



Clingendael

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Promoting Sustainable Connectivity in the Balkans and Black Sea Region

The risk of a connectivity conflict becoming the next Great Game in the Balkans and Black Sea region is real. If, instead, countries in the region are to capitalize on their geography and history as a trading hub, all stakeholders need to invest in furthering political will, money, cooperation and trust. The Balkans and Black Sea Cooperation Forum (BBSF), convened in Athens in May 2018, is a noteworthy building block in this process. This Clingendael Policy Brief details a key conclusion of the Forum, echoed in the EU–China Summit statement of July 2018: the call for a long-term commitment to intraregional cooperation and sustainable connectivity as a crucial element to strengthen economic development and growth that benefits all people in the Balkans and Black Sea countries in the long term.

Connectivity and geopolitics

As the interconnector of Europe, Asia and Africa, the Balkans and Black Sea region has long been a pivotal region for trade and geopolitical influence for the world's superpowers. For centuries, the Balkan Peninsula was a theatre of the geopolitical pursuits of the rulers of the Ottoman Empire, Austria–Hungary and Russia, and – later – the United States. The Turks, Persians and Russians strove for influence in the Black Sea region. From the mid-1970s, the EU gained clout in the region, as increasingly more countries wished to join the European family. Lastly, relatively recently, came the Chinese.

A pivotal transportation hub with its railways, roads and rivers, the region is now at a crossroads. As new players like China – as well as Arab states and Japan – enter the region, governments of the Balkans and Black Sea countries seek to balance

cooperation with different external players in ways that best suit their own respective national interests. China's Belt and Road Initiative (BRI, originally proposed in 2013) is attractive for the domestic economic benefits and political leverage that it offers in the relationship with the EU, at least in the short term. The EU and United States appeal to governments in the region to prioritize long-term prosperity and stability, calling attention to the relative certainties that they have provided in recent decades: a rules-based, transparent and open multilateral trade system governed and defended by the EU; and a US/NATO commitment to protection in the security realm.

Improvements in infrastructure and other areas of connectivity are welcome investments that spur much-needed economic development, at least in principle.

Box 1. The Balkans and Black Sea Cooperation Forum

The Balkans and Black Sea Cooperation Forum (BBSF) is an independent, non-profit, non-governmental economic conference, fostering cooperation, business relations and sustainable growth across Central and East European countries (CEEC) and South-East European (SEE) regions and beyond. It brings together individuals from countries in the region, including five EU member states, five EU candidate (or potential candidate) countries, six Eastern Partnership countries, Russia and Turkey. Key stakeholders, including China, the United States, the United Kingdom and Japan, are also commonly invited to join the open debate. The Forum’s multidisciplinary agenda focuses on the United Nations’ Sustainable Development Goals 2030, digital economies, maritime issues and transport, agriculture and the environment, energy, education and innovation, tourism and culture, and women in leadership – all areas that influence the real world.

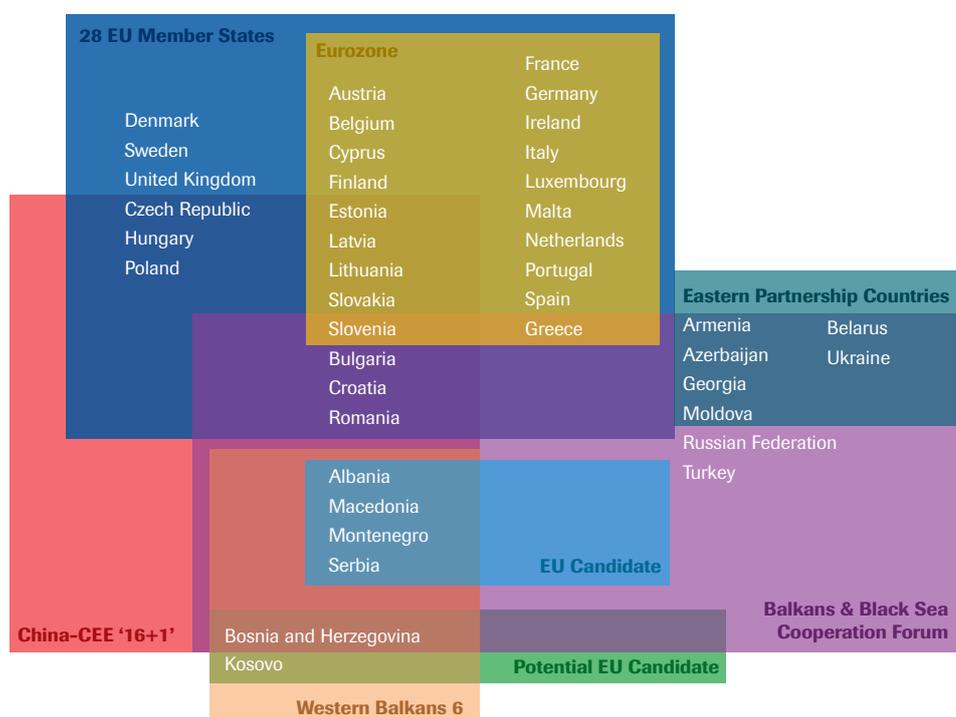


Figure 1 Participating countries in the BBSF and their relations with the EU and China*

The BBSF2018 was held in Athens from 30 May–1 June 2018 and gathered almost 250 participants, including 72 top-level speakers – including two EU commissioners; fourteen ambassadors, ministers and state representatives; 33 leading business representatives; 23 inter-governmental bodies; and other experts and practitioners. 40 per cent of participants were visiting Greece for the first time – an illustration of the convening power of this forum and its contribution to people-to-people exchange. Discussions were held in ten cross-sectoral and content-driven sessions. A Forum Declaration on ‘Rail, Road, Rivers Connectivity to the EU via Balkan Region’ was published upon the conference’s closing (see footnote 3).

Forthcoming events include a BBSF panel debate in Thessaloniki in September 2018; an agribusiness event in Serres in November 2018; and BBSF2019 in Athens in March 2019.

* In June 2018 Greece and the Former Yugoslav Republic of Macedonia (FYROM, or Macedonia) signed a historic agreement to rename the latter the Republic of North Macedonia. At the time of publication, the official name was still Macedonia.

But the acceptance by some governments in the region of large-scale Chinese loans and investments relative to the size of their economy has raised eyebrows in Brussels and several EU member states, which are wary of growing government debts and political influence by foreign actors within the EU as well as in (potential) EU candidate countries and in European Neighbourhood countries. Key examples of Chinese overtures in the region are the over 500 million euros of investment and majority stake of state-owned China Ocean Shipping Company (COSCO) in the Greek port of Piraeus; the Chinese-funded Bar-Boljare highway in Montenegro;¹ and Chinese investments in Serbia, including the Kostolac thermo-power station, the 'Pupin bridge' in Belgrade and highways.²

Countries in the Balkans and Black Sea region – as well as the EU and its member states – have a significant interest in ensuring that specific investments also contribute to the economic capacity of recipient countries and do not challenge their long-term stability, autonomy and EU unity. Several cases suggest that such caution is warranted, including Greece's blocking in the United Nations of an EU statement on China's human rights in June 2017; the surge in the Montenegro government's debt-to-GDP ratio and its (excessive) infrastructure spending at the expense of investments in areas such as health and education; and a lack of spillover of Chinese investments on Serbia's local economy, especially in terms of new jobs' creation.

As depicted in the Forum Declaration of the Balkans and Black Sea Cooperation Forum of 2018, presented in Athens on 1 June 2018, 'inadequate infrastructures, in combination with institutional, regulatory and economic barriers, affect the unobstructed operation of international transport in and through the region'. Sustainable connectivity is 'a key driver to strengthen the regional economic

development for the benefit of all people'.³ Sustainable connections also featured in the EU–China joint summit statement of July 2018, which states that cooperation 'should improve the economic, social, fiscal, financial and environmental sustainability of Europe–Asia connectivity'.⁴ This is important, as aforementioned examples show that Chinese investments are at times problematic on these fronts.

So, what exactly is sustainable connectivity and what concrete steps are being – and should be – taken for this to bring added value for countries in the Balkans and Black Sea region? Clearly, the BBSF is an important facilitator for countries in the region – together with the EU, US and China as key stakeholders – to turn the long-term vision of sustainable connectivity into a day-to-day reality.

Towards sustainable connectivity

As depicted in Figure 2 (below), sustainable connectivity is about investments in connectivity's three pillars of economic, institutional and people-to-people links.⁵ Economic connectivity concerns physical or 'hard' infrastructure in diverse fields – including, roads, rail, energy and digital – as well as economic services – including in the fields of transport and agriculture. For its part, institutional or 'soft' infrastructure is about facilitating cross-border connections through

1 <https://af.reuters.com/article/worldNews/idAFKBN1K60R5>.

2 <https://www.balcanicaucaso.org/eng/Areas/Serbia/China-goes-to-Serbia-infrastructure-and-politics-185401>.

3 Forum Declaration 2018, 'Rail, Road, Rivers Connectivity to the EU via Balkan Region', available online at: <http://balkansblackseforum.org/bbsf-2018-forum-declaration/>.

4 Joint statement of the 20th EU–China Summit: Agreement (paragraph 10), 17 July 2018, available online at: https://eeas.europa.eu/delegations/china_en/48424/Joint%20statement%20of%20the%2020th%20EU-China%20Summit.

5 This draws on the definition of connectivity presented in *Master Plan on ASEAN Connectivity* (2016), available online at: <http://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>.

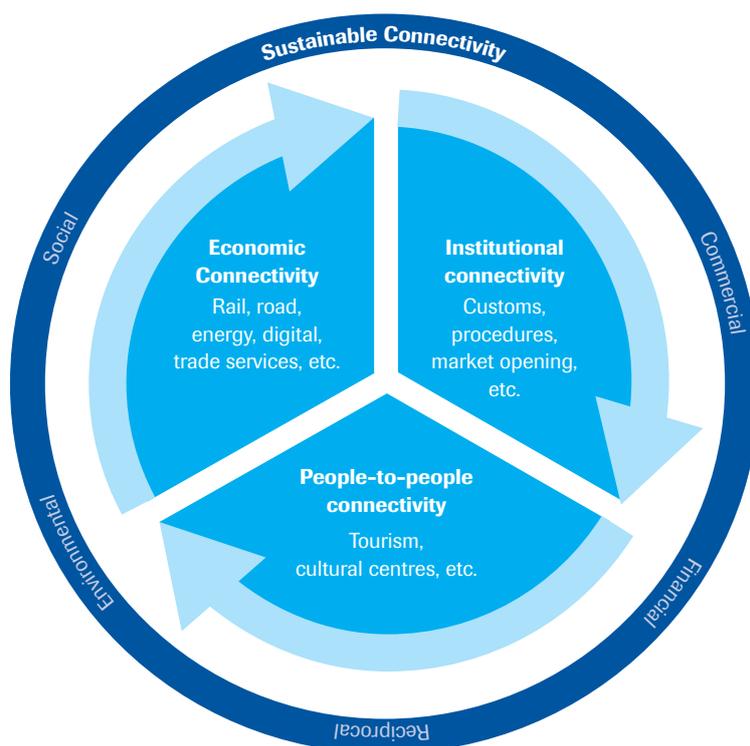


Figure 2 Connectivity's three pillars

Source: author's adaptation from the *Master Plan on ASEAN Connectivity* ([link](#)).

lowering trade barriers – such as easing customs' procedures and furthering market integration. Third, connectivity comprises a people-to-people dimension – enhancing contact between individuals through tourism, cultural centres and capacity-building initiatives.

At the same time, sustainable connectivity takes into account five features of sustainable development – namely, commercial, financial, social, environmental and reciprocal elements. More specifically: (1) commercial sustainability is about investing in projects that respond to a real public need and are economically viable; (2) financial sustainability means ensuring that countries do not fall into a debt trap and that infrastructural projects include long-term financial planning (e.g. the availability of funds for repair work or skills training to ensure the operation of power plants); (3) social sustainability refers to infrastructure that contributes also to the quality of institutions and conforms to transparency and labour standards;

(4) environmental sustainability recognizes that connectivity should be considerate of its impact on the environment – i.e. that development meets the needs of the present without compromising the ability of future generations to meet their own needs;⁶ and, finally, (5) reciprocal connectivity is about maintaining a level playing field between countries, and governments upholding international rules and regulations on government procurement and state aid.

Clearly, (inter)regional cooperation between governments and the involvement of the private sector are crucial to realizing sustainable connectivity anywhere in the world. Formal institutions like the EU and informal networks like the BBSF, which bring together the group of countries involved, play an important role in ensuring a long-term perspective on investments. In the words of Alain Baron, a European Commission official

⁶ <http://www.un-documents.net/ocf-02.htm> – UN definition.

involved in both the EU's Trans-European Network for Transportation (TEN-T) and talks with China on the Connectivity Platform: 'When the European Commission revises the TEN-T network in 2023 it should consider the possibilities that the BRI offers. [...] We should not just invest in infrastructure within this framework, but we should consider whether such connections are sustainable'.⁷

Economic, institutional and people-to-people connections...

With regard to economic connectivity, governments and businesses that are active in the Balkans and Black Sea region have invested in planning and coordination at the domestic, regional and interregional levels. Domestically, individual governments are making efforts to improve policies at the national level. For example, Bosnia and Herzegovina now benefits from its Transport Strategy, whereby supposedly more has been done in the past two years than in the eight years prior.⁸

At the regional level and led by the EU, the Trans-European Network for Transportation and for Energy (TEN-T and TEN-E) were devised in order to identify priority projects to be completed by 2030. The TEN-T Orient/East-Med and the Rhine-Danube corridors are of particular importance to the Balkans and Black Sea region,⁹ and in 2017 the TEN-T network was extended also into the Eastern Partnership countries. While these programmes have worked well to further the road corridor network in the region, less progress has been accomplished with railroads.¹⁰

Moreover, the challenge is to think beyond hard infrastructure, also in terms of traffic – i.e. services – and a common rail policy in the Balkans. With this in mind, most of the Balkans and Black Sea countries are investing in the agricultural and food value chain, often with financial support from the EU and EU member states, including the Netherlands. The Chinese government is also active in this field, as illustrated by the creation of the China-CEE Association for Promotion of Agricultural Cooperation, hosted by Bulgaria as part of the 16+1 process. Pending significant hard and soft infrastructure improvements, a southern rail corridor stretching from Europe via Turkey, Georgia, Iran and Central Asia to China could develop in the coming years.¹¹ This would allow European food producers to avoid Russian sanctions when exporting food and agricultural food products to China.

At the interregional level, attempts are being made to connect national and regional European strategies with initiatives by third countries. China is an important player, considering its growing engagement with the region through its BRI and the 16+1 platform, which aim to engage governments and to further connectivity. Wariness on the EU's side that Chinese projects interfere with the long-term planning agreed in TEN-T led to the EU-China Connectivity Platform, which was established in September 2015 with the aim of creating synergies between policies and projects. Reportedly, however, results have been limited, as the Chinese side has failed to provide transparency in planned and ongoing projects. The July 2018 agreement to implement the *Near-term Action Plan of the EU-China Connectivity Platform* and the formulation of an annual work plan to promote infrastructure connectivity further between the EU and China may be seen as attempts to overcome this challenge.

With regard to the digital element of economic connectivity in the region, the EU's new Western Balkans Strategy is of

7 <https://www.railfreight.com/policy/2018/06/11/ten-t-should-be-revised-looking-at-the-belt-and-road-initiative/>.

8 Minister for Communications and Transport of Bosnia and Herzegovina Ismir Jusko at the BBSF, Athens, 31 May 2018.

9 Details available at https://ec.europa.eu/transport/themes/infrastructure_en.

10 Zsuzsanna Hargitai, Director and Regional Head for the Western Balkans, EBRD, at the BBSF, Athens, 31 May 2018.

11 Jonathan A. Hillman, *The Rise of China-Europe Railways*, CSIS Report, 6 March 2018, available online at <https://www.csis.org/analysis/rise-china-europe-railways>.

interest.¹² Next to a broader connectivity agenda as one of its six flagship initiatives, this strategy launches a digital agenda for the Western Balkans. Its aims include to support the deployment of broadband, the development of a digital society and digital skills, and the digitalization of industry. More broadly, it is an investment in the inclusiveness of the digital transformation by including the Western Balkan countries in the EU Digital Single Market. The key words here are digital skills for citizens, connectivity, digital hubs and (cyber) security.

With this strategy, the EU leaves no doubt about the conditions and criteria for EU membership of the six Western Balkan countries – that is, the path of reform of these countries and their unequivocal strategic orientation towards the EU. While this should indeed be the long-term goal, it is questionable whether such reference in the strategy will meaningfully contribute to this end. Set against the context of the new Great Game arising, it may as well have just the opposite effect, as it leaves little room for manoeuvre for the Western Balkan countries.¹³

Institutional connectivity, or ‘soft infrastructure’ as it is sometimes called, is about trade, investment and services liberalization. In the Balkans, border crossings between Serbia, Montenegro, and Bosnia and Herzegovina have been identified by Serbia as a priority,¹⁴ but more needs to be done also within the EU. In the

Bulgaria–Greece border region, for example, general conditions are not fully conducive for cross-border activities. Steps towards visa liberalization – such as the statement in July 2018 by the European Commission that Kosovo met two outstanding benchmarks – are of crucial importance in easing the flow of people travelling to and from the EU.¹⁵ At the regional level, consider the work of the Danube Commission. The infrastructural development of and along the Danube river – totalling 70 billion euros – is creating new links between countries in the region. Obviously, such political achievements are of great value for easing soft – and in time, hard – connectivity.

A crucial part of people-to-people connectivity, tourism is recognized today not just as a means to generate economic development, but also as an important facilitator of strengthened relationships between countries. An important source of income for several countries in the Balkans and Black Sea region, tourism clearly features high in connectivity initiatives. Greece, as an EU member state and global top-10 tourist destination, has a key role to play, and in 2015 it successfully launched a new policy that resulted in a 25 per cent increase in tourists.¹⁶ Separately, people-to-people connectivity across countries and regions is strengthened by student exchanges and cultural centres. The 50 Chinese Confucius Institutes that have opened in each of the eighteen countries that participate in the BBSF – including seventeen in Russia; five in Ukraine; and four in Turkey – are a salient example of deepening cultural links between China and the region.¹⁷

12 European Commission, *A Credible Enlargement Perspective For and Enhanced EU Engagement With the Western Balkans*, February 2018 (section five discusses the launch of a digital agenda for the Western Balkans), available online at: https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf.

13 For a useful discussion, see: Toby Vogel, *Beyond Enlargement – Why the EU’s Western Balkans Policy Needs a Reset*, Friedrich Ebert Stiftung, April 2019, available online at: <http://library.fes.de/pdf-files/bueros/sarajevo/14368.pdf>.

14 State Secretary Zoran Lakićević, Ministry of Construction, Transport and Infrastructure of the Republic of Serbia, at the BBSF, Athens, 31 May 2018.

15 http://europa.eu/rapid/press-release_IP-18-4562_en.htm?utm_source=POLITICO.EU&utm_campaign=5457592237-EMAIL_CAMPAIGN_2018_07_19_04_36&utm_medium=email&utm_term=0_10959edeb5-5457592237-189758317.

16 Minister of the Hellenic Ministry of Tourism Elena Kountoura, at the BBSF, Athens, 1 June 2018.

17 Confucius Institute Headquarters (Hanban): http://english.hanban.org/node_10971.htm, accessed on 19 July 2018.

...And adding the sustainable dimension

A commitment to *sustainable* connectivity – rather than simply to connectivity as such – is mainly about ensuring that policies and projects benefit all citizens in the long term. Key challenges to achieving *sustainable* connectivity in the Balkans and Black Sea region may be drawn from the top three reasons why companies reportedly lose money in Western Balkan countries:¹⁸ (1) corruption; (2) interruption of the power supply; and (3) lack of infrastructure. Each of these challenges feature in one or more of the five elements of sustainable connectivity.

First, commercial sustainability is about ensuring that projects are economically viable – meaning that investments go to projects that respond to a real need of the market. The aforementioned Transportation Strategy of Bosnia and Herzegovina; European TEN-T and TEN-E programmes; and the EU–China Connectivity Platform are devised to contribute to this purpose, as they provide a long-term framework and identify priorities. Obviously, these policies can deliver on their long-term objectives with transparency about project planning and contracts; as well as open and fair competition in contract bidding. Unfortunately, even these basic elements cannot always be taken for granted in the Balkans and Black Sea region, as the example of the China-funded Budapest–Belgrade railway project shows.

Financial sustainability is about ensuring that projects are financially sound, both in the short and in the long term. This means planning not just for the initial investment, but for any other leg of the project that may follow. Also, it means taking into account future investments that are needed to ensure the continued use of, for example, roads (e.g. repair work). Finally, it means trying to avoid loans for connectivity projects leaving countries with a level of debt that

may undermine their state finances and – ultimately – even their sovereignty.¹⁹ The availability of guarantees and loans at concessional interest rates, as well as diversity of funders can help prevent this. In this context, the Western Balkan Investment Fund may be mentioned as a positive example, and the upcoming EU–Western Balkan Guarantee can be of further value. Most countries in the region indeed try to combine different sources of finance. Serbia, for example, works with the European Bank for Reconstruction and Development (EBRD) and the EU, the World Bank, China and Russia as financiers.

A third element of sustainable connectivity is social. After all, infrastructure is not just about commerce and financing; the quality of institutions is key. Also, skills development and capacity building are important elements of socially sustainable connectivity. In the Balkans and Black Sea region, connectivity-related loans provided by the EBRD assist countries on these fronts. The EBRD goes where the private sector does not (yet) go. The Black Sea Trade and Development Bank (BSTDB) is also present, offering loans to the private sector in particular.

Japan's quality infrastructure investment also recognizes the social element, proposing that infrastructure investment should align with recipients' economic and development strategies and seek local job creation and transfer of expertise and know-how to recipients.²⁰ Japan's proposition is of relevance to countries in the BBS region, especially since Japanese Prime Minister Shinzo Abe launched the Western Balkans

18 Szusanna Hargitai, EBRD, at the BBSF.

19 The Bar–Bolja highway is problematic in this sense, as the €809 million loan that Montenegro received from China's Export–Import Bank (which covers 85 per cent of the cost of just the first section of the road) has sent Montenegro's debt soaring, while the International Monetary Fund estimates that the remaining three-quarters of the highway will cost another \$1.2 billion to complete: <https://af.reuters.com/article/worldNews/idAFKBN1K60R5>.

20 <https://www.mofa.go.jp/files/000291344.pdf>.

Cooperation Initiative when in Serbia in January 2018.²¹

Environmentally sustainable connectivity is about ensuring that development meets the needs of the present without compromising the ability of future generations to meet their own needs. Importantly, a growing number of multilateral development banks were given sustainable development mandates in recent years. The EBRD was first, and other banks – including the European Investment Bank (EIB) – followed with similar goals on sustainability.

In Greece and in the BBS region, the EBRD engages in co-financing with other international financial institutions, especially the EIB. What is needed now is more cooperation as well with non-European multilateral banks and Chinese so-called Policy Banks – the China Development Bank and the Export-Import Bank, in particular. These two ‘China-only’ banks are the main financiers of projects under the BRI flag. Together, they provide more than the next six multilateral lenders combined, but their projects are greatly exposed to political, social and environmental risks.²² Furthermore, their loans for funding projects come with hard conditions that are incompatible with EU regulations on government procurement: including Chinese companies being the majority stakeholder, regarding equipment and/or construction activities.

While no cooperation between European countries or banks and China-only banks or funds is in place today, European banks do cooperate with the (much smaller) China-led Asian Infrastructure Investment Bank (AIIB) in Georgia, while a project with the

AIIB in the Western Balkans is reportedly in the pipeline. Similarly, the BSTDB currently has no links with Chinese banks, while it does cooperate with many other banks – especially the EBRD, but also the Dutch Entrepreneurial Development Bank (FMO) – in particular those that engage in private-sector funding. On the positive side, China’s membership of the EBRD (since 2016) provides a valuable platform for both sides to share and exchange experiences in economic transition and development.

Last but not least, sustainable connectivity is about making sure that economic relationships are reciprocal – ensuring a sound basis for long-term relationships. The challenge of reciprocity is most obvious in the relationship of European countries with China, which in 2018 celebrates the 40th anniversary of China’s reform and opening up, which was initiated by Deng Xiaoping in 1978. While much progress has been made throughout the last four decades, Chinese economic reform has stalled and, on some fronts, has backtracked in recent years. Foreign companies are still not allowed to enter certain sectors of the Chinese market, for example, and face an uneven playing field in bidding for government procurement contracts.

In Europe, meanwhile, a growing challenge is how to deal with Chinese (state-owned) enterprises that enter markets with significant state support, offering bids in tenders and loans for projects that market-players cannot rival. For example, following a public tender, Croatia in April 2018 granted the construction of Pelješac Bridge – to connect Croatia’s southernmost peninsula with the mainland – to a Chinese company. The price offered by the Chinese party was reportedly far lower than that of two other (European) consortia – most likely thanks to low Chinese steel prices stemming from state aid. Although financially attractive to the host government, such market-distorting practices give Chinese companies an unfair competitive advantage and lead to bidding failures by (and sometimes consequently, of) European companies. With 85 per cent of the bridge project’s acceptable costs to be covered by the EU, even some Croatian officials privately suggest that the EU should

21 Japan even appointed an Ambassador in Charge of the Western Balkans at its Ministry of Foreign Affairs, whose role is to facilitate dialogue, new cooperation projects and regional cooperation:

<https://japantoday.com/category/features/opinions/japan%E2%80%99s-western-balkans-cooperation-initiative-a-wise-way-to-wage-war>.

22 <https://www.chinadialogue.net/article/show/single/en/8947-China-becomes-world-s-biggest-development-lender>.

learn from this and ensure that future tender documents guarantee a level playing field for all companies.²³

Balancing geopolitics, sustainability and speed

As new powers such as China, but also Japan and India, are developing and deepening trade ties with Europe, traditional trade routes between Asia and Europe are shifting. In this process, Greece is ‘recovering its political place’²⁴ and becoming an important transport hub linking the Eastern Mediterranean, Balkans and the EU; Israel, Greece and Cyprus; and Egypt and the Middle East. Unburdened by a history of colonialism, Greece manages to maintain good relations with Russia and China, while at the same time being a NATO member.²⁵

Since 2012, China has rapidly been making inroads into the Central and Eastern European region through its 16+1 Platform and BRI. These frameworks have deepened policy communication between the two sides, and all sixteen countries have by now signed memorandums of understanding on the BRI with China. Trade and investment are steadily growing, as is infrastructural connectivity – in Serbia and Montenegro – and Chinese presence in industrial parks. People-to-people connections counted by the number of flights, Confucius Institutes, and student and tourist exchange are also deepening.²⁶

23 <https://www.total-croatia-news.com/politics/29623-peljesac-bridge-a-milestone-in-cooperation-with-china>; informal chat with a Croatian representative, 1 June 2018.

24 Member of the Hellenic Parliament George S. Koumoutsakos, at the BBSF, Athens, 31 May 2018.

25 Deputy Minister of the Hellenic Ministry of Economy and Development Stergios Pitsiorlas, at the BBSF, Athens, 1 June 2018. Greece’s good relations with Russia were severely tested by the diplomatic row that emerged in July 2018 following Russian attempts to torpedo a deal to allow the Former Yugoslav Republic of Macedonia to join NATO – the long-term consequences of which are difficult to judge.

26 Ambassador Huo Yuzhen, Special Representative of China-CEEC Cooperation, Ministry of Foreign Affairs of China, at the BBSF, 31 May 2018.

That said, awareness is rising that numbers on Chinese investment tend to be inflated and misleading. The initial euphoria about China’s investment promises has thereby given way to a more sober mood in CEE countries.²⁷ This was reflected in the lower-level engagement of some CEE countries in the most recent 16+1 Summit, which was held in Sofia in July 2018, where Poland and Lithuania did not send their head of government.²⁸ Clearly, China is lagging on sustainable connectivity and is not always delivering on its promises. It is overselling and underperforming on its BRI in the eyes of a growing group of countries in the region.

As the initial euphoria about Chinese engagement becomes balanced by a greater sense of realism, the time is right for the EU to step up its game. What often goes unnoticed is that EU companies are still key players in the Balkans and Black Sea region. In 2016 they accounted for more than 70 per cent of trade and foreign direct investment (FDI) into the Western Balkans region. On trade, China and Russia came in far behind – at roughly 5 per cent each – while the gap was even bigger with regard to FDI inflows (2007–2015) – with Russia at less than five per cent and China at 0.1 per cent. The EU may thus be underselling itself, as the role of European countries and funds is far more than commonly understood. More needs to be invested in public diplomacy to enhance the visibility and outcomes of EU-funded projects. At the same time, EU institutions should work to improve their processes, which are perceived as very slow and thereby hardly delivering on the requirements of connectivity in the region.

The outcomes of the *2018 Eurobarometer* suggest that the EU faces an uphill battle in South-Eastern Europe. As shown in the

27 See the Mercator Institute for China Studies (MERICS) BRI Database; and Thomas S. Eder and Jacob Mardell, *Belt and Road Reality Check: How to Assess Chinese Investment in Eastern Europe*, MERICS Blog, 10 July 2018, available online at: <https://www.merics.org/en/blog/belt-and-road-reality-check-how-assess-chinas-investment-eastern-europe>.

28 See also <http://www.pism.pl/publications/bulletin/no-91-1162>.

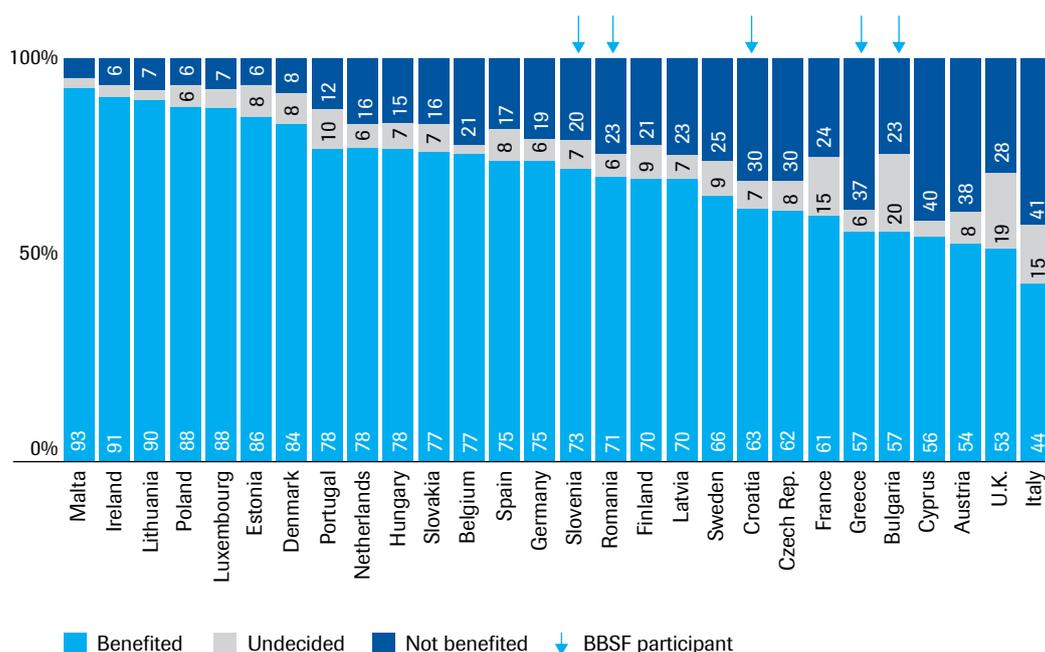


Figure 3 Support for the EU in EU member states

Source: Eurobarometer, May 2018, with BBSF participants highlighted.

Figures 3 and 4 above, relatively greater shares of citizens in this region feel that their country has not benefited from EU membership. Greeks are most down, while support for the EU is at its highest in 35 years and rising in 26 out of 28 EU member states.²⁹ At the same time, views on China in the EU’s south-eastern member states are generally more positive than in other parts of the EU. In fact, the percentage of positive views of China in all five countries that participate in the BBSF is more than double that of France, where views are most negative.

Connectivity conflicts or cooperation?

Clearly, all sides have to act if sustainable connectivity is to be a key driver of strengthened regional economic

development that benefits all people in the Balkans and Black Sea region, as stipulated in the Balkans and Black Sea Forum Declaration. Greater political resolve is required on the part of governments in the region and the EU, to engage on domestic reform and EU accession respectively. Brussels and EU member states need to address the disappointment of certain countries in the Balkans and Black Sea region with the EU’s failure to distribute economic gains and political challenges (such as migration) equally and to be more concrete in its initiatives towards the region, including the Strategy for the Western Balkans. At the same time, real steps in the fight against corruption and to uphold the rule of law cannot be luxuries in the EU accession process. In the words of Albania’s Prime Minister Edi Rama: the EU needs to be strict but fair, and sticking to its principles, as the long accession process enforces reforms.³⁰

²⁹ <https://www.politico.eu/article/europeans-love-the-eu-and-populists-too/>.

³⁰ <https://www.volkskrant.nl/columns-opinie/minister-president-albanie-toe-willen-treden-tot-eu-dwingt-juist-hervormingen-af-~b5d37a3f/>.

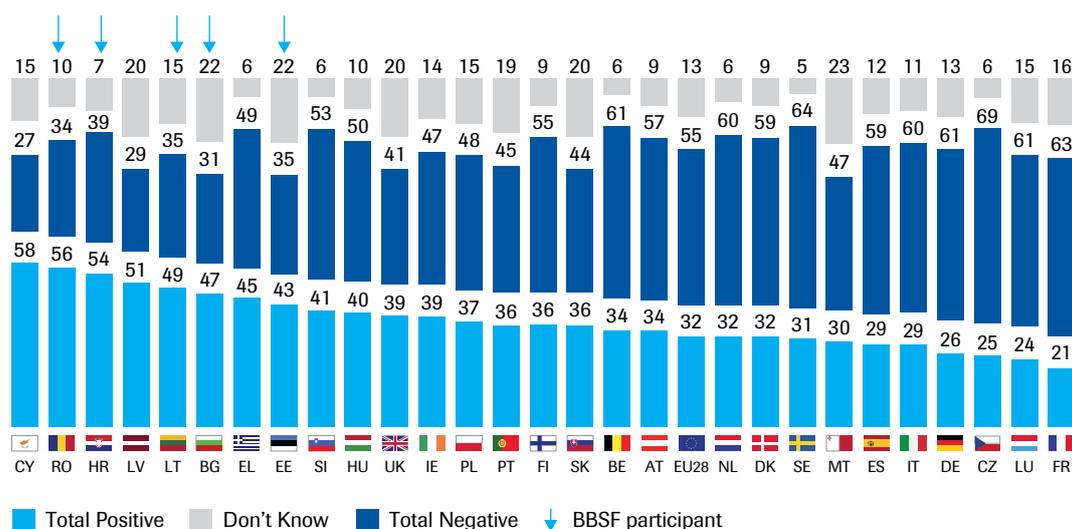


Figure 4 Views on China in EU member states

Source: Eurobarometer, May 2018, with BBSF participants highlighted.

Cooperation among governments in the region and foreign partners should promote domestic jobs and growth, broaden their market base, and offer lasting market access to investors. Substantial and concrete financial-economic commitment is needed to make this happen.³¹ Specifically, the EU could reconsider the push for privatization as part of the terms of bailout programmes, such as those organized by the European Commission and the International Monetary Fund in the early 2010s. Requirements to privatize certain sectors or companies – such as Greece’s port of Piraeus, but also Portugal’s power grid – created inroads for Chinese state-owned enterprises into European infrastructure. Initially a minority stakeholder, COSCO in Greece – and perhaps, soon, China Three Gorges in Portugal³² – later gained a majority stake

that gives Beijing economic control to an extent that it is bound to have political consequences. This is important, as Greece and other countries in the region are set to privatize further their energy sector and other ports.

The United States appears ready to act in support of its energy security and military interests, as suggested by its expression of interest in the Port of Alexandroupoli.³³ And even Japan stands ready to employ its financial prowess in the region, as illustrated by Abe’s visit to three countries in the Baltic and Balkan regions in January 2018.

Now is the time for countries in the region to capitalize on their geography and history, and to ensure that a connectivity conflict will not become the next Great Game in their region. An approach that emphasizes sustainable connectivity is the right way forward, and the BBSF – with the EU, United States and China as key stakeholders – has an important role to play in transforming this long-term vision into a day-to-day reality.

31 For a detailed analysis, see Stephany Griffith-Jones and Samuel Leistner, *Mobilising Capital for Sustainable Infrastructure: The Cases of the AIIB and the NDB*, German Development Institute (GDI/DIE), Discussion Paper 18/2018, available online at: <https://www.die-gdi.de/discussion-paper/article/mobilising-capital-for-sustainable-infrastructure-the-cases-of-aiib-and-ndb/>.

32 <https://www.euractiv.com/section/eu-china/news/china-set-to-fully-control-portugals-power-grid-amid-europes-inertia>.

33 US Ambassador to the Hellenic Republic Geoffrey R. Pyatt at the BBSF, Athens, 1 June 2018.

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