

The Balkans and Black Sea Region and China's New Silk Road

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6 July 2017

On 24-26 May 2017, the first Balkans and Black Sea Cooperation Forum took place in Serres, Greece. The forum aims to strengthen cooperation throughout this region in various regards, including in terms of transport and infrastructure. One of the topics debated at the forum related to the role of China and its Belt and Road (also known as 'One Belt, One Road' or OBOR) initiative to build a modern-day silk road.

It is in the Balkans and Black Sea region that the contemporary equivalents of the silk road on land (via Central Asia) and the maritime silk road (via the Indian Ocean and the eastern Mediterranean Sea) meet each other and connect to Europe. A land route via the Black Sea region would provide China with a transport corridor to Europe that avoids areas that are part of, or militarily controlled by, Russia or the United States. It is to China's strategic benefit if it succeeds in decreasing its dependence on trade routes that can easily be disrupted by other great powers. The greatest relevance of the Balkans peninsula at this time relates to the port of Piraeus in Greece, which is the main Mediterranean base of China's largest shipping company, COSCO Shipping. China's involvement in Piraeus may develop into a greater Chinese role in trade, finance and manufacturing throughout the Balkans and Central Europe. This would then further strengthen China's interest in developing the Black Sea region as a part of the China-Central Asia-Europe trade corridor.

China's focus points

The Chinese government engages with countries in the region mostly on a bilateral basis rather than collectively. There exists a platform for cooperation between China and 16 countries of Central and East Europe (the so-called CEEC 16+1) that involves the Balkans region and that is strongly focused on OBOR, but most actual projects between China and Balkans countries are the outcome of bilateral interaction. A similar regional platform for engagement between the Black Sea region and China does not exist. The Organization of the Black Sea Economic Cooperation (BSEC) could potentially fill this gap, but the Chinese government has so far not yet made use of this platform to discuss OBOR multilaterally.

Notable focus points for Chinese companies and the Chinese government in the Balkans and Black Sea region are port management in Greece, infrastructure construction in the Western Balkans and Turkey, agricultural production in Ukraine and the energy sector in Romania and Greece. In addition, Chinese companies are also active in the region in telecommunication, manufacturing and banking.

Two key countries in the region are Greece and Serbia. Both countries were visited by President Xi Jinping in recent years. They provide China with footholds within the region from where it can build up its OBOR activities by way of a step-by-step approach. Progress is slow: the privatization of the port of Piraeus met with substantial delays until Cosco was able to acquire a majority share in the port in 2016. Currently the construction of a new railway track between Belgrade and Budapest is also being delayed as a result of concerns from the European Commission as to whether the agreement between Hungary and China follows EU government procurement rules. Under this agreement Chinese entities will finance and build the railway. The Chinese government and Chinese investors appear to be waiting until the so-called Land Sea Express Route (the transport corridor from Greece via the Western Balkans to Central Europe) has progressed further before engaging in major new OBOR projects in other parts of the Balkans.

With regard to the Black Sea region, the involvement of the Chinese government in OBOR projects is more limited than in the Balkans region. China seems to be cautious not to antagonize Russia and to be taking into account Russian geopolitical sensitivities in the Black Sea region. Given their location, both Georgia and Ukraine could potentially be close diplomatic partners and hosts to major China-funded infrastructure projects. However, they are also former Soviet republics that have strained relations with Russia. Judging from maps with projected railway links that circulate in China, the Chinese government seems to favour a transport corridor to Southeast Europe from China via Iran and Turkey rather than via Georgia or Ukraine. This suggests that China's approach cannot be understood exclusively on the basis of economic factors: geopolitical considerations should also be taken into account.

Seizing the initiative

In terms of geography, the potential of the Balkans and Black Sea region is promising but the Chinese government and Chinese investors seem hesitant to commit to major projects in the region apart from the current flagship projects in Greece (Piraeus port) and Serbia (railway to Hungary). To realize this potential, local governments, regional organizations and the private sector could take the initiative. The new silk road is being shaped not only by China but also by non-Chinese actors. By investing in infrastructure and facilitating east-west (across the Black Sea) and north-south (across the Balkans) corridors, regional actors can enhance their role in OBOR and stimulate engagement by China.

Geopolitical implications

The new silk road will increase China's influence in the region. This could further complicate the unstable relationship between Russia and the West. In the longer run, Sino-US and/or Sino-Russian geopolitical competition could destabilize the region. However, China is careful to avoid this outcome, and its growing influence also provides new opportunities for Russia, the EU and the US to work with China towards regional stability. The formula used to stabilize Sino-Russian relations in Central Asia, by way of the Shanghai Cooperation Organization, could provide a starting point for a joint mechanism for the Black Sea region that involves regional countries as well as Russia, NATO and China.

The European Union needs to signal clearly that it favours regional development and that it is open to cooperating with China to this end. If OBOR can contribute to the economic development of the Balkans and Black Sea Region then the EU should take an active approach that seeks to maximize this contribution within its strategic interests. There is a danger that countries in Southeast Europe and around the Black Sea, whether they are EU member states or not, will increasingly feel that their interests are ignored as a result of geopolitical and economic competition between China and the EU as a whole, and between China and Western Europe in particular. If these sentiments are not adequately addressed the EU's south-eastern flank will be vulnerable to destabilizing forces such as great power competition and conflict in the Middle East.