The New Silk Road, part II: implications for Europe

Stephan Barisitz,
Alice Radzyner[1]

Through the New Silk Road (NSR) initiative, China increasingly invests in building and modernizing overland and maritime infrastructures with a view to enhancing the overall connectivity between China and Europe. The NSR runs through a number of Eurasian emerging markets and extends out to Southeastern Europe (SEE), where Chinese investments include the modernization of ports and highspeed rail and road projects to speed up the transport of goods between China and Europe (e.g. port of Piraeus, rail connection to Budapest). Participation in the NSR will probably stimulate SEE's economic expansion and may even contribute to overcoming its traditional peripheral position in Europe. Ideally, SEE will play a role in catalyzing a deepening of China-EU economic relations, e.g. by facilitating European exports to China and other countries along NSR trajectories, which would boost growth in Europe more widely. In the long run, these developments might also influence the EU's political and economic positioning on a global scale.

JEL classification: F15, F34, N75, R12, R42
Keywords: New Silk Road, One Belt, One Road, connectivity, trade infrastructure, economic corridors, regional policy, Southeastern Europe (SEE), China, EU-China relations, China-EU relations, China-EU trade, EU-China trade, EU candidate countries

Introduction

This paper is the second of a set of twin studies on the New Silk Road (NSR).[2] While part I shows how the NSR is developing through the growing number of Chinese projects in several Eurasian and Asian emerging markets, part II focuses on Southeastern Europe (SEE), where Chinese investments seem to be paving the way toward the heart of the continent.

We feel that our brief discussion of concrete projects can provide valuable geo-economic and geopolitical insights that help us understand the motives, goals and implications of this major endeavor. As far as we know, no other study has yet analyzed the NSR's impact on Europe from a project-oriented perspective. Part II argues that trade facilitation that is, or may be, brought about by major infrastructural improvements, largely driven by Chinese investors, should have significant economic policy implications: first, for SEE and second, for the EU in the sense that it should strive for synergies with existing European connectivity initiatives.

Part II is structured as follows: Section 1 focuses on Europe and the NSR as well as on incentives and (controversial) institutional conditions for investments under the NSR or One Belt, One Road (OBOR) initiative. It discusses advantages and possibly problematic aspects from the viewpoint of the EU, China and SEE viewpoints. Section 2 provides a discussion of the most important infrastructural links in SEE and the way these connect the region to the heart of Europe. Section 3 lists the relevant Chinese NSR projects in each SEE country and discusses their economic weight by comparing project volumes with the respective country's Foreign Direct Investment (FDI) inflows. Section 4 summarizes, draws some conclusions and offers an outlook for possible geopolitical developments.

[1] *Oesterreichische Nationalbank, Foreign Research Division, stephan.barisitz@oenb.at and European Affairs and International Financial Organizations Division, alice.radzyner@oenb.at.* *The authors would like to thank two anonymous referees as well as Peter Backé and Julia Wörz (both OeNB) for their helpful comments and valuable suggestions.*

[2] *This paper is the second of a set of twin studies on the New Silk Road. Part I is also authored by Stephan Barisitz and Alice Radzyner and is entitled "The New Silk Road, part I: a stocktaking and economic assessment" (published in: OeNB. 2017. Focus on European Economic Integration Q3/17).*

1 China's growing presence in Southeastern Europe

Under the heading of "reviving the ancient Silk Road," Chinese investments in the EU continue to grow rapidly. Chinese FDI has spread all across Europe and into various sectors, mainly the finance, infrastructure, engineering and energy sectors. In 2015, Chinese investments in Europe were concentrated mainly in the United Kingdom, Italy, France and Germany. Between 2010 and 2015, Chinese investments amounted to an average of EUR 4 billion to EUR 8 billion per year in these countries. However, particularly in the past two years, links between China and SEE have intensified, not just in financial and economic but also in diplomatic terms.

Geographically, SEE (particularly Greece and the Western Balkans) constitutes the final part of China's new Maritime Silk Road (MSR, reaching Europe via the Suez Canal and the port of Piraeus, see map 1). SEE exports to China increased seven-fold between 2004 and 2014 (in U.S. dollar terms), from around USD 320 million in 2004 to more than USD 2.2 billion in 2014. SEE imports from China more than doubled from USD 5 billion in 2004 to over USD 11 billion in 2014. The share of imports from China rose from 3.4% of total SEE imports in 2004 to 4.6% in 2014 (Levitin, 2016, p. 5).

With a view to extending the NSR into the Balkans, China primarily invests in regional infrastructure, such as ports, railroads and highways. This strategy relies on the assumption that the countries in the region (including the Western Balkans) will catch up significantly, integrate into the EU and thus build a bridge for Chinese companies to the main EU markets.

In 2012, one year before the OBOR initiative was launched, the People's Republic of China set up the so-called "16+1 format." This initiative aims at intensifying and expanding China's cooperation with 11 EU Member States (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and five Balkan non-EU Member States (Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia) in the fields of transport, finance, science, education and culture. The 16+1 format is coordinated by the Secretariat for Cooperation between China and Central and Eastern European Countries, which in turn is part of the Department of European Affairs at the Ministry of Foreign Affairs of the People's Republic of China.

Since the first summit that brought together the prime ministers of all the 16+1 countries ("16+1 summit") in 2012, China's economic presence in Central, Eastern and Southeastern Europe (CESEE) has progressively increased. At the fifth 16+1 summit in Suzhou in November 2015, it was confirmed that an investment fund of USD 10 billion was earmarked for various projects in CESEE in the coming years. 16+1 cooperation[3] is being increasingly institutionalized, with plans for setting up a permanent business council and the signing of a number of high-profile bilateral memoranda of understanding (MoUs). In June 2015, the European Commission signed an MoU on the so-called EU-China Connectivity Platform, aimed at coordinating the European Commission's Trans-European Networks strategy with new OBOR projects.

[3] *16+1 cooperation also includes regular platform meetings at the technical level on topics other than infrastructure and technology, including agriculture, health, tourism and education (including student exchange programs) and comprises, for example, a Young Leaders program, an expert advisory committee on the construction of transport networks between China and CESEE, a research fund on the relations between China and CESEE, a special tourist products promotion event, academic exchange between research institutes, the founding of think tank cooperation centers, etc.*

From the EU's point of view, Europe, being the western endpoint of all major routes of the NSR, conceivably stands to gain from increased trade possibilities with a number of Eurasian countries; enhanced trade corridors with improved infrastructure are opening up new destinations for European exports. The EU countries generally welcome Chinese investments as these are financed by Chinese institutions and banks and thus do not generate costs for European institutions.

Among the 16+1 countries, the EU Member States – mainly those in Central and Eastern Europe (CEE) – arguably have a wider range of financing options for large investments of this sort. For SEE, where most countries (with the exception of Bulgaria and Romania) are not EU Member States, the situation is slightly different. Despite the funding possibilities offered to non-EU Member States by EU sources and international financial institutions (e.g. the Western Balkans Investment Framework), a financing gap remains (Radzyner et al., 2011). Investments from Chinese firms therefore benefit candidate countries which cannot access large EU structural funds until they join the EU, but which are aware that their national and international infrastructure and transport links must be improved in order to make progress toward EU accession. Compared with the relatively slow process of project preparation and other institutional obstacles that must be overcome when applying for EU funding, Chinese investments appear to be a competitive alternative, as they come with streamlined approval processes, state-backed financing and rapid implementation (Sanfey et al., 2017). The direct spillovers of these investments to the local economies may be limited (see section 3), but the SEE countries' participation in the NSR initiative will probably stimulate the region's economic growth and may even contribute to overcoming its traditional peripheral position in Europe. For China, therefore, investing in SEE is a win-win situation: As a consequence of catching up, the purchasing power of the population in SEE will increase, and as the gap in labor costs between China and SEE is narrowing too, Chinese manufacturers may find it cheaper to locate their production facilities closer to their destination markets in the EU (Hollinshead, 2015; Needham, 2014). Evidence has shown that with the CESEE region being seen as the "outskirts" of the EU, Chinese analysts treat the EU as an "external factor operating in the region" (Kaczmarski, 2014; Levitin, 2016; Pepe, 2017). This may point toward the fact that China's knowledge of European integration is possibly somewhat incomplete, which in turn translates into another advantage China would gain from investing in the region, namely that it would acquire knowledge about how to act in a highly regulated market such as the EU.[4] Politically, Chinese investors show more readiness to get involved in countries with higher political instability and to take up the role of a neutral force and reliable business partner.

In addition, the non-EU Member States in CESEE may also be attractive to Chinese investors, partly because they could enable them to bypass EU trade laws, including antidumping regulations or even environmental rules that apply to EU Member States. However, the same is true for CESEE EU Member States, where Chinese projects often undermine the EU's internal market rules (e.g. the Budapest-Belgrade railway project tender did not comply with EU rules). The

[4] *This is one of the reasons why Austria has been given the role of observer – along with the EU – in the 16+1 initiative; more precisely, China is interested in keeping Austria close owing to Austria's bank exposure in CESEE, its financial expertise and expertise in financial law, as well as its interlinkages with CESEE with regard to telecommunication and railway connections.*

European Commission has expressed its concern about increasing trade and investment in areas which fall under EU competences, particularly for those CESEE countries which are closing agreements without consulting the EU beforehand (see i.a. Yalcin et al., 2016). Yet, the consequences are by no means of sizeable significance to China: Even though, after five years of careful investigations, the European Commission asked the China Ocean Shipping (Group) Company (COSCO), which is now the principal owner and manager of the Piraeus Port Authority (PPA), to reimburse the Greek government the money saved on the original deal, China did not abandon its strategy (Guillot, 2017). The fact that Chinese investors tend to ignore EU rules and regulations adds to the existing frictions in trade relations between the EU and China (Ma, 2012). European investors still face major barriers on Chinese markets, such as i.a. equity caps, forced technology transfers and licensing restrictions. Once the conditions for European investors in China improve, it can be expected that Chinese FDI will generally be welcomed more openly in Europe.

A good example of preferential conditions that are created through bilateral relations can be found in Serbia, which is the main beneficiary of Chinese investments in SEE, namely Pupin Bridge[5] in Belgrade. China and Serbia signed a strategic partnership agreement in 2009, which laid the formal basis for a large number of infrastructure, energy, car manufacture and other projects (see below), including Pupin Bridge. Chinese companies are now entitled to participate in Serbia's planned privatization process, in which more than 500 companies (in particular, the national railway company) are listed for a sell-off. This partnership gives Chinese companies access to a free trade area of 800 million potential consumers via free trade agreements that Serbia has concluded with the EU, the Central European Free Trade Agreement (CEFTA) and the European Free Trade Association (EFTA). Serbia thereby receives the financial and technical assistance it needs from a trusted partner on a preferential basis and China gains valued access to Central European markets (Hollinshead, 2015).

While the local Serbian labor force could in theory benefit from such work-intensive projects, Chinese companies usually employ their own workers and rely on local resources to a limited extent only. Pupin Bridge, for instance, was constructed between April 2011 and December 2014, under the responsibility of the China Road and Bridge Corporation (CRBC). The CRBC workforce consisted of 200 (predominantly male) Chinese workers, who were accommodated in a dormitory next to the bridge, given that the concrete had to be laid as quickly as possible and workers had to work flexible shifts on a 24/7 basis. Due to the fact that the work location was isolated, compliance with health and safety regulations was seen as "highly problematic" (Hollinshead, 2015). The prevailing conditions may have contradicted Serbian labor, health and safety regulations. However, the volatility of the Serbian government and the long and difficult processes arising from stiff bureaucracy hindered any action against these conditions. In any case, the local economy did not benefit greatly in terms of employment or consumption – at least

[5] *Formerly also known as "Bridge of Friendship" or (colloquially) "Chinese bridge." Pupin Bridge is a road bridge over the Danube, located upstream of Belgrade's city center and connecting the neighborhoods of Zemun and Borča. The bridge itself is 1,507 m long, but including access roads its total length is 21.6 km. Since its opening, travel time from Borča to Zemun has been reduced from 60 minutes to 10 minutes.*

in the short run. Once the infrastructure network (including railways, roads and motorways) between Piraeus and Budapest is in operation, this may change, of course.

All in all, "(…) fast, unbureaucratic funding from China is attractive. And SEE countries also do not shy away from not taking national rules or EU trade agreements too seriously."[6] Given the primary objective of this study as well as its length limitations, the ways in which EU regulations are being bypassed unfortunately cannot be analyzed in much depth. However, numerous analysts have observed this development and further research should be undertaken to find out just to what extent EU trade regulations and tendering and procurement procedures have been ignored so far.

What is clear from these observations is that the EU will need to intensify its relationship building with SEE and China with a view to effectively using SEE's potential and fulfilling interests common to all parties involved. When looking at the activities carried out under the 16+1 cooperation framework i.a. in education, culture, research and development, it becomes clear that the OBOR initiative already goes beyond mere economic investments. The authorities involved should make use of this framework of "soft power"[7] to intensify future cooperation. The EU is China's main trading partner and China is the EU's second most important trading partner after the U.S.A. With the uncertainties regarding the current U.S. administration's stance on U.S.-Chinese trade relations as well as trade negotiations with the EU, a further improvement of Sino-European cooperation becomes all the more relevant.

2 Infrastructural links and Chinese investments

As mentioned above, a strong network of ports, logistical centers and railroads will allow Chinese goods to be transported more rapidly to Western Europe and will thus intensify east-west trade. With sea shipping or the MSR being the cheapest (though not the quickest) route from the Far East to Europe, a major building block for Chinese investments consisted in buying into the Greek port of Piraeus, the first major European container port for ships entering the Mediterranean from the Suez Canal. But before we look in more detail at the Piraeus project, two other NSR corridors that link, or are intended to link, China with Europe should be introduced briefly. They are both land corridors and thus form part of the Silk Road Economic Belt (SREB). First, the *New Eurasian Land Bridge* passing through Moscow, Warsaw and on to Duisburg already exists and is being used (particularly its rail connection, the Trans-Eurasia-Express; see part I)[8]. Second, the *China-Central Asia-West Asia Economic Corridor* may not only become a gateway for oil and gas (see part I) but may also link up with Europe via Turkey, once respective infrastructure connections are built (Grübler and Stehrer, 2017, p. 5).

Actually, the MSR and its extension (China-Suez Canal-Piraeus-Belgrade-Budapest) and the *New Eurasian Land Bridge* (China-Kazakhstan-Russia-Belarus-EU) may directly link up with the Pan-European transport corridors[9] established or projected by the EU and its neighboring countries:

[6] *Quote from Radzyner, A., 2017.*

[7] *"Soft power refers to the use of a country's cultural and economic influence to persuade other countries to do something, rather than the use of military power" (Cambridge Dictionary, 2017).*

[8] *There are extensions of this route to London and Madrid.*

[9] *The concept of Pan-European transport corridors was developed in the 1990s and has been further refined in recent years (see also Zepp-Larouche et al., 2014).*

- the MSR could connect to Pan-European transport corridor X (branch B): Thessaloniki-Belgrade-Novi Sad-Budapest and
- the New Eurasian Land Bridge could link up with Pan-European transport corridor II: Nizhny Novgorod-Moscow-Minsk-Warsaw-Berlin.

The cooperative modernization of these largely rail-dominated connections leading from the southeast and the east into the heart of Europe could contribute to boosting trade and connectivity both between China and Europe and with numerous neighboring emerging markets.[10]

Back to the MSR and the Piraeus project: COSCO took over 67% of the Greek state-owned Piraeus Port Authority (PPA) in August 2016, making COSCO the controlling shareholder, holding shares with a total value of EUR 368.5 million. COSCO now has management and operation rights to run the PPA until 2052 and it has already turned the port into a well-functioning and profitable enterprise that is now called the "Gateway to Europe." COSCO has also agreed to carry out further investments of EUR 355 million (Hellenic Shipping News, April 25, 2016; Channel News Asia, August 11, 2016). Transit time between Shanghai and Piraeus is about 22 days, which is 10 days shorter than the route between Shanghai and the northwest European ports of Rotterdam and Hamburg (Levitin, 2016, p. 2). Consequently, the duration for transporting goods from China to Europe has been reduced by one and a half weeks (Marchand, 2015, p. 67). In view of this cut in transit time, Beijing has already announced its plans to buy into other SEE ports such as Thessaloniki, Greece, or Bar, Montenegro.

Many projects financed and carried out by Chinese investors consist of modernizing or extending railroads, the most prominent one being the rail connection between Budapest and Belgrade[11] (budget: EUR 1.5 billion to EUR 2 billion). Decided upon in 2013, the project reduces the travel time between the two cities from 8 hours to 2.4 hours. The plan is to further extend the route to Skopje, FYR Macedonia, and Athens, Greece. In the Balkans, the NSR will thus pass through the existing Pan-European transport corridor X, which links Central Europe to the Aegean Sea via Hungary, Serbia, FYR Macedonia and Greece and is being modernized step by step. Highways and railroads are also being extended to the Adriatic coast and its ports (e.g. the highway between Belgrade and Bar). Beside rail, road and sea transport, Chinese companies seem to be looking into air links as well. Most recently, the China Everbright Group bought the operating company of Tirana International Airport.

3 Weighing the economic relevance of Chinese projects in SEE

Roads, railroads, ports and airports in SEE are being built or modernized rapidly with Chinese investments, without facing many obstacles, and the list of Chinese-financed projects is getting longer by the day. This raises the question of how important these investments are for the local economies in SEE. Table 1 below lists major projects financed and carried out by Chinese investors in Albania, Bosnia and Herzegovina, Bulgaria, FYR Macedonia, Montenegro, Romania and Serbia. The

[10] *As explained in part I and below (see table 1), Chinese firms are already investing in highspeed rail links along European sections of these partly overlapping corridors (between Belgrade and Budapest, and between Kazan and Moscow) as well as in other railroad and highway modernization projects in SEE.*

[11] *See numerous press articles i.a. Hungary today (April 13, 2016), Chinadaily (September 10, 2016) and The Economic Times (November 25, 2015).*

list of projects is not comprehensive, as information coverage in the literature and online is incomplete, but it features the main Chinese-financed projects in the region. Not all projects listed are explicitly mentioned to be financed under the NSR initiative, but we argue that since they are cofinanced by Chinese institutions and carried out in NSR-relevant countries, they are to be analyzed in the context of the NSR. For each project identified, table 1 includes a short project description (column 2) and an estimation of the total annual cost per project (column 3) and per country (column 4).

Usually, projects are funded with loans from the state-owned Export-Import Bank of China (China EXIM Bank) that cover about 85% of the required capital, with the rest being financed by the local government or other local investors. Loans typically have a long maturity of about 20 years and low interest rates (at approximately 2%). Based on the average gross FDI inflows[12] for the actual project duration (column 5) and for the period under observation, i.e. between 2012 and mid-2016 (column 6), we estimated the listed projects' annual share in total gross FDI inflows for each observed SEE country (column 7).

The table shows that Chinese investments certainly cannot be ignored, since their shares within total gross FDI inflows amount to as much as 8% in Serbia, 10% in Albania, 26% in Montenegro and in Romania, and 48% in Bosnia and Herzegovina. Interestingly, the projects identified in Bosnia and Herzegovina and in Romania, where the calculated figures are high, are mainly related to energy infrastructure rather than transport infrastructure. In the case of FYR Macedonia, the share of Chinese projects in total gross FDI inflows by far exceeds 100% (189%). This is attributable to the fact that the identified Chinese-financed projects were scheduled for two to three years only, hence we consider them one-off investments which largely exceed the size of other investments (outliers).

The spillovers of these projects to the respective local economies may, however, be limited considering the fact that Chinese investors very often employ their own workers and rely on local resources only to a limited extent (see section 1).

Map 1

The New Silk Road: Southeastern Europe and the Mediterranean

Source: Authors' elaboration. Original map from Google maps.

[12] *Foreign direct investment: liabilities. Source: IMF International Financial Statistics.*

Table 1

Economic relevance of major Chinese-funded projects in SEE

Country	Project description	Estimated annual cost per project assuming that usually 85% are financed by China (China EXIM Bank)[1]	Estimated total annual cost for Chinese-financed projects per country	Average gross FDI inflows over duration of project, where applicable	Average gross FDI inflows from 2012 to mid-2016[2]	Average share of Chinese-financed projects in total gross FDI inflows per project year[3]
		EUR				%
Albania	· Section of Pan-European transport corridor VIII from Durrës in Albania to FYR Macedonia · Estimated duration: four years · Estimated cost: EUR 200 million	42,500,000	77,775,000	n.a.	770,967,774	10
	· Industrial park in Durrës · Estimated duration: three years · Estimated cost: EUR 100 million	28,050,000				
	· Tirana International Airport: state-backed financial firm China Everbright Group bought 100% of the shares of airport operator · Approximate cost: EUR 85 million · Duration: ten years (scheduled to open in 2027)	7,225,000				
Bosnia-Herzegovina	· Expansion of a 450 MW coal power plant in Tuzla by a consortium of Gezhouba Group and the Guangdong Electric Power Design Institute (both China) · Duration: 2014–2018, approximately five years · Cost: EUR 668 million (varies according to sources)	113,560,000	428,768,333	250,000,000 (2014–2018)	261,290,320	48
	· Banja Luka-Split motorway section, 93 km · Estimated duration: 2015–2019, approximately five years · Cost: EUR 600 million	127,500,000		210,000,000 (2015–2019)		
	· Banovići thermal power plant, 350 MW · Duration: mid-2016–2018, approximately three years · Cost: EUR 400 million	113,333,333		200,000,000 (2016–2018)		
	· Stanari thermal power plant, 300 MW · Duration: May 2013 to September 20, 2016, approximately four years · Cost: EUR 350 million	74,375,000		240,000,000 (2013–2016)		
Bulgaria	· Car assembly plant in Lovech for low-cost vehicles for the EU market; joint venture between Litex Motors (Belgium) and Great Wall Motors (China) · Operational since February 2012. By January 2015, the company had a production output of 5,000 vehicles per year and by mid-2016, it had 14 dealerships in 12 cities. · Duration: approximately one year · Cost: EUR 100 million	100,000,000	170,250,000	1,430,000,000 (2012)	1,600,000,000	3
	· Sofia West Airport (cargo airport): a state-owned Chinese construction company increased the airport's capital to extend the current 2.5 kilometer runway, build a cargo and passenger terminal and add two train stations to link up to the railroad to Greece · Duration: 2016–2019, approximately four years · Cost: EUR 165 million	41,250,000		1,600,000,000 (2016–2019)		
	· Turning the Bulgarian Black Sea port of Burgas into a logistics hub for trading goods with CESEE partners · Duration: 2016–2021, approximately five years · Cost (investors are Chinese firms Alibaba and Porter City Holding): EUR 20 million	4,000,000		1,600,000,000 (2016–2021)		
	· New "economic city" near Plovdiv (investor: the Chinese firm Porter City Holding) to create a distribution hub for the transport of Chinese goods to Europe and the Middle East · Duration: 2016–2019, approximately four years · Cost (investor: the Chinese firm Porter City Holding): more than EUR 100 million	25,000,000		1,600,000,000 (2016–2019)		

Source: Authors' compilation and calculations.

[1] For some of the projects, the duration had to be estimated. If applicable, this is indicated in the table. Similarly, project costs may vary across the different sources (indicated where applicable) and, where data are not available, project costs have been estimated by the authors based on comparable projects.

[2] Calculations based on IMF International Financial Statistics; average USD/EUR rate for the period from January 1, 2012 to June 31, 2016 (EUR 1=USD 1.24) converted from ECB Statistics.

[3] Column 7: For Serbia, Bosnia and Herzegovina, and Montenegro, the figure was calculated based on the exact period of project implementation, since project start and end dates are known. For all other countries, the share is estimated on the basis of average gross FDI inflows between 2012 and mid-2016.

Table 1 (continued)

Economic relevance of major Chinese-funded projects in SEE

Country	Project description	Estimated annual cost per project assuming that usually 85% are financed by China (China EXIM Bank)[1]	Estimated total annual cost for Chinese-financed projects per country	Average gross FDI inflows over duration of project, where applicable	Average gross FDI inflows from 2012 to mid-2016[2]	Average share of Chinese-financed projects in total gross FDI inflows per project year[3]
		EUR				%
FYR Macedonia	· Greenfield production plant for Chinese products (industry branch still unclear), estimated to create 1,400 jobs · Estimated duration: two years · Cost: EUR 140 million	59,500,000	393,805,000	n.a.	208,064,520	189
	· Pan-European transport corridor X: railway modernization · Estimated duration: 2.5 years · Estimated cost: EUR 500 million	170,000,000				
	· Motorway construction between Kičevo and Ohrid and between Miladinovci and Štip · Estimated duration: three years · Cost: EUR 580 million	164,305,000				
Montenegro	· Pan-European transport corridor XI: modernization of the section from Bar (Montenegro) to Boljare (Serbia) by the China Road and Bridge Corporation (CRBC) · Duration: May 2013 to May 2019, approximately four years · Cost: EUR 809.6 million	137,632,000	222,632,000	400,000,000 (2015–2019)	362,903,230	26
	· Renewal of the Montenegrin ship fleet · Duration: one year, 2012 · Cost: EUR 100 million	85,000,000		500,000,000 (2012)		
Romania	· Rovinari thermal power plant, 500 MW unit · Duration: 2015-2018/2019, approximately 3.5 years · Cost: EUR 1 billion	242,857,142	742,023,808	n.a.	2,806,451,610	26
	· Mintia-Deva thermal power plant, modernization · Estimated duration: three years · Cost: EUR 250 million	45,833,333				
	· Tarniţa-Lăpuşteşti hydro power plant expansion · Estimated duration: five years · Cost: EUR 1 billion	170,000,000				
	· Cernavodă nuclear power plant, units 3 and 4 · Duration: six years, start in 2016 · Cost: EUR 2 billion	283,333,333				
Serbia	· Belgrade-Budapest 370 km highspeed railway line · Duration: November 17, 2014 to June 2017, approximately three years. · Cost: EUR 800 million for the 184 km Serbian stretch alone (total cost: EUR 1.5 billion)	170,000,000	481,666,666	1,760,000,000 (2014–2017)	1,416,129,030	8
	· Pupin Bridge), constructed under the responsibility of the China Road and Bridge Corporation (CRBC) · Duration: April 2011 to December 2014, approximately four years · Estimated cost: EUR 170 million in total (varies according to sources)	48,166,666		1,430,000,000 (2011–2014)		
	· Kostolac thermal power plant, 350 MW unit · Duration: December 14, 2014 to December 12, 2019, five years · Estimated cost: EUR 650 million (varies according to sources)	110,500,000		1,520,000,000 (2014–2019)		
	· Pan-European transport corridor XI: modernization of the sections leading to Montenegro · Duration: May 2015 to May 2019, four years · Cost: EUR 900 million	153,000,000		1,500,000,000 (2015–2019)		

Source: Authors' compilation and calculations.

[1] *For some of the projects, the duration had to be estimated. If applicable, this is indicated in the table. Similarly, project costs may vary across the different sources (indicated where applicable) and, where data are not available, project costs have been estimated by the authors based on comparable projects.*

[2] *Calculations based on IMF International Financial Statistics; average USD/EUR rate for the period from January 1, 2012 to June 31, 2016 (EUR 1=USD 1.24) converted from ECB Statistics.*

[3] *Column 7: For Serbia, Bosnia and Herzegovina, and Montenegro, the figure was calculated based on the exact period of project implementation, since project start and end dates are known. For all other countries, the share is estimated on the basis of average gross FDI inflows between 2012 and mid-2016.*

In general, it is still too early to assess the impact of these investments on the local economies given that the majority of projects has not yet been completed. At a later stage, the effect may have to be measured in qualitative rather than in quantitative terms. Also, further to the projects listed in table 1, many additional projects are currently being planned, which means that the figures calculated here will presumably increase considerably. For instance, Albania and Montenegro have voiced interest in participating in the future Adriatic-Baltic-Black Sea Seaport Cooperation, initiated by the 16+1 framework. This initiative will involve ports on the Adriatic, Baltic and Black Seas as well as along inland waterways and aims at widening the scope of practical cooperation between China and CESEE, promoting sustainable development and creating more synergies between OBOR and other development strategies of the CEE countries and the EU's Trans-European Transport Network (Secretariat for Cooperation between China and Central and Eastern European Countries (China-CEEC), 2016).

4 Summary and conclusions

In times of political uncertainty and rising nationalism in Europe, particularly those SEE countries that still have a long way to go before they join the EU will continue to look for quicker and easier financing alternatives before EU accession. Welcoming Chinese investments is part of this approach. Through the New Silk Road (NSR) or One Belt, One Road (OBOR) initiative, China and Europe are increasingly being linked together through the building or modernization of infrastructural trajectories which include rail, road, port, airport, pipeline, energy and communication infrastructure and logistics. With extensive financial support and experience being injected from China, roads, railroads and ports are being built or modernized in SEE in little time and without being held up by bureaucratic and legal obstacles; not to mention the fact that certain competition, tendering and procurement procedures as well as national safety and labor laws seem to be partly bypassed. In the future, more research will be needed to analyze these developments and to look deeper into the extent to which EU trade laws, tendering procedures and national regulations have been ignored so far.

This study lists the most important Chinese-financed projects in SEE and shows that the economic weight of these investments in the receiving countries cannot be ignored. In fact, the shares of Chinese-financed projects within total annual gross FDI inflows are as high as 8% in Serbia, 10% in Albania, 26% in Montenegro and Romania and even 48% in Bosnia and Herzegovina. Since Chinese investors often employ their own workers and preferably rely on their own resources, the direct spillovers of these projects to the local economies may be limited.

Nevertheless, we will be able to witness tangible effects of the NSR initiative for the SEE region in the near future: The modernization of rail and road infrastructures alone helps speed up the transport of persons and goods, which obviously not only benefits the NSR but also the SEE economies. SEE's participation in the NSR initiative will probably stimulate the region's economic growth and may even contribute to overcoming its traditional peripheral position in Europe. In fact, strengthened economic cooperation can only benefit all countries involved. From an EU perspective, access to EU funding for candidate and potential candidate countries will have to be improved so that investments from China are not considered attractive merely because financing alternatives are lacking. Moreover, the EU will need to work together with SEE and China to effectively use SEE's potential in a way to fulfill common interests and deepen EU-China relations. The OBOR initiative, for instance, goes beyond mere economic investments and translates into a framework for "soft power" not least through the 16+1 initiative's wide range of activities.

This becomes even more important in a context where the U.S. administration has taken a protectionist stance on U.S.-Chinese trade relations and left open the future of trade negotiations with the EU. China and Europe now have the possibility to redefine their partnership and move closer together. In fact, the EU is China's biggest trading partner and China is the EU's second most important trading partner after the U.S.A. China and the EU are currently speeding up their negotiations on trade liberalization, given that European investors still face major barriers on Chinese markets. Once the conditions for European investors in China improve, Chinese FDI in Europe will also be welcomed more openly. From this point of view, the further enhancement of the NSR may truly become a turning point in China-EU trade and political relations.

References

Channel News Asia. 2016. China's COSCO completes Piraeus port authority takeover. August 11. www.channelnewsasia.com/news/business/china-s-cosco-completes/3032068.html

Chinadaily. 2016. China, Serbia, Hungary make progress on Budapest-Belgrade railway deal. September 10. www.chinadaily.com.cn/business/2016-09/10/content_26759286.htm

Farchy, J., J. Kynge, C. Campbell and D. Blood. 2016. One Belt, One Road – A Ribbon of Road, Rail and Energy Projects to Help Increase Trade. In: Financial Times. Special Report. September 14. ig.ft.com/sites/special-reports/one-belt-one-road/

Grieger, G. 2016. One Belt, One Road (OBOR): China's regional integration initiative. Briefing. European Parliamentary Research Service. July.

Grübler, J. and R. Stehrer. 2017. Die Chinesische Investitionsoffensive „One Belt, One Road". Wirtschaftliche Potenziale für Österreich? Wiener Institut für internationale Wirtschaftsvergleiche (wiiw). Policy brief no. 33. February.

Guillot, A. 2017. Le Pirée, portail chinois vers l'Europe. Le Monde. Athens. August 13–14.

Hellenic Shipping News. 2016. China establishes its Silk Road in Greece by Purchasing the Port of Piraeus. April 25. www.hellenicshippingnews.com/china-establishes-its-silk-road-in-greece-by-purchasing-the-port-of-piraeus/

Hollinshead, G. 2015. Deconstructing the Sino-Serbian "Bridge of Friendship": Discerning Dominant Chinese Logics and Geopolitical Implications. Work and Employment Research Unit (WERU). University of Hertfordshire. Council for European Studies.

Hungary today. 2016. The Trans-Serbian express: state-of-the-art railway line to connect Budapest with Belgrade by 2018. April 13. www.hungarytoday.hu/news/trans-serbian-express-railway-upgrade-36253/

Kaczmarski, M. 2015. China on Central-Eastern Europe: "16+1" as seen from Beijing. Ośrodek Studiów Wschodnich (OSW). April 14. www.osw.waw.pl/en/publikacje/osw-commentary/2015-04-14/china-central-eastern-europe-161-seen-beijing

Koleka, B. 2016. China Everbright Group buys Albanian airport operator. Reuters. October 7. www.reuters.com/article/us-china-albania-everbright-idUSKCN1271ZE

Levitin. 2016. China and South-Eastern Europe: Infrastructure, trade and investment links. OECD. July.

Ma, J. 2012. Trade disputes between China and the EU – an overview and its implications. Paris: CIFE. June 25.

Marchand, P. 2015. Atlas géopolitique de la Russie – La puissance retrouvée. Éditions Autrement. October.

Needham. 2014. Reshoring of EU manufacturing. European Parliamentary Research Service (EPRS). March 21. www.europarl.europa.eu/EPRS/140791REV1-Reshoring-of-EU-manufacturing-FINAL.pdf.

Pepe, J.M. 2017. China's Inroads into Central, Eastern, and South Eastern Europe. Implications for Germany and the EU. Deutsche Gesellschaft für Auswärtige Politik e.V. March.

Radzyner, A. 2017. Telephone interview with Jürgen Pucher, Senior Policy Advisor at the EU consultancy office Metis GmbH in Vienna. May 17. Mimeo.

Radzyner, A. 2016. Telephone interview with Regina Figl, Deputy Mission Chief of the Austrian Embassy in Beijing, October. 18. Mimeo.

Radzyner, A., P. Schneidewind and M. Hahn. 2011. Analysis of needs for financial instruments in the EU Strategy for the Danube Region (EUSDR). Vienna: Metis GmbH. www.danube-region.eu/images/olddocs/FinalReport_09_01_2012.pdf

Sanfey, P., J. Milatovic and A. Kresic. 2016. How the Western Balkans can catch up. European Bank for Reconstruction and Development (EBRD). February 19. www.ebrd.com/news/2016/how-the-western-balkans-can-catch-up.html

Secretariat for Cooperation between China and Central and Eastern European Countries (China-CEEC). 2016. '16+1' mechanism opens up new chapter of China-CEE cooperation, November 8. www.china-ceec.org/eng/zdogjhz_1/t1413792.htm

Shepard, W. 2016. Why the China-Europe "Silk Road" Network Is Growing Fast. Forbes. January 28. www.forbes.com/sites/wadeshepard/2016/01/28/why-china-europe-silk-road-rail-transport-is-growing-fast/#4309bc40659a

Shepard, W. 2017. 2 Days from China to Europe by Rail? Russia Going for High-Speed Cargo Trains. Forbes. January 14. www.forbes.com/sites/wadeshepard/2017/01/14/2-days-from-china-to-europe-by-rail-russia-going-for-high-speed-cargo-trains/#3f00824f54af

The Economic Times. 2015. China Railway Group team wins $1.6 billion Hungary high-speed rail contract. November 25. www.economictimes.indiatimes.com/small-biz/e-learning/business/china-railway-group-team-wins-1-6-billion-hungary-high-speed-rail-contract/articleshow/49921423.cms

Urban, W. 2016. The New Silk Road: China's Belt and Road Initiative. wiiw Monthly Report. October.

Yalcin, E., G. Felbermayr and A. Sandkamp. 2016. New trade rules for China? Opportunities and threats for the EU. In: European Parliament, Directorate-General for External Policies, Policy Department. Study commissioned by the ifo Institute – ifo Center for International Economics. February. www.europarl.europa.eu/RegData/etudes/STUD/2016/535021/EXPO_STU(2016)535021_EN.pdf

Zepp-LaRouche, H. et al. 2014. The New Silk Road Becomes the World Land Bridge. Executive Intelligence Review (EIR) Special Report.

Websites

Cambridge Dictionary. www.dictionary.cambridge.org/

China Global Investment Tracker. www.aei.org/china-global-investment-tracker/

ECB. Statistics. www.ecb.europa.eu/stats/html/index.en.html

IMF. International Financial Statistics. www.data.imf.org/?sk=5dabaff2-c5ad-4d27-a175-1253419c02d1