business circles has gradually spread to other related topics, including the relevance of China–Europe railway links, opportunities for Sino–Dutch cooperation in Asia or Africa, and the implications of Chinese direct investments for Dutch economic security. Overall, the Dutch business sector tends to focus on opportunities, while the Dutch government has mixed views, and the media often point at possible negative repercussions.

The Dutch government has initiated a consultation process to facilitate the exchange of views and experiences regarding the Silk Road among Dutch companies, experts and government agencies. A specific aim of this process is to develop an appraisal framework for policy-makers to assess the risks and opportunities involved in the Silk Road initiative. While the Dutch Ministry of Foreign Affairs acts as the coordinating agency, a range of other ministries are actively involved, including Infrastructure, Defence, Security and Economic Affairs. Although the consultation process is a potential tool for coordination with other European countries and the European Union, the Netherlands is currently not engaged in multi-stakeholder interaction on the Silk Road at the international level. The Dutch government does coordinate on Silk Road-related issues with Dutch embassies in many of the countries that are covered by the Chinese initiative. The website of the Netherlands' Embassy in Beijing provides information in Dutch regarding the Silk Road initiative,[61] and the Dutch Consulate-General in

61 Netherlands embassy in Beijing, 'China zet in op nieuwe zijderoutes als raamwerk voor buitenlandbeleid [China Focuses on New Side Routes as a Framework for Foreign Policy]', 30 April 2015, http://china.nlambassade.org/Zakendoen_in/nieuws/2015/04/one-belt-one-road.html.

Chongqing has been active in promoting rail transport between Chongqing and the Netherlands, and in facilitating Sino–Dutch talks at the ministerial level on OBOR cooperation.

One concrete step taken by the Dutch government is that it joined the AIIB as a founding member. The motives for doing so include the aim of contributing to infrastructure development in Asia, the desire to have some degree of influence over the allocation of AIIB funds, and the belief that a rising China should be embedded in multilateral institutions. The Dutch share in the AIIB's capital amounts to US$ 1.03 billion, which gives the Netherlands 1.12 per cent of total voting rights. Currently, the Netherlands also provides one alternate director on the AIIB board. This alternate director, who is an official from the Dutch Ministry of Finance, acts alongside another (French) alternate director and a (German) director on behalf of the Eurozone members, which as a group holds 15 per cent of the voting rights. On the whole, the Dutch government's experience with the AIIB – including the standards that the bank has adopted, the way in which its board of directors functions and China's role in these regards – is positive.

Apart from the Netherlands' central government, Dutch regional and local governments also play a role with regard to the Silk Road. In order to electrify a one-kilometre stretch between the Tilburg rail terminal and the main rail network, funding was made available not only by the Infrastructure Ministry and the company that operates the terminal, GVT Group of Logistics, but also by the provincial government and the city of Tilburg.[62] As a result of this improvement, the incoming trains from China do not need to switch to diesel locomotives until they are in the terminal. An alderman from Tilburg municipality was present during the final negotiations between GVT and CDiRS on the Chengdu–Tilburg rail service, which took place in Shanghai in May 2016.

On the business side, various sectors have been paying attention to the Silk Road. Dutch companies involved in port construction and port management are interested in potential new business opportunities in third countries, in particular outside Europe. At the same time, they are wary of increased competition from Chinese counterparts in Asia and Africa. Various Dutch banks have been making assessments of potential risks and opportunities for their business, for instance in trade finance. The Dutch agricultural sector is exploring possibilities for using new rail links to increase sales to China. Besides GVT in Tilburg, also other companies involved in logistics and transport are concentrating on strengthening the Netherlands' hub function by becoming involved in the new trade routes. In July 2016, three Dutch transport companies launched a joint venture called New Silkway Logistics (NSWL), a logistical service provider for end-to-end transport of goods via the Duisburg–Chongqing rail line. The Port of Rotterdam – which is a Dutch state-owned enterprise – is actively promoting increased freight traffic by rail between Rotterdam and China. Finally, several business associations have been paying attention to the Silk Road, for instance in the maritime shipping sector.

62 Noël von Hooft (2016), 'Industrieterrein Tilburg nu ook met de elektrische trein bereikbaar: "78.000 minder vrachtwagens" [Tilburg Industrial Zone Now Also Accessible by Electric Trains: "78,000 Fewer Cargo Trucks"]', *Omroep Brabant*, 24 February, http://www.omroepbrabant.nl/?news/244902702/Industrieterrein+ Tilburg+nu+ook+met+de+elektrische+trein+ bereikbaar+78.000+minder+vrachtwagens.aspx.

10 Poland on the Silk Road in Central Europe: To Become a Hub of Hubs?

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(October 2016)

Summary

Poland expresses a positive attitude towards the Silk Road initiative, which is perceived as a means to expand Polish exports to China, attract Chinese investments, and speed up Poland's reindustrialization through synergies between the OBOR and Poland's development strategy. Poland's goal is also to become a Silk Road hub, at least in Central Europe. This active approach is noticeable in the plethora of high- and low-level bilateral meetings and signed memorandums under the Silk Road framework. Nevertheless, no specific project has so far been launched since the OBOR announcement. To date, China has rather recast existing projects under the Silk Road name, with a prime example being the Lodz–Chengdu cargo train line. Prospects for potential future results were proclaimed by the announcements and concluded memorandums during Chinese President Xi Jinping's visit to Poland in June 2016. The Silk Road was included in the declaration about upgrading Chinese–Polish bilateral ties to the Comprehensive Strategic Partnership.

Existing and Planned Activities

Since the New Silk Road concept was announced in September 2013, China has recast existing Polish–Chinese projects under the 'One Belt, One Road' framework, but has not necessarily launched new ones. In particular, two cargo railway connections – the Lodz–Chengdu line, which was launched in April 2013, and Warsaw–Suzhou, which began in September 2013 – fit with the OBOR idea, as they connect China and Europe. The Lodz–Chengdu connection is rather unique compared to other Europe–China cargo trains, because it is an open and regular line – meaning that trains depart regularly (once or twice a week), without having to wait to fill all of the containers with products (as opposed, for example, to the Chongqing–Duisburg line). In this sense, it serves as a good public relations product and is promoted as a Silk Road success story in Poland. Moreover, this line is entirely operated by Chinese and Polish private companies working in a joint venture. Maritime cargo connections have also been incorporated into the OBOR concept, such as the direct container sea service between Gdansk and Shanghai, which was set up in 2010.

So far, however, no specific project has been launched since September 2013. Nevertheless, several rather small but specific achievements are noteworthy. One is the extension of the Lodz–Chengdu railway to Xiamen in August 2015. It is worth mentioning that this extension was a result of Xiamen's efforts to 'plug into' existing Silk Road projects, and that both Xiamen and Lodz seek to benefit from simplified customs and other procedures related to a new experimental Fujian Free Trade Zone. What is more, enhanced cooperation between Lodz, Chengdu and Xiamen encouraged Lodz to apply to the Polish Ministry of Economy (now the Ministry of Economic Development) to include the train terminal into the Lodz Special Economic Zone. There are also plans to add three Chinese cities to the Lodz–Chengdu cargo line in a similar way as Xiamen, although they have yet to be named.

Another small but important step towards cooperation under the OBOR initiative came in late August 2015, when trains travelling from Lodz to China were for the first time loaded with Polish products (agricultural goods, and alcoholic and non-alcoholic beverages). Previously, empty containers were returned to China by sea or simply sold, as Polish goods either had difficulty finding a market in China or were barred from transiting through Russia because of sanctions levelled by Moscow, particularly on agricultural products.[63]

Another example is a new cargo railway connecting Kutno (a city located very close to Lodz) and Chengdu, which was launched a few weeks before Chinese President Xi Jinping's visit to Poland from 19–20 June 2016. It is argued that the terminals in Lodz and Kutno are not competitors but are complementary to each other.[64] During President Xi's visit, the Chinese and Polish presidents took part in a ceremony welcoming the arrival to Warsaw of a China Railway Express freight train (with electronics and auto parts) that had set off from Chengdu days earlier.

Despite limited results so far regarding cooperation under the Silk Road, there are plans for other projects under the OBOR label, including the multimodal logistics hubs in Lodz and Małaszewicze. In the case of Lodz, existing facilities are increasingly insufficient. For example, there is no special warehouse for food products, or sorting areas for e-commerce. There is a need for enlargement of the existing terminal, or even setting up a customs-free zone that will be very important for the trade of electronic devices.[65] In the case of Małaszewicze, which is located on the border between Poland and Belarus, there are plans to build a dry logistics hub for container shipments between China and Europe. As a matter of fact, in mid-2015 the Polish company PKP Cargo (an operator of the Zhengzhou–Hamburg train link) signed a letter of intent with Zhengzhou International Hub from Henan to establish a joint venture to build this reloading port in Małaszewicze.[66]

Prospects for additional OBOR projects also emerged during President Xi Jinping's visit to Poland, when several Silk Road-related MoUs were signed, including on financing such potential projects as the central international airport in Poland, high-speed rail, container terminals and the establishment of industrial parks.

China's Increasingly Proactive MoU Diplomacy

China puts OBOR on the agenda of all high- and low-level bilateral meetings with Poland, as well as during political and non-political (that is, economic, tourist and cultural) dialogues. During bilateral high-level visits, both China and Poland organize seminars on the Silk Road. For example, a seminar on 'China–Poland Investment Cooperation within the Belt and Road Initiative' was held in Beijing on 25 April 2016, on the occasion of the visit by Polish Minister of Foreign Affairs Witold Waszczykowski to China. In June 2016, there was a huge international Silk Road Forum in Warsaw that was attended by China's President Xi Jinping and Polish President Andrzej Duda.

Another instrument to promote the Silk Road is sending Chinese delegates (local governments, business circles and representatives of various state agencies) to Poland to inspect the investment

63 For more on the Lodz–Chengdu railway connection, see speech given by Tomasz Jurczyk at the seminar 'Chiny-Europa Środkowa (16+1): Perspektywy rozwoju' [China–Central Europe (16+1): Perspective of Development], 24 September 2015, Warsaw Public Library, http://www.koszykowa.pl/111-debaty-czwartkowe/1389-2015-09-24-debata-chiny-europa-srodkowa-16-1-perspektywy-rozwoju.

64 Adam Kaliński (2016), 'Kutno na Jedwabnym Szlaku [Kutno on the Silk Road]', 29 May 2016, http://www.bankier.pl/wiadomosc/Kutno-na-Jedwabnym-Szlaku-7399950.html.

65 Tomasz Jurczyk, 'Chiny–Europa Środkowa (16+1): Perspektywy rozwoju'.

66 Justyna Szczudlik-Tatar (2015), '"One Belt, One Road": Mapping China's New Diplomatic Strategy', *Bulletin PISM*, no. 67:799, 2 July, p. 2, http://www.pism.pl/files/?id_plik=20062.

environment (a prime 'recipient' of Chinese delegations is the Polish Information and Investment Agency – PAIiIZ). It seems that the character of these visits has recently been changing, as delegations come with particular project proposals (sometimes even including maps) under the OBOR framework. This is a departure from the traditional Chinese approach, which was limited to asking the Polish side for suggestions. In this sense, China is becoming proactive. A good example of this approach is a recent visit to Poland by Chairwomen of the Foreign Affairs Committee of the Chinese Parliament, Fu Ying. Her visit was evidence that Chinese active policy includes a form of stimulating rivalry between states for OBOR benefits. She urged Central European countries to loosen administrative barriers for OBOR projects and said that the first country to deal with this problem has a great potential to become the Silk Road logistical hub. Yet a perception gap remains in understanding the mode of investments under the 'Belt and Road' concept. The Chinese side still insists on special treatment, for example in tender procedures.

Apart from the afore-mentioned means, China is becoming more eager to sign agreements around the OBOR project. For example, at the 4th China–CEE (that is, the CEE 16+1) summit held in Suzhou in November 2015, Poland and the PRC signed a 'Memorandum of Understanding on the Belt and Road Initiative', with concrete details such as strengthening efforts to remove trade barriers, etc. Furthermore, during the visit to China by Polish Minister of Foreign Affairs Waszczykowski in late April 2016, China proposed a Silk Road action plan. This approach was noticeable during Chinese President Xi Jinping's visit to Poland as well. In a document about upgrading bilateral relations from 'strategic' to a 'comprehensive strategic partnership', there is a passage that the two countries agree to promote cooperation within the 'Polish Plan for Responsible Development'[67] and the 'Chinese Belt and Road Initiative'. Several MoUs were also concluded between ministries and state agencies, with the Silk Road as an important framework or slogan.

Poland's Positive Perception

Polish policy-makers hold a positive perception of OBOR. Most of them see more potential benefits than threats coming from the initiative, and this perception remains unchanged under Poland's new leadership (following the presidential elections in mid-2015 and general elections in late 2015). At least at the rhetorical level, it seems that the new Polish government is even more eager to encourage Chinese businesses to invest in Poland under the Silk Road.

Generally, OBOR is perceived among decision-makers as a potential chance to expand Polish exports to China using existing and new transport connections: both inland (cargo trains); and maritime (between Shanghai, Tianjin and the Polish port of Gdansk). Apart from trade, the Silk Road is also perceived as a chance for Chinese investments, as OBOR assumes the establishment of special economic and industrial zones. Chinese capital might be very useful, considering the current Polish government's plan for reindustrialization and improving transport infrastructure, including highways and transport corridors (for example, the projects for two highways: Via Baltica, linking Finland, the Baltic states, Poland and Germany; and Via Capratia, linking Lithuania, Poland, Slovakia, Hungary, Romania and Greece), high-speed trains, and even a central international airport between Lodz and Warsaw. In this sense, the Polish government sees synergies between development strategies in Poland (the Morawiecki Plan)[68] and China.

67 This Plan, also known as the Morawiecki Plan after Poland's Development Minister Mateusz Morawiecki, is a 25-year strategy to avoid the middle-income trap. It is based on five pillars: reindustrialization; innovation; international expansion; sustainable social development; and increased savings. It assumes a change of development model to be supported by the Polish state, from cheap labour and production to an economy based on knowledge and innovation. In that sense, the Morawiecki Plan is, to some extent, similar to the main assumptions to be found in China's new five-year plan.

68 See footnote 66 above about the Morawiecki Plan.

Businesses' attitudes are rather positive as well, but Polish companies are not very active in OBOR, as they do not have enough knowledge about the Chinese market, China–Poland train connections, or the AIIB. This explains the rather low interest in using the Lodz–Chengdu connection and potential projects under the AIIB.

There is not much media coverage on the Silk Road, except in times of rather significant events related to China, such as high-level bilateral visits (for example, Xi Jinping's latest visit to Poland), the process of application and then ratification of the Polish bid to be a founding member of the AIIB, and the ceremony celebrating the extension to Xiamen of the Chengdu–Lodz cargo line. Most coverage is devoted to the description of the OBOR concept, its main assumptions and the potential benefits for Poland, and the great majority of the articles are quotations or summaries of statements given by the Polish administration. Recently, a few critical articles have been published that enumerate potential threats, such as exports to Poland from subsided Chinese overproduction, which might be dangerous if China is granted market economy status. This approach, combined with decreasing Chinese imports, may result in an increasing trade deficit on the Polish side. There are also doubts as to whether Polish agricultural products – which are perceived as the most prospective export, including apples, pork, dairy products, sweets and alcoholic beverages – can successfully compete with China's huge production (of apples) and competition from the United States, France, Denmark (pork), Australia and New Zealand (dairy).[69]

Polish Proaction on OBOR

The response to OBOR from the Polish administration was, and still is, rather active. From the very beginning, the Polish government expressed interest in the Silk Road initiative, treating OBOR as a means to 'fill' the rather vague 'strategic partnership' notion with real content. Yet the best evidence is recent (that is, since March 2015), noticeable, proactive efforts on the part of Poland to become a fully engaged member of the Silk Road. The prime example is Poland's membership of the AIIB. Poland has also initiated contacts with the Silk Road Fund, while the new Polish government openly admits that it is interested in the Chinese Silk Road concept as a way to implement Morawiecki's Plan. What is more, during AIIB President Jin Liqun's visit to Poland in May 2016, Polish Minister of Finance Paweł Szałamacha mentioned that Poland's membership in the AIIB and closer relations with China are an element of Poland's economic strategy. He also expressed the desire to establish the AIIB's regional representative office in Poland.[70]

There has so far been no specific, publicly-announced strategy or institution within the Polish administration devoted specifically to OBOR. It is assumed that the institutions most involved in policy reflections on OBOR are Poland's Ministry of Foreign Affairs, the Ministry of Finance (because of its role in the AIIB), the Ministry of Economic Development, and state agencies responsible for promoting trade and attracting investments, such as PAIiIZ, especially its Centre for Polish–Chinese Economic Cooperation. For example, PAIiIZ and the Ministry of Finance organize seminars for Polish businesses to inform them about the AIIB and possible projects financed by the bank. PAIiIZ also organizes conferences and seminars about the Silk Road, trying to explain this notion to the Polish entrepreneurs and encouraging them to enter the Chinese market and launch cooperation with their Chinese counterparts.

69 Łukasz Sarek (2016), 'Wyboje na Jedwabnym Szlaku [Potholes on the Silk Roads]', *Obserwator Finansowy*, 27 January, https://www.obserwatorfinansowy.pl/tematyka/makroekonomia/wyboje-na-jedwabnym-szlaku/.

70 'Polska stawia na Chiny: Ta współpraca to już nie jest puste hasło' [Poland Chooses China: This Cooperation is Not an Empty Slogan Anymore]', 6 May 2015; http://www.money.pl/gospodarka/wiadomosci/artykul/polska-stawia-na-chiny-ta-wspolpraca-to-juz,84,0,2076244.html; and Polish Ministry of Finance (2016), 'Spotkanie ministra Szałamachy z szefem chińskiego AIIB [Minister Szłamacha's Meeting with AIIB's President]', 6 May, http://www.finanse.mf.gov.pl/web/bip/ministerstwo-finansow/dla-mediow/informacje-prasowe/-/asset_publisher/6PxF/content/id/5646931.

11 Portugal and OBOR: Welcoming, but Lacking a Strategy

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Summary

China is paying particular attention to Portugal's leading cargo-handling infrastructure, the port of Sines, arguing that this infrastructure will most likely become the first OBOR-related project in Portugal. However, the Portuguese government lacks a proactive strategy towards the OBOR initiative, despite China's commitment to bringing Portugal into play. As such, Portugal risks taking a reactive stance, while attempting to compensate for its lack of a strategic approach by relying on the friendly environment that marks its history of bilateral relations with China, as well as its recent significant developments in trade and investment.

'Portugal is the Beginning and the End of the Silk Road'

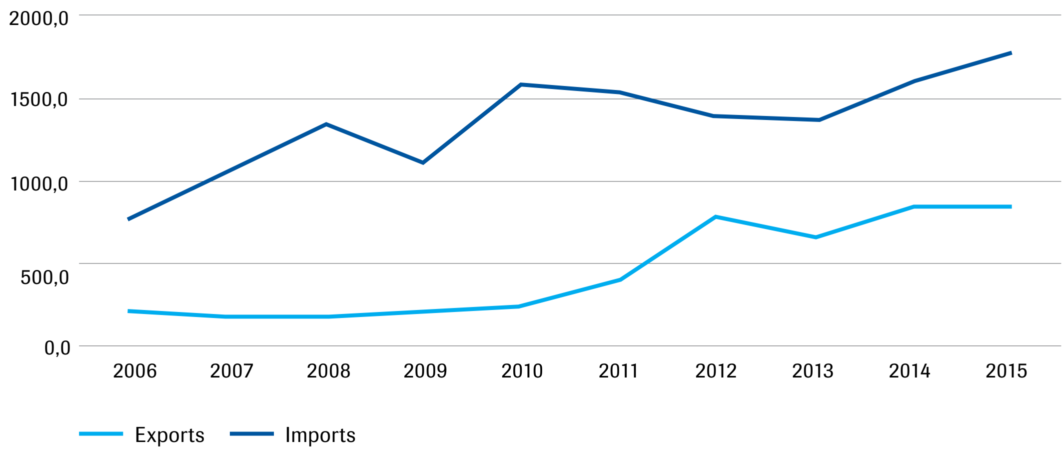
This statement by former Chinese Ambassador to Lisbon, Huang Songfu, which was delivered in May 2015 at an academic event on Portugal–China relations, suggests that Portugal has an important role to play in the developments associated with the '*Nova Rota da Seda*' (New Silk Road), as the OBOR initiative is normally referred to in Portugal. The symbolic value of the diplomat's statement adds to the great deal of commitment by Chinese officials in mobilizing Portugal within the OBOR framework. It also reflects the value of five centuries of interaction, in particular the successful negotiation process that followed the establishment of diplomatic relations in 1979, leading to the handover of the former Portuguese settlement of Macao in 1999, as well as the establishment of a global strategic partnership between the two countries in 2005. China looks upon its relationship with Portugal as a showcase of good practice in international politics.[71] OBOR, as set by the official Chinese discourse, emerges as an opportunity to raise the Portugal–China global strategic partnership to a new level of cooperation, thus increasing, diversifying and qualifying bilateral trade, investment and cultural relations.[72]

A favourable political, historical and economic environment has underpinned a significant strengthening of bilateral relations between Portugal and the PRC in recent decades. This can be illustrated by the stout growth in trade (see Figure 4 below) – from 2006 to 2015, Portuguese exports to and imports from the PRC increased at an average annual growth rate of 14.7 per cent and 8.7 per cent respectively – as well as in outbound foreign direct investment (OFDI).

71 Zelia Breda (2015), 'Portugal–China Relations: A "Great Leap Forward" in the New Millennium', in Mikko Huotari, Miguel Otero-Iglesias, John Seaman and Alice Ekman (eds), *Mapping Europe-China Relations: A Bottom–Up Approach*, European Think-tank Network on China (ETNC), October.

72 'We invite Portugal to seize this opportunity and thus to explore with China the possibilities open by OBOR, which will benefit our peoples through the promotion of pragmatic cooperation and a levelled up global strategic partnership', Huang Songfu, former Chinese ambassador to Portugal (June 2015).

Figure 4 Portuguese Trade with China (2006–2015, in millions of euros)



Source: AICEP (2016)[73]

One can argue that any OBOR-related development in Portugal can be expected to build upon the existing strengths, namely in terms of investment. Chinese OFDI in Portugal has registered considerable growth in the last five years, mainly because of the way in which Chinese investors (mostly large state-owned firms) took advantage of, on the one hand, the pro-privatization stance of the Portuguese government and, on the other hand, the bridging role that Portugal can play with China, Africa and Latin America because of its colonial history. The China Three Gorges Corporation, for instance, in 2011 bought 21 per cent of Electricidade de Portugal (EDP), the Portuguese public electrical power supply company. In 2012, the State Grid Corporation of China acquired 25 per cent of Portugal's Rede Energética Nacional (REN), the national electrical grid operator. Both acquisitions can be related to corporate strategies that are focused on expansion to African and Brazilian energy markets. In 2014, China's Fosun International bought 80 per cent of the insurance company owned by Caixa Geral de Depósitos (CGD), the Portuguese public bank. In February 2016, the Portuguese government authorized China's Hainan Airlines, the Haikou-based private air transport company, to become a shareholder of TAP Portugal, the national air carrier that had been recently privatized. Although predominant in terms of volume, these examples do not exhaust the interest of Chinese investors in Portugal, as shown by the developments in sectors such as banking, agriculture, health services, water supply systems and natural resources, as well as real estate. Taking an overall perspective, the cumulative value of Chinese OFDI in Portugal between 2000 and 2015 amounts to €5,527 million,[74] which is a remarkable achievement for a small Southern European country like Portugal, which has become the fifth preferred destination for Chinese OFDI in the European Union, behind Germany, the United Kingdom, France and Italy.[75]

Chinese authorities accordingly look at OBOR as an opportunity to upgrade the overall positive relational framework in order to accommodate novel conditions, for instance the participation of Portugal as a founding member of the AIIB, or the role that Portugal is expected to play in advancing (or protecting/preserving) OBOR-driven Chinese interests in Portuguese-speaking countries in Africa and South America. However, no OBOR-specific investment has hitherto been made in Portugal.

73 Agência para o Investimento e Comércio Externo de Portugal (AICEP), AICEP homepage, Digital Library, Document Explorer, http://www.portugalglobal.pt/PT/Biblioteca/Paginas/Homepage.aspx.

74 Thilo Hanemann and Mikko Huotari (2016), 'A New Record Year for Chinese Outbound Investment in Europe', Mercator Institute for China Studies and Rhodium Group, February.

75 Chinese OFDI in Portugal is most likely underestimated, as several international operations of Portuguese firms have also been bought by Chinese investors (for example, Petrogal Brazil and EDP Renewable Energy).

The most visible side of the Chinese effort is the dissemination of information and ideas. In fact, China – either in isolation, or in cooperation with a number of Portuguese institutions (such as chambers of commerce and universities) – has been organizing a series of events dedicated to OBOR and its relations with Portugal, namely conferences and seminars, and making use of high-ranking officials and prestigious academics. These events highlighted a rather novel and most relevant feature of Portugal's potential place in China's OBOR strategy. It draws on the recognition that Portugal's strategic location, namely in the context of the maritime Atlantic routes, could become instrumental in the development of the 21st Century Maritime Silk Road. Chinese authorities are, in fact, increasingly acknowledging Portugal's potential as an important element of China-centred maritime transport systems.

Port of Sines: The First OBOR-specific Project?

Lisbon so far seems to lack perception, let alone strategic thinking, on the OBOR initiative. Indeed, Portuguese authorities have not produced any statement, declaration or written document that indicates strategic-level thinking on OBOR. Besides circumstantial discourse, putting forward either vague ideas in order to praise the 'win–win' potential, or drawing on memories of Portugal as a pioneer in connecting Asia to Europe, one can argue that silence reigns in Portugal's government offices. As such, despite evidence suggesting that the maritime dimension is a crucial asset for Portugal in taking advantage of OBOR-driven investment, Portuguese policy-makers seem to lack any strategic vision on the subject. This assertion can be drawn from the analysis of national policy and planning documents, which reveal a total absence of any reference to OBOR (or even China). This is the case with the *Transport and Infrastructure Strategic Plan, 2014–2020*[76] and the *National Ocean Strategy, 2020*.[77]

Still, Portugal's leading infrastructure in terms of cargo handling and its only deep-water port – and indeed one of the few in Europe with no restrictions on any type of ships – the port of Sines seems to be under particular scrutiny from Chinese parties. In 2015, Sines handled approximately 44 million tons of cargo (an increase of 17 per cent in relation to the previous year), including 1.33 million TEU of container cargo. Traffic with China, involving several Chinese major ports, is already a crucial parcel in Sines' operations. Moreover, the (re)launching of a project conceived more than a decade ago, aiming to connect the port of Sines and the Spanish border by railway, can bring increased competitive capacity to the infrastructure and would fit with OBOR in its rationale (namely when acknowledging that the Spanish capital Madrid, approximately 400 kilometres from the Portuguese border, has been connected by train with the Chinese city of Yuwu since December 2014).

Chinese officials are not hiding their growing interest in including the port of Sines as part of the Maritime Silk Road's infrastructure. They acknowledge its relevance for enhancing connections between China, Western Europe and Africa. Besides discursive evidence, their interest is well illustrated by a number of events, such as the recent visit of a Chinese delegation from the port of Ningbo-Zhoushan, which ranks fifth in the world in terms of container handling, and which aimed at finding investment opportunities and fostering the relationship between the two ports, or the meetings between the Port of Sines Authority and representatives of the China Development Bank. Furthermore, Portugal's Secretary of State for Internationalization, Jorge Costa Oliveira, confirmed the interest of the port of Ningbo-Zhoushan in the port of Sines during a visit to China in June 2016. In this context, one can speculate about the high likelihood of locating the first OBOR-specific project in Portugal in Sines.

76 Portugal's Ministry of Economy (2014), *The Strategic Plan for Transport and Infrastructure, 2014–2020*.

77 Government of Portugal, Directorate-General for Maritime Policy, *National Ocean Strategy, 2020*.

Much Room for More Strategic Thinking on the Portuguese Side

In sum, the Chinese interest in promoting the OBOR initiative in Portugal has hitherto not found significant echo in the Portuguese government's realm. Should this situation continue to prevail, a rather reactive stance *vis-à-vis* OBOR can be expected on Portugal's part. Accordingly, Portuguese authorities will compensate for their lack of proactivity by relying on the friendly state of affairs that marks the history of China–Portugal bilateral relations, as well as the sound achievements secured by Portugal in the last decade, namely in trade and investment.

Yet the current Portuguese government has only been in office since December 2015. This may provide room for more strategic-level thinking, also with regard to Chinese initiatives. Ultimately, Portuguese authorities must weigh the risk that assuming a place at '*the end and the beginning*' of China's Silk Road could render Portugal asymmetrically dependent on Chinese interests.

12 Slovakia: Disconnected from China's New Silk Road

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(October 2016)

Summary
The involvement of Slovakia in China's 'Belt and Road' initiative has been minimal until now. Although both Slovak and Chinese authorities have signalled their interest in developing cooperation under China's New Silk Road plan, it appears that Slovakia has no major projects to contribute. This is largely because Slovakia is located outside the main corridors that China is planning to develop as part of the Silk Road project. Both of the major railway links – Duisburg to Xiamen and Budapest to Belgrade – that China intends to upgrade, to allow faster and cheaper transport of Chinese products to Europe, circumvent Slovakia. The use of railway connections that run from China through Russia and Ukraine is hindered by the conflict in Ukraine.

A Notable Absence of Existing and Planned Activities

Slovakia was among the first countries to sign a memorandum with China on the 'Belt and Road' initiative, which occurred during the CEE 16+1 summit in Suzhou in November 2015, when some other countries from Central and Eastern Europe, including Poland and Hungary, also signed this memorandum.[78] As a reaction to China's New Silk Road initiative, Slovakia has offered Chinese partners collaboration in a number of projects that fall under its scope. These include constructing a terminal at Bratislava airport that could be used for combined transport, and extending the express rail line from Belgrade–Budapest up to Slovakia and beyond. Furthermore, Slovakia is offering the use of its intermodal terminal in Dobrá (a reloading point for wide-gauge to narrow-gauge railways), where – following a decree from Russian President Vladimir Putin that put a ban on transporting goods from Ukraine to Russia – the only logistics company engaged in transporting products from China through the terminal in Dobrá ceased its activities in December 2015.[79]

Slovakia's Foreign Ministry sees a major prospect of the Silk Road initiative being interconnected with the EU's Trans-European Transport Network (TEN-T) infrastructure projects. However, there are currently no projects being implemented under the New Silk Road scheme in Slovakia.[80] According to the Slovakian Foreign Ministry officials, the Chinese Logistics Association remains interested in securing transport routes to Europe and they are currently seeking partners in China to provide commercial services. Slovakia would like to see an intermodal transportation terminals centre built in Bratislava or Košice (the largest city in eastern Slovakia), which is located close to a logistics centre

78 Personal interview with Marián Tomášik (Director, Asia and Pacific Department) and Lukáš Gajdoš (Desk Officer for China), Ministry of Foreign and European Affairs (MFEA) of the Slovak Republic, 16 February 2016.

79 Information provided by Drahomír Štos, Director at the Department for Economic Diplomacy, Ministry of Foreign and European Affairs (MFEA), 24 May 2016.

80 Personal interview with Marián Tomášik (Director, Asia and Pacific Department) and Lukáš Gajdoš (Desk Officer for China), MFEA of the Slovak Republic, 16 February 2016, and information provided by Drahomír Štos, Director at the Department for Economic Diplomacy, MFEA, 24 May 2016.

and an industrial park.[81] All of these projects have so far failed to secure the approval of Chinese partners or indeed gained confirmation of interest from China.[82] The Slovak Ministry of Economy keeps records about some Slovak–Chinese projects that fall under the category of the New Silk Road initiative, but does not consider this information to be public, as it concerns private companies. It claims the construction of a wide-gauge railway from the eastern Slovak border westwards to be the main intended project for Slovakia, but this has so far not found enough support in China.[83]

Slovakia's capital city, Bratislava, has recently reconstructed its Old Bridge to allow access for larger cargo ships to the port of Bratislava, but there is no indication that this could be connected to any Chinese initiatives. In 2015, Slovakia finally appeared in the spotlight for Chinese investors, mainly through the purchase of a 10 per cent share in J&T Finance Group by China Energy Company Limited (CEFC). J&T Finance Group has been developing its services in the areas of banking, property and energy and is active in the markets of the Czech Republic, Slovakia, Croatia and Russia. CEFC's share is about to increase to 50 per cent in the near future.[84] Although CEFC head, Ye Jianming, is propagating this purchase as part of the 'Belt and Road' initiative in China, in Slovakia any such reference is missing.

Communicating the Initiative, but Not Systematically

Despite the lack of 'Belt and Road'-related projects, Chinese ambassadors have been active promoters of the 'Belt and Road' initiative in Slovakia, particularly while meeting Slovakia's high representatives. During his first six months as Chinese ambassador to Slovakia, Lin Lin raised the initiative while meeting with Slovakia's president, with the speaker of the parliament (two meetings), and with Slovakia's vice-premier, as well as the deputy foreign minister.[85] Ambassador Lin moreover advertised the New Silk Road during his opening speech at an event that the Chinese Embassy organized in January 2016 on the occasion of Chinese New Year. The highlight of the show was a Chinese 'Silk Road Ensemble', with a performance to represent the diversity of music along the Silk Road.[86] Lin Lin also referred to the New Silk Road in an interview published in *Slovenka* weekly and in his lecture for students at the University of Economics in Bratislava.[87] In 2014, Lin's predecessor, Chinese Ambassador Pan Weifang, wrote an article for the Slovak Parliament's magazine, *Parlamentný kuriér*, introducing the 'Belt and Road' plan.[88]

81 'Ľ. Vážny: Čína chce obnoviť starú Hodvábnu cestu do Európy [Ľ. Vážny: China Wants to Restore the Ancient Silk Road to Europe]', *TASR*, 26 November 2015, www.teraz.sk/ekonomika/vazny-cina-obnova-hodvabna-cesta/168114-clanok.html. Drahomir Štos has confirmed this information.

82 Information provided by Drahomír Štos, Director at the Department for Economic Diplomacy, Ministry of Foreign and European Affairs (MFEA), 24 May 2016.

83 Interview with Dušan Novotný, Department of Bilateral Trade Cooperation, Ministry of Economy of the Slovak Republic, 18 May 2016.

84 See 'Obchod za 27 miliard: Číňané ovládnou polovinu finanční skupiny J&T [Business Worth 27 Billion: Chinese to Take Over Half of the J&T Finance Group]', *Idnes.cz*, 10 March 2016, http://ekonomika.idnes.cz/cinska-skupina-cefc-planuje-navysit-podil-v-j-t-flf-/ekoakcie.aspx?c=A160310_152412_ekoakcie_rts.

85 See the Chinese–Slovak relations section at the Chinese Embassy in Bratislava webpage, http://sk.chineseembassy.org/slo.

86 See http://sk.chineseembassy.org/slo/xwdt/t1342341.htm.

87 'Čínsky veľvyslanec Lin: "Na Slovensku sa cítim veľmi príjemne" [Chinese Ambassador Lin: "I feel very well in Slovakia"'], *Slovenka*, 3 August 2016, http://slovenka.zenskyweb.sk/clanok/33358-cinsky-velvyslanec-lin-lin-na-slovensku-sa-citim-velmi-prijemne. The website of the Chinese Embassy in Bratislava claims that the interview was titled 'Chinese Ambassador Opening the New Silk Road' [Čínsky veľvyslanec otvára novú hodvábnu cestu]: http://sk.chineseembassy.org/slo/xwdt/t1388792.htm. Lin's lecture took place on 25 October 2016 during a course called 'Diplomacy in Practice'.

88 'Hodvábna cesta – z minulosti do budúcnosti [Silk Road – From the Past to the Future]', *Parlamentný kuriér*, 1 May 2014, www.parlamentnykurier.sk/kur228a229-14/pk228a229-14.pdf.

Whereas Ambassador Pan's presentation of the New Silk Road included links to its historical, cultural and economic aspects, current Chinese Ambassador Lin typically limits himself merely to mentioning the project, along with another existing mechanism of cooperation between China and Central and Eastern Europe, the CEE 16+1. Both ambassadors chose different (and rather clumsy) translations of the 'Belt and Road' initiative: *Opasok a Pobrežná cesta*; and *Jedno pásmo, jedna cesta* (Slovak institutions and media mostly use *Jeden pás, jedna cesta*, which is a literal translation of the 'One Belt, One Road' phrase). This suggests that China lacks capacities for a more systematic presentation of the initiative in small, peripheral countries such as Slovakia. The Chinese Embassy is far less active in propagating the project in the Slovak media. In a rare interview on China's investment in Slovakia and Europe that appeared in the major Slovak daily newspaper *Sme*, Ambassador Lin made no reference to the 'Belt and Road' project.[89]

Slovak Perceptions and Evolving Response

China's Silk Road project has been little discussed in Slovak media so far. Most nationwide media have reported on the initiative, but the presentation is typically brief, without attempting to make any deeper analysis of the potential benefits and challenges that the initiative brings for Slovakia. The recent visit of China's President Xi Jinping to neighbouring Czech Republic in March 2016 received substantially more coverage in Slovakia's media than the New Silk Road, presumably because of both the clashes between President Xi's supporters and human rights activists and the announced inflow of Chinese investments.[90]

This lack of mention in Slovakia's media can be linked to the absence of joint projects with China and diminishing interest on the Slovak side. Slovakia's Prime Minister Robert Fico used to be an enthusiastic supporter of economic cooperation with China. His government (and previous Slovak governments) used to strive to have good political relations with Beijing in order to achieve economic benefits. During Prime Minister Fico's first term in office, he had chosen Beijing among his first destinations for foreign visits and has signalled his interest in returning to China. Premier Fico personally lobbied to secure support from Chinese leaders for projects such as the construction of a hydro power plant on the Ipeľ River, the establishment of a branch of a Chinese bank in Slovakia, and a direct flight connection between Slovakia and China.

None of these suggested projects, however, have materialised because of lacking enthusiasm on the Chinese side. China's lack of response appears to have resulted in Slovakia having reconsidered the expected gains from better political relations with Beijing and having sought similar outcomes elsewhere. Prime Minister Fico explained to the media that he would only visit a country – including China – if he considered it worthwhile, and he has stuck to this policy also in his second and third terms in power.[91] During Slovakia's EU presidency in the second half of 2016, no specific initiatives were planned to connect with China, either as part of the 'Belt and Road' project, or any other initiative.

89 Michaela Kušnírová, 'Obchody medzi Čínou a Slovenskom ešte len štartujú. Rozhovor [Business between China and Slovakia is Only Starting: An interview'], *Sme*, 6 April 2016, http://ekonomika.sme.sk/c/20131802/obchody-medzi-cinou-a-slovenskom-este-len-startuju-rozhovor.html#ixzz48R2pB11t.

90 See, for example, 'Prvú návštevu čínskeho prezidenta v Česku sprevádzali protesty [Protests during the First Visit of the Chinese President in the Czech Republic]', *Pravda*, 28 March 2016, http://spravy.pravda.sk/svet/clanok/388085-prvu-navstevu-cinskeho-prezidenta-v-cesku-sprevadzaju-protesty.

91 For more, see Rudolf Fürst and Gabriela Pleschová, 'China in Post-Communist Central Europe: Re-evaluating the Former Czechoslovakia's Two Descendants, the Czech Republic and Slovakia', in Zhemin Chen (ed.), *EU Member States and the EU's China Policy* (Fudan University Press, forthcoming).

13 Spain: Looking for Opportunities in OBOR

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(September 2016)

Summary
Both the Spanish government and the biggest Spanish companies have shown interest in being involved in China's 'Belt and Road' initiative, since they regard this comprehensive scheme as an economic opportunity rather than a geostrategic risk. There are three sectors in which Spain's expectations on OBOR-generated opportunities are particularly high: construction and the management of large infrastructures; cultural tourism; and food exports. However, because of the embryonic stage of the whole project, the direct impact of the 'Belt and Road' initiative in Spain is far from clear yet. So far, the most developed OBOR-related project in Spain has been the train connection between Yiwu and Madrid. Spain's location means that local actors hope that this railway line, plus new Chinese investment in Spanish ports, could help Spain to become a logistics hub in the Western Mediterranean and to the other side of the Atlantic Ocean.

Introduction

Before delving into the details of how China's 'One Belt, One Road' initiative is developing from a Spanish perspective, it is important to highlight some general points. Although OBOR is hardly known and followed by the public, it has attracted considerable attention from the political and economic elites in Spain. There is the feeling that the *Nueva Ruta de la Seda* (New Silk Road), as OBOR is better known in Spain, will bring business opportunities in three specific sectors where Spain has a comparative advantage: construction and management of large infrastructure projects; cultural tourism from Asia; and the export of agricultural products to China. Businesses in these sectors have already started to position themselves to grasp potential opportunities.

The general understanding is that these business opportunities might emerge both in Spain and China, but also in third countries. Starting with Spain, it is worth mentioning, for example, the possible commercialization of touristic routes with a cultural and geographical link to the ancient Silk Road. In parallel, other effects likely related to OBOR are the increase of Hutchison Whampoa's stake in the port of Barcelona and the Valencia Port Authority's interest in attracting Chinese investment. By contrast, overseas business opportunities in third countries will mostly be available for the big Spanish construction and engineering firms.

Linking China and Spain by Land and by Sea

While many of the potential advantages of OBOR remain theoretical for Spain, there is already one concrete project under way: the train connection between Yiwu and Madrid, known as *Yixinou*, the world's longest rail link. Incidentally, this new route has the potential to increase exports of agricultural products from Spain to China substantially. After leaving Spain, this railway line runs through six countries before entering China (France, Germany, Poland, Belarus, Russia and Kazakhstan), and stops in European railway hubs such as Duisburg.

This important OBOR project – *Yixinou* – can be seen as the last leg of the New Eurasian Land Bridge. The first trial trip between Yiwu and Madrid was undertaken in December 2014, and the same train returned to Yiwu later than expected, in February 2015. Since its inaugural journey in December 2014, its frequency has increased to one weekly trip from China, although only eleven trains have completed the return trip from Madrid to Yiwu, highlighting the current asymmetries in bilateral trade. Of the almost 6,000 TEUs moved so far by the Yiwu–Madrid railway line, 5,564 arrived in Spain from China, yet only 366 arrived in Yiwu from Madrid. The line's operator, Yiwu Timex Industrial Investment, expects to increase the frequency by the end of 2016 to two trains per week from Yiwu to Madrid and one every two weeks from Madrid to Yiwu, with additional container volume per train.

The advantage of transporting goods by train rather than by sea is that the trip is shorter: 21 days from Yiwu to Madrid and 22 to 23 days for the return trip, and could become even shorter, to 17 or 18 days. Costs are also decreasing, as trips become more regular. Renting one train container from Madrid to Yiwu now costs around €2,000, and there are increasingly more isothermal wagons, which are very important for transporting agricultural products that are perishable and therefore not suitable for long trips by ship in humid conditions. The biggest problem of *Yixinou*, as indicated above, remains the lack of demand for filling the trains from Madrid back to Yiwu. Typically, the goods sent by Chinese exporters are toys, stationary and other low-cost goods. Spanish exporters, by contrast, send olive oil, juice and food. In contrast with the Duisburg–Chongqing train connection that is mentioned above in the section on Germany, for example, there are no value chains involved in the Spanish case.

The Spanish authorities are nevertheless taking advantage of the momentum created by OBOR to intensify negotiations with their Chinese counterparts on reaching trade agreements related to products that could be transported by train. Thanks to successful diplomatic efforts to change the phythosanitary regulations, Spain is now the first European country allowed to export plums and peaches to China, and there are conversations towards concluding similar deals for other products. The Spanish authorities are currently negotiating specific protocols with their Chinese counterparts in order to eliminate phytosanitary, non-tariff regulatory barriers for a number of products, including Spanish *jamón serrano* (even on the bone) and seedless grapes. If more of these protocols are signed, the *Yixinou* train journey could become a profitable business, once two additional problems are solved: first, Russian economic sanctions on EU agricultural products, which preclude the transit through Russia of agricultural products from EU countries to China; and second, the exorbitant cost of using isothermal wagons, around US$ 20,000 each, since Chinese regulations only allow for diesel-powered isothermal containers, which are much pricier than their electric-powered alternative.

As mentioned above, although not explicitly related to the Chinese OBOR project, there are two other initiatives worth noting. The first is the new investments in Spain's Mediterranean ports. In 2012, the Chinese operator Hutchison Port Holdings invested €300 million in the Barcelona Europe South Terminal, while in June 2014, when OBOR had already been launched, Hutchison Port Holdings added an extra €150 million investment to expand its operations. Furthermore, by the end of 2016, the port of Valencia will issue a public tender worth around €500 million to construct a fourth terminal. The Port Authority of Valencia has already declared that it would welcome the arrival of a Chinese operator to favour use of the port by Chinese shipping companies and to increase competition within the port, since European companies are running the other three terminals. Both COSCO and China Merchants have already shown interest in this operation.

Spanish Perceptions on OBOR and Actions Taken

There is not much talk in Spain about OBOR beyond business, academic and think tank circles. The actors that see more opportunities include construction companies, which are keen to obtain contracts in third countries along the Silk Road, and firms in the tourism and agribusiness sectors.

Several Spanish ministries and official institutions have allocated some of their researchers to follow developments within the OBOR initiative and the Spanish government has started to include OBOR-related topics in its official agenda with China. Through different events and information seminars in Spain and China, the Spanish government has started to promote the idea that OBOR offers business opportunities for several sectors of the Spanish economy. In June 2016, for instance, the Spanish trade office in Beijing organized a Silk Road seminar for Spanish companies specializing in building and managing infrastructures. This is one of the reasons why Spain relatively quickly became a founding member of the AIIB, which it has always perceived as a key pillar of OBOR.

Following this same strategy, Spanish public agencies – such as the trade office in Beijing – and semi-public organizations such as Casa Asia and the Spain–China Council have organized or helped to organize several events on OBOR, both in Spain and China. Some of these events included the participation of high-level officials. For instance, Spanish Foreign Minister José García-Margallo concluded the Second Silk Road Forum organized in Madrid in October 2015, and showed great enthusiasm about the new business opportunities that OBOR might bring, declaring that: 'Spain is committed to the New Silk Road project'.

On the other side, some of the OBOR-related opportunities, such as China's interest in investing in Mediterranean ports, are questioned for their potential risks. Although Spain hosts the two busiest cargo ports in the Mediterranean Sea, Algeciras and Valencia, the US$ 3.3 billion deal to build a deep-sea port in Cherchell, Algeria, illustrates that China has chosen Algeria, and not Spain, as its maritime platform in the western Mediterranean. This new port would compete with the Spanish ports for traffic from the long trans-oceanic routes and would reduce the Spanish ports' role as redistribution platforms for North Africa.

As businesses and the Spanish government have increased their interest in OBOR, Spain's media have also started to cover the initiative. Most of the coverage focuses on the economic side of the OBOR project, but slowly the geopolitical and geostrategic dimensions have also come to the fore. The Catalan newspaper *La Vanguardia*, for example, has dedicated a whole issue of its monthly magazine to the Silk Road, cautioning about how this Chinese initiative may exacerbate geopolitical tensions in Eurasia and about the multiple difficulties, of all sorts, that it would have to overcome to be successful.[92] This piece on OBOR's implications for Spain is adamant, however, in advocating for Spain's active participation in the project. Interestingly, there have been very few op-eds on the topic thus far, and those that have been published tend to assess OBOR through a positive lens. Internationally recognized Spanish political figures such as Javier Solana, Ana de Palacio and former President José Luis Rodriguez Zapatero have all welcomed OBOR as a Chinese effort to bring China and Europe closer together.[93]

Finally, it is also worth noting that the government of Valencia has joined the Silk Road Programme of the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Tourism Organization (UNWTO). Valencia has been designated a focal point of the Silk Road Programme and chosen as a 'City of Silk'. The aim is to attract Asian tourists who are more interested in culture and

92 La Vanguardia (2016) "China, La Nueva Ruta de la Seda", Dossier No. 60, April/June. http://www.lavanguardia.com/vanguardia-dossier/20160315/40442029836/china-nueva-ruta-seda-vanguardia-dossier.html.

93 Solana, Javier (2015) "China and Global Governance", Project Syndicate, March 30. https://www.project-syndicate.org/commentary/china-multilateral-institutions-threaten-us-by-javier-solana-2015-03?barrier=true;
Palacio, Ana (2014) "Russia and the Silk Road Approach", Project Syndicate, May 6. https://www.project-syndicate.org/commentary/ana-palacio-emphasizes-the-economic-and-security-benefits-of-china-s-latest-initiative?barrier=true;
Expansión (2015) "Zapatero describe como 'oportunidad para Europa y Asia' el tren España-China", June 18. http://www.expansion.com/agencia/efe/2015/06/18/20854948.html.

gastronomy than sun and beaches. This type of tourism is less seasonal and has a higher spending capacity. Valencia and other historic Spanish cities – such as Granada, Cordoba, Seville, Murcia and Toledo – have traditionally been places for the production and distribution of silk, which means that some of the new cultural tourist routes could bring future Asian, and particularly Chinese, tourists to them.

China's Approach to Spain on OBOR

The 'Belt and Road' initiative has been raised by both China's President Xi Jinping and Premier Li Keqiang in their meetings with Spanish authorities. Xi Jinping mentioned this issue – with particular emphasis on the *Yixinou* railway line – during the visit of Spanish Prime Minister Mariano Rajoy to China in September 2014, and also during their bilateral meeting on the sidelines of the G-20 meeting in Hangzhou. Li Keqiang stressed the opportunities that OBOR could generate for increasing China–Spain cooperation, also in third countries, when he met Spain's Deputy Prime Minister Soraya Sáenz de Santamaría in Palma, Majorca, on 27 May 2015.

In addition, the Chinese Embassy in Spain and the Yiwu government are very active in selling the OBOR initiative in Spain. As mentioned above, Madrid was the second city to organize an official Silk Road Forum, after Istanbul. The location of these two forums does not seem to be a coincidence. Istanbul has a crucial geostrategic location between China and Europe, and Madrid can be viewed as the last Eurasian leg of OBOR, since Spain is the gateway for the Atlantic and the western Mediterranean Sea, with the two busiest ports in the whole *Mare Nostrum*. The third Silk Road Forum was held in June 2016 in Poland, which is also a geostrategic spot because of its centrality in the CEE 16+1 framework.

The Chinese Ambassador to Spain, Lyu Fan, is very keen to mention OBOR in all of his public interventions, underlining its potential for promoting business opportunities and people-to-people exchanges between Spain and China. On 6 July 2015 at the New Economy Forum in Madrid, his speech was entitled: 'The Silk Road Economic Belt and the 21st Century Maritime Silk Road: New Opportunities for Cooperation between China and Spain'.

The local authorities in Yiwu are taking the *Yixinou* project very seriously. Yiwu's deputy mayor visited Madrid in April 2015 in order to participate in the 8th Spain–China Forum, and his talk highlighted the business opportunities that come with OBOR and especially with the rail link between Yiwu and Madrid. To prove its commitment, the government of Yiwu in March 2016 established in Madrid the headquarters of the Foundation for Exchange between Yiwu and Spain, and there have since been publicity boards near Madrid airport promoting Yiwu.

Conclusions

In conclusion, OBOR is far from a priority for the Spanish government or Spanish civil society, and its direct impact in Spain is far from clear. Yet the OBOR initiative *is* being followed with interest in some quarters of Spain's administration, business community and academia, where Spanish actors are more interested in the business opportunities that OBOR may offer than in OBOR's geostrategic impact.

14 'One Belt, One Road' in the Swedish Context

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Summary

Considering the economic importance of China for Sweden, a project such as the 'Belt and Road' initiative should be expected to entail a great deal of interest among Swedish policy-makers and the business community alike. However, this has not been the case, as the response so far has been varied and often cautious. The focus among Sweden's policy-makers and the business community alike has been a wait-and-see approach, so the impact of OBOR in Sweden has been very limited. Sweden's business community has been somewhat more optimistic, in particular with regard to opportunities in Central Asia, while the policy-makers in general do not see much that is new with the OBOR project. In conclusion, very little has been done; much more could and should have been done. There is a great need for strong leadership and guidance if Sweden is not going to fall way too far behind other nations with respect to OBOR.

Introduction[94]

China's economic importance for Sweden is substantial, so a project such as the 'Belt and Road' initiative should be expected to entail great interest among both Swedish policy-makers and the business community.[95] The response, however, has so far been varied and often cautious, focusing on a wait-and-see approach to developments. Despite scepticism about the significance of the 'Belt and Road' initiative, Sweden did eventually become a founding non-regional member of the AIIB, but it is indicative of the cautious wait-and-see approach that Sweden joined the bank on the last day possible to register as one of the bank's non-regional founders. While China did welcome Sweden's decision, the fact that it joined on the last possible day did not create a strong signal of Sweden's support for the AIIB. Not surprisingly, Sweden is thus not a prioritized country within the AIIB cooperation from the Chinese perspective, both because of Sweden's size and its perceived lack of serious commitment.

The actual impact of OBOR in Sweden is very limited. In fact, according to the Swedish Foreign Ministry, there are no OBOR projects in Sweden. The Chinese, in turn, despite being somewhat more positive, can only identify a few OBOR projects, citing the planned Swedish construction of a high-speed railway and two private windmill projects. However, these are labelled OBOR projects simply because they are infrastructure developments.

94 Weissmann's research was funded through a grant from the Marianne and Marcus Wallenberg Foundation (Grant No. MMW 2013.0162). For more information see http://www.ui.se/powershift/.

95 Besides secondary sources on OBOR and official documents, this chapter draws on interviews with representatives of the Foreign Ministry of Sweden, Swedish government officials in Beijing, the Chinese Embassy in Sweden and Business Sweden, as well as other government agencies working to promote Swedish companies abroad. We also conducted interviews with Swedish companies with activities in China and Central Asia, as well as researchers with expertise on China and Central Asia. The interviews were conducted from April to June 2016.

When discussing China's strategy to promote the concept of OBOR in Sweden, it is vital to note that Sweden is at the edge of the 'Belt and Road', and is thus obviously not one of the most important countries along the road. The strategy that China employs to promote the concept of OBOR towards Sweden is to raise OBOR in all diplomatic meetings and with Swedish companies, thus using diplomacy and business contacts as tools to promote OBOR in Sweden.

Even though Sweden is not one of the most important countries for China within the Silk Road initiative, China sees great potential for increased cooperation if Sweden decides to engage more actively in OBOR. China's target group when it comes to promoting OBOR in Sweden is mainly politicians. According to the Chinese Embassy, most contacts on OBOR in Sweden, however, have so far taken place between Chinese companies and different Swedish government agencies. Sometimes there are also references made to the importance of student exchanges and increased cultural exchanges as an important part of the 'Belt and Road' initiatives. However, and a case in point, when asked directly what China has done to engage Sweden actively in OBOR, the response given is invariably 'not much, frankly'. The authors of this chapter concur.

Swedish Perceptions of OBOR: Simply Rebranding or Something New?

Surprisingly little has been written in the Swedish media about how OBOR will affect Sweden or what opportunities the OBOR initiative could entail for the Swedish business sector. Some news articles have been written over the last year, but they have only focused on the initiative on a general level, not addressing the political and economic consequences for Sweden. This impression is shared by the Chinese. Their perception is that Swedish media do not know much about the OBOR initiative. They also note that no lengthy Swedish reports on OBOR have been written so far, which they believe explains why knowledge of the OBOR initiative is still limited in Sweden.

As noted above, the position of Sweden's policy-makers and business community can best be described as cautious, preferring a wait-and-see policy. Swedish policy-makers are somewhat interested in OBOR, but the common perception is that there is 'not much new' with the project. Sweden's impression is that China has always been interested in strategic partnerships and that this time is no different. It is also notable that Sweden's policy-makers perceive OBOR as a political project. As one Swedish government official puts it, the Silk Road initiative consists of two parts: the first part is an infrastructure project that aims to strengthen China's economy, which is suffering from serious problems of overcapacity in steel and energy (this part of the project is deeply intertwined with the political and geopolitical dimensions of the project); the second part of the project is about dissemination of China's culture, with the initiative aiming to increase China's global impact through people-to-people diplomacy. This cultural expansionist element of the project is not highlighted enough, according to the Swedish government official in Beijing.

Most of the Swedish work related to OBOR is still happening locally in Beijing, spearheaded by the Swedish Embassy and other Swedish government agencies. Here, OBOR is seen as an umbrella that China is now using for different kinds of investments and projects, both new and old. They believe that a vast part of the OBOR initiative is just about rebranding – projects that were already planned are now launched as OBOR projects, because this sounds good. They also believe that OBOR will stimulate and lead to interesting projects, but it is fully aware that Swedish companies are small in comparison with Chinese companies, and when it comes to the Chinese market, Chinese companies have obvious advantages.

The most likely avenue for Swedish participation in OBOR is Central Asia, a region where Sweden has comparative advantages because of an already extensive Swedish business presence. One of the difficulties is that it is hard to know when business opportunities will appear and planned projects will start. In this regard, the Swedish Foreign Ministry's so called 'regional promoters' play an important role in identifying areas where Swedish companies could have a chance of competing, such as in, for example, seaport and airport constructions. While perceiving the Silk Road initiative as a potential business opportunity for Swedish companies, Sweden's policy-makers doubt that any of the projects generated by the Silk Road initiative will actually be assigned to Swedish companies. They simply think that there will be fierce competition and that Chinese companies are likely to win many of the procurements for OBOR.

The Swedish business community is nevertheless somewhat more positive. Swedish companies looking towards Central Asia and China are fully aware of the initiative and its potentials, and they are following OBOR closely to see what implications it could have for their business. They believe that OBOR could have positive effects on trade between Asia, Central Asia and Europe. Nonetheless, it is clear that the Swedish business community is still waiting to see whether there will be any new business opportunities for them in relation to the OBOR initiative. To cite a representative of a large Swedish company who was interviewed: 'We are where the customers are. We are not making any investments in advance. If OBOR will be a success or not depends on how smooth the transportations will be'.

Despite agreeing that the Swedish business community is more positive than Sweden's policy-makers, and noting that business people are 'always interested in hearing about OBOR', the Chinese side has identified problems when trying to move to actual projects. It is clear that business communities prefer to see policies and concrete measures that benefit them, rather than undefined initiatives such as OBOR. The Chinese think that this is a pity, since they believe 'we could reach a win–win situation' if we could cooperate more. Needless to say, the two sides' perspectives are far away from each other.

The view among Swedish scholars is that OBOR is overall an infrastructure initiative that is aimed at strengthening China's economy, which is currently experiencing a large setback. However, Swedish researchers are also emphasizing the political aspects of the project. To cite Christer Ljungwall, who is Head of the office of Growth Analysis at the Swedish Embassy in Beijing, 'OBOR is no doubt a political project. It is a far-reaching strategical political plan'. Despite perceiving the project as difficult, Ljungwall argues that Sweden has done too little so far regarding the AIIB (a view shared by the authors).

Response

The Swedish agencies that work with OBOR are mainly the Swedish Foreign Ministry, Business Sweden and Growth Analysis, part of the Swedish Agency for Growth Policy Analysis serving as a science and innovation office under the auspices of the Swedish Government. Business Sweden's office in Istanbul monitors the Silk Road initiative in Central Asia, and so acts as the Eastern Europe department of the Foreign Ministry in Stockholm. The Swedish Embassy in Beijing has organized some seminars on the AIIB, together with Growth Analysis and Business Sweden. It regularly also organizes visits to Chinese infrastructure projects for Swedish companies, together with Growth Analysis.

There are no formal agreements on OBOR between the government of Sweden and China, nor any agreements related to OBOR between Swedish companies and Chinese companies. Sweden does not have a national strategy to deal with OBOR, and the view of the Swedish Foreign Ministry is that such a strategy is not needed. As a Swedish government official in China puts it: 'I do not believe in a national strategy on OBOR for a second. It is not interesting from a business perspective'. It is a case in point that OBOR is not handled in Stockholm, but is still mainly dealt with by the Swedish Embassy in Beijing. There remains a perception that the OBOR initiative is not something that Sweden has to consider yet.

It is a similar situation when looking at Swedish business promotion. When a Swedish trade official working to promote trade in developing countries was asked why Sweden is not working more with OBOR, he responded that they do not start working with a new question if they have not got a clear mission to do so. To conclude, very little has been done; much more could and should have been done. There is a great need for strong leadership and guidance if Sweden is not going to fall way too far behind on Xi Jinping's path towards the great rejuvenation of the Chinese nation.

15 The United Kingdom: A Platform for Commercial Cooperation

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Summary

The United Kingdom (UK) has responded to China's 'Belt and Road' initiative by seeing it as a platform for commercial cooperation. Although the geography of the 'Belt and Road' does not extend as far as the UK, this has not prevented the UK government and business from responding proactively by looking for opportunities for British companies engaged in infrastructure-related work, and for the UK-based financial services sector. This approach ties in with the UK's enthusiastic application to join the new AIIB in 2015. At the same time, the 'Belt and Road' has not been the most important issue on the UK–China agenda. The UK's response demonstrates that the initiative is open and flexible, and not restricted by geography. It further indicates the primacy that the UK gives to economic and commercial diplomacy, as well as its pragmatic and open response to the growth of Chinese influence in global affairs.

Introduction

The relevance of China's 'Belt and Road' initiative to the UK is not immediately apparent. Geographically, the UK is at best on the periphery of both the Silk Road Economic Belt and 21st Century Maritime Silk Road. Although there is no official list of the roughly 65 countries that the Chinese media have referred to as being part of the 'Belt and Road' initiative – at least until China's President Xi Jinping publicly referred in August 2016 to 'over 100 countries' having participated[96] – almost all of the unofficial maps that attempt to indicate the 'Belt and Road' terminate on the European mainland and do not include the UK.[97] It might therefore be concluded that the impact of this initiative on the UK is marginal, and that it therefore should not play a significant role in the UK–China relationship.

The reality, however, has been somewhat different. The British government, business organizations and companies, as well as universities and research institutes with an interest in China, have responded proactively to the initiative in a number of ways. The Chinese government has also incorporated the initiative into its bilateral approach to relations with the UK, albeit as one of a wide range of topics for discussion between the two countries.

This has been in the context of a bilateral relationship that both sides characterized as having entered a 'golden era' following the state visit of President Xi Jinping to the UK in October 2015, a marked shift from the 18-month period from 2012–2013 when official high-level contacts were suspended following a prime ministerial meeting with the Dalai Lama. At the time of writing, the impact of the June 2016

96 *Xinhua* (2016), 'Xi Calls for Advancing Belt and Road Initiative', 17 August, http://news.xinhuanet.com/english/2016-08/17/c_135608689.htm.

97 A list of countries published by the Hong Kong Trade Development Council, 'based on a list compiled by the Chinese Academy of Social Sciences', does not include any from Western Europe; see http://beltandroad.hktdc.com/en/country-profiles/country-profiles.aspx). However, some maps do include the UK; for example, Carolyn Dong, Matthew Davis, Peter Li and Simin Yu (2016), '"One Belt, One Road": China's New Outbound Trade Initiative', *DLA Piper*, 18 January, https://www.dlapiper.com/en/hongkong/insights/publications/2016/01/chinas-new-outbound-trade-initiative/. All urls were accessible on 30 August 2016 unless otherwise stated.

referendum vote to leave the European Union remains uncertain, but the engagement so far of the UK, a major European and Western country, with China's 'Belt and Road' initiative says something about the evolving UK–China relationship, as well as the potential for development and implementation of the initiative itself.

UK Response Places Economics and Commerce First

The primary response from the UK emerged during 2015, and has been economic and commercial. The response has been coordinated on the UK side by the British Treasury (finance ministry), the Foreign & Commonwealth Office and the UK's diplomatic network in China, as well as business associations such as the China–Britain Business Council (CBBC). Treasury support for the 'Belt and Road' was indicated most prominently through then Chancellor (finance minister) George Osborne's visit to Xinjiang province as part of a visit to China in September 2015, a trip that helped prepare the ground and set the tone for Chinese President Xi Jinping's state visit to the UK in October 2015. Travelling to Xinjiang was controversial given the human rights sensitivities and security concerns there, but Osborne's visit was designed to demonstrate support for the 'Belt and Road' initiative.[98] It followed the UK's enthusiastic application to join the AIIB in March 2015, again led by the Treasury in London, whose public announcement ahead of other Europeans was used to send a political message of support to Beijing for an institution that the UK sees as being useful in the long-term economic development of Asia.

The primary logic behind the desire to engage with the 'Belt and Road' initiative is that it could present opportunities for British companies and for the financial services sector, in particular in the City of London. The commercial opportunities envisaged are primarily in opportunities for cooperation with Chinese companies in third markets right across the 'Belt and Road', building on work that the UK government's trade and investment promotion arm – UK Trade & Investment (UKTI)[99] – had been doing with Chinese counterparts for some years. Through an 'infrastructure alliance' with China, the UK hopes to become the hub for 'Belt and Road' financing opportunities.[100] Financial sector benefits could arise in an enhanced role for London's asset management community if the 'Belt and Road' initiative leads to greater use of the renminbi for investment and trade outside China. Comparisons with Hong Kong's approach reflect similarities between the two economies, and the British government is likely to look for opportunities to work with Hong Kong when these arise.

These ideas can be seen in one of the first semi-official publications on the 'Belt and Road', a major report entitled '*One Belt, One Road*' issued in 2015 by the CBBC, a membership business association that also receives government funding. This report, with an introduction penned by the British Ambassador to Beijing, was promoted by Osborne on his Xinjiang trip and welcomed by the Chinese government. It highlighted particular opportunities in a range of sectors, primarily in infrastructure, financial and professional services, agriculture and the environment, advanced manufacturing and transport, energy and resources, and e-commerce and logistics, with secondary opportunities in healthcare and life sciences, tourism, and creative and cultural industries.[101] The idea of using the 'Belt and Road' initiative as a platform for cooperating with Chinese partners in third markets was one theme

98 UK government (2015), 'Chancellor Makes Historic First Visit to China's North West', 23 September, https://www.gov.uk/government/news/chancellor-makes-historic-first-visit-to-chinas-north-west; see also George Parker, Lucy Hornby and Geoff Dyer (2015), 'Osborne Seeks Trade in China's Restive Xinjiang Region', *Financial Times*, 23 September, http://www.ft.com/intl/cms/s/0/73c4e982-614a-11e5-a28b-50226830d644.html#axzz46FqycC00.

99 Following the Brexit vote, new UK Prime Minister Theresa May announced the formation of a new Department for International Trade, which has subsumed the responsibilities of UKTI.

100 UK government (2016), 'Consul General's speech at Fund Forum Asia 2016', 19 April, https://www.gov.uk/government/speeches/consul-generals-speech-at-fund-forum-asia-2016.

101 China–Britain Business Council (2015), 'One Belt, One Road', September, http://www.cbbc.org/sectors/one-belt,-one-road/.

of the CBBC's annual China conference, which was held in March 2016.[102] Building on this theme, the CBBC subsequently issued a further report, which was produced in collaboration with Tsinghua University, offering a number of brief, commercial 'case studies' of cooperation relating to the 'Belt and Road' initiative.[103]

There is considerable variation in the extent to which these cases link to the 'Belt and Road', and some pre-date the initiative. This suggests that ongoing UK–China commercial cooperation has been repackaged under the 'Belt and Road' framework, rather than the initiative stimulating completely new deals. It is therefore difficult to identify 'Belt and Road' projects as such, although a small number – such as the provision by Immarsat of satellite communication services across the 'Belt and Road' region – have been explicitly tied to the initiative.[104]

The 'Belt and Road' as Just One Element in the Bilateral Relationship

The 'Belt and Road' initiative has therefore been utilized as a symbolic 'platform' for the further development of UK–China commercial ties. Yet it should be viewed as only one part of the development of UK–China bilateral ties, and not necessarily the most important issue on the agenda. Despite the apparent prominence given to the initiative in discussions about China's evolving global strategy, the scheme does not seem to have been accorded particular prominence by Chinese officials in their dealings with the UK. Other issues have topped their agenda, from the broad symbolism of the new 'global comprehensive strategic partnership for the 21st century' to specific projects such as the controversial Hinkley Point C nuclear power station (which is not tagged as part of the 'Belt and Road' cooperation).

During the October 2015 state visit by China's President Xi, the 'Belt and Road' was mentioned (once) relatively early in the joint statement as a 'major initiative',[105] placed alongside the UK's major initiative of the Northern Powerhouse (leading to some tongue-in-cheek comments that the New Silk Road actually finished in Manchester). Yet most of the commercial deals highlighted during the visit were driven by other factors.[106] Similarly, in the statement of outcomes from the 12th UK–China Joint Economic and Trade Commission meeting in February 2016, the 'Belt and Road' initiative featured only once, in the (fifth) section on 'infrastructure alliance and collaboration in third markets', suggesting that it only forms one part of an increasingly broad trade and investment relationship between the two countries.[107]

It is also worth noting that the language in the summer 2015 EU–China statement about the role of BRI in enhancing connectivity between Europe and China has not been reflected in UK–China statements.

102 China–Britain Business Council's annual conference programme, http://www.cbbc.org/whatson/china-business-conference-2016/conference-programme/.

103 China–Britain Business Council (2016), 'China–Britain Belt and Road Case Studies Report Partnership in Action', http://www.cbbc.org/cbbc/media/cbbc_media/KnowledgeLibrary/Reports/China-Britain-Belt-and-Road-Case-Studies-Report.pdf.

104 Daniel Thomas (2015), 'China and Immarsat Agree Deal for New Silk Road', *Financial Times*, 22 October, http://www.ft.com/intl/cms/s/0/d01a01ba-78ae-11e5-8564-b4bb9a521c63.html#axzz46FqycC00.

105 UK government (2015), 'UK–China Joint Statement 2015', 22 October, https://www.gov.uk/government/news/uk-china-joint-statement-2015.

106 UK government (2015), 'Chinese State Visit: Up to 40 Billion Deals Agreed', 23 October, https://www.gov.uk/government/news/chinese-state-visit-up-to-40-billion-deals-agreed.

107 UK government (2016), '12th UK–China Joint Economic and Trade Commission (JETCO) Outcomes Paper', 3 March, https://www.gov.uk/government/publications/12th-uk-china-joint-economic-and-trade-commission.

Conclusion

In conclusion, what does this analysis tell us about the 'Belt and Road' initiative, and about UK–China relations? First, the ability of the geographically peripheral UK to engage actively and potentially fruitfully with China's 'Belt and Road' initiative – and the AIIB, part of whose remit is to support the 'Belt and Road' – indicates that the initiative itself is open and flexible in nature, and not restricted by geography. Whether or not the UK is officially on a map of the 'Belt and Road', or is considered one of the 'Belt and Road' countries, is less relevant than whether the initiative provides a platform for cooperation and investment in the connectivity that is at the heart of the Silk Road vision.

Second, the primacy given to economic and commercial engagement in the UK's response to both the 'Road and Belt' initiative and the AIIB reflects the growing emphasis given to these areas in UK–China relations over recent years, as well as a wider turn to commercial diplomacy across British foreign policy since 2010. This has had an impact on the objectives and working priorities of the Foreign & Commonwealth Office, but has also been seen in the prominent role that the Treasury has played in policy towards China and can be placed in the context of the UK's growing focus on developing ties with emerging powers. Given these priorities, the more important question to be asked by the UK is perhaps not about the 'Belt and Road' initiative per se, but about the sustainability of the rise of the Silk Road economies, and hence whether this region should be the focus of UK commercial efforts. Post-Brexit international strategy will depend partly on the way that the British government addresses these questions.

Third, the UK's positive engagement with this Chinese initiative demonstrates a pragmatic and open response to the growth of Chinese influence in global affairs, particularly in the economic realm, and thus to China's ability to play an increasing role in setting the international agenda. This is not totally uncontested in the UK, and there are counterbalancing elements to policy-making that suggest UK policy towards China has not yet reached a stable strategic path – the mixed messages in the early days of the new post-Brexit referendum government highlight this.[108] Yet in contrast to the often suspicious and nervous response to Chinese initiatives from traditional UK allies and partners such as the United States and Japan, the UK's engagement with the 'Belt and Road' initiative is evidence that the UK inclines towards openness to a evolving world order in which China plays a more influential and active role.

108 Tim Summers (2016), 'Brexit and the UK's China Challenge', Chatham House, 5 August, https://www.chathamhouse.org/expert/comment/brexit-and-uks-china-challenge.

16 The EU Level: 'Belt and Road' Initiative Slowly Coming to Terms with the EU Rules-based Approach

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Summary

It took some time for China to recognize the necessity of engaging with the EU on its flagship 'Belt and Road' initiative, even though Europe was clearly the final destination of two main economic corridors planned under the initiative. This initial reluctance was visible in China's search for tangible projects for cooperation on the level of the EU institutions and its slow acceptance of the EU's role in shaping the rules for Chinese engagement with individual EU member states. In turn, the EU's perception of the Chinese project was motivated by three considerations. First, the initiative was a broad all-encompassing concept related to Chinese economic reforms. Second, the Chinese plans meant not only opportunities for cooperation but also competition. And, third, it was evident that the opportunities would only materialize if cooperation was based on open and transparent rules. The EU's key response to the Chinese initiative was the Connectivity Platform, a new vehicle for exchanging information on respective policies and enhancing cooperation on connectivity.

China's Approach regarding OBOR at the EU Level

When China's President Xi Jinping delivered his speech in Astana, Kazakhstan, in September 2013 with the proposal to build the Silk Road Economic Belt (SREB), the EU and China were in the midst of negotiations on the EU–China 2020 Strategic Agenda for Cooperation, a document setting out their shared objectives for cooperation. Interestingly, even though Europe was an obvious terminus of the SREB, the Chinese government did not lobby for the inclusion of its new initiative into the negotiated document. That omission happened even though the 2020 Strategic Agenda contained a separate chapter on transport and infrastructure with a number of ambitious goals, including developing smart, upgraded and fully interconnected infrastructure systems and seamless supply-chain logistics networks between Asia and Europe. This might also be a reflection of the depth of the exchanges between the EU and China on connectivity issues, even before the emergence of the 'Belt and Road' initiative (as the EU and China held regular dialogues on railway, maritime, aviation and customs facilitation, as well as other issues related to connectivity).

It was only during the visit of President Xi Jinping to the EU in March 2014 that the Chinese leadership sought formally to include the EU in its initiative. During his speech at the College of Europe, President Xi suggested: 'We should also study how to dovetail China–EU cooperation with the initiative of developing the Silk Road Economic Belt'. Later, at the bilateral summit, Chinese and EU leaders agreed to 'develop synergies between EU transport policies and China's "Silk Road Economic Belt" initiative', even though the EU proposal for a dedicated Connectivity Platform was not embraced by the Chinese side. Despite this official recognition of the EU's role in the Chinese initiative, when China published its updated policy paper on the EU just one month after the visit, quite interestingly there was no mention of cooperation on the Silk Road initiative. This mainly highlights the slow pace of translating the vision of the Chinese top leadership into actual foreign policy actions. Uncertainty about the role of the EU in the initiative continued with the EU–China transport dialogue, which took place in autumn 2014. The Chinese officials had few details to offer on the plans for implementation of the 'Belt and Road' initiative or the role that the EU could play in it. A marginally more substantial presentation on the Silk Road was delivered by Chinese academics, who were invited for this occasion by the Chinese delegation. It was obvious that the Chinese officials listened to the presentation about the Silk Road initiative with at least the same curiosity as the European side.

Two developments summarize China's approach regarding OBOR at the EU level: the search for tangible projects for cooperation; and slow acceptance of the EU's role in shaping the rules for China's engagement with individual EU member states. First, the slow emergence of China's approach regarding its flagship initiative at the EU level highlights two things. First, the Silk Road is simply a repackaging of the many initiatives and projects that China was already carrying out well before Xi Jinping's speech in Astana. For example, regular dialogues on transport, customs facilitation, including the EU–China Green Lane project for the facilitation of customs procedures for train connections between Europe and China, have all continued to progress despite the lack of official reference to the role of the EU under the OBOR initiative.

Second, the Chinese approach also underscores that from the very beginning the leadership in Beijing clearly differentiated between the level of EU member states and the level of EU institutions and their respective roles in the China-led initiative. Silk Road-related projects were quickly rolled out in Central Europe (under the CEE 16+1 mechanism, which involves eleven EU member states from Central Europe and five western Balkan countries associated with the EU), Greece (investments in the port of Piraeus) and Germany (the Chongqing–Duisburg train connection). Chinese actors perceived the EU, and in particular the European Commission, with its emphasis on rules and regulations, as a potential problem. China quickly realized that the EU's rules on state aid and public procurement could be an obstacle for the Chinese model of infrastructure financing, which involves state guarantees from the borrowing country and requires the direct award of a financed project to the Chinese companies, without an open and competitive tender.

Eventually, after initial disappointment about the slow adoption of Chinese projects in Europe, Chinese leaders realized that the EU institutions are a necessary partner for a dialogue on the EU-wide rules applicable to Chinese investments, as well as for coordination of the plethora of different projects that are discussed with individual EU member states.

At the side-lines of the 10th Asia–Europe Meeting, which was held in Milan in October 2014, the respective leaders agreed that 'the beginning and the end of these [New Silk] routes are the EU and China – which suggests the need for an integrated approach. In this context, a broad-ranging "connectivity platform" between the EU and China would be the most effective vehicle to frame collaboration'. It took almost another year for the two sides to agree on the modalities of the Connectivity Platform. One of the reasons for the delay was precisely the EU's insistence on respect for the common market rules.

In the meantime, with the new Juncker Commission and its plans to establish a European Fund for Strategic Investments (EFSI), another concrete possibility for EU–China collaboration on infrastructure financing was born. China became the first country that announced its willingness to participate in European Commission President Jean-Claude Juncker's plan, clearly eying opportunities for Chinese participation in infrastructure investments, a key pillar of the plan. The Silk Road Fund was nominated as the conduit for a potential Chinese contribution. China could finally see some tangible opportunities for its 'Belt and Road' initiative on the EU level.

EU Perceptions of OBOR and How China Promotes OBOR

Brussels obviously had some concerns regarding this dual approach of China. Some in the EU institutions, particularly at the level of the European Commission and the Council, criticized that China was instrumentalizing the EU only when and where it sees fit. They clearly realized that the EU, with its principled approach, was perceived by the Chinese as the stumbling block (as was informally acknowledged by Chinese authorities within the CEE 16+1 collaboration mechanisms) and China would thus actively seek to avoid the EU level when it could reach the desired outcomes at the member state level.

In this context, the decision of EU member states to join the China-led AIIB in an uncoordinated way was not only a wake-up call for the institutions. It also triggered a strong and ultimately successful coordination for a joint EU approach, led by the Directorate-General for Economic and Financial Affairs (DG ECFIN), in designing the rules governing the AIIB during the negotiations for its articles of association. Both the European Commission and the European External Action Service (EEAS) also quickly understood that 'One Belt, One Road' had strong political support in China and that it was going to be implemented, regardless of the position that the EU took. This forced the EU to adopt a proactive approach to seek engagement and to try to influence decisions.

Three predominant considerations have influenced decision-making within the EU institutions. First, from the very beginning, the EU recognized that for China, the 'Belt and Road' initiative was meant to further its domestic economic reform, and as such it was necessarily an all-encompassing concept dealing with all the different strands of the reform process. Engaging on the connectivity aspects of the Silk Road project would also allow the EU to monitor political and strategic aspects of the initiatives, and would avoid any misperception that the EU fully buys into the Chinese vision.

Second, it was clearly understood that the Chinese plans meant not only opportunities for cooperation but also competition. After all, the project's main objective is to develop China's industries and exports in key sectors (particularly railway, road, maritime and air transport and infrastructure, the telecommunication and digital sectors, and energy, but also clean technologies, and even culture, tourism and finance), to look for new markets for its excess capacity in traditional industries, and to deploy its large financial reserves to support exports and investments, raising concerns about subsidization.

Third, it was evident that the opportunities for cooperation with China on its initiative would only materialize if the cooperation was based on open and transparent rules. The EU's approach to China's activities under the Silk Road initiative was supposed to promote open public procurement schemes, acceptance of World Trade Organization (WTO) and Organization for Economic Cooperation and Development (OECD) norms on export credits, and appropriate safeguards for official financing (including through the new China-led multilateral institutions). Obviously, the EU's leverage in shaping the Chinese initiative is subject to a series of constraints, not least because of the division of competences, whereby the Chinese projects and investments take place without the EU's involvement. Yet the EU certainly has the means to request respect for the minimum rules in the internal market, in the neighbouring countries that have subscribed to the EU's norms, and to monitor compliance with the WTO rules. Because of those considerations, the EU's approach regarding the Connectivity Platform was based on the objective of seeking a level playing field for Silk Road-related activities in the EU, as well as in China. To attract Chinese contributions to EFSI, too, the objective from the beginning was to channel Chinese investments in accordance with EU frameworks and priorities.

Responses by the EU Institutions

As the EU and China already shared a plethora of different dialogues that dealt with issues related to economic reform (including transportation), there was the need to design a platform that would avoid duplicating those other forums, but that would provide added value by offering a framework for practical cooperation. In this context, the EU proposed the establishment of a Connectivity Platform, as a new vehicle to exchange information on respective policies in a cross-cutting way and to identify possible cooperation on connectivity more broadly. The establishment of the Platform was agreed at the High-Level Economic and Trade Dialogue in September 2015. It would focus on transport and infrastructure policies and projects, but its scope would also include other relevant policies contributing to an enabling environment for transport infrastructure investment.

From the European perspective, this platform was supposed to fulfil several interrelated goals:

- to coordinate EU and Chinese infrastructure development plans in Europe, and to facilitate the appropriate EU policy response, thanks to enhanced transparency through an exchange of information on Chinese plans and projects executed in Europe;
- to identify investment opportunities through EFSI, which are open to the Chinese Silk Road Fund in synergy with TEN-T;
- to enhance opportunities for businesses and ensure a level playing field for all investors from both China and the EU in transport infrastructure, including reciprocity for European investors in the Chinese infrastructure market, which had hitherto been closed to foreign enterprises;
- to allow for in-depth explanation of rules and regulations governing the EU internal market and to promote high standards in terms of government procurement and environmental protection. The same approach was promoted for those countries outside the EU that have pledged to apply EU standards, but also for countries along the historic Silk Road (in the EU neighbourhood and Central Asia), to ensure that social, environmental and economic issues related to large-scale infrastructure investment are duly supervised.

The Connectivity Platform has already met twice (once at the working group level and once at the senior level) and has so far allowed for an honest exchange of views on respective policies, including the Chinese policies' declared goal of adhering to the market rules. Reciprocal access for investments in the respective markets was also discussed and the two sides agreed on a shortlist of pilot projects for further discussions at the working level. Unfortunately, the 18th EU–China Summit did not result in a joint communiqué, which would also have also included relevant elements discussed within the Connectivity Platform or a decision on the participation of the Silk Road Fund in EFSI.

The Connectivity Platform is co-chaired by EU Commissioner for Transport Violeta Bulc, who is responsible for transportation policies on the EU side, and National Development and Reform Commission (NDRC) Chairman Xu Shaoshi on the Chinese side, and includes representatives of all relevant ministries. The EU has a broad representation on the level of services and includes: the EEAS; Directorate-General for Mobility and Transport (DG MOVE); Directorate-General for Trade (DG TRADE); Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs (DG GROW); Directorate-General for Taxation and Customs Union (DG TAXUD); the European Investment Bank (EIB); and other relevant agencies.

Similarly, at the sidelines of the 18th EU–China Summit in July 2016, as well as during the 6th High-Level Economic Dialogue in October 2016 in Brussels, China's contribution to the EFSI was further discussed, but the final modality for the Chinese contribution to the plan was still not agreed at the time of writing. The key problem relates to China's unwillingness to accept open public procurement rules for the projects to which China is willing to contribute. The solution to the impasse might be in the shape of individual project-by-project contributions, rather than a one-off capital injection to the EFSI.

In parallel, the EU has managed to come up with a common position on the rules governing the AIIB. Thanks to coordination by DG ECFIN, the common position was informally agreed at the Council between those EU member states that became funding members of the new institutions, and it outlined six objectives guiding member states' negotiations on the articles of association of the AIIB. These were related to sound and effective governance, applying best practices and standards on transparency and safeguards, as well as complementarity and cooperation with other international organizations.

A similar approach was reflected in the joint communication by the EEAS and European Commission on *Elements for a New EU Strategy on China*.[109] In this document, China was urged to maintain openness in the 'Belt and Road' initiative and to underpin it by market rules and international norms. The EU also signalled its willingness to cooperate with China on its connectivity activities in the regions along the historic Silk Road between China and Europe. Again, the goal would be to base this cooperation on rules-based governance and regional security.

109 European Commission and HR/VP, *Elements for a New EU Strategy on China*, Joint Communication to the European Parliament and the Council (22 June 2016), available online at http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf.

Abbreviations

AIIB	Asian Infrastructure Investment Bank
ANEL	Nationalist Independent Greeks (political party)
B&R	‘Belt and Road’
BRI	Belt and Road Initiative
CBBC	China–Britain Business Council
CCCG	China Communications Construction Group
CCTV	China Central Television
CGD	(Portugal’s) *Caixa Geral de Depósitos*
CDiRS	Chengdu International Railways
CEE	Central and Eastern Europe
CEE 16+1	Sixteen Central and Eastern European countries plus China
CEFC	China Energy Company Limited
CEO	Chief Executive Officer
CFIE	China Federation of Industrial Economics
CNPC	China National Petroleum Corporation
COSCO	China COSCO Shipping Corporation Limited
CRC	China Railway Corporation
CRG	China Railway Group
CSP	Comprehensive Strategic Partnership
CZK	Czech Korunas (Czech currency)
DB	Deutsche Bahn
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG GROW	Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs
DG MOVE	Directorate-General for Mobility and Transport
DG TAXUD	Directorate-General for Taxation and Customs Union
DG TRADE	Directorate-General for Trade
ECT	Europe Container Terminals
EDP	Electricidade de Portugal
EEAS	European External Action Service
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
ETNC	European Think-tank Network on China
EU	European Union
FCO	(British) Foreign & Commonwealth Office
FDI	Foreign direct investment
HRADF	Hellenic Republic Asset Development Fund
HSR	Hungarian State Railways
ICBC	Industrial and Commercial Bank of China
ICTS	International Container Terminal Services
IMF	International Monetary Fund
JETCO	(UK–China) Joint Economic and Trade Commission
LNG	Liquefied natural gas
M&A	Mergers and acquisitions
MEP	Member of the European Parliament
MERICS	Mercator Institute of China Studies
MFA	Ministry of Foreign Affairs
MFEA	Ministry of Foreign and European Affairs

MoU	Memorandum of understanding
MSC	Mediterranean Shipping Company
MSR	Maritime Silk Road
NAPA	North Adriatic Port Association
NATO	North Atlantic Treaty Organization
NDRC	(China's) National Development and Reform Commission
NGO	Non-governmental organization
NSRIP	New Silk Road Institute in Prague
NSWL	New Silkway Logistics
OBOR	'One Belt, One Road'
OECD	Organization for Economic Cooperation and Development
OFDI	Outbound foreign direct investment
OCSE	Organization for Cooperation and Security in Europe
PAIiIZ	Polish Information and Investment Agency
PCT	Piraeus Container Terminal
PLA	People's Liberation Army
PPA	Piraeus Port Authority
PRC	People's Republic of China
REN	(Portugal's) Rede Energética Nacional
RMB	Renminbi (Chinese currency)
SME	Small and medium-sized enterprise
SREB	Silk Road Economic Belt
SSC	Shared service centre
SYRIZA	(Greek) Coalition of the Radical Left (political party)
TCC	Tourism Coordination Centre
TEN-T	(EU's) Trans-European Transport Network
TEU	Twenty-foot equivalent units
THPA	Thessaloniki Port Authority
UK	United Kingdom
UKTI	UK Trade & Investment
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organization
V4	Visegrad Four (the Czech Republic, Poland, Slovakia and Hungary)
WTO	World Trade Organization