

**Europe and the “Belt and Road” Initiative:  
Responses and Risks**

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## Preface

The “Belt and Road” is a brand new initiative introduced by China in the new era. It mainly aims to promote the connectivity and the economic cooperation between China and the countries involved. Moreover, it actively pushes forward the policy coordination, currency circulation as well as the people-to-people bond. Europe or the EU plays quite a significant role under the “Belt and Road” Initiative. For China, the EU is the biggest trading partner, the leading source of foreign investment, a key supporter of Chinese economy and the very focus of the “Belt and Road” Initiative. The “Belt and Road” Initiative will undoubtedly become the crucial link between the two major civilizations and two huge markets and further contribute to the comprehensive cooperation between China and Europe.

When Chinese President Xi Jinping visited Central Asia and Southeast Asia in September and October of 2013, he raised the initiative of jointly building the “Silk Road Economic Belt” and the “21st-Century Maritime Silk Road” (hereafter referred to as the “Belt and Road”). Ever since then, the work of building the “Belt and Road” has been in full swing. On the 8<sup>th</sup> Meeting of the Central Committee’s Leading Group for Financial and Economic Affairs held in November of 2014, the leaders proposed to accelerate the building of the “Belt and Road” and introduced the top-level design for the Initiative. In February of 2015, the leading group of the “Belt and Road” Initiative were officially unveiled, signifying that the “Belt and Road” Initiative has entered a substantive phase of the operation.

In terms of the construction, both the “Silk Road Economic Belt” and the “21st-Century Maritime Silk Road” are closely linked to the Europe especially the Central and Eastern Europe.

At present, there are basically two routes in the layout of building the “Belt and Road” in Europe, namely, the north route and the south route. The north route refers to the Eurasian Land Bridge which starts from the inland provinces and the west of China and reaches Europe via Xinjiang, the Central Asia, Russia and the Central and Eastern Europe. Many freight trains have come into operation on this route including the Chongqing-Xinjiang-Europe International Freight Train (from Chongqing, China to Duisburg, Germany), the Wuhan-Xinjiang-Europe International Freight Train (from Wuhan, China to Prague, Czech), the Chengdu-Europe Express Rail (from Chengdu, China to Rodz, Poland), the Zhengzhou-Xinjiang-Europe Freight Train (from Zhengzhou, China to Hamburg, Germany), the Yiwu-Xinjiang-Europe Freight Train (from Yiwu, China to Madrid, Spain), the Suzhou-Warszawa Block Train (from Suzhou, China to Warszawa, Poland) and the Hunan-Europe Express Rail (from Changsha, China to Duisburg, Germany).

The south route is a sea route which starts from the coastal cities in the south of China and ends at the Piraeus Port in Greece via the Mediterranean Sea. The Piraeus Port, the largest port of Greece, is known as the “South Gate of Europe”. In the past, Chinese goods had to be delivered to Europe through a circuitous route as passing through the India Ocean, rounding the Cape of Good Hope in the south of Africa, crossing the Atlantic and traveling through the West African coast. Now, through the Piraeus Port, Chinese freighters are able to directly cross the Red Sea and the Suez Canal and unload the cargo at the Port which will be directly transported to European hinterlands via the Greece-Macedonia-Serbia-Hungary Railways. The new route has become the shortest sea route between China and Europe, cutting 7 to 11 days of delivery by sea. So far it has become a project under the “Belt and Road” Initiative pushed by the Chinese decision makers in recent two years. When the Chinese Premier Li Keqiang visited Serbia in December of 2014, he had an in-depth exchange of views with the related parties and confirmed the plan of building the China-Europe Land-Sea Express Passage on the basis of above-mentioned routes.

The China’s “Belt and Road” Initiative has caused diverse repercussions in European countries, especially in Central and Eastern European countries (16 CEE countries were listed as the countries along the “Belt and Road”). The EU has been following the “Belt and Road” Initiative and expecting the synergy between the Initiative and the existing projects and plans of the EU.

The EU’s response to the “Belt and Road” Initiative suggests that the Initiative enjoys a popularity in Europe and Europe expects to get a lift from the rise of Chinese economy and develop economic and trade relations with China by making full use of the various initiatives and mechanisms launched by China. However, to understand the real attitude of Europe towards the initiative, the official declarations of the European countries are far from enough. Therefore, it is necessary to further analyze the motives behind European responses and the potential of the bilateral cooperation between the two sides. In this book, the author has made a concrete analysis on the European responses through multiple field trips and on-set interviews, and then put forward some specific policy suggestions on the future cooperation between the two sides.

Another focus of this book are the risks of building the “Belt and Road” in Europe. It is of great significance to strengthen the awareness of risk prevention in case of emergencies. After all, a stitch in time saves nine. The landmark project, the China-Europe Land-Sea Express Passage, for instance, has encountered a series of obstacles such as the political turmoil of Greece, the political crisis of Macedonia and the refugee crisis of Europe. In addition, the “Silk Road Economic Belt”, which is the land route between China and Europe, also faces an array of difficulties and challenges. The regulation limit, the technological barrier and the lack of mutual trust between China and Europe have made it difficult for China to build the “Belt and Road” in Europe. In view of this, China should be conscious of the situation and think

ahead.

The book was published with the help of many sponsors and supporters. To begin with, the author's research project named "the Role of CEECs under the 'Silk Road Economic Belt' Initiative and the Risk Assessment on Building the 'Belt and Road' in Europe" (Grant No. 14BGJ013) was funded by the National Social Science Fund in 2014, which made it possible for the author to carry out relevant research.

In 2015 the research group of the Institute of European Studies, Chinese Academy of Social Sciences carried out two research projects of great significance funded by the Ministry of Foreign Affairs of China. One is the research on the China-CEEC relations centering around the influence of the CEE stakeholders on the China-CEEC cooperation. The other is the study on China-Europe relations with the focus of the China-Europe cooperation under the "Belt and Road" Initiative. These two research projects enabled the author to conduct more extensive research and thus laid the foundation for the book.

Funded by the innovation project of Chinese Academy of Social Sciences (the project of "exchanging with internationally-recognized think tanks" in particular), the author paid a visit to CEECs for three months in 2015 to conduct a field study on the CEECs and the "Belt and Road" Initiative. During that period, the author studied mainly at the Polish Institute of International Affairs (PISM), but he also visited most of the CEECs and met with the politicians, members of parliament, scholars from think tanks and universities as well as the staffs of the foundations in those countries. More importantly, he received plenty of detailed and first-hand materials that turned out to be very helpful for writing this book.

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## **Abstract**

This report is made up of four parts: the first part analyzes the responses to the “Belt and Road” Initiative from Central and Eastern European countries and EU institutions; the second part elaborates a survey of European elites on their opinions towards the “Belt and Road” Initiative; the third part assesses potential risks of building the “Belt and Road” in Europe; the fourth part provides policy suggestions on the “Belt and Road” Initiative in Europe.

The responses from Central and Eastern European countries (shorted as CEECs) to the “Belt and Road” Initiative have two sides: On the one side, most of CEECs support and respond positively to the Initiative. On the other side, they lack information about the specific content of the “Belt and Road” Initiative and therefore hope China could put forward more concrete layout plans. The European Union (shorted as EU) shares similar responses with CEECs towards the “Belt and Road” Initiative. For one thing, it acknowledges the significance of China’s initiative in promoting the connectivity and trade cooperation within Europe; For another, the EU worries that the initiative is China’s strategy to “divide and rule” the EU which will disturb the implementation of the EU regulations; hence it actively constrains China though its regulations and rules.

The questionnaire survey of the European elites on their opinions towards the “Belt and Road” Initiative is the first thematic and authoritative research on the China-EU cooperation under the “Belt and Road” Initiative both domestically and internationally. The questionnaire survey was conducted from June 2015 till September 2015. The main target groups of the survey are policy makers, think tanks, entrepreneurs and media reporters from 25 European countries including major EU member states and candidate states. The key conclusions are as follows:

Firstly, the European elites have a relatively accurate understanding and positioning of the basic spirit of the “Belt and Road” Initiative and basically acknowledge the positive significance of the Initiative for trade cooperation and the connectivity between the two sides.

Secondly, despite that the European elites have a basic understanding of the the “Belt and Road” Initiative, they seem to be unclear about its deep-seated purpose and specific contents. As a result, they hope China to give more interpretations.

Thirdly, the European elites attach great importance to the establishment of specific mechanisms in promoting the “Belt and Road” Initiative. They consider reasonable mechanisms as the basic guarantee of the Initiative.

Fourthly, the European elites consider that people-to-people bond is of much importance, which provides public support for implementing the “Belt and Road” Initiative.

Fifthly, the European elites also attach great importance to the China-EU cooperation with the third parties under the “Belt and Road” Initiative, mainly with

Russia and the US.

Sixth, the elites are not familiar with the integration of the “Belt and Road” Initiative with the Juncker Investment Plan and are pessimistic about it.

Last but not least, the elites recognize the importance of people-to-people exchanges and they do not view the ideological differences as the main obstacle to the bilateral exchanges; instead, they consider differences in culture and thinking patterns as more significant but not decisive factors.

The third part of this book analyzes the risks which the “Belt and Road” Initiative faced in Europe, particularly the risks in the “Silk Road Economic Belt” and the “China-Europe Land-Sea Express Passage”. The Silk Road Economic Belt faces a series of domestic and international challenges. Domestic challenges include unhealthy competitions between logistics transportation caused by the mismanagement; the overprice asked by overseas partner countries due to the lack of coordination among Chinese provinces and cities; deviation of the logistics transportation products from the market demand. Global risks are as follows: to begin with, the economic situation, industrial development, trade structure and development tendency of the countries along the “Belt and Road” need to be further investigated and analyzed. Apart from that, the countries along the “Belt and Road” Initiative are in great numbers with big powers sharing extensive interests, which increases China’s investment risks.

The China-Europe Land-Sea Express Passage faces five crucial risks including the continuous crises happened in Greece, the Macedonian political crisis, the non-traditional security issues such as the terrorism existed in Balkan region, the constraints from EU’s institutions and regulations and the European refugee crisis.

At the end of this book, the author puts forward certain policy suggestions. Efforts should be made to strengthen the internal and external coordination to facilitate the building of the corridors linking the Silk Road Economic Belt; concentrate on the regions of greatest strategic importance to build them as the breakthrough of the deeper cooperation; establish mechanisms to unblock channels of cooperation; wisely handle the relationship with the European Union; cooperate with influential sub-regional organizations in a pragmatic and flexible way; accurately interpret the essence of the “Belt and Road” Initiative and uphold its key principles; properly solve the regional crises on a case-by-case basis; develop abilities of detecting issues through questionnaire surveys; establish innovative and application-oriented mechanisms; promote the cooperation with the third parties and multilateral institutions.

**Key Words:** the “Belt and Road” Initiative; the European Union; Questionnaire Survey among CEECs; Risk’s Prevention; Policy Suggestions

## **Chapter 1 : The Responses to the “Belt and Road” Initiative from Central and**

### **Eastern European Countries and the EU institutions**

The responses to the “Belt and Road” Initiative vary from four geo-dimensions of Europe, namely, Southern Europe, Northern Europe, Eastern Europe and Western Europe. The responses from CEECs are the most positive compared with those from other sub-regions. The EU, as the most important actor in Europe, has also responded to the “Belt and Road” Initiative while taking both the China-CEEC cooperation and its overall development strategy into account. In view of this, the author has conducted empirical analysis on the responses from CEECs and EU institutions. To compensate for his insufficient attention paid to other parts of Europe, the author has conducted a questionnaire survey among European elites in a larger scale of Europe for their opinions on the “Belt and Road” Initiative. As for the research methods, the author has adopted both qualitative and quantitative methods with a combination of empirical study and academic analysis.

### **I. Various Developing Stages of China’s Policy towards CEECs: from Regional Cooperation to the Connectivity to the “Belt and Road” Initiative**

Since the China-CEEC Warsaw Summit was held in 2012, China’s policy towards CEECs has gone through four phases which are as follows:

The first phase centers around the regional cooperation as shown in China’s proposals at the 2012 China-CEEC Warsaw Summit and its subsequent actions. Stuck in the 2009 European debt crisis, Central and Eastern European countries chose to “look to the east”, which was viewed by Chinese policymakers as a window of opportunity to invest in the CEE markets after the European debt crisis. China thus started to “rediscover” the CEE region<sup>①</sup>. “Economic interests” and “traditional friendship” have fostered cooperation between China and CEECs<sup>②</sup>. During the Warsaw Summit, China proposed twelve measures for pragmatic cooperation with CEECs. Seen from this phase, it is quite obvious that China initiated the cooperation process and actively

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<sup>①</sup> Cui Hongjian, “Rediscovery” between China and CEEC, Xinhua News, September 7, 2012, [http://news.xinhuanet.com/world/2012-09/07/c\\_123686311.htm](http://news.xinhuanet.com/world/2012-09/07/c_123686311.htm).

<sup>②</sup> Economic Interests and Traditional Friendship, Cohesive Forces in China-CEE Relations, <http://news.xinhuanet.com/english/china/2013-11/27/c-132923488.htm>.

promoted the bilateral cooperation to a new high on the basis of mutual willingness.

The second phase focuses on the comprehensive and balanced development of China-Europe relations as well as the connectivity between China and Europe. From the standpoint of China, the China-CEEC cooperation is an emerging key driver for the China-Europe Cooperation which will push forward the more balanced and sustainable development of the China-Europe relations and contribute to the European integration process. This phase is marked by China's propositions at the Bucharest Summit in 2013 and its following moves. Accordingly the Chinese government actively promoted the connectivity between China and CEECs, and between China and Europe.

The third phase mainly aims at promoting the building of the "Belt and Road" in Europe and is marked by China's initiatives at the Belgrade Summit and its subsequent actions. The construction of the "China-Europe Land-Sea Express Passage" became one of the biggest highlights of the Belgrade Summit. More importantly, the "Belt and Road" Initiative has become a new driving force for the China-CEEC cooperation.

The fourth phase puts emphasis on the synergy between the development strategy of China and those of European countries as well as the mutually beneficial cooperation under the "Belt and Road" Initiative. Specifically, China has worked actively to create synergy between the "16+1 Cooperation" and the "Belt and Road" Initiative, between the "16+1 Cooperation" and the China-Europe Comprehensive Strategic Partnership, and between the "16+1 Cooperation" and the development strategies of countries along the Belt and Road.

China's policy towards CEECs features as follows: it has gradually developed from the initial model of regional cooperation into an important driving force for the China-Europe cooperation (the connectivity in particular) and into the key to the building of the "Belt and Road" Initiative as 16 CEE countries are all countries along the Belt and Road. To a certain extent, The cooperation process embodies China's strategic needs for Europe and even for the world. Since the second phase, the same time when Premier Li Keqiang visited Romania and actively promoted the connectivity between China and CEECs, the implementation of the "Belt and Road" Initiative has been carried out in CEE region. Till the third phase, the objective of the "Belt and Road" Initiative has been crystallized. In view of the above, the "16+1 Cooperation" under the "Belt and Road" Initiative, so to speak, has emerged ever since the Bucharest Summit. In the fourth phase, the role of the "Belt and Road" Initiative in promoting the China-CEEC cooperation has been strengthened comprehensively, and the Initiative has become one of the main driving forces of the "16+1 Cooperation".

## **II. The Analysis of the Responses to China's Initiatives in Different Phases from Central and Eastern European Countries and EU Institutions**

### **1. The Promotion of the China-CEEC Regional Cooperation**

There exist some controversies among CEECs and the EU institutions over the promotion of the China-CEEC relations through the regional cooperation, which can be seen from the following aspects:

First, Central and Eastern European countries differ from each other. Some policymakers and think tanks from CEE noted that 16 CEECs are different from each other in terms of language, culture, religion, social customs and traditions, economic size and self-identity. State Secretary of Slovenia Mr Igor Sencar has pointed out that China should not overlook the differences among 16 CEECs. Instead, China should attach great importance to them. Some of the 16 countries are EU members that must obey the EU law and regulations. Moreover, they should shoulder due obligations and responsibilities prescribed by the EU<sup>①</sup>. Differences and diversity are the basic characteristics of the CEE region in which countries develop their ties with China based on their distinct needs. The regional cooperation supported by CEECs, different from the one by China, actually refers to the cooperation in three different sub-regions: Central Europe, Southeastern Europe and the Baltic region. Central Europe includes four countries within the Visegrad Group with Austria being included sometimes, while Southeastern Europe includes not only the six countries in the Western Balkans, Romania and Bulgaria, but also Greece and Turkey. Officials in the Baltic region noted that the three Baltic states are closer to the Northern Europe from geopolitical perspective, therefore they feel more inclined to join the regional cooperation initiatives in the Northern Europe<sup>②</sup>.

Second, China hopes to receive an integrate response from the CEE region regarding its regional policy. A CEE think tank scholar considers that under the framework of the "16+1 Cooperation", CEECs do not have a clear agenda in mind, which is not in the right development path of bilateral relations between China and 16 CEECs. CEECs should have a clear perspective of developing their relations with China. As unique and distinctive partners of China, CEECs should make a difference and voice their opinions on sustaining and vitalizing the "16+1 Cooperation" mechanism.

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<sup>①</sup> Opening Speech by State Secretary at the MFA of Slovenia, Mr. Igor Sencar, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, 2 and 3 September, 2014, Bled, Slovenia.

<sup>②</sup> From a talk conducted between the author and an official of Lithuania's Embassy in China on June 5, 2015.

Third, the EU has always been suspicious of the “16+1 Cooperation” mechanism. The EU has made it clear through various channels that 16 CEE countries should rely on the EU in the long run, and efforts have been made in different ways to facilitate the accession of 16 CEECs to the EU. The EU also claims that any emerging regional framework created by the external forces will disturb the solidarity and unity of the EU. One think tank scholar from Slovakia held that the EU had been suspicious of China’s motives of seeking regional cooperation in the first place as it considers China’s initiative as a way to establish a new “Central and Eastern European” group that would remind CEECs of their history and previous social system and thus cause harm to the European integration<sup>①</sup>.

It should be noted that, bearing the regional cooperation in mind, some CEECs react positively to the development of their ties with China .

A case in point is the initiative of establishing a dialogue mechanism between China and the Visegrad Group (shorted as V4) that was put forward by scholars and policymakers from the V4 countries. The international academic conference on cooperation between China and the V4 has been held for many times, some of which were funded by the V4 Fund<sup>②</sup>. At these meetings, many scholars and government officials supported the establishment of the dialogue mechanism between China and the V4.

Among the officials from Poland and Hungary who keep in touch with the author, many have put forward the dialogue model of the “V4+China”. They considered the dialogue model of the “V4+one country/one region” as a success such as the “V4+Western Balkans”, the “V4+Northern Europe+Baltic states”, the “V4+Switzerland”, the “V4+Germany” and the “V4+France”. Moreover, the V4 has also established dialogue mechanisms with some Asian countries such as the “V4+Republic of Korea”, the “V4+Japan” and the “V4+Taiwan”. Based on the previous successful experiences, they hope to establish similar dialogue models like the “V4+China” to discuss on the mutually beneficial cooperation in the future.

## **2. The Promotion of the Comprehensive Development of the China-EU Relations and the Connectivity between China and Europe**

Most CEECs actively support the promotion of the comprehensive and balanced development of the China-EU relations and the connectivity between China and Europe, because they consider enhancing relations with China as an important way to

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<sup>①</sup> From an interview conducted by the author to a scholar from the Institute of Asian Studies, on 9 September, 2014 at Bled, Slovenia.

<sup>②</sup> For instance, an international seminar for the program named “Current Trends and Perspectives in Development of China-V4 Trade and Investment”, conducted by University of Economics in Bratislava, was held in Bratislava on March 10-12, 2014. This program was supported by the International Visegrad Fund. On November 27, 2014, another international seminar for the program named “Chinese Investments and Financial Engagement in Visegrad Countries: Myth or Reality?” , conducted by the Institute of World Economics of Hungarian Academy of Sciences, was held in Budapest, Hungary, which was also supported by International Visegrad Fund.

rapidly develop their own economy and get rid of the impacts of the European debt crisis. As some CEEC diplomats said, European major powers should not be suspicious of CEECs' intention of developing relations with China and introducing China's investments to their countries, because all these are in line with CEECs' interests<sup>①</sup>. The Former President of Slovenia Danilo Turk holds that Europe has been torn apart into western and eastern parts, and CEECs need to make utmost efforts to seek development opportunities, so as to avoid new divisions between the east and west resulted from human actions. The rapid economic growth of Central and Eastern Europe will be the cornerstone of the European stability and thus should be welcomed by all European countries, including the EU. The past decades have witnessed the significant strengthening of CEECs' economy and their dramatic transformation in areas of technology, trade and environmental protection based on the EU standards. However, their transformation is far from completion and there still exists a huge gap in terms of development levels among the EU members. The framework of the "16+1 Cooperation" embodies China's specific concerns for all European countries. The EU institutions and big EU members should take the specific needs of weak countries into careful consideration, which will in turn benefit the EU as a whole.<sup>②</sup>

CEECs also show active attitude towards China's initiative of promoting the connectivity. The CEE region, as a region of great geographical importance in Europe and one of the most concentrated regions in terms of transportation routes in the Eurasian continent, has played a crucial role in the connectivity between China and Europe. CEECs need to carry out cooperation with China by using their geographical advantages, so as to realize economic catching-up<sup>③</sup>. The Former President of Slovenia Danilo Turk has pointed out that Slovenia, as a country linking many regions in Europe, is unique in its geographical location and aims to promote the connectivity within and outside Europe. According to him, the global connectivity and interdependence have become reality and hold the key to the future development of all countries<sup>④</sup>. He also added that Slovenia is a Central European country, a Mediterranean country, a part of Alps and Pannonia-Danube area and a neighbor of the Western Balkans. Moreover, it is the member of various frameworks of regional cooperation such as the EU Danube Pan area (aiming at promoting the construction of joint projects through the EU Fund). Now it strives to obtain membership of Adria and Asia Minor region. In addition, he believes that connectivity is one of the characteristic of the multi-regional cooperation and the "16+1 Cooperation" that

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<sup>①</sup> From a speech given by an ambassador from CEEC during a China-CEEC international seminar held in the Institute of European Studies of Chinese Academy of Social Sciences on September 11, 2014.

<sup>②</sup> Keynote Speech of former President of the Republic of Slovenia, Dr. Danilo Turk, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

<sup>③</sup> Keynote Speech of former President of the Republic of Slovenia, Dr. Danilo Turk, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

<sup>④</sup> Keynote Speech of former President of the Republic of Slovenia, Dr. Danilo Turk, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

CEECs feel accustomed to<sup>①</sup>. Blagoje S. Babic, the former director and senior researcher of the Institute of International Politics and Economics, Serbia, said that CEECs are committed to cooperating with other countries and rely on their position as “transportation hubs” to develop economic relations with Western Europe. Though they are part of Europe, the level of integration with the EU varies from country to country. China’s large infrastructure projects in Europe provide rare opportunities to the EU memberships of Central and Eastern European countries and will therefore receive warm welcome in Southeastern Europe<sup>②</sup>. Most CEECs including Poland, Hungary, Croatia, Estonia, and Latvia have shown great interest in China’s initiative of the connectivity between Europe and Asia, and they look forward to playing an important role in the connectivity project.

What’s worth mentioning is that in response to the Chinese government’s active promotion of the “16+1 Cooperation”, top officials from CEECs have actively promoted the “four in one” model for developing relations with China which was put forward by the Deputy Prime Minister and Foreign Minister of Slovakia Miroslav Lajcak.

Mr. Lajcak, in his speech at the Chinese Academy of Social Sciences on February 3, 2015, put forward the “four in one” model from a multi-layered perspective. According to him, CEECs, as in the case of Slovakia, can develop relations with China at four levels, namely, the China-Slovak relations (bilateral level), the China-Slovak relations under the V4 framework (sub-regional level), the China-Slovak relations under the “16+1 Cooperation” framework (regional level) and the China-Slovak relations under the EU framework (the China-Europe level). He added that Slovakia can provide various distinctive policy tools at each level, so as to develop unique relations with China. To be specific, at the bilateral level, Slovakia will actively promote bilateral trade and investment cooperation with China. Slovakia ranks the top in exports to China among CEECs and enjoys the largest trade surplus in recent years. There is still much potential to tap in bilateral trade and investment cooperation between China and Slovakia. At the sub-regional level, Slovakia can adopt some common policy tools of the V4 to develop relations with China. For instance, the V4 Fund can play an important role in cultural and people-to-people exchanges between the two sides. The two countries can also strengthen communication on issues in which the V4 is interested such as the regional security. Under the “16+1 Cooperation” framework, Slovakia can play a leading role in promoting the connectivity. It can also play an active part in major issues concerning the China-Europe relations under the China-EU cooperation framework such as the negotiations on the investment agreement and the free trade zone<sup>③</sup>.

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① Keynote Speech of former President of the Republic of Slovenia, Dr. Danilo Turk, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People’s Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

② From the record of an international seminar, “China-CEEC Relations in the Content of Changes in International Structure”, which was held by the Institute of European Studies of Chinese Academy of Social Sciences and the Serbian Institute of International Politics and Economics on April 27, 2015 in Belgrade, Serbia.

③ “Prospects of Closer EU-China Cooperation: A View from Central Europe”, Lecture presented by Deputy Prime

The “four in one” model for developing relations with China puts emphasis on the characteristics and advantages of both China and Slovakia at different levels of cooperation. It is based on the bilateral relations and supported by the sub-regional and regional cooperation. What’s more, it helps lay the foundation of the China-EU cooperation through bilateral, sub-regional, and regional cooperation. To some degree, this constructive proposal is a positive response to China’s initiative.

However, there still exists some problems in the model. First, the EU is still suspicious of the China-CEEC cooperation. Despite that China reaffirmed that the China-CEEC cooperation constitutes a part of the China-EU cooperation and maintains frequent communication with the EU institutions on relevant issues, the EU’s suspicion still exists. As an European External Action Service official who is in charge of China affairs stated in public, from the EU’s perspective, the key point to implement the “16+1 Cooperation” is to keep transparency, observe the EU regulations, and to run within the framework of the China-EU comprehensive strategic partnership and the China-EU 2020 Agenda. Moreover, the EU institutions (the European External Action Service and European Commission in particular) should be invited to the “16+1 Cooperation” meetings (including the China-CEEC National Coordinators Meetings) as observers. In addition, since Ukraine is, at present, one of the biggest concerns of the EU, the EU hopes that the Ukraine crisis can be discussed in the next China-CEEC Prime Ministers’ Meeting, and expects to gain support from China to avoid the escalation of conflicts and persuade Russia to respect the territorial and sovereignty integrity of Ukraine<sup>①</sup>. All these requirements of the EU has indeed strengthened its role in guiding the agenda of the “16+1 Cooperation” and underlined the openness, transparency, and inclusiveness of the “16+1 Cooperation”.

Second, the understanding of the connectivity varies among different countries. The initiative of the connectivity was put forward by President Xi Jinping when he delivered a speech in Nazarbayev University, Kazakhstan in September 2013. According to him, countries along the Belt and Road should promote policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond, each of which encompasses specific contents of cooperation. However, some think tanks and policy makers from Western Europe tend to interpret the connectivity as the free and unimpeded flow of labor, capital, commodity and service in the common space as exemplified by the European Common Market. They are used to understanding China’s initiative of the connectivity based on their experience of establishing the European Common Market.<sup>②</sup>

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Minister and Minister of Foreign & European Affairs of the Slovak Republic H. E. Miroslav Lajcak at the Chinese Academy of Social Sciences on February 3, 2015.

① Remarks by George Cunningham, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People’s Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

② Some think tanks from Western Europe raise high standard to “inter-connectivity”, sourced from the author’s record of the ASEM Think-Tank Symposium, “Connectivity: Opportunity to Boost ASEM Cooperation”, July 22-23, 2014 in Shanghai, China.

Third, both sides have distinct understandings of what the connectivity encompasses. Some think tanks from Western Europe have listed personnel flow, migration issues, organized crime, social exclusion and integration into the contents of the connectivity. From European perspective, market access, intellectual property rights, human rights should also be included<sup>①</sup>. In fact, China puts more emphasis on facilities construction and trade promotion instead of the over-extension of the connectivity projects. On this point some CEECs share same position with China. As CEEC officials (including the former Deputy Prime Minister of Czech Republic Cyril Svoboda) viewed, the connectivity project is more like a tool rather than being overburdened by people's livelihood. The key is to understand the initiative of the connectivity from a strategic perspective instead of underlining people's livelihood<sup>②</sup>

### **3. The Promotion of the Construction of the “Belt and Road” Initiative in Europe**

In December 2014, Premier Li Keqiang put forward landmark project, the China-Europe Land-Sea Express Passage when he visited Serbia. The project has enjoyed great popularity in Europe and attracted wide attention in Europe's political and business circles. Many think tanks and policy makers from CEECs considered that in spite of certain risks caused by the regional uncertainties like the Greek political turmoil, the project is quite promising with huge potential.

Most CEECs actively support China's “Belt and Road” Initiative. A CEE think tank scholar hold that the China-Europe Land-Sea Express Passage will strongly promote the connectivity among the countries along the route, accelerate exchanges in personnel, commodity, enterprises, capital and technology, boost economic growth of countries along the route and help deepen mutual cooperation between China and countries along the route. More importantly, its contribution to the development of the China-EU relations should not be underestimated: On the one hand, both sides can receive more and cheaper products thanks to the convenient and efficient transportation network and the improvement of the China-Europe Land-Sea Express Passage; on the other hand, the high-speed railway connecting Hungary and Serbia, jointly constructed by China and Europe, is a key project of the Trans-European Transport Network as well as the tenth largest projects conducted by the EU, aiming at promoting east-west and south-north connectivity. It is, so to speak, of great strategic significance to the EU and to Hungary and Serbia's integration into EU in the field of transportation and business network.<sup>③</sup> Therefore, it is a mutually beneficial and win-win project that can promote the pragmatic cooperation between

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<sup>①</sup> From the speech of Veronica Musilova, EEAS Representative, at the ASEM Think-Tank Symposium: “Connectivity: Opportunity to Boost ASEM Cooperation”, July 22-23, 2014, Shanghai, China.

<sup>②</sup> Comments from former Deputy Prime Minister Cyril Svoboda, at the ASEM Think-Tank Symposium: “Connectivity: Opportunity to Boost ASEM Cooperation”, July 22-23, 2014, Shanghai, China.

<sup>③</sup> Dragan Pavlicevic, *Dragon on the Doorstep: the Challenges and Opportunities of China's Engagement of CEE*, Policy Papers from Eastern Asian Center of Nottingham University of UK, 2013.

China and the EU.

Attracted by the great opportunities brought by the China-Europe Land-Sea Express Passage, CEECs actively put forward their own initiatives in hope of sharing benefits of cooperation. Officials from Croatia considered the Passage as a complement to the Piraeus port and it will be more cost-effective if Rijeka in Croatia serves as the transit port of the China-Europe Land-Sea Express Passage. Currently, the three ports including Koper in Slovenia, Rijeka in Croatia and Trieste in Italy are competing for the transit pivot. In general, if the Piraeus port gets fully used, the Chinese high-speed railway connecting Hungary and Serbia will be largely upgraded. Besides, the railway from Rijeka to Zagreb is also expected to be upgraded to increase transport capacity, but it has not gained support from China. Croatia hopes that Rijeka port can be fully exploited under the “Belt and Road” Initiative.<sup>①</sup>

The construction of the land route of the “Silk Road Economic Belt” also gained support from CEECs. The Express Train from Chengdu, Sichuan to Lodz, Poland, for instance, is actively supported and promoted by Poland. Poland has listed the Express Train from Chendu to Lodz as one of the most remarkable achievements of the China-Poland local cooperation, and strives to promote deeper and practical cooperation between both sides. Local cooperation between Lodz and Sichuan and other provinces of China has been going smoothly. The conference on the local cooperation has been held for four consecutive years with widespread influence from 2013 to 2016. The China-Poland Forum on Local Cooperation, held in Lodz, Poland on June 28-29, 2015, listed the construction of the “Silk Road Economic Belt” as the most important topic of the forum, attracting many representatives from local governments. The local cooperation under the “Belt and Road” Initiative, so to speak, has definitely become a new highlight of the China-CEEC cooperation. During the Polish Foreign Minister’s visit to China in June 2015, the PKP Cargo signed agreement with Zhengzhou International Hub Development and Construction Co. Ltd to establish freight and logistics center at the border of Poland and Belarus, so as to increase exports to China. In Poland’s view, since many freight trains from China’s western provinces to Europe go through CEECs especially Poland, Poland should grasp this opportunity to seek more cooperation benefits.<sup>②</sup>

The following part mainly focus on the analysis of the responses to the “Belt and Road” Initiative from some countries that the author has visited. It should be made clear that although the responses from some countries are collected and presented here, further analysis and detailed elaboration are still required and expected be presented in the future reports.

Poland has listed several goals under the “Belt and Road” Initiative. The first

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<sup>①</sup> From the author’s record of a meeting with an official from Croatian Embassy in China on 16 December, 2014.

<sup>②</sup> From the author’s record of the Speech given by Slawomir Zalobka, Vice Minister of the Ministry of Polish Infrastructure and Development on the Second Panel, “Silk Road Economic Belt—how can CEE countries and regions benefit from it”, of the China-Poland Forum on Local Cooperation on June 29, 2015 at Lodz, Poland.

objective is to expand the China-Poland economic and trade cooperation. The trade between China and Poland is currently imbalanced with China enjoying large trade surplus. As a result, Poland hopes to expand its exports to China. Poland gives high attention to the bilateral trade structure and its agricultural specialties such as apple and pork enjoy great popularity and high reputation in Europe. Poland is the largest exporter of apple in the world. However, affected by the embargo of agricultural products in Russia, Poland's apples were in poor sale. Hence, Poland hopes to export its apples to China. Pork is one of the five major agricultural products for export in Poland, but China lays an embargo on Poland's pork (as a result of African swine fever). Poland hopes that China can lift the embargo in appropriate time in order to expand exports to China. Overall, in terms of the China-Poland trade cooperation, Poland intends to change the structure of export products as exporting more superior products such as eco-friendly equipment and anti-pollution devices of which China is in urgent need. Apart from modern technology, Poland has strong capabilities of designing and producing some traditional products such as furniture. It is estimated that Poland ranks the fourth in terms of furniture export and its total export sales amounted to \$10 billion in 2014. Besides, the plastic doors and windows made in Poland are well-received in the European market, and Poland hopes to export them to China as well. Currently, the iron ore and other energy products constitute a main part of China's import from Poland, but in Poland's view, these are not the products in which it enjoys advantages and competitiveness. Secondly, Poland aims to attract more Chinese investments in Poland. China has planned to establish special economic zone in the CEECs. Poland has its own special economic zone and hopes to attract more Chinese businesses to the Poland special economic zone. Thirdly, Poland wants to make full use of freight trains. The freight trains that are currently in operation from Suzhou to Warsaw, and from Lodz to Chengdu, are good examples of local cooperation. Both sides should make best use of these transport passages to expand bilateral trade.

The Romanian think tank has put forward the framework of Romania-Germany-China "Danube Plan" for building the "Belt and Road" in Europe. The framework suggested that the privatized Galati port in Romania shall be used as land and sea transportation hub to build the China-Germany-Romania land and sea transportation corridor.<sup>①</sup> Researcher from Aspen Institute Romania Ciprian Stanescu emphasizes that with its geographical advantage, Romania has the potential of gaining great benefits from the huge trade flow between China and Europe, however, it is a pity that bypassing Romania, these trade flow did not give play to the pivot role of Romania. At present, the main goal of the Romanian government is to take the opportunity brought by the "Belt and Road" Initiative to build infrastructures so as to play the pivot role in the

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<sup>①</sup> EURISC Foundation representative's speech on "German-China-Romania: A Proposal for the EU Danube Strategy", at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia. On September 4, 2015, during the author's visit to Costin Mihalache, Romanian Secretary General of the State, the Counselor to the Prime Minister, he made this suggestion again.

China-Europe trade.<sup>①</sup>

Latvia hopes that the Riga port could be used as a logistics center under the “16+1 Cooperation” and the “Belt and Road” Initiative. Currently, Latvia is actively proposing to the Chinese government to build the “16+1 logistics coordination center”. The Latvian government holds that the existing “16+1 logistics coordination centers” have functioned well, and Latvia also wants to play a part in logistics coordination under the framework of the “16+1 Cooperation”. Riga port is quite experienced in logistics coordination. Besides, building such a coordination center doesn’t involve major issues on investment, because the center is a flexible, well-planned and systematic institution of great values. More importantly, the project needs only a few investments.<sup>②</sup>

The Latvian government has noted that many CEECs, including Croatia, Slovenia and Lithuania, are also competing for the position of the “16+1 logistics coordination center”. On this issue, the Latvian government claims that Riga enjoys distinct advantages. What’s more, Latvia will uphold the principles of mutual benefits and win-win cooperation. Besides, Latvia has no intention to challenge the dominant position of Hamburg port in the China-Europe cooperation and will focus only on its role as the regional logistics coordination center.<sup>③</sup> Latvia is also actively promoting the cooperation between the Baltic states and China in the aviation area.

The Lithuanian Parliamentary Representative held that Lithuania enjoys an important geographical location in Europe and can play an active role in the “Belt and Road” Initiative. Lithuania is in need of upgrading infrastructure and hopes to bring in China’s technology and investment. For instance, many Lithuanian politicians who have been to China are attracted by China’s infrastructure and high-speed trains. Currently, Lithuania pays much attention to the railway from Helsinki to Brussels via Warsaw, Berlin and the Baltic Sea, which was planned by the EU Commission with an investment volume of 1 billion Euro and has become a major investment project with great prospects for Lithuania. It will not only promote the connectivity between Lithuania and European countries, but also connect countries such as Belarus and Georgia, thus expand regional transport potential. Lithuania hopes that China and the EU can strengthen investment cooperation on this project. The Lithuanian government also hopes to upgrade another railway according to Lithuania’s “Saule (Sun) Plan”, connecting China’s western provinces with Klaipeda port. There is no

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<sup>①</sup> From the author’s record of visiting Ciprian Stanescu, Aspen Institute, Romania on September 3, 2015.

<sup>②</sup> From the “16+1 Cooperation” survey and the “Belt and Road” survey conducted by the author from August 16-18, 2015 at Riga, Latvia.

<sup>③</sup> From the “16+1 Cooperation” survey and the “Belt and Road” survey conducted by the author from August 16-18, 2015 at Riga, Latvia. The respondents include Diana Potjomkina, assistant of the Director General of the Latvian Institute of International Affairs(LIIA), Ilvija Bruge, researcher of LIIA; Eglis Dzelme, Asian and Pacific Official of Latvian Foreign Affairs Ministry; Ojars Sparitise, President of the Latvian Academy of Sciences(LAS). Raita Karnite, Chairman of the Social Sciences Division, LAS; Iveta Reinholde, Director of the Institute of Political Science and Internatioanl Studies, University of Latvia.

doubt that Riga in Latvia remains the largest port in the Baltic Sea, but port in Lithuania also enjoys its own advantages. The country is now speeding up the construction of the railway connecting Lithuania with the EU, which it believes is attractive to Chinese investors. <sup>①</sup>

Lithuania's specialties, especially the food like meat, fish, cheese, milk and other agricultural products, have much potential in its export to China. Negotiations about exporting milk and meat from Lithuania to China have been launched by the two sides. Lithuania hopes that its exports to China can be increased through the connectivity of infrastructure, thus promoting the China-Lithuania economic and trade cooperation. In Lithuania's view, the "Belt and Road" Initiative also aims to promote cultural and people-to-people exchanges, in which China and Lithuania have much potential to tap, because there are only a few Chinese in Lithuania promoting cultural exchanges, nor are there many Chinese tourists. Therefore, Lithuania hopes to introduce its tourism industry through the "Belt and Road" projects. Lithuania boasts many famous cities for tourism and recuperation with sound air quality, clean water and advanced medical sciences. Overall, Lithuania is a popular destination for recuperation enjoyed by the tourists from EU members, Russia and Belarus, and it welcomes Chinese tourists as well. <sup>②</sup>

Besides, Hungary, Serbia, and Macedonia are also making great efforts to promote cooperation in infrastructure construction between China and CEECs. Hungary is sparing no efforts to promote the China-CEEC tourism; Czech Republic has drawn a clear picture of its cooperation initiatives in terms of the cooperative development of the China-CEEC high-tech products and the local leaders' meeting; Slovakia has expressed its strong willingness to promote the China-CEEC cooperation in exports and imports of motor vehicles; Slovenia is active in promoting the China-CEEC tourism, forestry and think tanks cooperation; Bulgaria plays an active role in driving the China-CEEC cooperation in agriculture.

The attitude of the EU towards the "Belt and Road" Initiative has gradually developed from the initially uncooperative to actively putting forward various cooperation initiatives. When the "Belt and Road" Initiative was first put forward, the EU did not show clear attitude on how to cooperate with China due to many reasons. Technically, the EU was in the process of understanding China's policy when the "Belt and Road" Initiative was first put forward, and it takes time for the EU to forge consensus on policy-making.

With the deepening of bilateral exchanges, new thoughts of synergizing the "Belt and Road" Initiative with the Trans-European Transport Network and the Juncker

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<sup>①</sup> From the record of the author's visit to Lithuania parliament, communicating with Kestutis Glaveckas, Chairman of the Committee of Finance and Budget, on 13 August, 2015.

<sup>②</sup> During August 13-16, 2015, the author paid visits to Lithuanian policy-making institutions and some think tanks, communicating with Kestutis Glaveckas, Chairman of the Committee of Finance and Budget of the Lithuanian Parliament and Laurynas Kasciunas, Director of Lithuanian Eastern Europe Institute.

Investment Plan for Europe are put forward. China and the EU are expected to strengthen cooperation on infrastructure construction in the Western Balkan region. What's worth mentioning is that the joint construction of infrastructure in the Western Balkan region between the two sides have gone through several stages of development. The EU was initially suspicious and cautious towards China's investment in the Western Balkan, however, as the cooperation deepened, the EU begins to seek negotiations with China and hopes to further cooperation with China in building infrastructures in the Western Balkan region. On the one hand, the EU hopes that the cooperation can reinforce each other; on the other hand, it expects China's construction plan to be carried out within the Europe's construction framework.

In his interview with Xinhua News Agency in May 2015, the European Commission President Jean-Claude Juncker expressed that he did not see any significant obstacles in integrating the Investment Plan for Europe with the "Belt and Road" Initiative. He also added that "we just need transparency and the will to work together" and "we must engage to make sure that our plans fit at both the macro level and the operational level".<sup>①</sup> When Joao Aguiar Machado, the European Commission Mobility and Transport official, visited the Institute of European Studies in the Chinese Academy of Social Sciences, he expressed similar views on the feasibility of cooperation between the "Belt and Road" Initiative and the EU infrastructure construction and hopes that both sides can make concerted efforts to cooperate on the establishment of certain platforms for the connectivity of infrastructure, the promotion of bilateral and multilateral trade, the integration of regulations and the synergy between the Juncker Investment Plan of Europe and the "Belt and Road" Initiative.<sup>②</sup>

The 17<sup>th</sup> China-EU Business Summit held on June 29, 2015 reached further consensus by both sides on the above-mentioned important issues. Premier Li Keqiang emphasized that the China is ready to synergize its development agenda with the Investment Plan of Europe to make breakthrough in joint construction of infrastructure. He said that China supports strong and reputable Chinese enterprises to participate in the construction of the Trans-European Transport Network, the China-Europe Land-Sea Express Passage, the New Eurasian Land Bridge and other infrastructure projects, and welcomes European enterprises to take an active part in the implementation of the "Belt and Road" Initiative. Cooperation between China and CEECs on connectivity projects can be fully integrated into the broader framework of the China-EU cooperation on infrastructure. It will help accelerate CEECs' development as well as the balanced development of the eastern, central, and western parts of Europe, thus boosting European integration. He also clarified on the direction of the China-EU cooperation, saying that China will actively consider establishing the China-EU joint investment fund to support the European Fund for Strategic Investment, and increase the purchase of EIB bonds. Moreover, China will give full

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<sup>①</sup> [http://news.xinhuanet.com/english/2015-05/07/c\\_13428780.htm](http://news.xinhuanet.com/english/2015-05/07/c_13428780.htm).

<sup>②</sup> From the record of EU Mobility and Transport delegation's visit to the Institute of European Studies, Chinese Academy of Social Sciences, on May 12, 2015.

play to the important role of the pan-European investment cooperation platform, the China-CEEC framework for investment and financing and AIIB in making financial arrangements, and expand cooperation with Europe through the Silk Road Fund in high and new technology, infrastructure construction, financial arrangement and other areas.<sup>①</sup> On the Slovenia Bled Strategic Forum on September 1, 2015, the author exchanged views with the EU Commissioner for Transport Violeta Bulc on this issue. She expressed that the EU welcomes the connectivity projects covering the Western Balkans and will make greater efforts to attract foreign investment. According to her, the EU thinks highly of the “Belt and Road” Initiative and hopes that both sides can seek more common grounds in cooperation and jointly promote the prosperity and stability of the Eurasian continent.<sup>②</sup>

#### **4. The Promotion of the Synergy between the Development Strategies of China and Europe.**

The Suzhou Summit held on November 24-25, 2015 has brought much motivation and hope to CEECs. New measures put forward by the China such as the comprehensive synergy of the development strategies between China and 16 CEECs and the cooperation on infrastructure construction, production capacity, finance as well as cultural and people-to-people exchanges have created new prospects for cooperation.

At the Summit, the Prime Ministers from China and 16 Central and Eastern European Countries established a Medium-Term Agenda (2016-2020) and made the China-EU 2020 Strategic Agenda for Cooperation an important guideline document. The Agenda aims to improve the “16+1 Cooperation” and further unleash its potential by setting out directions and priorities for the cooperation from 2015 to 2020. The “16+1 Cooperation” will synergize with major EU initiatives and contribute to the China-EU partnerships for peace, growth, reform and civilization.

On November 26, 2015, President Xi Jinping held a group meeting at the Great Hall of the People with leaders of the 16 Central and Eastern European countries (CEEC) who were in China for the 4th Summit of China and CEECs.

Xi emphasized the importance of the strategic synergies between China and Central and Eastern European Countries. He said that China and CEECs should enhance mutually beneficial cooperation in all areas on the basis of mutual benefits, openness

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<sup>①</sup> Speech given by Chinese Premier Li Keqiang on the 17<sup>th</sup> China-EU Leaders’ Meeting on June 29, 2015, [http://www.mfa.gov.cn/mfa\\_chn/zyxw\\_602251/t1277064.shtml](http://www.mfa.gov.cn/mfa_chn/zyxw_602251/t1277064.shtml).

<sup>②</sup> The author attended the Bled Strategic Forum and made exchanges with the EU Comisioner for Ttransport about the Western Balkan Summit held in August 2015.

and inclusiveness. Specifically, he put forward three synergies.

The first synergy refers to the integration of the “16+1 Cooperation” with the “Belt and Road” Initiative. China welcomes 16 CEE countries to jointly build the “Belt and Road” to consultation to meet the interests of all, so as to realize common development and prosperity. China will implement the projects on the connectivity between China and Europe as early as possible within the framework of the “16+1 Cooperation”.

The Second target is to create synergy between the “16+1 Cooperation” and the China-EU comprehensive strategic partnership. China firmly supports the European integration and hopes Europe to maintain solidarity, stability and prosperity. The “16+1 Cooperation” is an important part of and the beneficial supplement to the China-EU comprehensive strategic partnership that will contribute to the peace, growth, reform and civilization of two sides.

The third synergy is the synergy between the “16+1 Cooperation” with the development strategies of CEE countries. Given the high degree of consistency between the goals of China and CEECs in development concepts, practical cooperation, improvement of people's livelihood and other aspects, it is in the common interests of all parties to enhance cooperation. China will be committed to realizing the common prosperity and complementary cooperation between China and CEECs.<sup>①</sup>

As much as China's initiatives caused positive responses from CEECs, certain problems reflected in the responses from CEECs and the EU institutions to the “Belt and Road” Initiative should not be ignored.

First, the EU remains suspicious of China's initiatives and constantly imposes regulations on China's projects.

The European External Action Service official in charge of China affairs Ellis Mathrew once stated that the existing projects of the “Belt and Road” Initiative, especially the China-Europe Land-Sea Express Passage, should conform to the EU standards and be subjected to the EU's review and supervision.<sup>②</sup> George Cunningham from the same institution insisted that China's “Silk Road Economic Belt” should be effectively connected with the Trans-European Transport Network. Only in that way can the EU explore the possibility of cooperation with China.<sup>③</sup> Some major European countries like Germany worries that China's infrastructure construction in Central and Eastern Europe may challenge the EU's existing rules and regulations, including

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<sup>①</sup> [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1319541.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1319541.shtml)

<sup>②</sup> From the record of the author's meeting and communication with an official from the External Action Service on January 21, 2014.

<sup>③</sup> Remarks by George Cunningham, at the 2<sup>nd</sup> High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries, September 2<sup>nd</sup> and 3<sup>rd</sup>, 2014, Bled, Slovenia.

policies on competition, environment and labor force. The EU is concerned that China may avoid the EU regulations and establish another set of rules. The EU insists on the dominant role of the Trans-European Transport Network in promoting the infrastructure construction in Central and Eastern Europe, and pays close attention to the potential adverse impact of China's initiatives and actions on the EU's existing arrangements. Germany is highly concerned about China's large-scale investments in Central and Eastern Europe especially the investment in Piraeus port in the China-Europe Land-Sea Express Passage. Germany worries that it may affect the freight flow of Germany's Hamburg port, thus damaging its key economic interests.<sup>①</sup> China, on the other hand, is actively seeking to integrate the China-CEEC infrastructure construction into the China-Europe cooperation framework and platform and is making efforts to build confidence and disabuse doubts of the EU on the "16+1 Cooperation". However, China still has a long way to go.

Second, CEECs and the EU institutions still lack thorough understanding of the specific content and the philosophy of the "Belt and Road" Initiative.

CEECs and the EU institutions seem confused about the "Belt and Road" Initiative. As a Slovak diplomat puts it, Slovak supports China's "Belt and Road" Initiative and would like to be involved in the huge project; however, it seems to be unclear about how to conduct the cooperation, what China's specific plan is as well as when the cooperation can be launched.<sup>②</sup> These doubts were also expressed when the author talked to officials from the Baltic states. One official from Latvia asked which countries of the Baltic region are involved in President Xi Jinping's "Silk Road Economic Belt" Initiative. Besides, No specific action plans have been carried out in the region as far as they know.<sup>③</sup> The Latvian government official holds that the "Belt and Road" Initiative seems to focus on economic and trade cooperation instead of any geopolitical goals, and the Initiative, in his view, should be more specific. In fact, only action plans published by the Chinese government and some media coverage are currently available, and few substantial content can be found.<sup>④</sup> Similarly, the author, during his visit to some CEECs, has found that most CEECs are clueless about what specific projects are incorporated into the Initiative and how to implement them. For instance, many government officials and scholars from Poland considered that so far Poland hasn't given full play to its role of China's gateway to Europe under the "Belt and Road" Initiative. Poland seems to be unclear about what exactly the "Belt and Road" Initiative means, not to mention getting involved. They suggested that China, in its publicity of the initiative, should elaborate on its exact meaning and main goals, so as to make it better understood.<sup>⑤</sup> In his exchange of views with scholars from the

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① Liu Zuokui, "Be Alert of the Investment Risks of the 'Belt and Road' Initiative--the Influence of Grace Political Instability to the Implementation of the 'Belt and Road' Initiative in Europe", *Contemporary World*, Vol.4, 2015.

② From the record of the author's visit to an official of the Slovak Embassy in China on June 3<sup>rd</sup>, 2015.

③ From the record of the author's visit to an official of the Estonian Embassy in China on June 11, 2015.

④ From the "16+1 Cooperation" survey and the "Belt and Road" survey conducted by the author from August 16-18, 2015 in Latvia..

⑤ From the record of the communication between Polish Institute of International Affairs and Chinese Ministry of Commerce delegation, on 7 July, 2015.

Institute of European Studies, Chinese Academy of Social Sciences on May 12, 2015, Joao Aguiar Machado, the European Commission Mobility and Transport official, emphasized that the EU has a detailed and transparent plan concerning infrastructure construction whereas China hasn't shed light on its comprehensive action plans under the "Belt and Road" Initiative, nor has the EU seen any specific projects under construction. All these make it difficult for the EU to explore potential areas and projects of cooperation with China.<sup>①</sup>

Finally, the security risks remain to be one of the greatest concerns of CEECs.

Some CEECs think tanks have pointed out that risks of investment in infrastructure construction are quite high in Central and Eastern Europe and they wonder if China, as a non-Central and Eastern Europe country, has the capability to promote the connectivity in the region. One think tank from Serbia observed that China has been making great efforts to promote the connectivity in the Western Balkans, which is warmly welcomed by the countries in the region. However, the Western Balkans are unique regions with relatively high risks. A case in point is that the natural conditions there are terrible with transportation infrastructure being destroyed by flood frequently during the rainy seasons. The persistent floods even lowered the GDP growth of some Western Balkan countries. In addition, though the ethnic conflicts in the region have come to an end, the aftermath still lasts and the possibility of ethnic and religious conflicts has not been ruled out. The religious extremists and terrorists who are active in the Western Balkans also pose serious threats to the connectivity of the region. Research has shown that radical Islamists has taken advantage of the former Yugoslavia conflict (1991-1995) and recruited a large number of Sunnite Muslims in the Balkan region (Bosnia and Herzegovina and Albania). Wahhabi Islam helps recruit members for Al-Queda and spreads terrorism with an aim to establish the "Balkan Caliphate". The indifference and acquiescence of countries outside the Balkan region resulted in even more rampant actions. The radical Islamic movement has posed threat to countries including Serbia, Macedonia, The Montenegro, Bosnia and Herzegovina as well as the entire Europe.<sup>②</sup> Besides, though the Western Balkan countries boast high-quality labor force, the low working efficiency of local labors, the widespread corruption as well as organized crimes are tough issues that Chinese enterprises have to face. Taking the China-Europe Land-Sea Express Passage as an example, Chinese enterprises' management of the Piraeus port has been hit by Greece's political instability and its long-lasting debt crisis. The Hungary-Serbia railway is held back due to the EU rules and regulations. Macedonia political stability is also affected by its domestic unrest.

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<sup>①</sup> From the record of EU Committee of Mobility and Transport delegation's visit to the Institute of European Studies, Chinese Academy of Social Sciences on May 12, 2015.

<sup>②</sup> From the record of the author's visit to Zoran Dragisic, Insitute of Security Issues of University of Belgrade, on April 28, 2015.

## **Chapter 2: European Elites' Opinions on the "Belt and Road" Initiative -- An Analysis Based on the Survey**

### **I. About the Survey**

This survey was conducted since June till September of 2015. The main target groups are the officials, think tanks, entrepreneurs and media reporters from European countries (mainly from EU members and candidates).

There are a few collection works that contributed a lot to this survey. I sincerely thank those who were involved in collecting questionnaires. The China Institute of International Studies (CIIS) gathered questionnaires from almost 30 European officials during the European diplomats' training seminar held in July 2015. The Institute of European Studies, Chinese Academy of Social Sciences sent questionnaires to the high-level officials of CEECs who attended the China-CEEC High Level Meeting held at CASS in August 2015. Zhang Xibo, the Director of Public Affairs of the Eastern and Northern European Regional Center of Huawei Corporation, Warsaw, Poland collected a great many questionnaires from the Northeastern European entrepreneurs. Liu Minru, the officer of the Compilation and Translation Bureau of the CPC Central Committee, also helped a lot during her visit to the Northern Europe in 2015. Besides, the author collected some questionnaires from CEE attendants at the important conferences such as the Croatian Forum and the Bled Strategic Forum held in 2015. During his visit to CEECs from June to September of 2015, the author also issued a few pieces of questionnaires to the officials working at the foreign ministries, the staffs from the offices of President and Prime Minister, and from parliaments and think tanks..

This survey is the first quantitative research related to the China-EU Relations under the "Belt and Road" Initiative both domestically and internationally. Before the survey,

the author sorted out more than 70 questions systematically according to the suggestions from experts in related fields. They designed the questions and options scientifically in hope of reaching better results. In the end, the author and his team collected 142 questionnaires in total among which there are 110 valid questionnaires. After that, they used SPSS to form a database for analysis.

What needs to be clarify is that the survey’s target groups were carefully chosen for they are the elites who have some understanding and expertise about the “Belt and Road” Initiative. The high requirements for the target groups resulted in only a small number of questionnaires being issued and returned. In the following sections the author will illustrate on his research results:

**Table 1: Gender**

<b>Gender</b>	<b>Number</b>	<b>Percentage</b>
Male	68	61.8%
Female	42	38.2%

To judge from the gender composition, there are more males (61.8%) than females (38.2%).

**Table 2: Age**

<b>Age</b>	<b>Number</b>	<b>Percentage</b>
Under 30	24	21.8%
30—40	62	56.4%
40—50	15	13.6%
50—60	4	3.6%
Above 60	5	4.5%

Concerning the age, the proportion of 30-40 year-old participants accounts for 56.4% followed by 21.8% of those under 30 years old, most of whom are entrepreneurs. 13.6% of respondents are between 40 and 50 years old. Generally, the target groups are relatively young.

**Table 3: Nationality**

<b>Nationality</b>	<b>Amount</b>	<b>Proportion</b>
Albania	1	0.9%
Bosnia and Herzegovina	1	0.9%
Bulgaria	7	6.4%
Croatia	1	0.9%
Cyprus	1	0.9%
Czech	7	6.4%
Estonia	2	1.8%
France	3	2.7%
Germany	5	4.5%
Holland	3	2.7%
Hungary	6	5.5%
Italy	1	0.9%
Latvia	1	0.9%
Lithuania	1	0.9%
Macedonia	4	3.6%
Malta	1	0.9%
Montenegro	1	0.9%
Poland	29	26.4%
Romania	14	12.7%
Serbia	7	6.4%
Slovakia	5	4.5%
Slovenia	2	1.8%
Spain	1	0.9%
Sweden	4	3.6%
UK	2	1.8%

With regard to the nationality, there are 25 countries in total, basically including major EU member states and candidate states. Most of respondents are from Poland and Romania with 29 and 14 respectively. Target countries are wide-ranging and representative.

**Table 4: Occupation**

<b>Occupation</b>	<b>Amount</b>	<b>Proportion</b>
Government officials	39	35.5%
Full-time researchers	26	23.6%
Journalists	1	0.9%
University Lecturers and Professors	16	14.5%
Others	28	25.5%

As for the occupation, government officials take a lion’s share of 35.5% followed by researchers (23.6%), others (mainly entrepreneurs) (25.5%) and university lecturers and professors (14.5%). Since the policy makers take up the highest proportion among all respondents, the survey could be of great significance for the decision-making of top levels.

## **II. European Elites’ Views on the “Belt and Road” Initiative**

According to the European elites’ answers to several basic questions about the “Belt and Road” Initiative including the fundamental purpose and specific features of the initiative as well as the problems that need to be solved, it is reasonable to conclude that:

The European elites’ understanding of the fundamental purpose of the “Belt and Road” Initiative is basically accurate and objective. From their perspective, the initiative mainly aims at enhancing trade and investment cooperation with countries along the Belt and Road and promoting the connectivity between China and the

involved countries. This has, to a large extent, shown that they actually understand the fundamental spirit of the initiative regardless of so much criticism coming from European media that the content of the initiative is not clear enough. Meanwhile, more and more European elites acknowledge the significance of the “Belt and Road” Initiative. However, they fail to fully understand China’s motives of proposing the initiative. Most elites consider the initiative as an foreign-oriented and strategy-based proposal.

Besides, some European elites hold unrealistic expectations towards the “Belt and Road” Initiative. They list global issues like the regional conflicts and counter-terrorism, etc. as the target issues under the “Belt and Road” Initiative.

Here are some specific analysis on the answers given by the respondents:

**1. From your perspective, what are the fundamental objectives of the “Belt and Road” Initiative?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
The promotion of trade and investment cooperation with the countries along the “Belt and Road”	84	76.4%
The promotion of connectivity and regional cooperation with the countries along the “Belt and Road”	79	71.8%
The promotion of Chinese global strategic layout orienting towards the energy and resources	45	40.9%
The promotion of Chinese advantageous products’ “Going Global”	38	34.5%
The promotion of transfer of Chinese over-capacity products	30	27.3%

Unclear	8	7.3%
Others	11	10.0%

To judge from the feedbacks, most elites think that the fundamental purpose of China’s “ Belt and Road” Initiative is clear and explicit. To put it in detail, 76.4% of the respondents view that the initiative aims at promoting trade and investment cooperation with the countries along the Belt and Road. Meanwhile, 71.8% of the respondents regard the connectivity as the fundamental objective of the initiative. Above results are basically in accordance with China’s intention of cooperation, namely, the cooperation on the connectivity and trade between China and countries along the Belt and Road. Despite that 40.9% of the respondents deem China’s initiative as a way to transfer China’s over-capacity products and 34.5% of those regard the promotion of Chinese advantageous products’ “Going Global” as the fundamental objective of the initiative, these views account for only a small proportion compared with the former two views. Although many European media consider that the purpose of the “Belt and Road” Initiative is not explicit enough, while in this survey, there is only a small proportion of the respondents (7.3%) who consider the purpose as “unclear”, which suggests that the European elites have accurate and objective understanding of China’s “ Belt and Road” Initiative.

## 2. In your opinion, what are the features of the “Belt and Road” Initiative?

Content	Number	Proportion
A strategic plan led by China	56	50.9%
A strategic plan initiated by China, which should be jointly built through consultation to meet the interests of all	46	41.8%
An ambitious project designed by China as a new pattern of global governance	26	23.6%

A reflection of China’s active participation in global cooperation and development	50	45.5%
A practical requirement for China to deepen reform and broaden openness	31	28.2%
A strategy to expand Chinese influence in its neighbors/Eurasian areas and seek regional hegemony	30	27.3%
A response to the Asia Pacific Re-balance Strategy of USA	24	21.8%
Others	6	5.5%

As shown in the table, European elites’ answers to this question are quite divided, but they do reach some basic consensus on views that the “Belt and Road” Initiative is “a strategic plan led by China” (50.9%), “a reflection of China’s active participation in the global cooperation and development” (45.5%) and “a strategic plan initiated by China, which should be jointly built to meet the interests of all” (41.8%). These views and attitudes are basically positive and indicate that the European elites acknowledge the significance of China’s “Belt and Road” Initiative.

To fully investigate European elites’ understanding of the features of the “Belt and Road” Initiative, the research team has deliberately set some “neutral” and even “negative” options. 27.3% of the elites consider that “China intends to expand its influence in Asia and Europe and seek regional hegemony”. 24% of the elites consider that the initiative is “a response to the Asia Pacific Re-balance Strategy of USA”. These results show that quite a number of European elites hold relatively negative views on the “Belt and Road” Initiative. It seems that the elites do not think that the initiative reflects China’s need of deepening reform and broadening openness in the new era. In fact, only 28.2% of the participants hold the above-mentioned view. Most of the elites still consider it as a foreign-oriented and strategy-based instrument

instead of an initiative proposed based on China’s domestic needs.

**3. Among so many complicated issues faced by the countries along the “Belt and Road”, which ones would be solved under China’s “Belt and Road” Initiative?**

<b>Issues</b>	<b>Number</b>	<b>Proportion</b>
Illegal immigration	16	14.5%
Anti-terrorism	31	28.2%
Regional conflicts	55	50.0%
Breaking the trade barriers and regulation limits between different regions	78	70.9%
Improving the efficiency, level and scale of connectivity between different regions	81	73.6%
Promoting the efficiency of energy transport and improving the energy security	33	30.0%
Others	13	11.8%

The countries along the “Belt and Road” face complex regional situations. However, the “Belt and Road” is essentially an initiative on regional cooperation and economic cooperation rather than an all-embracing plan aimed at solving tricky issues. Ever since the initiative was announced, many countries have been expecting too much from it. Some expectations are far beyond the objectives of the initiative. Based on the feedback, the European elites’ understanding of the issues that need to be solved under the “Belt and Road” Initiative is not entirely correct. There is still a considerable amount of misunderstanding.

73.6% of the respondents consider that the “Belt and Road” Initiative will be mainly “improving the efficiency, level and scale of connectivity between different regions”.

70.9% of the respondents believe that the initiative will be “breaking the trade barriers

and regulation limits between different regions”. These two views are in accordance with China’s thoughts. But 50% of the elites view that the “Belt and Road” Initiative will actively solve the problem of “regional conflicts” and 28.2% of them expect that the initiative will address the issue of “anti-terrorism”. In fact, the “Belt and Road” construction may have to face problems like regional conflicts and anti-terrorism, but it’s hard to say whether China is capable of solving them under the “Belt and Road” Initiative.

### **III. The Cooperation Mechanism Needed by the “Belt and Road” Initiative**

All the elites consider that there should be more mechanisms for the China-Europe cooperation rather than only one or two cooperative mechanisms. The European elites obviously pay more attention or depend more on formal cooperative mechanisms rather than informal ones. The elites do not attach importance to the ASEM which covers a wide range of countries and areas.

Although the European elites consider that it is “necessary” to establish a specialized coordination mechanism with the focus of the connectivity between China and Europe, they don’t hold an optimistic attitude on whether the mechanism will be established and function well. The elites hold relatively high expectations on China’s financial institutions and expect less from the European financial institutions. Besides, they pay less attention to the multilateral financial institutions such as the World Bank and the Asian Development Bank that are important to the infrastructure building.

Here are the author’s further analysis and illustrations on the above conclusions:

#### **1. Which mechanism is proper for the policy coordination between China and EU during the construction of the “Belt and Road”?**

<b>Contents</b>	<b>Number</b>	<b>Proportion</b>
A cooperative mechanism under the framework of the China-EU cooperation	52	47.3%
A mechanism of strategic cooperation between China and European countries	42	38.2%
A mechanism of regional cooperation between China and European countries, such as the China-CEEC cooperation	47	42.7%
Intergovernmental forums such as the Asia-Europe Meeting	31	28.2%
Various professional cooperative forums	46	41.8%
Informal meetings	22	20.0%
Off-meeting communication on the sideline of major international conferences	11	10.0%
A new and specialized mechanism of cooperation and exchanges established for the “Belt and Road” Initiative	25	22.7%
Others	16	14.5%

In order to better implement the “Belt and Road” Initiative, it is necessary to cooperate with relevant parties to coordinate policies and mechanisms, which is of great significance to the implementation of the “Belt and Road” Initiative. The European elites’ take different views on this issue.

47.3% of the participants support “a cooperative mechanism under the framework of China-EU cooperation”, 42.7% of participants are in favor of “a mechanism of regional cooperation between China and European countries, such as the China-CEEC cooperation”. 41.8% of the participants are sided with “various professional

cooperative forums” whereas 38.2% of the participants expect “a mechanism of strategic cooperation between China and European countries”. Based on the above feedbacks, it is reasonable to conclude that almost all the elites consider that there should be more mechanisms and channels of cooperation between China and Europe rather than only one or two mechanisms. Besides, the European elites obviously pay more attention or depend more on formal cooperative mechanisms rather than informal ones. In addition, the elites do not attach importance to the ASEM which covers a wide range of countries and areas probably because they think that the ASEM is no more than a “talk-shop” with no power to push the decision-making.

In fact, the “Belt and Road” Initiative does not only rely on the aboved-mentioned cooperative mechanisms or meetings. Since the initiative involves a wide range of complex projects and a great many interest groups, the formal inter-governmental mechanisms are not always effective in solving various issues. In addition, the “Belt and Road” Initiative is a systematic project which should be jointly built through consultation to meet the interests of all rather than China imposing its policies and ideas. Because of that, the mechanism like the ASEM could play an important role.

Up till now, there hasn’t been a platform or mechanism that could involve all Asian and European countries along the “Belt and Road”. The existing mechanisms are basically the bilateral or multilateral mechanisms for regional cooperation such as the Shanghai Cooperation Organization with the focus of the cooperation between China and Central Asia as well as Russia. The “16+1 Cooperation” mechanism mainly deals with the cooperation between China and 16 Central Eastern European countries. Besides, the cooperation mechanisms between China and EU only serve for the cooperation between China and EU as well as EU member States. The “Belt and Road” Initiative involves both Asia and Europe and is thus in need of a more extensive and inclusive mechanism for coordination. What should be particularly emphasized is that, since the ASEM was expanded to Russia and other Asian and European countries with participation of more and more Central Asian countries, it

has truly realized the connectivity between Asia and Europe and become a perfect match for the “Belt and Road” Initiative. Considering that the “Belt and Road” Initiative involves many countries, it is not easy to make separate communication. As a platform to communicate ideas, the ASEM is of great value and significance. The ASEM is a diverse, free and flexible organization which can provide opportunities for exchange of views and is in line with the spirit of the “Belt and Road” Initiative underling openness, inclusiveness and sharing. In fact, all parties can benefit from exchanges on the ASEM. The European elites’ overlook of the ASEM has reflected their lack of understanding of the operative patterns of the “Belt and Road” Initiative.

**2. Is it necessary to establish a specialized coordination mechanism for the connectivity and infrastructure construction between China and Europe?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
Necessary	51	46.4%
Unnecessary	7	6.4%
Remain to be seen	37	33.6%
Unclear	15	13.6%

As for this question, 46.4% of the participants consider that it is necessary to establish a specialized coordination mechanism for the connectivity. 33.6% of the participants think that the issue remains to be seen. This result actually reflects the relatively complex thoughts of the European elites. They think that establishing such a mechanism is necessary but they must also give thought to the feasibility and efficiency of the implementation. Although there exist great potential and a lot of opportunities in cooperation between China and Europe on infrastructure construction under the “Belt and Road” Initiative, weather the cooperation can be realized and well-developed is quite uncertain. Therefore, although the cooperation is “necessary”, it still “remains to be seen”. Those who chose “unnecessary” only take up 6.4% of the

total participants.

### 3. Which tools can be used by China and EU in the financial integration during the construction of the “Belt and Road”?

Content	Number	Proportion
The “Belt and Road” Strategy Fund	74	67.3%
Asian Infrastructure Investment Bank	74	67.3%
BRICS New Development Bank	27	24.5%
EU Structural Funds	43	39.1%
The European Bank for Reconstruction and Development	54	49.1%
World Bank	31	28.2%
Asian Development Bank	29	26.4%
European Investment Bank	40	36.4%
Others	24	21.8%

Financial integration is an important underpinning for implementing the “Belt and Road” Initiative. It reflects the strategic nature, the level and the scale of the practical cooperation between the two sides. The China-Europe cooperation will be essentially enhanced through the coordination and mutual utilization between the financial institutions of China and those of Europe. Based on the survey results, the European elites’ feedbacks are not much optimistic, as illustrated in the following parts.

Firstly, the European elites hold high expectations on the financial institutions of China while expecting less of the European financial institutions. 67.3% of the participants consider that the financial instruments of the “Belt and Road” Strategic Fund and the Asian Infrastructure Investment Bank should be fully utilized with China shouldering more financial obligations. As for the important European financial

instruments, while 49.1% of the participants think that the funds from the European Bank for Reconstruction and Development could be optimized, 39.1% of the participants regard the funds provided by the EU Structural Funds as a reliable source of financing. Besides, 36.4% of the participants think highly of the funds from the European Investment Bank. In fact, the EU Structural Funds and the European Investment Bank are the major suppliers of the EU's finance that can provide larger amount of capital than the "Belt and Road" Strategic Fund and the Asian Infrastructure Investment Bank. However, the elites tend to think the opposite.

Secondly, the elites obviously underestimate the crucial role of the multilateral financial institutions such as the World Bank and the Asian Development Bank in the facilities construction under the "Belt and Road" Initiative with only 28.2% and 26.4% of the participants acknowledging the financial importance of the World Bank and the Asian Development Bank respectively.

In a word, the European elites see the potential of the China-Europe financial cooperation and expect China to contribute more than Europe. In addition, they do not attach importance to the multilateral financial institutions.

#### **IV. Challenges and Opportunities for the "Belt and Road" Initiative**

With regard to the synergy between the "Juncker Investment Plan" and the "Belt and Road" Initiative that has been widely discussed by both Chinese and European media, most of European elites remain indifferent to the potential of cooperation between the two initiatives with only a few showing optimistic attitude towards it.

As for the problems that may occur during the infrastructure cooperation between China and Europe, the European elites' bigger concern is that problems might occur due to China's incapability of meeting the EU standards, and they lack awareness of whether EU could cooperate with China on the basis of equality and mutual trust. The

European elites' contrasting attitude towards China and the EU will become one of the main obstacles in the future cooperation of the two parties.

When it comes to the integration of the “Silk Road Economic Belt” with the Eurasian Economic Union, the elites don't think much of it as they consider the integration of the two initiatives more as a political posturing rather than an economic driver.

Concerning whether there is a conflict between TTIP and China's promotion on the impeded trade, most elites have little knowledge about it.

In addition, they also view the “imperfection of the cooperative mechanisms” as one of the major disturbing factors for the China-EU financial cooperation.

As for the cultural and people-to-people exchanges between China and Europe, in spite of a few elites who consider the ideological difference as a barrier to the bilateral cooperation, most of them think that the ideological difference won't stand in the way of the China-EU collaboration. After all, the flourish of cultural and people-to-people exchanges is a long-term objective in need of patience and time.

Further Illustrations on Surveys:

**1. How much is the cooperative potential between the Juncker's Investment Plan and the “Belt and Road” Initiative?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
Very much	17	15.5%
So-so	21	19.1%
No potential	3	2.7%
Unclear	45	40.9%
Remain to be seen	24	21.8%

Despite that the leaders of China and Europe have had in-depth negotiations and exchanges of views on this issue, the outcome is unknown. But how do the European elites view this issue? In fact, more than 40% and 21.8% of the participants chose “unclear” and “remain to be seen” respectively, suggesting that around 62.7% of the elites do not have clear understanding of the cooperative potential between the Juncker’s Investment Plan and the “Belt and Road” Initiative. Accordingly, only 15.5% and 19.1% of the respondents chose “very much” and “so-so” respectively. In view of this, it is reasonable to conclude that only a few European elites hold optimistic attitudes towards the potential of cooperation between the “Juncker Investment Plan” and the “Belt and Road” Initiative whereas most of them are either ambiguous or indifferent on the issue.

**2. Which issues are and will be faced by the cooperation on infrastructure construction between China and the countries along the “Belt and Road”?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
The compatibility of Chinese infrastructure scheme and Pan European Transport Corridors	49	44.5%
The possibility of reaching EU’s standard for Chinese infrastructure construction	54	49.1%
The transparency of procedure of Chinese infrastructure construction	51	46.4%
The investment risks of Chinese large infrastructure projects in Europe	24	21.8%
Others	21	19.1%

49.1% of the participants consider that the main issue in infrastructure cooperation

between China and Europe is “the possibility of reaching EU’s standard for Chinese infrastructure construction”. 46.4% of the participants believe that the key problem is that “the transparency of procedure of Chinese infrastructure construction”. 44.5% of the participants deem “the compatibility of Chinese infrastructure scheme and Pan European Transport Corridors” as the primary issue. The European elites’ bigger concern is that problems might occur due to China’s incapability of meeting the EU standards, and they lack awareness of whether EU could cooperate with China on the basis of equality and mutual trust. The European elites’ contrasting attitude towards China and EU will become one of the main obstacles in the future cooperation of the two parties. Apart from that, the risks of building the large-scaled projects such as the infrastructure are poorly understood by the European elites, among which only 21.8% responded to the question.

**3. What’s your opinion on The Joint Statement on Integration of Eurasian Economic Union and the “Belt and Road” Project signed by China and Russia in May, 2015?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
A reflection of China-Russia close strategic cooperation	48	43.6%
An achievement made by China and Russia under the pressure of USA and Europe	25	22.7%
A natural result of the close trade and investment cooperation between China and Russia	34	30.9%
This cooperation will have a positive impact on the Free Trade Zone Negotiation between China and EU	13	11.8%
This cooperation will pose a negative impact on	20	18.2%

the Free Trade Zone Negotiation between China and EU		
Others	32	29.1%

It has to be noted that, about this issue, nearly 30% of the participants said that they were not familiar with this. 43.6% of the participants think it is “a reflection of China-Russia close strategic cooperation” and actually more like a political posturing. 30.9% of the participants think that it is “a natural result of the close trade and investment cooperation between China and Russia”. Those who believe that the cooperation will make a negative impact on the China-EU FTA negotiations take up higher proportion than those who believe the positive impact of cooperation. Therefore, it can be clearly seen that the elites don’t think much of the integration of the “Silk Road Economic Belt” with the Eurasian Economic Union since they consider the integration of the two initiatives more as a political posturing rather than an economic driver.

**4. Will Chinese active promotion of the unimpeded trade between China and EU have counter-balance on the TTIP?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
Yes	15	13.6%
No	22	20.0%
Unclear	28	25.5%
Remain to be seen	42	38.2%
Others	3	2.7%

On this relatively sharp issue, the largest number of respondents (38.2%) chose “remain to be seen”, and 25.5% of the participants selected “unclear”. Totally more than 60% of people consider that it is hard to make judgment. The elites who think

that there is no counterbalance (20%) outnumber those who thinks there is (13.6%). Therefore, the European elites' views on this issue are ambiguous. The reasons are complicated. It is hard to predict the development of economic and trade cooperation boosted by the TTIP. Besides, China has not explicitly and directly elaborated on its proposal of the “unimpeded trade”. All these have made it difficult for the European elites to make judgments.

**5. What kind of issues are and will be faced by the China-EU financial cooperation during the construction of the “Belt and Road”?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
Euro turbulence	42	38.2%
Low level of the Internationalization of RMB	33	30.0%
US dollar as a major trading currency between two sides	17	15.5%
Imperfect financial cooperation mechanism	53	48.2%
Others	24	21.8%

48.2% of the respondents consider the “Imperfect financial cooperation mechanism” as the main challenge. 38.2% of them chose the “Euro turbulence” whereas 30.0% of them selected the “low level of the Internationalization of RMB”. On this issue, the European elites expect that both sides can establish more developed mechanisms to lay the foundation for the financial cooperation.

**6. What kind of issues are and will be faced by the China-EU people-to-people exchanges and cooperation?**

<b>Content</b>	<b>Number</b>	<b>Proportion</b>
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Ideology is the biggest issue	28	25.5%
The current exchanges and cooperation are not effective	7	6.4%
Both sides are in lack of willingness to exchange and cooperate with each other	6	5.5%
People-to-people exchange is a long-term project that can't be fruitful in short term	60	54.5%
The government of two sides attach no importance to it	12	10.9%
Others	26	23.6%

In terms of the cultural and people-to-people exchanges between China and the EU, most of the elites have expressed their understanding and support towards it. 54.5% of people hold the view that “people-to-people exchange is a long-term project that can’t be fruitful in short term”. 25.5% of people consider the ideological difference as the biggest obstacle while 23.6% of people chose “others”.

## **V. Issues and Policy Suggestions Raised by the Elites**

The European elites expressed their views on how to strengthen the China-Europe cooperation under the “Belt and Road” Initiative. Some representative viewpoints are listed as below:

Questionnaire 1: A few issues need to be addressed to strengthen the China-EU cooperation: firstly, in the early stage, the mechanisms and procedures for bilateral cooperation should be standardized; secondly, the stability of the investing environment should be ensured; thirdly, continuous exploration of new investing projects should be followed; fourthly, the financial costs should be reasonably evaluated in the investing projects co-funded by China and Europe.

Questionnaire 3: From the viewpoint of a person without EU citizenship who has some understanding of the EU mechanisms, the most important thing is to develop a new mechanism to minimize the adverse impact of the EU bureaucracy.

Questionnaire 4: Firstly, we need more specific information about the “Belt and Road” Initiative. Secondly, the specific goals and context of the “Belt and Road” are still unclear to the European public, therefore we need further clarification. For instance, with several decades of steady development of bilateral trade between China and Europe, why do we still need to push forward the connectivity of the Eurasian Continent? Thirdly, China should enhance the European public’s understanding of the “Belt and Road” Initiative by relying on not only the Confucius Institute but also other functional institutions such as NGOs in Europe which should be moderately funded by China. Fourthly, professional exchanges on multiple levels involving logistics researchers, economist and politics experts are necessary.

Questionnaire 9: China should maintain close communication with EU and relevant institutions at any stage of the investment cooperation and elaborate clearly on the goals and development of the projects.

Questionnaire 10: China should clarify the “Belt and Road” Initiative and launch some specific projects in which Europe can get involved. The initiative seems too simple and vague at the moment, and the EU needs to understand more about the initiative.

Questionnaire 16: Both sides need to establish stronger mechanisms on the systematic level, make a clear plan at the next stage, and deal with the possible suspension of the ongoing projects.

Questionnaire 17: China and Europe should coordinate their policies towards Russia

in order to involve Russia as a partner under the “Belt and Road” Initiative. Russia’s policy has resulted in regional instability and conflicts, which, from my perspective, is one of the biggest obstacles for the implementation of the initiative in Europe.

Questionnaire 18: According to my research on the EU-related issues, many plans have gone into abortion in the preliminary stage. I think the most important thing is to illustrate on the benefits brought by the China-EU cooperation under the initiative. Meetings and people-to-people exchanges, especially among the professionals and experts, are of much importance to promotion of the “Belt and Road” Initiative.

Questionnaire 19: Local cooperation (such as the cooperation between Lodz and Chengdu) is very important and practical. Research institutions and think tanks should be established to provide intellectual support to the “Belt and Road” Initiative.

Questionnaire 21: Firstly, much attention should be given to the role of cities and regions in implementing specific projects. Secondly, the bottom-to-top initiatives like the cultural and people-to-people exchanges as well as the cooperation among small and medium-sized enterprises should be fully supported and encouraged.

Questionnaire 23: Information-sharing mechanisms should be available to promote in-depth and transparent cooperation and provide opportunities for each side to share success cases.

Questionnaire 24: I don’t think the “Belt and Road” can really be established and completed at a certain stage. Instead, it is more like a framework guiding China to move forward and cooperate with other players like EU. In fact, it is a cooperation framework that facilitates each side to use different means to achieve certain goals. There is a lack of clarification on what kind of goals China will ultimately achieve. I don’t think that the “Belt and Road” Initiative announced by China is a real “belt” or “road” that can be established. Instead, it is more like an attempt of China to

strengthen its presence in two or more important links between China and Europe. In a word, China has more work to do such as to elaborate the goal and the development of the initiative. Compared to other plans announced by China, this initiative seems good, but we know very little about its real contents. This situation results in cautions and worries among the cooperation partners to some degree.

Questionnaire 37: Concerns and doubts still exist about the “Belt and Road” Initiative in Europe. Trust deficits are an obstacle to pushing forward the initiative. The EU-Russia relations have encountered some difficulties so far, which also tackles the connectivity between China and Europe. Both sides should build more trust and understanding, especially on intentions and interests of each other. Besides, the two sides should carry out more constructive cooperation on Russia issues.

Questionnaire 38: EU’s participation in the “Belt and Road” Initiative can promote the stability of the Eastern Europe. Both sides should strive to push forward the economic partnerships, which can bring benefits to the EU-Russia relations. The success of the “Belt and Road” Initiative largely depends on the stability and security of the Eastern Europe.

Questionnaire 40: China and Europe need to explore common interests under the Initiative in areas of economy rather than politics. The cultural and people-to-people exchanges are an important and practical way to boost the China-EU cooperation. Both sides need to take the US global interests into consideration. Even if we are talking about the promotion of the China-EU inter-connectivity, the US interests cannot be ignored.

Questionnaire 41: We should adopt more transparent and clearly-structured mechanisms and market-oriented policies.

Questionnaire 43: More NGOs, think tanks and private sectors should be involved in

the consultation between China and Europe, which can contribute a lot to the “Belt and Road” Initiative.

Questionnaire 48: China has been pushing forward the “Belt and Road” Initiative and it should maintain a more balanced framework on the basis of a reasonable evaluation of the European countries’ benefits and spill-over effects. China should strive to increase its understanding of the differences within and among the regions, which should not be underestimated. More importantly, China should follow the EU standards and tradition. The low-interest loans can be effective supplement. Financing partnerships should be established among EU, Russia and China. Besides, more inter-cultural exchanges and public education should be promoted to serve the “Belt and Road” Initiative and its overall goals.

Questionnaire 50: Coordination deserves special attention. It is quite difficult for EU to coordinate economic policies among its member states, not to mention involving Chinese initiative in its decision-making process. The lack of understanding of issues and different propaganda style affect mutual understanding.

Questionnaire 53: It seems impossible for Russia to play an active role in the “Belt and Road” Initiative, and Russia will be most likely to create some obstacles in the China-EU cooperation. I feel concerned about the misunderstandings of some issues in the EU-Russia relations among the Chinese elites. It is not necessary for China to counterbalance the TTIP. The research has showed that the TTIP has limited impacts on the EU members, and it may exert positive influence upon the Chinese economy. Both sides should focus on the issue of anti-corruption to create a sound environment of competition.

Questionnaire 80: China’s participation is welcomed against the backdrop of the Europe’s stagnant economy, but it still remains unknown that how to integrate the European Fund with the “Belt and Road” Initiative. The ideology may not be the real

obstacle, but the different understandings of people-to-people exchanges may result in unrealistic expectations of each other.

Questionnaire 84: We should strive to normalize the EU-Russia relations and promote the China-Europe-Russia trilateral relations, all of which will ensure peace and stability of a new world order.

Questionnaire 85: The professional associations in different areas should be established under the “Belt and Road” Initiative such as the logistics expert committee to provide suggestions to the “Belt and Road” Initiative.

## **VI. Conclusions**

According to the feedback of the European elites, their views are characterized with strong European style. In their views, China and Europe should integrate different opinions and thoughts to promote the mutually-beneficial cooperation under the “Belt and Road” Initiative.

Firstly, the European elites have relatively good understanding of the basic spirit of the “Belt and Road” Initiative and approve the positive side of the Initiative. China strives to promote trade cooperation and the connectivity under the “Belt and Road” Initiative, which is in accord with the European interests and welcomed by the European side.

Secondly, though the European elites have a basic understanding of the “Belt and Road” Initiative, they seem to be unclear about its deep-rooted purpose and context. They highlight the need for China to give more explanations. Some elites have concerns or unrealistic expectations about the Initiative as it is difficult for them to grasp the deep-rooted goals of the initiative.

Thirdly, the European elites attach great importance to the construction of mechanisms in promotion of the “Belt and Road” Initiative. They consider reasonable mechanisms as the basic guarantee of this initiative. However, in these mechanisms, the European elites hold unreasonable expectations towards the initiative. They think that China should make itself in accordance with the EU rules and standards, undertake more responsibilities and contribute more in financing. Besides, they consider the imperfect cooperating mechanism as an obstacle to the China-EU financial cooperation. The European elites, however, do not have much thoughts on how to build the mechanisms. It shows that Europe is not quite sure about how to integrate with the “Belt and Road” Initiative.

Fourthly, the European elites consider that the increasing understanding among people is the foundation of the promotion of the “Belt and Road” Initiative. The method is to increase communication and exchanges among people and experts and jointly establish professional cooperating committee. The European elites also view China’s increasing financial support to the private sector, NGOs, social groups and small and medium-sized enterprises as an effective way to increase understanding among people. The elites have reached the consensus that increasing understanding among people comes before large-scale construction and cooperation.

Fifthly, the European elites also attach great importance to the China-EU cooperation with the third party under the “Belt and Road” Initiative, mainly with Russia and the US. Their thoughts are practical and specific. In their views, Russia has great impact on the Initiative, which cannot be put aside in the promotion of the Eurasian connectivity. Russia’s foreign policies have resulted in the instability on the Eurasia continent and the strained EU-Russia relations will have bad impact on the Initiative. China should take advantage of its strengths and involve Russia to promote effective trilateral cooperation on the Eurasian connectivity. The US is another factor, which is present widespread in the Eurasia continent. China should also involve the US on the basis of fully understanding its interests to ensure a smooth and mutually beneficial

China-EU cooperation.

Sixthly, the elites showed little understanding or pessimistic attitude towards the integration of the “Belt and Road” Initiative with the Juncker Investment Plan. According to the feedback of the European elites, China and Europe have to pay huge effort to coordinate two sides’ financial and law issues as well as rules and standards. The coordination of rules and standards is the most difficult. Though the rules seem to be simple and fixed on the surface, they can be obstacles everywhere during the implementation. Some elites hold the view that the objective of the Juncker Investment Plans is purely economic while the goal of the “Belt and Road” Initiative remains unclear. However, the Initiative is definitely not just a plan for investment. Other elites suppose that the integration seems impossible without effective cooperative mechanisms.

Last but not least, the elites recognize the importance of people-to-people exchanges, but they do not view the differences in ideology as the main obstacle. In their views, the differences in culture and thinking patterns weigh more. For instance, an elite thinks that the Chinese emphasizes more on the inter-personal relations whereas the Europeans underline bureaucracy and public opinion. The differences in culture and thinking patterns result in big differences in decision-making process and system, making it difficult for both sides to integrate with each other. Specifically, there are many differences between the long-term and step-by-step development underlined by the “Belt and Road” Initiative and the European perspectives featuring concrete and practical. Therefore there is a need for both sides to set reasonable expectations.

**Attached is the survey on views of European countries about the “Belt and Road” Initiative:**

## **Survey on Views of European Countries about the “Belt and Road” Initiative**

Survey No.□□□□□□

Dear friends,

This survey is conducted by the Institute of European Studies, Chinese Academy of Social Sciences and financed by the Ministry of Foreign Affairs of China. It is specifically aimed for European government officials, experts and scholars. Its purpose has nothing to do with politics or profit. We hold the privacy of your personal information in the highest regard. Please feel comfortable to fill in at your own convenience. Thank you for your support and cooperation!

### **I. Basic Information**

#### **1. Gender**

- a. Male   b. Female

#### **2. Age**

- a. below 30   b. 30-40   c. 40-50   d.50-60   e. above 60

**3. Nationality** (Please Specify)\_\_\_\_\_

#### **4. Occupation**

- a. Official   b. Think Tanks Researcher   c. Journalist   d. Staff of University   e.  
Others (Please Specify)\_\_\_\_\_

**5. Do you have overseas study/work experience (At least 3 months) ?**

- a. Yes   b. No

### **II. Views about China’s “Belt and Road” Initiative**

**1. From your perspective, what are the fundamental objectives of the “Belt and**

**Road” Initiative (multiple choice)?**

- a. The promotion of trade and investment cooperation with the countries along the “Belt and Road”
- b. The promotion of connectivity and regional cooperation with the countries along the “Belt and Road”
- c. The promotion of Chinese global strategic layout orienting towards the energy and resources
- d. The promotion of Chinese advantageous products’ “Going Global”
- e. The promotion of transfer of Chinese over-capacity products
- f. Unclear
- g. Others (Please Specify)\_\_\_\_\_

**2. In your opinion, what are the features of the “Belt and Road” Initiative (multiple choice)?**

- a. A strategic plan led by China
- b. A strategic plan initiated by China, which should be jointly built through consultation to meet the interests of all
- c. An ambitious project designed by China as a new pattern of global governance
- d. A reflection of China’s active participation in global cooperation and development
- e. A practical requirement for China to deepen reform and broaden openness
- f. A strategy to expand Chinese influence in its neighbors/Eurasian areas and seek regional hegemony
- g. A response to the Asia Pacific Re-balance Strategy of USA
- h. Others (Please Specify)\_\_\_\_\_

**3. Among so many complicated issues faced by the countries along the “Belt and Road”, which ones would be solved under China’s “Belt and Road” Initiative? (multiple choice)?**

- a. Illegal immigration
- b. Anti-terrorism

- c. Regional conflicts
- d. Breaking the trade barriers and regulation limits between different regions
- e. Improving the efficiency, level and scale of connectivity between different regions
- f. Promoting the efficiency of energy transport and improving the energy security
- g. Others (Please Specify)\_\_\_\_\_

**4. Which mechanism is proper for the policy coordination between China and EU during the construction of the “Belt and Road” (multiple choice)?**

- a. A cooperative mechanism under the framework of China-EU cooperation
- b. A mechanism of strategic cooperation between China and European countries
- c. A mechanism of regional cooperation between China and European countries, such as the China-CEEC cooperation
- d. Intergovernmental forums such as the Asia-Europe Meeting
- e. Various professional cooperative forums
- f. Informal meetings
- g. Off-meeting communication on the sideline of major international conferences
- h. A new and specialized mechanism of cooperation and exchanges established for the “Belt and Road” Initiative
- i. Others (Please Specify) \_\_\_\_\_

**5. Is it necessary to establish a specialized coordination mechanism for the connectivity and infrastructure construction between China and Europe? ?**

- a. Necessary    b. Unnecessary    c. Remain to be seen    d. Unclear
- (Please specify reasons for every choice)

**6. Which tools can be used by China and EU in the financial integration during the construction of the “Belt and Road” (multiple choice)?**

- a. The “Belt and Road” Strategy Fund
- b. Asian Infrastructure Investment Bank
- c. BRICS New Development Bank

- d. EU Structural Funds
- e. The European Bank for Reconstruction and Development
- f. World Bank
- g. Asian Development Bank
- h. European Investment Bank
- i. Others (Please Specify)\_\_\_\_\_

**7. How much is the cooperative potential between the Juncker’s Investment Plan and the “Belt and Road” Initiative?**

- a. Very much    b. So-so    c. No potential    d. Unclear    e. Remain to be seen
- (Please specify reasons for every choice)

**8. Which issues are and will be faced by the cooperation of infrastructure construction between China and the countries along the “Belt and Road” (multiple choice)?**

- a. The compatibility of Chinese infrastructure scheme and Pan European Transport Corridors
- b. The possibility of reaching EU’s standard for Chinese infrastructure construction
- c. The transparency of procedure of Chinese infrastructure construction
- d. The investment risks of Chinese large infrastructure projects in Europe
- e. Others (Please Specify)\_\_\_\_\_

**9. What’s your opinion on The Joint Statement on Integration of Eurasian Economic Union and the “Belt and Road” Project signed by China and Russia in May, 2015 (multiple choice)?**

- a. A reflection of China-Russia close strategic cooperation
- b. An achievement made by China and Russia under the pressure of USA and Europe
- c. A natural result of the close trade and investment cooperation between China and Russia
- d. This cooperation will have a positive impact on the Free Trade Zone Negotiation

between China and EU

e. This cooperation will pose a negative impact on the Free Trade Zone Negotiation between China and EU

f. Others (Please Specify)\_\_\_\_\_

**10. Will Chinese active promotion of unimpeded trade between China and EU have counter-balance on the TTIP (multiple choice)?**

a. Yes b. No c. Unclear d. Remain to be seen e. Others (Please Specify)

**11. What kind of issues are and will be faced by the China-EU financial cooperation during the construction of the “Belt and Road” (multiple choice)?**

a. Euro turbulence

b. Low level of the Internationalization of RMB

c. US Dollar as a major trading currency between two sides

d. Imperfect financial cooperation mechanism

e. Others (Please Specify)\_\_\_\_\_

**12. What kind of issues are and will be faced by the China -EU people-to-people exchanges and cooperation (multiple choice)?**

a. Ideology is the biggest issue

b. The current exchanges and cooperation are not effective

c. Both sides are in lack of willingness to exchange and cooperate with each other

d. People-to-people exchange is a long-term project that can't be fruitful in short term

e. The government of two sides attach no importance to it

f. Others (Please Specify)\_\_\_\_\_

**13. What are your suggestions on strengthening the connectivity between China and countries along the “Belt and Road”?**

**Thank you again for your cooperation and support!**

## **Chapter 3: Risks Assessment on the Layout and Construction of the “Belt and Road” Initiative in Europe**

This chapter will analyze the layout and construction of the “Belt and Road” Initiative in Europe with the focus of both the north line and the south line. The north line refers to the layout of the “Silk Road Economic Belt” on the Eurasian Continent, while the south line is mainly about the layout of the “China-Europe Land-Sea Express Passage” in the South Eastern Europe. What is worth noting is that risks assessment here only provides an analysis of the variables during the construction of the “Belt and Road” Initiative, and it does not necessarily mean that these risks really exist in the construction of the initiative in Europe. The risks assessment aims to give full consideration of all influential factors and perfect the preventive work.

### **I. The Development and Challenges of the “Silk Road Economic Belt” Construction in Europe**

#### **1. The Central and Eastern Europe is an Important Connection of the “Silk Road Economic Belt”**

The Chinese President Xi Jinping put forward the initiative of building the “Silk Road Economic Belt” during his visit to the Central Asian countries in September 2013. As an important part of China’s opening up strategy of “looking to the West”, the “Silk Road Economic Belt” provides great opportunities for cooperation between China and relevant countries and the region. Under the initiative, the role of the Central and Eastern Europe is undoubtedly widely-recognized.

First, the “Silk Road Economic Belt” embodies reviving the ancient Silk Road and promoting economic cooperation and exchanges between China and the European countries along the Road as well as connecting the two big markets of Asia and Europe. The Central and Eastern Europe, as the connection between China and the EU market via the land transportation, is an integral part of the “Silk Road Economic Belt”.

Second, there have been the Eurasian Land Bridge and the Land Transportation Channel connecting China and Europe via the Central and Eastern Europe. The

construction of the “Silk Road Economic Belt” via the Central and Eastern Europe is both feasible and precedented . Though China announced that it will focus on building the “Silk Road Economic Belt” between China and its neighboring countries as well as the Central Asian countries, the Central Asia will not be the ending point of the construction of the “Silk Road Economic Belt”, considering the need to explore more market opportunities. China also set its target at the EU as the EU maintains the position as China’s largest trade partner for ten consecutive years as to 2015. The yearly trade volume exceeds \$550 billion, and over 5 million people traveled between China and Europe annually. The EU market enjoys much potential to promote China’s sustained economic growth and the transformation of the mode of production as well as China’s development of its western region in the long term.

The Chinese policy-makers have expressed these strategic thoughts on many different occasions, and implied that the Central and Eastern Europe will have an important role to play.

President Xi Jinping visited the port of Duisburg on March 29, 2014 when he visited Germany. He expressed that the initiative of building the “Silk Road Economic Belt” proposed by China follows a philosophy of common development and prosperity and aims to link the two big markets of Asia and Europe together, inject new impetus to the ancient Silk Road and benefit the people along the Road. China and Germany, located at the two ends of the “Silk Road Economic Belt”, are two major economies and growth poles in Asia and Europe. Moreover, they are the starting point and the ending point of the Chongqing-Xinjiang-Europe International Railway respectively. Therefore, the two countries should strengthen cooperation and promote the building of the “Silk Road Economic Belt”.

During Xi Jinping’s visit to the headquarters of the EU on March 31, 2015, both sides issued the Joint Statement on Deepening the China-EU Comprehensive Strategic Partnership for Mutual Benefit. The Statement underlined that “in view of the great potential to improve their transport relations, both sides decided to develop synergies between China’s ‘Silk Road Economic Belt’ Initiative and EU policies and jointly to explore common initiatives along these lines”. When the State Councilor of China Yang Jiechi delivered a speech at the session of “Reviving the Silk Road: A Dialogue with Asian Leaders” at the Boao Forum for Asia Annual Conference on April 10, 2014, he said that “when I accompanied President Xi on his visit to Europe a few days ago, I found that people in different sectors across Europe have shown great interest and enthusiasm in the Belt and the Road”. The Joint Statement released by China and the EU stated that the two sides will develop synergies between EU policies and China’s “Silk Road Economic Belt” Initiative and jointly explore common initiatives along these lines. During his visit to Germany, President Xi Jinping attended a grand welcoming ceremony in Duisburg for a train that arrived from Chongqing along the China-Europe railway. To everyone present there, the Silk Road, once a mere term in the history book, has become a fresh story of modern logistics and of China-Europe

cooperation delivering real benefits to people along the way.

Third, the fast growth of the China-CEEC cooperation can contribute to the construction of the “Belt and Road”. With distinctive geographical advantages, the Central and Eastern Europe plays a multi-dimensional role in China’s initiative as not only a link between European market and Asian market, but also a key to promote the China-Europe cooperation and the construction of the “Silk Road Economic Belt”.

The existing New Silk Road Logistics Channel between China and the Central and Eastern Europe belongs to the First Eurasian Land Bridge and the Second Eurasian Land Bridge of the three Eurasian Land Bridge transportation systems, and the CEECs are much closer to the Second Eurasian Land Bridge. The New Silk Road Logistics Channel runs a similar route with the Second Eurasian Land Bridge.

Many land routes to Europe have been built starting from China’s central and western region, via Kazakhstan, Russia, Belarus, Poland, and other CEECs, on the basis of the Eurasian Land Bridge. The first Chongqing-Xinjiang-Europe International Freight Train was launched from Chongqing to Duisburg, Germany in October 2011. The Wuhan-Xinjiang-Europe International Freight Train started its first journey from Wuhan to Prague, Czech Republic in October 2012. The Chengdu-Europe Express was also launched from Chengdu to Lodz, Poland in April 2013. The Zhengzhou-Xinjiang-Europe Freight Train began its journey from Zhengzhou to Hamburg, Germany in July 2013. The Yiwu-Xinjiang-Europe railway was put into operation from Zhejiang to Madrid, Spain on November 18, 2014. All five trains, as part of railway transport, pass through the Central and Eastern Europe. Railway transport is competitive, as it costs less than the air transport and is faster than marine transport. However, it lays high requirements for logistics and cargo, which has once caused the suspension of the Wuhan-Xinjiang-Europe International Freight Train for a short time due to the lack of cargo in the return trip.

## **2. Risks and Difficulties Faced by the “Silk Road Economic Belt”**

### **(1) Domestic Challenges**

The launch of the “logistics channels” one after another meets the increasing needs for logistics transportation due to the China-Europe trade growth. Based on the actual needs, China and the relevant parties have built the international railway transport route through the New Eurasian Land Bridge to the Western Europe via the Central and Eastern Europe. According to the on-the-spot investigation, the Chongqing-Xinjiang-Europe International Freight Train was launched the earliest and has operated for the longest time among the trains departing from different cities in China to Europe. It has explored a series of new logistics models for cooperation with

Europe. However, it is also faced with some challenges, specifically as follows:

Firstly, there have been unhealthy competitions between China's logistics transportation caused by the mismanagement. The Chengdu-Xinjiang-Europe, the Zhengzhou-Xinjiang-Europe as well as the Chongqing-Xinjiang-Europe trains depart from very close stations within around 300 kilometers; however, the mismanagement and the lack of coordination among those logistics transportation resulted in the fierce and unhealthy competition in the supply of goods. The participation of more cities such as Wuhan and Xi'an has led to more heated competition over the transportation routes from China to Europe. To ensure survival, local actors rely much on the government and neglect the basic role of markets in allocating the resources. Some of China's central and western provinces have been giving logistics subsidies to cultivate markets with the aim to establish respective logistics transportation routes to Europe, and some provinces have even offered unreasonably low price, which greatly undermined the fair competition environment and caused a heavy subsidy burden on the government.

Secondly, since the various provinces failed to unite, they are competing against each other on price, which provides leverage space for the extra-regional countries to ask for a high price. Different provinces failed to unite and bargain for a lower price on logistics, which, in other countries' view, provides a good opportunity to increase the price. Some parts of the Eurasia "logistics channels" outside China can be optimized to save transport time and lower the costs, however, China's lack of support for the negotiations results in the poor motivation of foreign countries in improving the efficiency of transportation.

Thirdly, the product transportation has more or less deviated from the market demand. The detailed division of logistics requires that the transport means for different products should be chosen based on the market demand, so as to reduce the costs. For instance, cell phone, which is of light weight and high values and takes little space, is in need of air transport. Products like laptops, on the other hand, take more space and weight than cell phones, and therefore should be transported through railways for efficiency. Products like television with more weight and low price, are suitable for shipment transport. However, these laws of the market are not fully observed in China. And most logistics transportations lack return cargos, therefore the empty containers have to be transported back through shipment, resulting in waste of logistics transportation resources and capital.

## **(2) International Challenges**

Firstly, the economic situation, industrial development, trade structure and development tendency of the countries along the "Belt and Road" need to be further investigated and analyzed. There exist some problems that the current transport channels face the lack of cargo. The railway technology and standards, the

electrification level, and the transport efficiency of the Central and Eastern Europe need to be upgraded; however, it faces high costs and low profits as well as the restraints from the EU regulations. Some of the projects in the Central and Eastern Europe have been privatized, and how to construct new transport channels remains a challenge.

The existing New Silk Road Logistics Channel between China and the Central and Eastern Europe goes through many countries, and the key issue is how to conveniently carry out custom clearance. And the logistics technology level varies from country to country in the region. Many transport routes are over-loaded, with outdated infrastructure and equipment such as stations, storage, communication, water supply, and logistics support system. The percentage of double track rate, the electrification rate and the automatic block rate in the lengths of railway still lags behind the world advanced level. These largely impose restraints on the development of logistics, along with the weak communication capacity in the regions on the routes. Moreover, the standardization level of logistics equipments along the routes is low with no unified equipment standard and the lack of effective connections among various transport equipments, logistics packing and logistics facilities, which badly affected the mechanism and automation in the process of transport and storage.

Efforts need to be made to promote institutional rules and regulations, especially the construction of the “soft connectivity”, which takes time in the areas of policy, laws, rules and regulations as well as human resource exploration. China and the ASEAN are negotiating on the upgraded version of the Free Trade Zone. The Shanghai Cooperation Organization is making efforts to promote the signing of Agreement on Facilitation of International Road Transport. The quality control and customs cooperation between China and neighboring countries has been on the track of institutional development. And it still needs to be discussed on how to conduct these activities without institutional support in the Central and Eastern Europe.

Secondly, the countries along the Belt and Road are in great numbers with big powers sharing extensive interests, which increases China’s investment risks.

Russia has been dominant in the Eurasia Community, and it worries that China’s “Silk Road Economic Belt” will pose threat to itself. The failure of constructing China-Kyrgyz railway is a testimony. The EU also views the development of relations between China and the CEECs as an attempt to divide Europe and threaten the EU common trade policy, thus imposing limits through the EU rules and regulations. The US is paying close attention to China’s presence in the Eurasian Continent and attempting to conduct strategic balance. Japan has formulated relevant policies to counterbalance China’s influence upon the Central and Eastern Europe.

Thirdly, the Central and Eastern Europe and the Commonwealth of Independent States are experiencing a period of turbulence, and the Ukraine issue, in particular,

has deepened the fighting for regional influence between Europe and Russia, carrying huge political risks in the region. China has to face these risks and focus on the prevention, as the region is situated along the route of connectivity between China and Europe.

## **II.The Development and Challenges of the China-Europe Land-Sea Express Passage in Europe**

### **1. Introduction to the China-Europe Land-Sea Express Passage**

The China-Europe Land-Sea Express Passage links Piraeus port of Greece in the south to Budapest of Hungary in the north via Skopje in Macedonia and Belgrade in Serbia. The current trade route from China to Europe passes through the Malacca Strait, the Bay of Bengal, the Indian Ocean, the Cape of Good Hope as well as the western African coast. This new Express will explore a new and convenient route for China-Europe trade, which means that China's shipment to Europe will take 7 to 11 days less than before. When Premier Li Keqiang visited Belgrade and attended the China-CEEC summit, he met the Prime Minister Aleksandar Vucic of Serbia, the Prime Minister Orban Viktor of Hungary and the Prime Minister Nikola Gruevski of Macedonia on December 17, 2014. All parties agreed to jointly build the Land-Sea Express linking China and Europe.

The Piraeus port in Greece, as an important strategic transit and a key point in the layout of the "Belt and Road" in Europe, plays an important role in the construction of the China-Europe Land-Sea Express. Chinese enterprises have gained experience in operating in and developing Piraeus port, benefiting both China and Greece and making Piraeus port the model of Chinese enterprises' logistics construction in the European port. Since Piraeus Container Terminal, the wholly-owned subsidiary by the China Ocean Shipping Company, announced the commencement of its concession to manage the terminal business at Port of Piraeus in Greece under a 35-year concession agreement, Piraeus has grown from a small port with low operation efficiency into the fastest-developing port in the Mediterranean region. Infrastructure in the port has been upgraded and the total volume of incoming and outgoing freights has been growing from 878 thousand standard containers in 2010 to around 3.7 million standard containers in 2014. With the approval of Greek parliament of the long-term friendly agreement reached between Piraeus Port Authority and China Ocean Shipping Company Pacific Limited, the Chinese enterprises will invest 230 million Euro to expand and upgrade the infrastructure of the west pier container terminal III, and to construct an oil refueling pier. It is estimated that after the completion of the 230 million Euro investment project, the total volume of Piraeus port can reach 7.2 million

standard containers, and Piraeus port will grow into the largest freight transit center in the Mediterranean region. The China Ocean Shipping Company has gained much benefit from the China-Europe trade through optimizing the transport route. Its subsidiaries have received freights transported via railway from the Central and Eastern Europe including Hungary, Slovak and Czech Republic, and these will be transported through shipment from Piraeus container pier back to China. They are also joined by the Sony corporation after a series of negotiations, which will provide products to the European countries through the Central and Eastern Europe railway freight service run by the subsidiaries of the China Ocean Shipping Company. More international corporations are joining or showing interest in establishing distribution centers in Piraeus port including Dell, Cisco, Samsung, LG Electronics, Kia Motors, Hyundai Motor Group, etc. It is estimated that if the above-mentioned projects get implemented, they will contribute to the GDP of Greece with an increase of 10% and help increase employment. Managed by the Chinese enterprises, Piraeus port has become one of the most successful privatized projects in Greece in recent years.

China's emphasis on Piraeus port in the layout of the "Belt and Road" in Europe results from the following factors:

First, the route will help improve the connectivity among the countries along the Belt and Road, accelerate exchanges in personnel, commodity, enterprises, capital and technology, promote economic growth in those countries, deepen mutually beneficial cooperation between China and the countries along the Belt and Road as well as enhance the China-Europe relations. On the one hand, both China and Europe can acquire more and cheaper goods through the convenient and efficient China-Europe Land-Sea Express Passage. On the other hand, the Chinese high-speed railway linking Serbia and Hungary, which was jointly built by China and the CEECs, is the key project of the Pan-European Transport Corridors and one of the ten projects of promoting the connectivity between the eastern and the western Europe as well as between the northern and the southern Europe. It is of great strategic significance to the EU and the integration of the transport and business network of Hungary and Serbia into Europe, thus promoting the mutually beneficial and pragmatic cooperation between China and Europe.

Second, the China-Europe trade structure and the lack of transportation capacity of the north line determine that the shipment remains as the major transport of the connectivity between China and Europe. Most products of trade between China and Europe are handmade products, electronic and communication products as well as office equipments. In that case, shipment is one of the most cost-effective transportation. More than 80% of Chinese products are exported to Europe through shipment. Land transportation is still in its initial stage, and its operation still needs to be improved. It takes time to realize the normalization, gain profits and improve efficiency. Piraeus port has integrated all these factors, shortened the shipment distance and reduced time through optimizing the route, thus promoting the rational

layout of the European land transportation, improving the transport efficiency, and expanding the transport potential between China and Europe.

Last but not least, Piraeus project has great space for extension. In his speech at the Chinese Academy of Social Sciences on February 3, 2015, the Slovak Deputy Prime Minister and Foreign Minister Miroslav Lajcak spoke highly of the China-Europe Land-Sea Express. He also remarked that the Express can be extended to Slovak and Poland to the north, so as to play a bigger role. The former Hungarian ambassador to China and the President of Modern China Research Fund in Hungary Otto Juhasz commented that the project can be extended to Baltic states and explore the north-south link of the Central and Eastern Europe. One British think tank held that, if the freight network can be effectively explored, Piraeus port will be an attractive option for multinational corporations to transfer goods to the Central and Eastern Europe, Middle East, and Africa, thus making it the important distribution center in the region.

These facts have highlighted the dominant position of Piraeus port in the China-Europe trade transport and the construction of the “Belt and Road”. The construction of a new trade channel between China and Europe has promoted the connectivity in the region, and enabled both peoples to enjoy more convenient, faster and effective transport service through the multi-beneficial project.

However, China’s key project in the South Eastern Europe has been troubled by some crises, which will be analyzed in the following parts.

## **2. The Impacts of the Continuous Crisis in Greece on the Construction of the “Belt and Road”**

Since the sovereignty debt crisis broke out at the end of 2009, Greece has been deeply troubled by the austerity policy, the recession and the successive political turmoil. Greece has been led by two governments and five prime ministers ever since the sovereignty debt crisis broke out in 2009 till the new government took office in 2015. The Greek Prime Minister George Papandreou resigned on November 10, 2011 and was succeeded by Lucas Papademos after a coalition government formed by the Pan-Hellenic Socialist Movement, the New Democracy and the Popular Orthodox Rally party. The Greek legislative election was held on May 6, 2012 and none of the three top parties receiving the most votes, namely, the New Democracy, the Coalition of the Radical Left and the Pan-Hellenic Socialist Movement, succeeded in forming a new government. On May 16 the President Karolos Papoulias nominated Panagiotis Pikrammenos as the Prime Minister in the caretaker cabinet. Greece held the second

election on June 17 and the New Democracy was elected as the largest party followed by the Coalition of the Radical Left. President of the New Democracy, Antonis Samaras, was appointed as the new Prime Minister by the Greek President. The Greek presidential elections on December 17, 23, and 29, 2014 all failed to elect a new president. The Greek legislative election was held on January 25, 2015, and the Coalition of the Radical Left, which is led by Alexis Tsipras and stucked to anti-austerity, won the election with a total of 36.3% votes. Alexis Tsipras was sworn in as the Prime Minister of Greece.

Continuous political unrest has exerted impacts on the China-Greece cooperation, especially on the large-scale projects. The policies on investment introduction and the goal of privatization vary among different parties, thus adding inconsistency to policies. The turbulent political situation has undermined the government administration and efficiency, and increased irrational political voices. On the same day when Alexis Tsipras was sworn in as the Prime Minister of Greece, Greece has suspended the plan of selling 67% share of Piraeus port to China Ocean Shipping Company and the other four bidders.

Many reasons account for the government's calling for suspension of the privatization project, which can be summarized as follows:

Firstly, the suspension is in line with the public opinion. The Greeks have held different views on China's participation of the privatization project of Piraeus port. Though the privatization has brought huge profits to Greece, the Greek trade union has been accusing the working conditions set by the Chinese operators as "medieval" ones which lack equality and social responsibility. Greek dock workers have held protests for many times including holding the banner of "China Ocean Shipping Company going home" in front of the Athens parliament building. Greek workforce have launched a strike and expressed opposition to the government plan of selling the controlling shares of Piraeus port to China. These protests have added uncertainty to the government's position on completing the privatization of the port. Some parties began to cater to public opinions for their special interests.

A case in point is the policies proposed by the Coalition of the Radical on this issue. For instance, it proposed to increase the welfare and employment subsidies and placed less emphasis on the privatization and the marketization. Besides, they pledged no privatization of the "strategic state-owned assets". These policies have enhanced its reputation as a party respecting public opinions and helped itself win the election.

Secondly, some politicians held the view that the excessive control of the shares of the Greek port by foreigners is not cost-effective and puts the national interests at risk. In their views, excessive growth of privatization will result in most benefits falling into the hands of the controlling shareholders instead of the Greeks. Considering that, some officials who are in charge of marine transportation and port affairs insisted that

Greece should maintain its autonomy in ports management and development. Local government administration also played an important role with Yannis Moralis as a representative among them. Since he was elected as mayor of Piraeus, he strongly opposed to selling 67% share of Piraeus port. In his view, the destinies of the city and the port are closely linked, and national and local governments should retain the majority of the share and sign the long-term lease agreements with private investors for the benefit of the national and the local governments. Moralis pointed out that the development of the Piraeus port should be in line with national interests and linked with the country's new and export-led economy growth model. As a result, the Piraeus port should be developed into an international shipment center and an important port and tourism transfer station for foreign investors. As for the government, they should introduce export-oriented corporations dealing with shipment affairs instead of serving the benefits of large corporations like the China Ocean Shipping Company.

Since the new government announced the termination of the privatization of the Piraeus port, many different voices have emerged reflecting the diverse attitudes within the government towards the privatization. All these will, in turn, impact the future prospects of the China-Europe Land-Sea Express Passage. Among them, officials from the Ministry of Finance tend to be rational while officials in charge of Piraeus port affairs and local government hold a more radical attitude. The Prime Minister has to seek a balance between catering to the public opinions and saving national economy. Officials from the Ministry of Finance is very clear about the predicament of the country's economy, and Greece, which needs the capital the most, does not have the strong capability to control the privatization process. Besides, the privatization does not necessarily run counter to the national interests. Meanwhile, officials in charge of Piraeus port affairs put the maximum of benefits as the top priority. They stated that the port has a direct bearing on national interests, and they do not accept the sales of national assets of great strategic significance only due to the economic difficulties.

The remarks from many Greek government officials also testified the aboved-mentioned facts. The Greece's Finance Minister Yanis Varoufakis expressed in an interview on February 2, 2015 that the Greek new government considered China's investment as a source of hope for Greece to upgrade infrastructure and strengthen competitiveness. He added that the investment in Piraeus port by the China Ocean Shipping Company is a positive action. From his perspective, it is not wise to terminate the privatization project involving the China Ocean Shipping Company. On February 9, a senior official from the Ministry of Finance commented that they are in favor of and encourage the privatization of the Piraeus port. However, when reporting government projects to the parliament, the Executive Deputy Finance Minister who is in charge of marine transportation affairs insisted that the government should terminate the privatization of the Piraeus and the Thessaloniki ports to ensure the public ownership of these national ports. George Stathakis, the Greek Minister of Economy, Infrastructure, Shipment and Tourism, announced the news with an

ambiguous attitude. He expressed that the Ministry may conduct an evaluation on the cooperation with the China Ocean Shipping Company, but he did not indicate whether the Ministry will renegotiate with the Chinese company. He also emphasized that there is still bright prospect for cooperation with China. The Executive Deputy Finance Minister said that the agreement reached between the former government and the China Ocean Shipping Company has been approved by the Greek parliament, and the expansion project of Pier 3 has been launched. He added that the new government will recognize it and earnestly fulfill the obligations stipulated in the agreement, and by no means will it make one-side change to the agreement.

The decision-making of the Greek new government has brought uncertainties to the layout of China's the Belt and Road construction in Europe, which pressured China to take into consideration the political and economic risks brought by the Greek elections to China's investments. If the government continues to go along the "radical" path and terminate the privatization project, the China Ocean Shipping Company will bear the direct economic losses. It will also impede the upgrading and expansion of the projects, and have consequent impacts on the layout of the "Belt and Road" Initiative. Even if the privatization process of the Piraeus port is resumed in the future, it will involve other international buyers who might interrupt the privatization.

The cancellation of the privatization hadn't not settled, while in July 2015 Greece held a referendum, and Alexis Tsipras hopes to take this opportunity to gain debt relief and bailout from the EU. However, under the pressure of international creditors, Tsipras did not realize what he envisions and had to accept the harsh terms.

The reason why Tsipras did not win his political gamble is that the international institutions and major creditors disapprove the measures taken by the Greek government led by him. More importantly, leaders of the Euro Zone and the EU, proceeding from the interests of safeguarding the rules and stability of the EU and the Euro Zone, will not sacrifice these for the interests of the Greek government.

During his visit to Europe in July 2015, Premier Li Keqiang clarified the Chinese government's position on Greece's debt problem that it is the internal affairs of the EU, yet Greece's option of whether staying in the Euro Zone or not is related not only to the stability of the Euro Zone, but also to the global financial stability and economic recovery. He pointed out that the China-Greece relationship is part of China-EU relationship. China has acted in the overall interests and made efforts to help Greece overcome the sovereign debt crisis and responded to Greece's concerns and requests in overcoming the crisis via practical actions. He also stressed that China is willing to see Greece's stay in the Euro Zone and appeals to the international creditors and Greece to reach an early agreement and make positive progress, thus helping both Greece and the Euro Zone survive the crisis.

China's position takes into consideration all sides' concerns and accords with interests

of all sides, thus is widely appraised. It also lays foundation for development of relations between China and new Greek government. Though China has made its position clear, the continuous crisis in Greece has overshadowed the construction of the China-Europe Land-Sea Express Passage. Though Greece will promote the privatization process in the future which may create favorable conditions for further privatization of the Piraeus port, the privatization of strategic assets such as ports can still be constrained by various factors. Chinese investors will be troubled by the continuous political, economic, and social turmoil of Greece.

The impact of Greece's crisis on the political and economic stability in the Balkan region should also be highly noted. Going beyond Greece and reaching the whole region, the crisis will affect not only China's investments, but also the layout of the "Belt and Road" Initiative in the Balkan region.

Back to the 1990s, Greece acted as the anchor of stability in the Southern and South Eastern parts of the EU and North Atlantic Treaty Organization (NATO). Greece set an example of maintaining stability in the South Eastern Europe when Former Yugoslavia was experiencing conflicts and disintegration and showed bright prospects of law-based governance, democracy stability, and economic prosperity to the Former Yugoslavia countries. However, Greece, as the senior member states of NATO (entry in 1952) and the EU (entry in 1981), has become one of the sources of political and economic instability in the South Eastern Europe as its problems emerge. Greece has failed to conduct serious and comprehensive reforms in the past 30 years. Now it's hard to implement deep structural reforms due to the deep-rooted nepotism with the parties and the oligarchs. Though the Greek economy is vulnerable, the economic aggregate of Greece still outweighs the GDP of all the Former Yugoslavia countries combined, thus playing a key economic role in the Balkan region. It once acted as an important investor prior to 2010 as its banking industry has developed into a promising network in the region and its communication industry and oil enterprises have brought important assets to the region. If the financial environment of Greece gets worse, the Greeks may withdraw the investments in the Balkan region, thus adding more uncertainties to the development and stability in the region.

From a geopolitical perspective, Greece secures a core position in the Mediterranean Sea and owns the Crete Island, a key strategic base of NATO. It has also actively promoted relations with Turkey, an ally of NATO, in the past decade, thus creating a secure environment for the Balkan region. As an important energy transit currently and in the future, a pivot for the EU energy security and the first destination of refugees coming to Europe, Greece holds the key to the stability of the region and beyond.

Greece held the new election in October 2015, and ever since then political situation has been relatively stable. However, it remains to be seen what policies the new government will adopt in terms of the key strategic assets such as ports. The Greek

experience has taught China a lesson that it must keep alert of the political situation in some countries, look ahead at what might happen and be ready to handle it.

### **3.The Impacts of the Political Crisis in Macedonia on the Construction of the “Belt and Road”**

Macedonia has been experiencing continuous crisis and political instability since February 2015. Currently, it is faced with “double crises”. The first crisis is that the opposition groups released the recordings tapped by them for a long time that exposed the government’s involvement in corruption. This has resulted in protests organized by supporters of the opposition groups and demands of dissolving the government. The second crisis is that a gun battle between police officers and a heavily-armed Albanian group (many from Kosovo) in an ethnic Albanian region named Kumanovo has resulted in the most serious casualties in the region for the decade. 8 police officers and 8 gunmen were killed during the incident with 37 police officers being wounded and 30 gunmen being arrested. All these have deepened security and ethnic crisis in Macedonia.

The peace and stability of Macedonia has a bearing on the EU interests, and the EU has made efforts to address the instability of Macedonia and introduced a series of preventive measures. These measures include establishing an interim government through parliamentary procedures, in which all major parties should be well represented. The interim government needs to implement necessary reforms in preparation for the election in April 2016 (two years in advance). Two independent committees (A and B) will be established based on decrees approved by the parliament. They are responsible for taking advice from the EU, the US as well as the relevant international institutions. Committee A’s task is to assist and oversee the government to make good preparations for the election. Committee B is in charge of the audio recordings, including the investigation of potential crime and corruption issues involved in the previously-released recordings. A joint investigation group will also be established to inquire into the Kumanovo incident with the support of experts from the EU and the US.

In this crisis, a Chinese state-owned enterprise was deeply involved in Macedonia’s corruption scandal.

The wiretapped recordings of talks among top government officials revealed by Macedonia’s opposition leader Zoran Zaev involve issues like top government officials election scandal, high-level corruption, blackmail as well as the immoral abuse of power. Three parts of the recordings have been disclosed, including one of negotiations on the contract of construction of Macedonia’s two expressways between

representatives from Macedonian government and China's state-owned enterprise. These two expressways are the most important projects China invested in Macedonia over the years. According to the recordings, both sides reached deal beyond the standard procedures of law and there are significant differences between the costs announced by the Macedonian government and by China's state-owned enterprise. It also showed that the Macedonian Prime Minister Nikola Gruevski sought benefits from the contract.

The Macedonian crisis has impacts on the layout of China's "Belt and Road" Initiative in Europe, specifically as follows:

First, Macedonia did not follow the standard legal procedure in the bidding contract, which violated the EU rule that Macedonia's legislation and practice need to be in line with the EU standards and thus added more uncertainties to its accession to the EU. The EU was negotiating with Macedonia on the judicial reform as part of its accession process, however, the Macedonian ruling party's practice on this issue would be undoubtedly subject to the EU's investigation, and the Chinese enterprises will also be affected.

Second, the Macedonian government has been hit by the corruption scandal, and the public may lose confidence in it, thus causing political instability. The opposition party may take the opportunity to expose the ruling party's corruption issue and come into power. These may have adverse impacts on the China-Macedonia relations. (according to the new poll, the ruling Democratic Party for Macedonian National Unity still enjoys some public support)

Third, Europe and the US have strengthened their coordination and cooperation on infrastructure investments in the Western Balkan region. On the Western Balkan Summit held in Vienna on August 27, 2015, heads of state and government of major powers in Europe and America were all present to mainly discuss the issues on the infrastructure investment. They attempted to take advantage of the Macedonian issue to restrict the increasing influence of any third party (mainly Russia and China) on the Western Balkan region.

#### **4. The Impacts of Non-traditional Security Threats like Terrorism in the Balkans on the Construction of the "Belt and Road"**

The Balkans is one of the key regions in the layout of China's "Belt and Road" Initiative in Europe. The China-Europe Land-Sea Express Passage passes through almost the whole Balkans, including the important Balkan countries like Greece, Macedonia, and Serbia.

Traditional analysis tends to be centered around the impacts of Greece debt crisis and

internal turmoil in Macedonia on the “Belt and Road” Initiative. Both international and domestic academia overlook the influence of the Islamic extremists in the Balkans. They build connections with external Islamic extremists, which may have large impacts on stability of the Balkans and thus deserves China’s attention and early prevention. Both the EU and its member states did not attach great importance to the extremist forces in the region, making it possible for them to expand in recent years (especially after the outbreak of the conflicts in Yugoslavia).

The Balkans have been ruled by the Ottoman Empire for centuries and deeply influenced by Islam with a large number of Muslims. The Islamic extremist forces have targeted the Balkans as an important region to increase the number of its followers for a long time. Split conflicts broke out in Yugoslavia in 1991, during which the Islamic states like Iran, Saudi Arabia, and Turkey, be it Sunnite or Shiites, were all involved in the fight for Islam dominance in the region. Chaos and social instability caused by war have fostered the growth of the extremist religious forces, resulting in the organized expansion of the Islamic extremists in the region for the following two decades. Among the nearly 8 million Hanafi of Sunnite Islamic population in the Balkans, the Islamic extremism followers do not account for a large proportion, but they cover a wide-ranging ethnic groups, including Slavic, Albanian, Turkish, Roman as well as minorities in some regions.

The Balkans are a region with political turbulence and complicated religious environment where different political and religious forces fight against each other. The political and religious unrest of the region have led to the expansion of the religious extremist forces and the increase of terrorist activities.

Firstly, Iran has infiltrated its religious ideas to the Balkans. Iran has been providing support to the local Muslim, Shiite’s Muslim in particular, so as to expand its influence in the region. During the Bosnian War, while the United Nations Security Council imposed an arms embargo on all of the former Yugoslav territories, Iran has provided humanitarian aid and military assistance to the Muslims in Bosnia and Herzegovina. Iran has also established many intelligence agencies in the Balkans, and facts show that the Ministry of Intelligence and Security and Islamic Revolutionary Guard Corps of Iran have had their presence in the Socialist Federal Republic of Yugoslavia since in the 1970s. Iran also gained support by providing finance and offering bribery to government officials in some countries.

Secondly, Saudi Arabia and Iran compete in the Balkans. While Saudi Arabia and Iran cooperated with each other in spite of sectarian disputes aiming to strengthen the influence of Islamic states in the region, they are competing with each other most of the time through supporting their own forces behind close doors. During the Bosnian War, Saudi Arabia and Iran provided economic and military assistance to their supporting objects. As there are less Sunnite people compared to Shiite people in Bosnia and Herzegovina, Saudi Arabia has gained some advantages. The Sunnite

Islamic Group then launched the Wahhabi movement under the pretext of humanitarianism and expanded quickly in the regions where Iran did not have distinct advantages.

Thirdly, the Islamic extremists have carried out a series of operations in the Balkans. Islamic extremists have been expanding their influence in the Balkans. After the Bosnian War, they have shifted their attention to Kosovo. Albanian ethnic separatists established the “Kosovo Liberation Army” (KLA) there, which gained strong support from the Al-Qaeda. The KLA has a total number of 25,000 people till July, 1998. By the end of 1998, it has launched 2,278 attacks and killed 173 civilians, 115 law executors, and 37 military men, and the number of injured and kidnapped totaled about 900 people.

Fourthly, Turkey has been strengthening its infiltration among the Muslim group in the Balkans. Turkey has been enhancing its influence upon the Balkans. The Turkish President Recep Tayyip Erdogan has been advocating the new Pan-Islamic policy, especially “the Neo-Ottomanism”, to expand in the Balkans including Albania. Turkey has promoted propaganda of its political and religious beliefs through providing educational resources and social assistance to educational institutions and charity organizations.

Fifthly, the extremism in the Balkans should not be ignored. The Islamic extremism can drag the Balkans into new warfare joined by external actors. Many distinguished experts in the security field has pointed out the possibilities of catastrophic consequences, which, unfortunately, have not caught much attention. In May, 2001, Jeffrey Kuhner, a columnist in Washington Times, wrote that the outbreak of a new war in the Balkans is “just a matter of time”, and the international community has incited the ethnic conflicts. Ivo Lučić, the onced head of the Croatian Intelligence Agency, stated that there exists the possibility of regional conflicts between the Croatians and Muslims in Bosnia and Herzegovina. The Balkans have been the traditional path for terrorists and smugglers to enter into Europe for a long history, and the terrorism issue in the Balkans cannot be ignored. Apart from that, the refugee issue has continuously been a hot spot ever since 2015, and some Islam extremists pretend to be refugees and their forces expand rapidly in the Balkans. They may form new connections with existing extremist forces, thus posing new threats to the regional stability.

Considering all these, Europe must take the terrorist forces in the Balkans into careful consideration, and take firm actions to crack down on them. For the construction of the “Belt and Road” Initiative, China has to make prevention efforts against potential risks and impacts.

## **5. The Impacts of the EU Standards and Regulations on the Construction of the “Belt and Road”**

The EU puts great emphasis on rules and regulations and observes them as important yardstick of actions. It is committed to maximizing effects of rules and regulations and minimizing subjective factors, so as to highlight the EU as an actor based on rules and regulations. In general, China’s rules are not in line with those of the EU, and some even lags behind the EU standards, making it difficult for the cooperation between both sides.

In addition to the differences in standards and regulations, some regional countries influenced by the EU have been highly Europeanized and implemented the EU regulations and standards on both institutional and cultural levels. The EU’s efforts in the Europeanization of these countries have made it difficult for China to break through the restrictions, especially in the Western Balkans.

### **(1) The EU’s Control of the Western Balkans**

Specifically, the EU aims to maintain the momentum of the Western Balkan countries’ accession to the EU and keep them enthusiastic and confident towards the EU membership. It is not in the EU’s interests if these countries direct themselves to the East. The EU has held a series of meetings since 2014, including the Berlin Meeting on August 28, 2014, the Belgrade Meeting on October 23, 2014, the Ministerial Meeting of six countries in the Western Balkans held in Pristina on March 25, 2015, the Pristina Meeting attended by the EU and Prime Ministers of six countries in the Western Balkans on April 21, 2015, and the Western Balkans Summit in Vienna on August 27, 2015. The EU Commissioner for Neighborhood Policy and Enlargement Negotiations and for Transport and Regional Cooperation attended the meetings one after another. Key issues like infrastructure in the Western Balkans, good neighborliness, regional cooperation and European integration had been discussed on these occasions.

What is worth noting here is that the meeting held in Pristina, Kosovo on April 21, 2015 among the EU High Representatives for Neighborhood Policy and Enlargement Negotiations and the Prime Ministers of the six countries in the Western Balkans has reached consensus on building core transportation network in the Western Balkans, and made plans for the Vienna Summit in August 2015, including the following aspects:

Firstly, all parties should push forward the “Berlin Process” and ensure the fruitful implementation of the specific investment projects agreed on the Vienna Summit. The “Berlin Process” refers to a series of policy frameworks as part of the EU’s efforts to promote and coordinate the accession of the Western Balkans to the EU. Considering

the expansion of Euroscepticism in Brussels and the announcement made by the European Commission President Jean-Claude Juncker to enlarge the EU strategic decision-making that had been suspended for five years, the EU has actively initiated the “Berlin Process” to consolidate and maintain the motive and momentum of the Western Balkan countries for the EU membership. The “Berlin Process” was marked by the Western Balkan Summit held in Berlin on August 28, 2014. It also gave rise to a new round of strategies proposed by the EU and Germany to promote the Western Balkan’s development and accession to the EU. The Vienna Summit confirmed and further put forward an array of measures to accelerate the accession.

Secondly, all parties should focus on the connectivity between the EU and the Western Balkans and extend the EU core transport network to the Western Balkans. The EU underlines that the connectivity within the EU will bring benefits to the economic growth and employment in the Western Balkans. In view of this, the EU has announced a series of plans including the Trans-European Transport Network Plan which is a policy issued by the European Commission in January 2014 concerning the transport infrastructure connecting the East and the West as well as the North and the South in Europe. The plan aims to address the differences in the transport network of the EU member states and handle the poor operation of the internal market. To implement the Plan, the EU plans to invest 26 billion Euros to build the core transport network connecting all capitals of the EU member states, major economy centers as well as the chief EU ports. The network will be extended to the Western Balkans if necessary.

Thirdly, various channels should be straightened out and institutional obstacles should be removed to promote the connectivity between the EU and the Western Balkans. Besides, necessary policy tools should be available. The EU aims to accelerate the reform of systems and regulations in the Western Balkans and focuses on the investments in the key corridors and connectivity nodes. It requires the State Investment Council of the Western Balkans countries to formulate a project plan of priorities, so as to receive the second round of finance from the Instrument for Pre-accession Assistance (IPA). The plan should take the actual needs of the EU energy community into consideration. Relevant institutions and countries should confirm and take immediate actions to determine the rules of cooperation and sort out the procedures involved in the cross-border cooperation. All these plans have been confirmed and arranged at the Vienna Summit.

## **(2) The Specific Contents of the EU’s Connectivity Plan in the Western Balkans**

The EU and Germany have become the dominant forces in promoting the connectivity of the Western Balkans, which can be seen from the “Berlin Process”.

The connectivity is mainly promoted through core transport network corridors, including 11 major transport corridors, of which 9 corridors have been under

construction, namely, the Scandinavian-Mediterranean Corridor, the North Sea-Baltic Corridor, the North Sea-Mediterranean Corridor, the Baltic-Adriatic Corridor, the Orient/East-Mediterranean Corridor, the Rhine-Alpine Corridor, the Atlantic Corridor, the Rhine-Danube Corridor and the Mediterranean Corridor.

The Western Balkan Ministerial Meeting in April 2015 has proposed to extend the Trans European Network-Transport (TEN-T) to the Western Balkans, which has been formalized. The detail is the following:

#### **Indicative Extension of TEN-T to Western Balkans Core Network Definition Roads<sup>①</sup>**

<b>Corridor Vc</b>	Bosanski Samac (Bosnia and Herzegovina) – Doboj (Bosnia and Herzegovina) – Sarajevo (Bosnia and Herzegovina) – Mostar (Bosnia and Herzegovina) – Bijaca (Croatian Border)
<b>Corridor VIII</b>	Tirana/Durres (Albania) – Elabasan (Albania)- Struga (The former Yugoslav Republic of Macedonia) – Tetovo (The former Yugoslav Republic of Macedonia) - Skopje (The former Yugoslav Republic of Macedonia) -Deve Bair (Bulgarian Border)
<b>Corridor X</b>	Batrovci (Croatian border) – Belgrade (Serbia) – Nis (Serbia) –Skopje (The former Yugoslav Republic of Macedonia) – Bogorodica (Greek border)
<b>Corridor Xb</b>	Subotica (Hungarian border) – Novi Sad (Serbia) – Belgrade (Serbia)
<b>Corridor Xc</b>	Nis (Serbia) –Gradina (Bulgarian border)
<b>Route 1</b>	Debeli Brijeg (Border Crossing) - Bar
<b>Route 2</b>	Podgorica (Montenegro) – Durres (Albania) – Fier (Albania) – Tepelena (Albania) – Qafë Botë (Greek border)
<b>Route 2a</b>	Gradiska (Croatian border) - Banja Luka (Bosnia and Herzegovina) – Lasva-Travnik (Bosnia and Herzegovina)
<b>Route 4</b>	Vršac (Romanian border) – Belgrade (Serbia) – Podgorica (Montenegro) – Bar (Montenegro)
<b>Route 6</b>	Pristina (Kosovo[*]) –Skopje (The former Yugoslav Republic of Macedonia)
<b>Route 7</b>	Lezhe (Albania) – Pristina (Kosovo) – Doljevac/Nis (Serbia)

#### **Indicative Extension of TEN-T to Western Balkans Core Network Definition Railways<sup>②</sup>**

<b>Corridor Vc</b>	Bosanski Samac (Bosnia and Herzegovina) – Sarajevo – Mostar– Capljina (Bosnia and Herzegovina)
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<sup>①</sup> [http://europa.eu/rapid/press-release\\_STATEMENT-15-4826\\_de.htm](http://europa.eu/rapid/press-release_STATEMENT-15-4826_de.htm)

<sup>②</sup> [http://europa.eu/rapid/press-release\\_STATEMENT-15-4826\\_de.htm](http://europa.eu/rapid/press-release_STATEMENT-15-4826_de.htm)

<b>Corridor VIII</b>	Skopje (The former Yugoslav Republic of Macedonia) – Deva Bair (Border with Bulgaria)
<b>Corridor X</b>	Sid (Serbia) – Belgrade – Nis – Skopje (The former Yugoslav Republic of Macedonia) – Gevgelija (Greek border)
<b>Corridor Xb</b>	Kelebija (Hungarian border) – Novi Sad (Serbia) – Stara Pazova/Belgrade (Serbia)
<b>Corridor Xc</b>	Nis (Serbia) – Dimitrovgrad (Bulgarian border)
<b>Route 2</b>	Vrsac (Romanian border) – Belgrade (Serbia) – Podgorica (Montenegro) – Bar (Montenegro)
<b>Route 4</b>	Vrsac (Romanian border) – Belgrade (Serbia) – Podgorica (Montenegro) – Bar (Montenegro)
<b>Route 10</b>	Krusevac (Serbia) - Kraljevo (Serbia) – Pristina (Kosovo) – Skopje (The former Yugoslav Republic of Macedonia)

### **Indicative Extension of TEN-T to Western Balkans Core Network Definition Inland Waterways<sup>①</sup>**

<b>Corridor VII Danube</b>	Backa Palanka - Ram/Nera River- TimokRiver/Pristol
<b>Sava River</b>	Croatian border (Sisak) – Belgrade
<b>Tisa River</b>	Hungarian Border – Danube River

The Trans European Network-Transport also plans to construct the airports and the chief ports such as Durres in Albania and Bar in Montenegro of the six countries in the Western Balkans.

### **(3) The EU and Germany’s Intention to Constrain China**

A series of plans on the connectivity feature as follows:

First, a series of new measures have been put forward targeting at the Western Balkan countries’ accession to the EU. The EU and Germany’s policies towards the Balkan countries’ membership used to focus on the institutional and civil society building. Now they have been shifted to the infrastructure projects. These new layouts mainly address issues such as the regional instability and increasing presence of external actors like China.

Second, the EU has accelerated the implementation of connectivity projects in the Western Balkans since 2014 when China’s influence on the Western Balkans is growing. It is obvious that the EU and Germany’s plans target at China.

<sup>①</sup> [http://europa.eu/rapid/press-release\\_STATEMENT-15-4826\\_de.htm](http://europa.eu/rapid/press-release_STATEMENT-15-4826_de.htm)

Third, various means are adopted to counter China's influence. The EU and Germany have been suspicious of China's motive to strengthen its presence in the Western Balkans and hope that China's plans can maintain transparency. The EU has adopted regulations to constrain China and actively put forward its proposals on the infrastructure construction in the hope of attracting foreign investments.

In general, the EU and Germany's arrangements aim to constrain China in two ways. One is to set various rules and regulations in the Western Balkans, and the other is to insist that China's investments on the infrastructure construction should be in accordance with the Pan-Europe network.

## **6. The Impacts of the Refugee Crisis on the Construction of the "Belt and Road"**

The land route from Greece to Hungary via Macedonia and Serbia has become one of Europe's transport routes with increasing importance in terms of politics, economy, and geopolitics. On the Western Balkan Summit held in Berlin in 2014, the EU led by Germany initiated the "Berlin Process", aiming to increase investments on the connectivity of this route. It is also a key part of the Pan-European Corridor X, one of the most important infrastructure projects in Europe in the past two decades (it was launched in 1994). In retrospect, the Nazi Germany also took this route to invade the European hinterland from sea. Currently, it constitutes a main part of China-Europe Land-Sea Express Passage, also known as the landmark project of China's "Belt and Road" Initiative in Europe.

The continuous refugee crisis has exposed the route to the media spotlight. A large number of refugees from Syria, Iraq, and Afghanistan depart from Turkey, enter into Greece in two weeks, pass through Macedonia and Serbia, arrive in Hungary (Schengen states), and then go to Germany or other countries to seek for more opportunities under the principle of free movement in Schengen area.

In face of the refugee crisis, will the construction of the China-Europe Land-Sea Express Passage be affected?

Firstly, the EU and some of its member states have urgent needs for promoting the connectivity in the Balkans, and the construction of the "Belt and Road" Initiative in Europe enjoys bright prospects.

In the larger strategic picture, both the EU and the Balkan countries along the route share strong willingness to build the route and practical needs to strengthen cooperation with China, thus bringing bright prospects to the route.

This route has acted as an important link between the north and the south within the EU. The "No. 10 Corridor Planning" of the Pan-Europe Corridors Initiated by the EU in 1994 has built connections among routes passing through the Central European

countries, Serbia, Macedonia, and Greece, promoting the north-south connectivity among the European border areas and hinterland. The EU has also strengthened infrastructure building in the region. The “Berlin Process” and the Western Balkans Summit in Vienna have pledged investment and policy support to the connectivity in the region. The “Juncker Investment Plan” put forward by the EU Commission in 2015 has incorporated planning and investment of infrastructure in the region.

More importantly, the EU has adopted an open attitude towards private capital and state capital inside and outside the EU when it comes to facilities connectivity in the region. On the Bled Strategic Forum on September 1, 2015, the author asked Violeta Bulc, the EU Transport Commissioner, about the EU’s plan for infrastructure construction in the Western Balkans. She made it clear that the EU investment is not exclusive and the EU is willing to take advantage of the investment projects from the third party including China’s “Belt and Road” Initiative in the region. China and the EU have conducted fruitful discussions on this issue.

Countries like Serbia, Hungary, Macedonia, and Greece are all supportive of this route, but they lack capital and technology. In terms of making use of the EU’s capital, they also face many limitations from the EU and it turns out to be more difficult. Serbian Prime Minister Aleksandar Vucic expressed angrily on the Western Balkans Summit in Vienna, saying that Serbia does not need money from the EU. He added that China’s capital does not come along with many limitations. This route can bring to these countries much benefit and many employment opportunities from huge China-Europe trade volume.

Secondly, at the technical level, the refugee crisis has impacts on China’s “Belt and Road” Initiative.

The refugee crisis has impacts on China-Europe Land-Sea Express Passage in Europe at the technical level.

The continuous inflow of refugees pose challenges to the Schengen system, prompting the European countries, refugee-passing countries like Serbia, Hungary, and Macedonia in particular, to tighten border control, so as to prevent their long-term stay. The massive inflow of refugees also resulted in regional turbulence. At the technical level, the construction of the China-Europe Land-Sea Express Passage cannot be pushed forward in the complex environment, and it has to wait till the crisis is alleviated. If the crisis continues, the European countries cannot loosen border control and it would be difficult to push forward the “Belt and Road” construction. In general, if the refugee crisis can be solved in a short period, China’s “Belt and Road” Initiative can be pushed forward smoothly.

Thirdly, countries along the China-Europe Land-Sea Express Passage in Europe face both domestic and refugee crises, which increased risks of building the “Belt and

Road”.

The real challenge of building the China-Europe Land-Sea Express Passage lies in the country-specific risks. The Greek has established new government after the parliamentary election, but the possibility of political turbulence still exists. The privatization of ports and other strategic assets remains to be observed, and it would surely impact on China’s expanded use of the Piraeus port. Macedonia suffers from severe domestic crisis, where Chinese enterprises are deeply involved, leading to the in-depth EU investigation on whether the investments from Chinese enterprises have violated the EU regulations. Macedonia’s election and the government changes will take place soon, which increases the uncertainty of policies. Both Serbia and Hungary face problematic relations with the EU as well as the stagnant economies. The refugee crisis has posed challenges to the governance of those countries, thus exerting impacts on the building of the “Belt and Road”. A case in point is Macedonia with weak governance and vulnerable system of management in face of the refugee crisis.

The tense relations between Serbia and Hungary, especially on the refugee issue, have impacts on the “Belt and Road” construction. Serbia voiced its dissatisfaction on the EU’s lack of capacity to deal with the refugee crisis, which prompted Hungary to build walls along the Serbia-Hungary borders. On the opening ceremony of the Bled Summit on August 31,2015, Serbian Prime Minister Aleksandar Vucic expressed to the President of the European Council Donald Tusk that the EU’s lack of capacity to address the refugee issue and the resulting Hungary’s actions of building construction to prevent refugees have posed challenges to Schengen system and free movement of personnel on the European continent.

Countries along China-Europe Land-Sea Express Passage in Europe have their own problems to solve, and the refugee crisis has worsened the situation and exposed contradictions among these countries. All of these have increased risks of the “Belt and Road” construction.

Fourthly, the “Belt and Road” construction should pay much attention to the lasting impacts of the refugee issue.

The lasting impacts include terrorism and extreme rightism thinking produced by the refugee crisis, which could undermine the “Belt and Road” construction.

The Balkan countries are home to terrorism. During the disintegration crisis in Yugoslavia, the Islam extremist terrorism forces in former Yugoslavia countries have been active and plotted many terrorist incidents, posing serious threats to the security of the European continent. Some terrorists (especially Islam extremists) have taken advantage of the refugee crisis to enter into Europe, build connections with Islam forces in the Balkans and expanding their influence, which has exerted adverse impacts on regional security and caused wide concerns.

The refugee crisis has also prompted the expansion of ultra rightism in Europe, and some European countries have deep xenophobia. After the right-wing party in Greece came to power, ultra rightism have expanded quickly. They oppose investments on strategic assets like ports by China and other foreign investors. These are seen in both the Balkans and other EU countries. In general, the refugee crisis has directed the regional political environment towards conservative and exclusive rightism, which may seriously impact the “Belt and Road” construction at the social level.

## **Chapter 4: Policy Suggestions**

### **I. Efforts should be made to strengthen the internal and external coordination to facilitate the building of the corridors linking the Silk Road Economic Belt.**

The route construction plays a key role in the “Belt and Road” Initiative, especially the “Silk Road Economic Belt”. As part of the “Belt and Road” Initiative, it can adopt a flexible, pragmatic, and effective approach.

First, the route construction should follow the principle of pragmatism and flexibility with different options. The Silk Road logistics route normally goes from east to west, while in some circumstances, the route from south to north can also be considered. The Central Asia and Russia are key parts in the logistics route from China to Europe while it also encountered obstacles. Under these conditions, the approach of “equal emphasis on both east and west” can be adopted, and different “parts” of logistics route can be constructed in parts of Europe where conditions are mature combined through multi-channel and multi-transport means, so as to realize the connectivity among Asia-Europe logistics route.

The China Ocean Shipping Company (COSCO) has opened a new south-to-north logistics route in Europe through the lease of Piraeus port in Greece. COSCO actively promotes the construction and upgrading of the China-Hungary-Serbia railway by making full use of Piraeus port’s advantages in goods collection and distribution, and strives to transport Chinese goods sent by shipping from China to Piraeus port, directly to the Central and Eastern Europe through newly-built and upgraded route, which will alter the over-dependence on ports in Western Europe and save logistics costs and time. Likewise, the Asia-Europe logistics route should focus on the construction of key parts, and explore market-based plans on which all sides can easily reach consensus with a view to realize the maximum of market share and enterprise benefits as well as to gain experience on route construction. Some European scholars have put forward new initiatives of jointly building logistic routes in the Danube and Black Sea regions with China, which can be further studied.

In general, the connectivity projects between China and Europe showcase that the land and marine Silk Road are not independent from each other, instead they can be mutually-reinforcing and integrated projects with many options of both land and

marine routes, as well as multiple sources of funding, so as to actively promote the China-Europe trade flow.

Second, the central and local governments should strengthen the coordination and the division of labor, and fully tap the potential of the sub-national cooperation. The logistics route cooperation calls for full participation of various market entities and local governments to facilitate the direct cooperation among cities, counties, and industrial parks with their foreign counterparts based on their needs. Many freight trains from China to Europe are products of regional cooperation, such as the Chengdu-Lodz Express Trains and the Chongqing-Duisburg Express Trains. These models should be promoted to facilitate regional cooperation.

Meanwhile, central government should play its due role in overall coordination such as the establishment of national China-Europe logistics route center to coordinate division of labor in freight transport and to avoid repeated construction. Strengthening coordination with Central and Eastern European countries is also important and if necessary, the regional logistics center can be established in the Central and Eastern Europe to further promote cooperation network.

## **II. China should concentrate on the regions of greatest strategic importance to build them as the breakthrough of the deeper cooperation.**

The key to the China-Europe cooperation on the “Belt and Road” Initiative lies in the Western Balkans.

The Western Balkans has always been attracting high attention, and its strategic importance to China’s diplomacy has been elevated. Many of China’s investments in the Western Balkans under the framework of China-Europe and the “16+1 Cooperation” are very important, covering many areas such as infrastructure, energy, logistics and electricity, which have grown into the new growth drivers of China’s outbound investments. The Western Balkan region has become the pivot linking Asian and European markets in the “Belt and Road” construction. Considering the fact that it still takes a long time to construct the New Eurasian Continental Bridge, the China-Europe Land-Sea Express Passage linking Greece, Macedonia and Serbia has acted as one of the core linkages among Chinese and European markets.

Dealing properly with the Western Balkans is a good opportunity for China to develop good relations with the EU and its members like Germany, as well as to promote the “16+1 Cooperation”. If carried out smoothly, it can push forward in-depth cooperation among China, the Western Balkans and the larger EU. Otherwise, it may result in competition among them, and have adverse impacts on China’s strategy on the Western Balkans.

First, there exist some overlaps between the EU’s connectivity plan and the

China-Europe Land-Sea Express Passage in a way that the two projects can reinforce each other. The Pan-European Corridor X runs from Serbia to Greece via Macedonia, which is in the same direction of the China-Europe Land-Sea Express Passage, creating wide space for cooperation.

Second, the EU's large-scale infrastructure plan in the Western Balkans requires large amount of funding. Though the EU announced that the investments amount to a total of 26 billion Euros in 2020, it would still face a large funding gap. The EU hopes to gain external funding and China can discuss cooperation with the EU in this regard.

Third, the EU has expressed its willingness to cooperate with China on infrastructure building in the Western Balkans and hopes to gain finance from the Chinese side. Meanwhile, the EU makes it clear that China's investments on infrastructure in the Western Balkans should be in line with the EU's connectivity framework. In light of this, China should proactively discuss plans of mutual benefits with the EU and promote the China-EU cooperation of mutual trust. It should also seek to reach feasible operation plans with the EU, and protect China's infrastructure investments in the Western Balkans from the limits of EU rules and regulations.

Last, China and the EU should adopt the bilateral cooperation approach on a case-by-case basis. The EU prefers to lead the international shareholder financing meeting where the international organizations, the financial institutions as well as major countries are gathered to discuss collective financing, as is the case in the Vienna Western Balkan Summit in 2015. China should avoid being involved in it, as China's means of assistance and interests are different from those of international organizations, the EU and other international assistant actors.

### **III. China should establish mechanisms to unblock channels of cooperation.**

Institutional building should be put as priority. Besides, the potential of the existing mechanisms should be fully explored and the cooperation platforms should be upgraded. China is actively making use of the Shanghai Cooperation Organization, various mechanisms of the China-Europe cooperation as well as the China-CEEC cooperation framework to promote the Asia-Europe logistics building and establish various multilateral exchange platforms in the fields of economy and trade, investment as well as logistics. However, these institutions are bilateral or multilateral regional cooperation mechanisms and cannot cover all countries which can be possibly involved in logistics building in Asia and Europe.

As the largest inter-governmental forum attended by the highest level officials, the

Asia Europe Meeting is an important cooperation and exchange channel across Asia and Europe. With the participation of Russia and Kazakhstan, many Central Asian countries have also shown willingness to join the Meeting. Members of the Asia Europe Meeting are countries along the “Belt and Road” Initiative, thus the Meeting can be fully exploited in the building process.

Meanwhile, it remains an issue how the Asia Europe Meeting can promote the Silk Road construction, namely how to list the “Belt and Road” Initiative as a long-term topic for discussion and dialogue. One single topic can hardly dominate the meeting agenda in the Asia Europe Meeting. As a multilateral, open, and extensive platform, the Asia Europe Meeting involves almost all Asian and European countries. Meanwhile, its decision making is not institutionalized, and the fruits of discussion are not binding, along with its divided topics and boring agenda, which make it difficult to put some discussion results in action among the overwhelming documents.

Besides the mechanisms mentioned above, the Chinese side should pay great attention to the “16+1 Cooperation” and make it an important platform for the “Belt and Road” Initiative in Europe through consolidating the fruits of China-CEEC cooperation.

The CEECs are an important driving force of China’s initiatives and an indispensable part of the China-EU cooperation under the “Belt and Road” Initiative. Therefore, the China-CEEC cooperation should be constantly enriched and deepened through following means:

First, China and the CEECs should stick to the flexibility and the inclusiveness of the “16+1 Cooperation”. Both sides are concerned about whether the “16+1 Cooperation” framework can be maintained. Mr. Rexhep Meidani, the former President of Albania, expressed his hope that more countries like Moldova can join. Some European think tanks and decision makers suggest that Austria and Greece be included in the “16+1 Cooperation” framework. The original idea of the “16+1 Cooperation” framework has to be taken into consideration when thinking about these suggestions, which is to promote the China-EU cooperation. As Moldova enjoys no prospect of joining the EU, its participation in the “16+1 Cooperation” seems unrealistic in the foreseeable future. Considering the complex geopolitical and security conditions, if Moldova is allowed to join, Ukraine and Belarus may follow. In the long term, it is necessary to make proper adjustments to the “16+1 Cooperation” as a way to maintain its vitality, but it will depend on the specific situation. With the introduction of the China-Europe Land-Sea Express Passage, it is worth noting whether it will remain a fixed and exclusive platform. The “16+1 Cooperation + Greece” can also be considered as a way of institutional innovation to increase vitality to the China-CEEC cooperation. One of the key questions to be considered is how to adapt the “16+1 Cooperation” to China’s “Belt and Road” Initiative in Europe. On the fourth leaders’ meeting of China and CEEC in Suzhou on November 24-25, 2015, Austria and Greece were invited as the observer countries, marking the expansion of the “16+1 Cooperation” framework.

Second, China and the CEECs should make innovations of the various specific coordination mechanisms to promote the “Belt and Road” Initiative.

Many specific coordination mechanisms in different fields have been established in the China-CEEC cooperation, such as the China-CEEC tourism coordinating center that has played a key role in promoting the cooperation in economy and trade as well as the cultural and people-to-people exchanges. Regional cooperation coordination mechanisms are also highlights of bilateral cooperation and new driving forces of the “Belt and Road” Initiative, as they promote connectivity among regions. Railways, including the Chongqing — Duisburg railway, the Chengdu — Rodz railway, the Shannxi — Xinjiang — Europe railway, the Wuhan — Xinjiang — Europe railway, the Zhengzhou — Hamburg railway as well as the Yiwu-Madrid railway have greatly facilitated multiple cooperation between the two sides. The planned coordination center for infrastructure and logistics projects in Serbia and the China-CEEC Association on promoting agricultural cooperation in Bulgaria are expected to be new drivers for cooperation. The China-CEEC think tanks exchange and cooperation network and the China-CEEC association on logistics cooperation, which are currently being established, can play a positive role in the China-CEEC cooperation and the “Belt and Road” construction. These coordination mechanisms are established with innovative spirit and flexibility based on realities in different regions, which can be further promoted.

**Table: Coordination Mechanisms or Platforms that have been built or under construction in the context of “16+1 Cooperation”**

Coordination Mechanism or Platform	Site of Secretariat	Organizer	Progress
16+1 Agency for the promotion of tourism and association of enterprises	Hungary	Hungarian Travel Company	Built
16+1 Union of colleges and universities	On duty	Ministry of Education of each country	Built
16+1 Contact mechanism for the promotion of investment	Poland	Polish Information and Foreign Investment Agency	Built
16+1 Commercial Union	Poland (executive agency), China (Secretariat)	China Council for the Promotion of International Trade	Built
16+1 Union of governors	Czech	Czech Interior Ministry	Built
16+1 Association for the promotion of agriculture	Bulgaria	Ministry of Agriculture and Food	Built
16+1 Technology Transfer Center	Slovakia	Science and Information Center of Slovakia	Built

16+1 Think Tanks Network	China	Chinese Academy of Social Sciences	Built
16+1 Transportation Infrastructure Cooperation Union	Serbia	Serbian Ministry of Transport	Preparation
16+1 Logistics Cooperation Union	Latvia	Ministry of Transport and of the Republic of Latvia	Built
16+1 Forestry Cooperation Union	Slovenia	Ministry of Agriculture, Forestry and Food of Slovenia	Built
16+1 Health Cooperation Union	To be determined	To be determined	Preparation
16+1 Art Cooperation Union	To be determined	To be determined	Preparation
16+1 Customs Cooperation Union	To be determined	To be determined	Preparation
16+1 Energy Cooperation Union	Romania	To be determined	Preparation

(organized by the author)

**IV. China should handle properly relations with the EU and wisely handle the relationship with the European Union and address the EU concerns through mutually beneficial and win-win cooperation.**

China should strengthen coordination with the EU institutions and carry forward practical cooperation in infrastructure. The EU enjoys great influence in the Balkans, and China's increased cooperation and coordination with the EU can push forward the construction of the China-Europe Land-Sea Express Passage in Europe with both sides reinforcing and supporting each other.

China should strive to address the EU doubts and concerns through communication. The EU's concerns about the "16+1 Cooperation" are as follows: first, the EU's institutional framework may be split by China, undermining the EU unity in its decision-making efficiency and stance on major international affairs; second, it worries that China's preferential loans may not follow the EU competition policy, and may impact the implementation of the EU rules; third, the EU key members like Germany, which have large interests in Central and Eastern Europe, are alert to China's policy towards the region and concerned that the "16+1 Cooperation" may affect its interests. The EU attitude and its rules somehow limit the China-CEEC cooperation as in the case of China's 10 billion dollar credit line. China's loans require the recipient to provide sovereign guarantee while the recipient's debt level surpasses the EU standards with the sovereign guarantee, indicating that the

China-CEEC cooperation is restrained by the EU rules, and the CEECs have to follow these if China's rules are in collision with the EU ones. In fact, the EU institutions and its key members (such as Germany) have been exploiting the rules to limit the China-CEEC cooperation in particular fields, as a soft means to contain development of 16+1 platform. Germany has been pressing ahead with the "Berlin Process" since 2014 to increase the investment and speed the layout of infrastructure in the Western Balkans, so as to counterbalance China's growing influence. On the Vienna Western Balkan Summit on August 2015, Germany, the US, the EU, and other countries reaffirmed their policy of accelerating infrastructure in the region. Therefore, support from the EU is essential to the China-CEEC cooperation, and both sides should create opportunities to discuss related issues in an effective manner.

First, China should enhance trust and address doubts of the EU. It is necessary to maintain transparency of the China-CEEC cooperation and make the EU an important part of the cooperations. China has kept the exchange and should continue to maintain communication and coordination with the EU on major cooperation initiatives under the framework of "16+1 Cooperation".

Second, both sides should endeavor to realize the mutually beneficial and win-win cooperation and to jointly reduce risks. China and the EU can actively synergize each other's rules of financial institutions on the promotion of the connectivity between China and Europe. CEEC and other European countries are expecting China's investments. For China, the top priority is to reduce risks through cooperation between China's policy investment institutions such as the BRICS New Development Bank and Asian Infrastructure Investment Bank, and the European counterparts, like the European Bank for Reconstruction and Development and European Investment Bank. The cooperation between the investment projects in the "Belt and Road" Initiative such as the Silk Road Fund, the EU's Juncker Investment Plan as well as the European Structural Funds is critical for future cooperation, though it have not been fully exploited. Therefore, the bilateral financial institutions should coordinate with each other to secure the cooperation fund. Another issue is how to coordinate rules between China and the EU, considering the large differences between the two sides, as well as how to promote rules recognition from both sides. The Chinese side shows interest in infrastructure building in Central and Eastern Europe, but it is restrained by the EU rules. China's investments on infrastructure aim to promote freight trade and facilitate China's advantageous equipment and production capacity to go global, while the EU set high limits in this regard, such as environment and labor standards, which pose challenges to Chinese enterprises. Both sides need to reach a common and feasible standard, instead of building traps for each other.

**V. China should cooperate with influential sub-regional organizations in a pragmatic and flexible way, so as to deal with relations between China and influential sub-regional organizations in a practical and flexible way, and lay solid foundation for sub-regional cooperation underin the "Belt and Road"**

## **Initiative.**

The EU has been actively promoting regional and sub-regional cooperation in Europe, and China can make full use of that. The Visegrad Group (the V4) values its identity recognition and regional interests, and has conducted a series of activities through the platform of the V4. China should attach great importance to their activities and identity, and carry out cooperation in a flexible and practical way.

First, China can adopt a flexible approach to keep dialogue with the V4, so as to avoid conflict with China-CEEC cooperation. (1) Ministerial-level dialogue can be set up to facilitate discussion on issues of interest to both, which is not in conflict with China-CEEC prime minister-level dialogue; (2) technical communication and cooperation platform can be established, to promote cooperation between the V4 fund and China-CEEC relations research fund; (3) to promote people-to-people exchange and cooperation between China and the V4, such as think tank cooperation. To handle relations with CEEC in a flexible and practical manner is an important direction of bilateral relations. On May 19<sup>th</sup>, China held the first Director-General-level consultations with the V4 in Bratislava, Slovak, which is a good start despite the low level dialogue. China-CEEC Think Tanks Network established by the Chinese Academy of Social Sciences has started communication with the representatives of the V4 fund in September 2015, and agreed to jointly promote research of China-CEEC relations.

Second, to support initiatives and opinions from CEECs. The diplomacy initiatives, such as “four dimensional policies towards China” put forward by the Slovak Deputy Prime Minister Lajčák should be keenly promoted. The diplomatic model of “three dimensional policies to China”, namely, CEEC’s policies towards China in the bilateral sense, under the framework of the “16+1 Cooperation”, as well as China-Europe relations, can be considered as well, as it is acceptable to China. Suggestions suited to CEEC national conditions are really welcome.

Last, China-CEEC regional cooperation enjoy a sound development, and it can develop into sub-regional cooperation, so as to promote the efficiency, expand the scope, and elevate the level of cooperation. Central and Eastern Europe is characterized by sub-regions, such as the Western Balkans, Central Europe, South Eastern Europe, and the Baltic region. Developing relations with these sub-regions will greatly enrich bilateral and multilateral cooperation, as well as expand the scope and elevate the level of cooperation among China and countries along the “Belt and Road” route.

## **VI. China should accurately interpret the essence of the “Belt and Road” Initiative and uphold its key principles.**

In order to ensure the European elites grasp accurately the essence and concept of the “Belt and Road” Initiative, China can help increase their understanding of the “Belt and Road” Initiative through cooperation, in the following ways.

First, to highlight the mutual-benefit and win-win cooperation and emphasize to Russia and other stakeholders the positive role the “Belt and Road” plays in Asian and European markets. Joint building of the Silk Road by China, Russia and the EU will benefit all sides. China should convey clear message to these stakeholders that the Silk Road project aims to build economic corridors and benefit all countries along the route. The “Belt and Road” construction follows the principle of openness, inclusiveness, and progressiveness. It does not carry geopolitical intentions, nor will it collide with the existing Silk Road projects.

Second, to make clear that the “Belt and Road” is a market-oriented initiative on a voluntary basis, instead of a specific strategic plan. Both sides can carry out cooperation in various forms, as long as it is in line with common interests of both and the principles of market.

Following the above-mentioned principles, it is easy to grasp the overriding direction of the “Belt and Road” Initiative in Europe.

First, it is important to keep patience, as the “Belt and Road” construction is a long-term project. A series of crises have increased uncertainty of the China-Europe Land-Sea Express Passage construction, including the Greek debt crisis and government transition, the severe political turmoil in Macedonia, the growing complex relations among Serbia, Hungary, and the EU, the political turbulence resulting from parliamentary elections in some countries, the intervention of major powers in the region, the limitations posed by the EU on China’s investments in the Balkan region, as well as the refugee crisis. Along with the lack of freight for transport, this project can wait patiently and seek more proper opportunities to promote.

Some projects can be actively promoted when conditions are mature, such as the Hungary-Serbia railway, as it is a key project China has been promoting.

Second, to deal properly with country-specific risks, as these risks pose more challenges to the “Belt and Road” construction. As the European debt crisis goes deeper, the EU countries tend to care more about their domestic affairs, which highlights the importance of country-specific risks. Therefore, the key task is to

strengthen communication and cooperation with relevant countries, and to cope with obstacles existing in bilateral cooperation.

Last, to be well prepared for the coming risks, and to effectively control them before they get more severe. It is important to conduct research on the changes on social level in the Balkans and Europe, and to keep close attention to the development of terrorist forces and extremist thoughts in Europe, as well as the resulting impacts on the “Belt and Road” layout. It is also necessary to create favorable conditions to strengthen promotion of the “Belt and Road” construction through high-level exchange visits, symposium, project cooperation, as well as people-to-people exchange, so as to lay social foundation for China-Europe investment cooperation.

## **VII. China should properly solve the regional crisis on a case-by-case basis.**

The Macedonian and Greek crises are focused here. China should not be deeply involved in the crisis, as it is not the aim of the “Belt and Road” Initiative.

In terms of the Macedonian crisis, China need to keep close attention to the political developments in Macedonia, and tailor its measures to the situation in the country.

First, China should open to the public the investigation of the Chinese enterprise’s corruption issue in Macedonia, and take the opportunity to state its position that China will take seriously the illegal operations and urge enterprises to operate in accordance with law, and promote mutual benefit and win-win cooperation. China should intensify efforts to crack down on corruption in the Chinese enterprise’s overseas investments, in a bid to gain support from international society and alleviate the adverse impacts.

Second, to strengthen coordination and cooperation with the EU. China should actively support the EU investigation and coordinate with the EU to eliminate the adverse impacts of the recordings. It should also support Macedonia to establish a pro-European and efficient government which has the initiative to reform with the coordination of the EU, as well as promote China-EU cooperation on infrastructure investment in the Western Balkans.

Last, to keep cautious when coping with the EU candidate members in the Western Balkans. China cannot take for granted that the EU law and regulations are not binding on these countries, as they are not yet to join the EU. In fact, these countries have very complex political situations and competing political forces, and major powers keep intertwined presence and interests in the region. The law and regulations

in these countries are deeply influenced by the EU, which has made it necessary for China to understand the EU rules and stakeholders' presence in the region and to take measures based on its capacity.

China can take the following measures to cope with the Greek crisis.

First, China can take advantage of the favorable conditions to promote construction. In general, the basic opinion is that Greece will remain in the Euro Zone. While the crisis settlement plan has been reached, the crisis is not coming to an end and will last a long time to come. Austerity and privatization will prevail in this period, and China can push forward its investments in a steady manner.

Second, China should maintain coordination with the EU to promote stability of the Euro Zone and to support investments in Greece, as well as its privatization, which can help address the Greek crisis.

Last, China can intensify efforts to train professionals on languages spoken in the countries along the "Belt and Road", and encourage associations and business community to establish branches in these countries. It can also strengthen efforts to conduct country-specific research and information collection, as well as deepen understanding among all walks of life in China of these countries. The Chinese government should actively sign or modify bilateral investment treaty with the countries along the "Belt and Road", and support Chinese enterprises to defend their rights according to law, as well as urge relevant governments to protect the legitimate rights and interests of Chinese enterprises in a fair and transparent manner. Meanwhile, China should regulate overseas operations, help raise the awareness of abiding by the law and regulations, promote outbound investment system, and lower political risks. Chinese enterprises need to keep cautious of large-scale investment projects and especially some investments in the energy and resource industry, so as to lower the media exposure and political risks of these projects.

#### **VIII. Chinese think tank scholars should develop abilities of detecting issues through questionnaire surveys, so as to provide intellectual support to the implementation of the "Belt and Road" Initiative.**

The questionnaire on the "Belt and Road" Initiative has taught us that it can develop as a barometer to monitor China-EU cooperation on the "Belt and Road" Initiative.

The questionnaire can help identify some fundamental issues through long-term field research, and as a form of quantitative research, it can avoid uncertainty of the conclusions. For instance, many issues emerge from this questionnaire on the "Belt and Road" Initiative, which calls for targeted efforts to solve. Here are a few examples.

First, the survey shows that the European elites have a relatively accurate and objective understanding of the essence of the “Belt and Road” Initiative, namely, to promote trade and investment cooperation, as well as connectivity with the countries along the route. They also appreciate and support the positive role of the initiative. However, they seem not clear about the domestic motivation of the initiative, and most of them consider it as a solely diplomatic initiative. Some elites hold unrealistic expectations for the “Belt and Road” Initiative, and suggest to involve key global issues, such as regional conflict settlement and counter terrorism. These have shown that China’s promotion of the initiative are still not comprehensive and adequate and it should identify issues and make targeted promotion, so as to enable correct and objective expectations for the initiative.

Second, the survey on how to conduct China-EU cooperation under the framework of the “Belt and Road” Initiative shows that in terms of bilateral financial cooperation, EU hold high expectations for China’s financial institutions, while low for their own ones. The role of multilateral financial institutions, such as World Bank and Asian Development Bank, which have promoted the China-Europe infrastructure building cooperation, is overlooked and not attached due importance to.

In terms of cooperation between the Juncker Investment Plan and the “Belt and Road” Initiative, which has been hotly discussed by the Chinese and European media, few elites are optimistic about it. Regarding the potential problems facing China-Europe infrastructure building cooperation, the elites tend to attribute these to China and the gaps between the EU and China and adopt whether China can follow the European standards as a yardstick, while they lack of understanding on cooperation based on equality and mutual benefit, as well as consultations and joint construction.

The reasons underlying these need to be fully explored, and these are also issues overlooked in the promotion and implementation of the “Belt and Road” Initiative. For instance, the European side always hold high expectations for China’s investments, expecting more money from the Chinese side. In fact, China emphasizes market-oriented and win-win cooperation, and in no way should China undertake more shares and responsibilities.

The underlying reasons why the European elites show no optimism about matching the Juncker Investment Plan with the “Belt and Road” Initiative should be fully analyzed.

In terms of China-Europe infrastructure building cooperation, the elites hold that China should actively follow the European standards. China need to be fully aware that cooperation must be based on mutual compromise among rules, and by no means should one side follow and comply with the other side.

**IX. China and the CEECs should establish innovative and**

## **implementation-oriented mechanisms.**

With the development of the “Belt and Road” Initiative in the neighborhood and Europe, China has made great achievements in the mechanism innovation, such as the Silk Road Fund and Asian Infrastructure Investment Bank, which has laid sound foundation for China-EU cooperation under the framework of the “Belt and Road” Initiative. These innovations are necessary and, if put into practice, can play their part.

While with the unfolding of the layout of the “Belt and Road” Initiative, the blind copycat of mechanisms has emerged. Taking freight train from China to Europe as an example, though most of the trains help promote connectivity, the blind copycat of mechanisms do not suit the conditions of each province or region, instead it increases the burden of local governments and makes the competition environment worse. The central government should enhance coordination and make proper evaluation and balance between mechanism innovation and the pursuit of market profit.

In the “16+1 Cooperation”, more than ten coordination mechanism have been, are being, and plan to be established, while each of them did not actually play its due role. The author visited some coordination centers during his stay in Central and Eastern Europe, and found that some just held a few conferences and did not fully play its part. While the coordination mechanism oriented towards professional fields constitutes a good form of innovation, the blind copycat will lead to nothing. Efforts should be made to integrate mechanisms, so as to enable it to play its due part and generate benefits.

China should make innovations of financial tools in the going global process from a long-term perspective. However, innovations of financial tools have high requirements, and it should be noted by relevant authorities that there still exist blind pursuit of large scale effects and imitation of financial innovation models in other regions, which fails to take potential benefits and risks into consideration. On the Suzhou Summit in 2015, China proposed to establish China-CEEC Finance Corporation on a market operation basis, which is also a good attempt.

When dealing with Europe, China finds it most difficult to make innovations in rules. In certain cases, China has to comply with the rules of the EU. Faced with the situation, China should gain experience and use initiative to put forward innovative rules acceptable to both sides, which suit conditions of China and satisfy the needs of Europe. Thus, efforts should be intensified to train professionals in law and increase understanding of relevant rules.

## **X. To attach importance to and strengthen cooperation with the European countries, third parties, and key stakeholders.**

China should promote the cooperation with the third parties and the multilateral institutions.

Cooperation with the European countries is a prerequisite for cooperation between China and Europe under the framework of the “Belt and Road” Initiative. These countries vary from domestic situation to relations with China, therefore, China should adopt the principle of “clear direction, country-specific policy”.

“Third party cooperation” between China and the European countries is in a sound development. China and France, as well as the UK have signed agreements respectively, aiming to combine China’s advantageous production capacity and equipment with the European countries’ advanced technology and core equipment, so as to jointly explore third party’s markets. This has realized integration of resources and addressed shortcomings by combining advantages of China and the European countries, which can be further promoted. The “Belt and Road” construction entails many key projects and covers a wide variety of fields, thus creating enormous potential for China and Europe to enhance cooperation with the third party.

It is also important to conduct cooperation with other key stakeholders, such as Russia, the US, and some international organizations, which have widespread interests and presence in Europe. Cooperation with these stakeholders can help ensure steady development of China-Europe relations.

For example, Russia can exert great impact on the “Belt and Road” Initiative. Russia cannot be overlooked in the promotion of Asia-Europe connectivity, as its foreign policy has a bearing on peace and stability of the Eurasia continent. Some European elites hold the view that China should make full use of its advantages to involve Russia to carry out cooperation with China and Europe on Asia-Europe connectivity. The US interests have widespread presence in the Eurasian continent, and it maintains close cooperation with Europe, which make it necessary for China to fully understand and take into consideration the US interests, as well as cooperate with the US, so as to ensure smooth and mutual-beneficial China-Europe cooperation benefiting all. International organizations, such as the European Bank for Reconstruction and Development, are experienced in developing particular regions and specific fields, which China can take advantage of in promoting the “Belt and Road” Initiative in Europe. The activities of the European Bank for Reconstruction and Development is not limited to the basic functions of bank and covers financing in many different areas, such as infrastructure, energy, and finance, providing convenience to modernization of European society and promoting further integration in Europe by assisting the non-EU

members to meet the EU standards. International institutions like this enjoy great influence in Europe, and if cooperating with them, China can fully tap its resources and cut costs, in a bid to promote better layout and development of the “Belt and Road” Initiative in Europe.

## **XI. China should enhance the forward-looking research and be well-prepared theoretically for the in-depth development of the “Belt and Road” Initiative.**

With the phased implementation of the “Belt and Road” Initiative in Europe, many problems are expected to emerge. To prepare for this, forward-looking research needs to be conducted, which could help lay the theoretical and policy foundation for the further layout of the “Belt and Road” Initiative in Europe. The key areas of research are as follows.

First, to enhance research on law and regulations of China and EU. The China-EU financial cooperation under the “Belt and Road” Initiative should be followed by the legal environment and institutional building in trade between China and EU. With respect to financial cooperation, efforts should be made to promote the feasibility study on the building of China-EU Investment Bank and China-CEEC Investment Bank. China can also actively conduct the feasibility study on building China-EU free trade zone and experiments in key investment regions, such as the Western Balkans.

Second, to conduct study on the position of Europe in the “Belt and Road” construction. The “Belt and Road” Initiative aims to build global industrial chain and serve to go global for domestic products and production capacity. It needs to be observed whether Europe can bring into play its market potential. The position and function of Europe in the “Belt and Road” industrial chain should be clear, so as to lay foundation for the layout of the “Belt and Road” Initiative in Europe.

Last but not the least, to study how to promote good brands and achievements to expand its spotlight effects. The cases of success and achievements in high-speed rail, infrastructure, and energy in other regions can be actively promoted to create brands with Chinese features. Efforts should be made to promote the “going global” strategy of Chinese featured products, so as to create favorable media environment for the “Belt and Road” Initiative in Europe.