

**Europe and the “Belt and Road” Initiative:
Responses and Risks (2019)**

Liu Zuokui

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Abstract

Europe is an important region for China to push forward the BRI construction. Most European countries are well developed markets, and the EU has been China's largest trading partner for many years. Most of the countries encompassed by the BRI belong to the developing world, and thus, as a developed economy, the European role in BRI construction is important and special.

The attitudes of EU institutions and some member states toward the BRI have evolved since its introduction, which can be divided into four phases: the wait-and-see phase, participation phase, caution phase, and the phase of a mix of competition and cooperation. The EU issued a joint communication entitled "Connecting Europe and Asia: Building Blocks for an EU Strategy" in September 2018. The EU's new strategy underscores the sustainable, comprehensive and rules-based connectivity. Moreover, the EU has taken concrete actions to put the coexistence of cooperation and competition relationship with China on connectivity into practice. On one hand, the European powers and EU institutions take their practices and self-written rules as a wall to strengthen the protection of their common market and interests. They participate in the BRI selectively, prevent China from adopting open and consultative approaches to erode the EU's high-level standards. On the other hand, the tremendous commercial opportunities in Euro-Asian connectivity, and the achievements and wide impact made by the BRI have driven the EU to seek concrete and in-depth cooperation with China on the premise of guaranteeing its priorities and interests.

From 2018-2019 survey on the opinion about the BRI of 103 influential elites across 38 European states, their opinions have been evolving and becoming increasingly favorable, but negative opinions

remain. The positive side of European elites' opinions is that most of them (over 70 percent) view the BRI as an opportunity for Europe and the world, and believe that the BRI shares solid cooperation foundation with European regional development plans. However, there are also a number of elites who believe that the achievements of the BRI in Europe remain limited; China and EU still have a lot to do on policy dialogue; and the European public awareness of the BRI is still weak. They hold both positive and negative views on some specific issues. For example, on the relationship between the "16 + 1 Cooperation" and the China-EU cooperation, the elites, on one hand, believe that the "16 + 1 Cooperation" may bring opportunities and coordination space for China-EU cooperation; on the other hand, they remain skeptical about the motives behind the "16 + 1 Cooperation". They contend that although the EU's new Connecting Europe and Asia Strategy can work well with the BRI, they might become rivals in the future.

European elites find that the core risks of the China-EU BRI cooperation include: trade imbalance, transparency of Chinese infrastructure projects, and the reciprocity of market access in China. Therefore, they suggest China to improve market accessibility and the conjunction of the two initiatives, and encourage localization of investments and better cooperation between Chinese and European companies.

The book also analyzes the six risks that the BRI faces in Europe from the macro dimension: China-EU economic and trade dispute, the rise of protectionism, uncertainty of the European integration prospect, Europe's geopolitical change, unfavorable public opinion environment, and the misperception on China model.

In the book, I study six cases regarding the above-mentioned risks to examine them in detail. At the end of the book, I discuss the prospect of the EU-China relationship within the BRI framework, and raise some recommendations.

Key Words: Europe, the "Belt and Road" Initiative, Risk Assessment, Case Study, Policy Recommendation

Preface

I have paid multiple visits to Europe to investigate the European response toward the “Belt and Road” Initiative (BRI), with a particular focus on the Central and Eastern Europe. I have travelled through all the 16 Central and Eastern European countries (CEECs) so far, and have been carrying out ongoing investigations in some of them. I am cognizant of the complexity of the state in the region as well as its long history, which remind me that a few investigations could not lead to convincing conclusions, and therefore, investigations have to be sustained during which previous inaccurate observation and incorrect thoughts could be rectify.

In the course of investigation, I have published a number of works, among which the risk assessment of the BRI in Europe is principal. Risk assessment is an important angle to advance the research on BRI construction, and certainly, it represents a theme that is worthy of further study. In the years of investigation, I have realized that the BRI construction could never be accomplished overnight, it has to be done step by step and in a pragmatic manner. Particularly in a developed market such as Europe, the BRI construction must be based on sound ex-ante investigations and thus full awareness of local situation. It is important to formulate specific policies for each state, and get prepared for investment risk aversion, which can finally help avoid losses.

I completed the manuscript of *Europe and the “Belt and Road” Initiative: Responses and Risks* after months of investigation in 2015. The manuscript was included in the “National Think Tank” publication list, and was finally published by China Social Sciences Press in December 2015. It raised heated debate and soon became an indispensable reference for both Chinese and English readers on the BRI construction

in Europe. The book was awarded “Excellent National Think Tank Report” by Chinese Academy of Social Sciences in 2016, and was translated and published in English, and displayed at the closing event of the Year of China-CEEC People-to-People and Cultural Exchanges in December 2016. Later, the book (both Chinese and English editions) was displayed by the China Social Sciences Press in March 2017 at the London Book Fair, and was honorably rewarded “Significant Research Output of the Innovation Project” by Chinese Academy of Social Sciences.

Built on the 2015 edition and about one-year investigation, the second edition of the book was published in 2017 which saw a lot of new observations and findings. Compared with the first edition, the second edition was more carefully edited and better organized. It was awarded the “Excellent National Think Tank Report” by Chinese Academy of Social Sciences in 2017 and its English edition was published as well. Moreover, with the funding of “Silk Road Fragrant Books Project” by the Publicity Department of the Central Committee of the Communist Party of China, it was also published in Arabian language.

The third edition of the serial is now presented in front of readers. It is, as always, carefully written on the basis of ongoing investigations and surveys, and aims to serve the upcoming “Belt and Road Forum for International Cooperation” in 2019.

The global landscape changed dramatically in 2018: China-US and China-EU trade disputes, the evolution of European politics and the complex situation the “16 + 1 Cooperation” faces, are all bringing formidable challenges to the BRI construction in Europe. It requires researchers to be sophisticated enough to make insightful judgements, and this is exactly what the book aims to contribute.

There are some notable features of this edition in 2019:

1. Strong timeliness. Conduct in-depth investigation and analysis on current situation and progress, put forward pre-judgment and policy recommendations for prospects.

2. Multiple methods. The research does not stop at describing the picture, instead, it highlights the uniqueness of its research methods and perspectives, and employs qualitative and quantitative methods as well as questionnaire.

3. Remarkable depth. The case studies in the book have been deeply investigated and analyzed, which grants them high originality and reference value.

4. Long-term accumulation. The BRI risk assessment book serial is the product of my long-term hard work, and has been continuously improved and optimized.

I have developed my analysis characteristics in the course of research, which is most clearly demonstrated in the risk assessment, where I attempt to be comprehensive while remain optimistic. In the analysis, I try to refine the assessment and analysis according to the levels of risks, rather than simply put them on a list.

The Central and Eastern Europe is an important region for BRI construction, and the “16 + 1 Cooperation” plays an increasingly important role in pushing forward the process. Therefore, the “16 + 1 Cooperation” theme constitutes an important component of the book. Considering that the EU is paying closer attention to the BRI, the serial book will spend more length discussing the stances of European Union (EU) institutions and great European powers on the BRI.

It has to be noted that although risk assessment is studied in the book, it does not necessary mean that the BRI faces risks everywhere in Europe. Instead, I believe it is wise insisting that: the first step for implementing every project is to assess the risks, and the fundamental purpose of risk assessment is to explore more cooperation opportunities and consolidate cooperation consensus, which will help China and the EU construct the BRI well, hand in hand.

Mistakes are hardly evitable, and thus insightful comments and critiques are more than welcomed.

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Chapter 1

Changes of the European Stance on the BRI

I. Changes of the Stance of EU Institutions and Major Member States on the BRI

Europe is an important region for China to push forward the BRI construction. Most European countries are well developed markets, and the EU has been China's largest trading partner for many years. Most of the countries encompassed by the BRI belong to the developing world, and thus, as a developed economy, the European role in BRI construction is important and special.

The attitudes of EU institutions and some member states toward the BRI have evolved since its introduction, which can be divided into four phases: the wait-and-see phase, participation phase, caution phase, and the phase of a mix of competition and cooperation.

1. The Wait-and-See Phase

When China first introduced the "Belt and Road" initiatives in 2013 and 2014, the EU did not rush to speak out its opinion. This was largely because that EU institutions were not aware of the objectives, contents and implementation modalities of the BRI. Meanwhile, the EU was observing whether the initiative was geopolitically driven. From the development course of the BRI, the EU has made clear its response programme at each stage, based on deepening the understanding of the BRI.

A report prepared for the European Parliament's Committee on Transport and Tourism highlights the fuzziness of the BRI concept: there

is still considerable debate over the motives behind the BRI, and some observers argue that the BRI is part of China's geopolitical strategy which aims to strengthen China's position as an emerging global leader and to improve its economic competitiveness. The report also points out that although many projects are labelled as BRI projects, the criteria of doing so remain unclear, which confuses observers. For example, Chinese investment in Piraeus port in Greece in 2009, which was secured well before the initiative was proposed, is now regarded as a major BRI project. The BRI is not subject to a clearly-defined development plan and budget, and is not defined by a clear list of projects that it is intended to include. It has no clear geographical and economic boundaries, and appears to have evolved in response to individual countries' engagement with China, rather than in line with an overarching strategy^①. Such doubts led the EU to take a cautious wait-and-see approach.

2. The Participation Phase

In May 2015, the European Commission president Jean-Claude Juncker said that there was no significant impediment for the integration of the Europe's investment plan (also known as the "Juncker Investment Plan") and the Chinese BRI. "China and the EU should maintain transparency, and we can work to ensure that cooperation between the two sides can be docked at both the macro and technical levels^②." The proposals on cooperating with China's connectivity initiative and the Pan-European Transport Network Programme started to emerge in parallel with the growing depth of bilateral dialogue. The Chinese premier Li Keqiang paid a visit to Brussels and attended the China-EU Annual Summit in June 2015, when the two partners raised a series of initiatives such as the conjunction between the BRI and the Juncker Investment Plan, and the establishment of a connectivity platform. The EU started to transfer from taking a wait-and-see approach to participating proactively. In 2015,

① Steer Davies Gleave: Bianca Cosentino, Dick Dunmore, Simon Ellis, Alberto Preti, The new Silk Route-opportunities and challenges for EU transport, January 2018, <https://research4committees.blog/2018/01/16/the-new-silk-route-opportunities-and-challenges-for-eu-transport/>.

② http://news.xinhuanet.com/english/2015-05/07/c_134218780.htm.

China took the lead to establish the Asian Infrastructure Investment Bank (AIIB), and the Western European powers, including the United Kingdom, France, Germany and Italy joined subsequently, which lay a solid foundation for cooperation in the bank.

The European participation in the BRI is accompanied with a growing understanding on the BRI concept, and the cooperation nature of the two parties should be viewed as tentative and vision-oriented, rather than strategic or policy-based. On one hand, China has clearly elaborated its vision and guiding principles of the BRI (the principle of achieving shared growth through discussion and collaboration); on the other hand, the EU expects the “Juncker Investment Plan”, which aims to boost European economy, and the ongoing Pan-European Transport Network project to be supported by external forces. In this sense, the two partners find that they can benefit from one another.

3. The Caution Phase

The attitudes of the EU and some of its member states have shifted drastically since 2016.

As the EU deepens its understanding on the BRI, it has been cautious on the initiative and strengthened the protection on European markets and interests^①. The most striking change was that the EU became highly concerned with the risks posed by the BRI and the potential impact of these risks on the EU. As a result, the EU took a number of measures, such as actively forging the EU-level investment security review mechanism, strengthening the review over foreign investments, including those from Chinese enterprises, and particularly the investments in European high-tech industries. The EU also intensified its review over key BRI projects including the Hungary-Serbia Railway project. At the same time, the inherent and sustained conflicts in China-EU trade relationship and other areas are reinforced and

^① For EU members, their attitudes on the BRI diverge from one other. The Eastern and Southern members are generally active on BRI construction, while the Northern and Western members are more reluctant. It is also correct to say that the new EU members (particularly the CEECs) are more positive with the BRI than the old ones.

amplified by the EU's cautiousness on the BRI construction: the EU criticizes China's market distortion, negate China's full market economy status. It advocates fair trades and thus reciprocity nature of the China-EU trade, urges China to improve market access, and publicizes "China Threat Theory" in the ideological realm.

The suspicion of important EU member states, headed by Germany, has grown. They believe that the "16 + 1 Cooperation" and the BRI are "opaque" and their motives are unknown. The EU believes that some BRI infrastructure projects, such as the Hungary-Serbia Railway, would bypass or violate EU rules. Germany argues that China is trying to divide the EU, making it difficult for the EU to form a consistent policy towards China on some issues. The European sense of crisis and anxiety on China's transregional cooperation grew, and thus the "Berlin Process"^① was released to improve the European presence and control in the neighborhood region. In the "Elements for a new EU strategy on China" released in 2016, the EU noted that "The EU must project a strong, clear and unified voice in its approach to China. When Member States conduct their bilateral relations with China—whether one-on-one or as groups of countries such as the 16 + 1 format—they should cooperate with the Commission, the EEAS and other Member States to help ensure that aspects relevant to the EU are in line with EU law, rules and policies, and that the overall outcome is beneficial for the EU as a whole."^②

4. The Coopetition Phase

When the EU is keeping cautious on China, it is also maintaining cooperation relationship with China.

In June 2017, at the 19th meeting of China-EU Annual Summit, the two sides agreed to improve synergy between the BRI and the European Investment Plan, and welcomed the signing of the Memorandum of Understanding Aiming at Facilitating a Co-investment

① The Western Balkan's Berlin Process: A new impulse for regional cooperation, Briefing 4 July 2016, European Parliament.

② European Commission, Elements for a new EU strategy on China, Brussels, 22. 6. 2016, JOIN (2016) 30 final.

Framework by China’s Silk Road Fund and the European Investment Fund, and the establishment of the China-EU Joint Investment Fund. The two sides committed to push forward cooperation within the framework of multilateral development institutions such as the AIIB, the European Investment Bank and the European Bank for Reconstruction and Development. On May 14, 2017, the EU’s common information on the BRI was unveiled on the EEAS website. The EU supports the BRI construction and has been cooperating with China. The EU still stresses that China needs to adhere to market rules, as well as European and international standards, and complement EU policies and projects to benefit all encompassed countries. The EU’s move of supporting to renew infrastructure will help the Eurasian sustainable growth.

It is also evident from the recent EU statement that it holds a pragmatic and positive attitude toward the BRI and “16 + 1 Cooperation”. The new EU ambassador to China, Nicolas Chapuis, attended an international academic conference held in Beijing on November 13, 2018, organized by the “16 + 1” think tank network. In his opinion, China is creating connectivity and interdependence across the Eurasian continent through the BRI. In ancient times, China set up a road of knowledge via Silk Road, linking ancient Rome, Greece, China and India, which nurtured the collision, communication and reference of human knowledge, thought and civilization. The BRI will achieve significant success if China and the EU facilitate the exchange of thoughts and pragmatic cooperation. The “16 + 1” cooperation mechanism has been welcomed by Eastern European and the Balkan states, such as Serbia, Macedonia and Bosnia. Although different opinions exist within the EU on this mechanism, it is natural that countries have different preferences. For the ambassador, it is like that some EU member states prefer playing basketball, while some others prefer golf—they have the freedom to choose their own partners^①.

The EU issued a joint communication entitled “Connecting Europe and Asia: Building Blocks for an EU Strategy” in September 2018, which elaborated the EU’s new strategy for advancing the connectivity between Europe and Asia. The EU’s new strategy underscores the

① The author’s note at the conference.

sustainable, comprehensive and rules-based connectivity^①. As a result, the EU has taken concrete actions to put the coexistence of cooperation and competition relationship with China on connectivity into practice. On one hand, the European powers and EU institutions take their practices and self-written rules as a wall to strengthen the protection of their common market and interests. They participate in the BRI selectively, prevent China from adopting open and consultative approaches to erode the EU's high-level standards. On the other hand, the tremendous commercial opportunities in Europe and Asia's connectivity, and the achievements and wide impact made by the BRI have driven the EU to seek concrete and in-depth cooperation with China on the premise of guaranteeing its priorities and interests.

The release of the EU's new strategic plan is no accident. As early as April 2018, 27 European ambassadors to China (excluding Hungary) compiled a report on China's BRI, arguing that the initiative "hinders free trade and puts Chinese companies at a favorable position." In addition, it highlighted the geopolitical, development and regulation challenges the BRI might bring about. Since then, various public and private sources have been speaking that the EU would introduce its connectivity strategy until the strategy was officially announced in September 2018. The release of the strategy indicates that the EU is attempting to integrate the stances and policies of member states on European and Asian connectivity. At present, cooperation and competition will coexist in China-EU relations, and will become the fundamental feature of China-EU cooperation on the BRI in the future.

II. The EU's Connectivity Strategy and the BRI

It can be seen from the EU's new Connecting Europe and Asia Strategy report which mentions China for many times that how the two partners can cooperate within the BRI framework. In general, the EU's

^① European Commission, JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK: Connecting Europe and Asia-Building Blocks for an EU Strategy, Brussels, 19.9.2018, JOIN (2018) 31 final.

keynote in the report is to seek and strengthen cooperation with China, while applying EU norms and international rules to influence or even bind China’s connectivity plan. In other words, there are both space and opportunities for EU-China cooperation, as well as competition in institutions, rules (including financial instruments, project bidding, etc.) and discourse power. It is one of the cores of the EU’s new strategy to preempt the discourse power and translate the European connectivity standards into international standards.

First, the EU’s opinion over the China Railway Express (CR Express). The railway transport between China and Europe has been growing sharply, which constitutes a key cooperation area for the two sides. But there are challenges on the long-term economic viability and competitive neutrality over the CR Express, which need to be addressed. The EU advocates the proposal initiated by the United Nations Economic Commission for Europe of unifying the railway laws, which aims to harmonize the legal system of cargo transport between Europe and Asia. The EU will work with the relevant railway transport organizations to expand the application scope of EU technical standards and safety management frameworks. For European and Asian connectivity, road haulage is usually suitable for medium distance and can be applied as auxiliary means of transport in transportation network and be combined with other types of transportation. The report argues that it is crucial to maintain fair competition between railway industries.

Second, the EU emphasizes that China should submit to global rules. The report states that bilateral cooperation between the EU and Asian countries should be carried out in accordance with the *status quo* of each case. The EU should strengthen existing cooperation with China in infrastructure and development affairs, promote China to apply principles of market access and fair competition and stick to international standards in the connectivity initiative.

Third, the bilateral cooperation on the connectivity platform matters significantly. The EU and China should strengthen cooperation with third parties, including the connectivity platform, boost the digital economy, efficient transport connectivity, and intelligent, secure, and stable liquidity, and promote investment equity, on the basis of extending the Pan-European transport network.

Finally, cooperate with the AIIB. The EU believes that it should deepen its cooperation with the Asian Development Bank and the AIIB, while guarantees that its priorities are fully respected.

It can be seen that there are both advantages and limits in the European version of BRI when comparing with that of China. There are innovations in the EU's new strategy, including:

(1) Rules first. The EU stresses rules and institutions, as well as the EU's know-how in building connectivity in a single market, and attempts to adopt its institutions at the European and Asian level and turn them to global standards.

(2) Risks guarantee. The EU encourages the investments from private sector and raises new methods for financial guarantee. The EU institutions act as the main body of investment risk guarantee to help enterprises improve their risk aversion capability.

There are also limits in the EU's new Connecting Europe and Asia strategy.

At the same time, new EU connectivity strategy shows its shortcomings.

(1) Concept innovation is insufficient. The report lacks innovation on the definition, operational modality and development logic of connectivity, and does not, in general, break through the idea and framework developed by the BRI. There is a rich content of "five types of connectivity", and the connectivity idea has far-reaching influence and becomes an influential international discourse. The "four types of connectivity" was put forward in the EU's new strategy — infrastructure connectivity, digital connectivity, energy connectivity, and people-to-people dialogue. They do not break through the framework proposed by China, which demonstrates that the two sides are basically in agreement on the understanding of connectivity.

(2) There are limits on financing. There are similarities between the Juncker Investment Plan and the new Connecting Europe and Asia Strategy in pooling external funds, but there is no special finance pool (there is analysis points out that a certainty of credit has been established, but no details can be recovered). Rather, the finance problem will be solved by the existing European finance instruments and financial frameworks (such as the EU enlargement strategy and the EU

Cohesion Fund). Given the inability of existing EU financial instruments in meeting market demands, such volume of finance is not comparable with the BRI. As reported by Reuters, the EU will allocate additional funds from joint budget starting from 2021 to back up the strategy, along with private sector loans and a number of development banks. It seems that although the EU has drawn a road map, it does not discuss the financial issue until three years later.

III. Attitudes towards the BRI of Different Countries and Actors within the EU

1. The Difference Between the Eastern and Western Europe Is Sharp, Meanwhile the Northern and Southern Europe Share Different Priorities

The difference on the attitude toward BRI between Western European countries and CEECs is very clear. As noted earlier, the Western European countries are “more cautious about the initiative and “16 + 1 Cooperation”, while the CEECs are more optimistic and embracing the BRI and “16 + 1 Cooperation”. The BRI encompasses all the 16 CEECs, with which China has signed BRI cooperation memorandums. However, Britain, France, Germany and other big powers have been questioning and staying cautious with the BRI. For example, Germany has shown a negative attitude toward the BRI since 2016, largely due to commercial considerations. Germany is concerned with China’s investments and regards “Made in China 2025” as challenges to the German Industrial 4.0 Plan. It is also concerned that China is exerting impact over its industrial chain. For example, Germany has been paying close attention to China’s investments in South-Eastern Europe. Gabriel, German former foreign minister, said that the EU (and its member states) needed to propose an alternative to the BRI. He said that the BRI was breeding a new value system that was different from the West.

The CEECs are more active toward the initiative and “16 + 1 Cooperation”, but differences also exist within the camp. Some countries are proactive to cooperate with China, such as Hungary, the Czech

Republic, Serbia, Croatia, Bosnia and Herzegovina. Hungary is the first EU state that signs a BRI memorandum with China. Some countries have been more cautious, such as the three Baltic states, stressing the compliance with EU rules and the respect to the interests of allies. Some elites from CEECs believe that the BRI can help fill the development gap within Europe, and Chinese investments offers a good solution to the unemployment and economic slowing-down problems face by some CEECs.

The Southern European countries share similar attitudes with the CEECs and open doors for Chinese investments. Greece and Portugal are representatives among them. An increasing number of Chinese big projects have been recorded in Southern Europe, and China has signed BRI cooperation memorandum with Greece and Portugal. The Nordic countries are more pragmatic. They do not mind whether the Chinese projects are labelled with BRI, instead, they care whether these projects can generate tangible results to both sides. In addition, China and the Nordic countries have been actively promoting the construction of “Polar Silk Road” or “Ice Silk Road” in recent years, and the Nordic role in BRI construction has become increasingly prominent.

As an Arctic state, Iceland has always been working closely with China on polar issues. In 2012, China and Iceland signed the “Memorandum of Understanding on Scientific and Technological Cooperation between China and Iceland in the Ocean and Polar Regions,” and the two sides further deepened their cooperation. As an Arctic regional power, Finland has always been interested in developing pragmatic infrastructure cooperation with China. It welcomes the Chinese “Ice Silk Road” initiative, expects to promote its conjunction with the Finnish “Arctic Corridor”, so to make Finland a hub for linking the North Pole and Eurasian continent. The “Arctic Corridor” can help the “Ice Silk Road” solve the “final kilometer” problem, and link China, Russia and “Trans-European Transport Network”.

2. European Enterprises and Cities (or Regions) Actively Participate in the BRI Construction

Some European enterprises and cities are in favor of the BRI. Since

the BRI is implemented primarily through linking node cities and connectivity has been fostered by local governments and enterprises, enterprises and cities (or regions) have become important actors in constructing the BRI. They can be even regarded as practitioners of constructing the BRI.

Some large European enterprises in export, construction and logistics business proactively seize the opportunity to participate in BRI projects. Small and medium enterprises are not interested in the BRI, because the BRI projects are more suitable for large players. But the space for and activity of small and medium enterprises in participating in the BRI will be improved as a consequence of the diversification of EU-China cooperation channels.

Some German companies are embracing the BRI, such as DHL and Deutsche Bahn, and reportedly, Siemens has set up a BRI office in Beijing^①. Jurgen Friedrich, chief executive of Germany Trade & Invest, said Germany and China had many cooperation opportunities in BRI construction, particularly in sectors such as infrastructure, energy and consultation^②. German companies focus more on the connectivity with new markets that are created for the medium and long-term benefits. For France, more French companies and products will find the BRI construction profitable, such as nuclear industry companies. There are, of course, such cases in Europe, where Chinese companies are excluded for bidding in EU-funded projects. Most of the opportunities that Chinese companies have found are infrastructure projects financed by Chinese institutions and some energy projects that are insufficiently backed by the EU (such as thermal power stations).

From the point of view of local governments, such as Duisburg and Hamburg (Germany), Madrid (Spain), Amsterdam and Rotterdam (Dutch), Sines (Portugal), Lodz (Poland), they have been scrambling to become China's gateway to Europe and regional hubs of the BRI. The port of Duisburg, port of Hamburg and port of Amsterdam are China's

① Janne Suokas, “Siemens Sets up Belt and Road Office in Beijing,” GBTIMES, March 23, 2018, <https://gbtimes.com/germanys-siemens-sets-up-belt-and-road-office-in-beijing>.

② AHK and GTAI, Neue Seidenstrae, Chinas massives Investitionsprogramm, Ausgbe 2018, <http://china.ahk.de/de/news/single-view/artikel/dihk-und-gtai-stellen-gemeinsame-neue-seidenstrasse-studie-vor/?cHash=5d5ff35a4eb7000ccce3169b8f12d85>.

major partner ports, and important stops for Chinese cargo entering Europe. As German *The Guardian* reporter Philip Oltermann said, the BRI infrastructure plan takes Duisburg as a European logistics hub, and Duisburg has become the world's largest inland port. Around 80% of the trains get there come from China, which makes it the first stop for Chinese cargo entering Europe. These trains go along the north line of the ancient Silk Road, pass through the Horgos (China) and Moscow (Russia) to Europe. Chinese President Xi Jinping visited the port of Duisburg in March 2014. At the welcoming ceremony for the Chinese president, Nordrhein-Westfalen State Hannelore Kraft and Mayor of Duisburg Soeren Link, said they would seize the opportunities brought about by the BRI to strengthen cooperation with China^①.

The cooperation between Lodz (Poland) and Chengdu (Sichuan, China) represents a showcase of promoting Sino-Polish cooperation via local cooperation. Through local cooperation, China and Poland can deepen mutual understanding and improve the visibility of Chinese Chengdu and Polish Lodz in each other. Ningbo, a city in Zhejiang province, actively participates in the BRI and “16 + 1 Cooperation” by building the “16 + 1 Demonstration Zone for Economic Cooperation and Trade” and hosting the “China-CEEC Expo.” It has become a name card of the “16 + 1 Cooperation”, gains high popularity in CEECs, and has attracted a number of local CEE governments to join the venture.

3. The Perception and Participation of the Elites and Public in the BRI is Significantly Different

The European states show a very typical elite-driven model in recognizing the BRI. Policy makers, think tanks, and the media are shaping the public perception on the BRI. European elites are gravely concerned about the BRI: an increasing number of think tank studies have been recorded and the number of think tanks participate in the BRI study has also increased in recent years.

Some European elites believe that China is creating a “Core-

^① “The BRI rejuvenates Duisburg, the Mayor said: we are a Chinese city in Germany,” cited from *Cankao Xiaoxi*, <http://mil.news.sina.com.cn/2018-08-05/doc-ihhhczfa6378496.shtml>.

Periphery Model”; some elites believe that the BRI is a part of the rejuvenation of Chinese nation, and it will “strengthen China’s state capitalism”; some elites believe that the BRI and “16 + 1 cooperation” may jeopardize the European solidarity, security, trade, investment and market access; some elites believe that the BRI is driven by domestic political and economic demands rooted in China’s overall medium and long-term development goals of China; some elites see the BRI as an important opportunity for European countries, which can help fill the gap of infrastructure financing in Europe, strengthen connectivity, link local markets with regional and global value chains, thereby boost the trade with and investment in European countries. All these sorts of ideas are presented in the European media, which are influencing or even dominating the mainstream narrative and the perception of decision-makers. For the elites’ opinions over the BRI, please refer to the survey over the European elites in Appendix.

In the mean time, the European public is not familiar with the BRI and “16 + 1 Cooperation”, even though the “16 + 1 Cooperation” has been ongoing for six years, it is still not well known by the CEE public. For example, I was invited to give a lecture at the Seminar for CEEC Enterprise Managers and Staffs organized by Chinese Ministry of Commerce. At the seminar, I asked whether the audience were familiar with the BRI and “16 + 1 Cooperation”. Even though some of them replied that they ever heard about the “16 + 1 Cooperation”, they did not know the meaning of the concept. I was impressed by a lecture given to workers at Smederevo ironworks in June 2018. The Smederevo ironworks project is an important investment project by Chinese company at the CEE region, as well as a landmark project of “16 + 1 Cooperation”. When I asked the audience if they knew about the “16 + 1 Cooperation”, most of them said they did not know and believed that the ironworks was no more than a Chinese investment project in Serbia. They had no clue what would it have to do with the “16 + 1 Cooperation”.

4. European Great Powers Hold Different Attitudes Towards the BRI

The attitudes of the European great powers on the BRI matter a lot,

which may directly affect the perception of EU institutions and some member states on the BRI, as well as their participation.

Germany and France hold a relatively negative attitude towards the BRI and are leading EU institutions to move in the direction of regulating the BRI. Merkel took a rather moderate stance on “16 + 1 Cooperation” in her first visit to China in May 2018, after she was elected German chancellor for the fourth time. She believed that the “16 + 1 Cooperation” was a positive complement to European development. It was not dividing the EU and was a useful platform for cooperation which could help promote the infrastructure construction in CEECs. The Merkel administration agrees that the cooperation should be conducted in alignment with EU laws and regulations to achieve mutual benefits and win-win outcomes. But in general, Merkel’s statements on the BRI at multiple occasions are contradictory and negative. Merkel, for example, stressed that China should not use its investments in the West Balkans to gain political advantage at her meeting with Macedonian prime minister Zoran Zaev in February 2018. Earlier than the meeting, Sigmar Gabriel, the then German foreign minister, pointed out that, “if we do not succeed, for example, in developing a single strategy towards China, then China will succeed in dividing Europe”. The French president Macron, warded in January 2018 that, “some European countries are working with China at the expense of European interests”, which puts Chinese cooperation with European countries at an unfavorable position. France, Germany and some other countries promoted the EU to take measures to restrict foreign investments, particularly those from China. European Commission president Jean-Claude Juncker insists on pushing forward an investment review framework to review investment projects by foreign state-owned enterprises in the EU^①. The EU proposed a regulation and released a working paper in September 2017, to help the EU and its member states review foreign direct investments, particularly those that impact the security or public order of the EU and its member states. On November 20, 2018, the European Parliament and negotiators from 28 member states temporarily reached an agreement on the proposal

① European Commission, President Jean-Claude Juncker’s State of the Union Address 2017, Brussels, 13 September 2017, http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm.

and would protect strategic technologies and infrastructures, such as ports and energy networks.

If the Southern European countries, particularly Italy and Spain are regarded as great powers as well, their attitudes are different from that of France and Germany. Generally speaking, they advocate the BRI. Some great powers hold complex considerations on the BRI, this does not mean that they fully negate or reject the initiative. Italy, for example, although favors the security review on Chinese investment, it also expects to have a chance to participate in the BRI. The Italian China Task Force was set up in Rome on October 1, 2018, which aims at coordinating and enhancing economic and trade cooperation with China. Geraci, the Deputy Minister of Economic Development, who is also in charge of the task force, said that the creation of the new organ would promote the comprehensive cooperation between the two countries in economic and trade fields. Reportedly, the China Task Force will be jointly guided by Italian Ministry of Economic Development and the Ministry of Foreign Affairs, and will involve Italian Ministry of Economy and Finance, Ministry of the Interior and Ministry of Education. The Italian Ministry of Economic Development introduces that the principal tasks of the group are to strengthen the cooperation between the two countries in such areas as trade, finance, investment, research and development, as well as in third countries, and to ensure that Italy plays a leading role in EU-China cooperation within the BRI framework. Spain proactively participates in the BRI activities, and welcomes investment and cultural exchange projects from China. In May 2017, the then Spanish Prime Minister Rajoy attended the “Belt and Road Forum for International Cooperation”, and declared that Spain would advocate and participate in the initiative. The Yiwu-Madrid railway express has been under operation, and the two partners have been cooperating in port construction and management. Although there is not yet a BRI cooperation memorandum signed between Spain and China, Spain is active and open to participate in relevant projects.

IV. The State of Play of some CEECs Participating in the BRI and “16 + 1 Cooperation”

1. Poland

From the interviews and surveys conducted between 2017 and 2018, it can be seen that the Polish government advocates the BRI and “16 + 1 Cooperation” and expects to achieve more pragmatic cooperation results. The year of 2019 is the 70th anniversary of China-Poland diplomatic relationship, when Poland will organize a number of celebration event with China to further consolidate their ties.

Poland believes that a good Sino-Polish relationship lays the foundation for pushing forward the “16 + 1 Cooperation”. The Polish government will actively promote the cooperation between Visegrad Group and China, and appreciates China’s move of lifting the “V4 + China” cooperation to the vice-Ministerial level. Within the “16 + 1 Cooperation” framework, Poland has been hosting a number of cooperation platforms, such as the “China-CEEC Investment and Trade Promotion Agencies Contact Mechanism” and the “16 + 1 Coordinating Secretariat for Maritime Issues”, and is without doubt an important player. Poland stresses that it has been six years since the introduction of the “16 + 1 Cooperation” in 2012. In the six years, the basic environment and situation have changed, no matter for China, Europe, CEE region or Poland, which means that the “16 + 1 Cooperation” framework designed years ago has to evolve as well. The bilateral expectations have changed, although some disputes are emerging, their capability of managing disputes is also improving.

Poland has been paying close attention to the trade deficit problem. I attended the European Economic Congress in Katowice in May 2018 and exchanged ideas with other participants on the trade deficit problem. The meeting was attended by Piotr Walczak, Undersecretary of State, Deputy Head of the National Revenue Administration, Ministry of Finance, Poland; Justin Yifu Lin, Chinese leading economist, former Chief Economist and Senior Vice-President, World Bank; Janusz Piechociński, President of Polish-Asian Chamber of Commerce;

Ottovsky Szymon J. Ostrowski, Chief Representative Officer for Poland, Sino-CEEF, and so on. For Lin Yifu, trade deficit is an economic issue, and it’s difficult to imagine that some countries view trade deficit as a sin or curse. He argued that the issue could not be fundamentally tackled even Poland wanted to see Chinese governmental interference. If Polish products are not competitive enough, they can’t get into Chinese market, and the deficit problem cannot be dealt with.

But Poland is still looking forward to seeing some progress, and expects that China’s measures of opening up will benefit Poland soon, in particular at such aspects of improving import, market access, and business environment. Poland actively participates in the BRI and expects to produce a lot of tangible results on this larger platform.

The new Polish government has been embracing the state interventionism, and the Polish Prime Minister Mateusz Morawiecki and Lin Yifu have a good relationship, and is actively adopting state interventionism measures to foster economic growth. In the future, more dialogues can be expected between Polish policymakers and Chinese researchers.

2. Hungary

Hungary is undoubtedly an active participant and advocate of the BRI and “16 + 1 Cooperation”. Chinese investments in Hungary has boomed, the level of bilateral economic and trade cooperation has been improved and people-to-people ties have been strengthened. The sixth China-CEE Summit was held in Budapest in 2017. The release of the *Budapest Guidelines* in this occasion further escalated the “16 + 1 Cooperation”. Istvan Ijgyarto, Hungarian State Minister for Culture and Science Diplomacy, said the charm of the “16 + 1 Cooperation” was to provide a platform for mutual learning among the 17 countries. The two sides could share their best practices with one another and inspire more cooperation ideas^①. Hungary is the first European country that signed a BRI cooperation memorandum with China. It has been actively participating in major BRI projects, and promoting the conjunction of its

① The author’s record at an international seminar held in Hungary, November 2017.

“Opening to the East” policy with the BRI.

Hungary believes that the BRI and “16 + 1 Cooperation” contain considerable potential, among which tourism cooperation, agricultural cooperation, e-commerce, local cooperation and cultural exchange are regarded as particularly promising and will become the drivers of “16 + 1 Cooperation” in the next five years. Hungary believes that the future cooperation among SMEs is also important, but at present China needs to solve the market accessibility problem. However, as the CEE SMEs are usually lack of competitiveness, how they can survive the competitive Chinese market remains a question.

Hungary speaks highly on the positive role of China’s International Import Expo (CIIE) in promoting the Chinese import of foreign goods. The attendance of Hungarian Prime Minister Orbán Viktor to the CIIE will play a positive role in pushing forward China-Hungary trade relationship. Hungary was the only CEE guest country of honor at the CIIE. The Hungarian government sees the participation in the CIIE as an important opportunity to advance its cooperation with the BRI. The Hungarian National Pavilion at the CIIE consists of five parts: culture, tourism, investment and trade environment, science and technology innovation, and agriculture. They fully displayed the unique Hungarian cultural and tourism resources, superior investment and trade environment, and regional logistics advantages. Hungary’s noble wine, honey, salami sausage and other well-known specialties were on display. The Central European Trade and Logistics Cooperation Zone and China-Hungary BorsodChem Economic and Trade Cooperation Zone, constitute another highlight of Hungary’s attendance to the CIIE. These two state-level foreign economic and trade cooperation zones actively attract domestic and foreign enterprises, and take full advantage of the geographical advantages of Hungary to jointly create overseas industrial clusters.

3. The Czech Republic

The Czech Republic is one of the first countries that signed the BRI cooperation memorandum with China and actively participating in “16 + 1 Cooperation”. Today, the Czech Republic hosts one of the most

important platforms for local cooperation between China and CEECs — the China-CEEC Association of Provincial Governors. A number of working meetings have been convened within the framework, and it is underpinning the cooperation landscape which is proceeding on both central and local dimensions. With the assistance of “16 + 1 Cooperation”, China and the Czech Republic have seen more cooperation in such areas as tourism, investment, and culture. An increasing number of travelers are visiting the Czech Republic, which turns Prague a new favorite for Chinese consumers. The Czech Republic convenes a Chinese investment forum annually, and the 2018 forum was held in October, with the attendance of more than 250 Chinese guests and an equal number of CEE policymakers and investors. In the past six years of “16 + 1 Cooperation”, China and the Czech Republic have not only lifted their partnership to the strategic level, but also reached a number of tangible outcomes. For example, direct flights have been opened between the two countries, many Chinese financial institutions have set up offices in the Czech Republic, and a number of CR Express now pass through or arrive at the Czech Republic. The investments of the Home Credit B. V. in China stand out in the cooperation between China and the Czech Republic. The Home Credit B. V. opened its business in China at the end of 2010, and had been operating in 29 Chinese provinces and 312 cities by 2018. The Home Credit B. V. shares very close cooperation relationship with Dixintong, Suning and other well-known retailers. Through over 250,000 loan service outlets, it is serving over 19 million active customers.

The Czech Republic is active in local cooperation. In recent years, Zhejiang, Hebei, Liaoning, Sichuan and other provinces have been working closely with the Czech Republic and its local governments, and have generated a number of cooperation outcomes. The people-to-people exchange between China and the Czech Republic is also prosperous. Now, a number of Chinese universities and research institutions have established research centers in the Czech Republic, while Czech language teaching has also been developed in China.

In November 2018, President Miloš Zeman, accompanied by foreign minister Tomáš Petříček, agricultural minister Miroslav Toman, and minister of industry and trade Marta Nováková, led a huge

entrepreneurs delegation to the CIIE. Nearly 70 enterprises participated in the Expo, displayed Czech representative industrial products, including Moser, Skoda, Tatra and Petrof etc. In addition, toys, aircrafts and food products were also exhibited. At present, China enjoys a huge trade surplus over the Czech Republic. With the help of the CIIE, the Czech Republic expects to shape a more balanced trade relationship with China.

4. Romania

Bilateral trade between China and Romania has made considerable achievements between 2010 and 2018, but the bilateral trade imbalance problem remains striking. Romania expects to export more agricultural products to China and expects China to increase investments in Romania in such areas as infrastructure, energy, electrommunication, and tourism.

From the author's survey in 2017 and 2018, there are a lot of potential projects between China and the EU, but it is difficult to put them into practice. These projects include: (1) The provisional nuclear power project at Rovinari (Romania) by China General Nuclear Power Group is estimated to cost US \$7 billion. Investment negotiations were repeatedly interrupted for political reasons. (2) China Huadian Corporation intends to invest US \$1 billion in the Rovinari thermal power plant project, but has been hindered by several political reasons. (3) The Bucharest-Sophia highway project is one of the EU financing projects. Chinese enterprises are interested in it, and the cost is not clear yet. (4) The construction of two bridges across the Danube, which is an EU financing project, interests many contractors including some Chinese ones. At present, China has only a limited number of projects been put into practice in Romania, mainly due to the impact of political factors.

In general, the Romanian government is pragmatic and expects to make some deals with China. The Romanian government announced simplified visa application procedures for Chinese citizens, which do not require invitation letter or grouping, and Chinese citizens can travel to Romania with a group of more than five people. Romanian tourism does

not attract Chinese travelers a lot, and there are actually few Chinese visitors to Romania. Taking the opportunity of simplifying visa application procedure, the Romanian government await to gather more Chinese tourists.

5. Bulgaria

Bulgaria is an active actor in the “16 + 1 Cooperation” and the BRI, and is prestigious for its host of the “16 + 1” prime ministers summit and governors meeting in 2018.

The China-CEEC think tank conference was convened in Sofia, Bulgaria, which accompanied Premier Li’s visit to Bulgaria and his attendance to the China-CEEC annual summit in early July. The Bulgarian Deputy Foreign Minister Georgiev said at the meeting that the investments and multiple projects within the “16 + 1 Cooperation” framework fostered the economic growth of CEECs. He stated that Bulgaria had a long-term basis for agricultural cooperation with China and looked forward to seeing the two parties exploring more cooperation opportunities in such areas as infrastructure, finance, digital technology and health.

The Bulgarian experts at the meeting stated that Bulgaria hosted the Association for the Promotion of Agricultural Cooperation between China and CEECs, and contributed considerably to the China-CEEC agricultural cooperation within the “16 + 1 Cooperation” framework. However, the visibility of Bulgarian agricultural products in Chinese market was not high, and the Bulgarian agricultural export to China was moderate. Considering the product competitiveness problem, it was difficult for Bulgaria to export more agricultural products to China in the near future.

Bulgaria is very much concerned with the situation at the Black Sea region. The political landscape around the Black Sea is complex, where great powers are playing and political situation is extremely turbulent. Given the friability and diversity nature of regional cooperation in this area, it will be a challenge for China to identify the driving force of promoting cooperation between the Black Sea region and China. A number of frozen conflicts exist there, such as Ukraine, Nagorno-

Karabakh, South Ossetia and Abkhazia, which could resurrect and threaten regional stability.

Some Chinese investment projects in Bulgaria are abandoned due to multiple factors. One of the most typical case is that the China Hainan Airlines gave up the 35-year concession on Plovdiv Airport in July 2018. The Hainan Airlines won the concession tender earlier, but subsequently withdrew due to internal problems. The Sophia Wisdom City project by ZTE was jeopardized by China-US trade conflict.

6. Serbia

The China-Serbia relationship has developed rapidly, and become one of the highlights in China-CEEC cooperation. The top leaders of the two countries have met each other in recent years, and bilateral partnership has been escalated to the comprehensive strategic level in 2016. The bilateral trade and investment volume has been growing steadily with increasingly frequent high-level visits, and investment projects in energy, infrastructure and cultural sectors have been carried out.

Serbia is China's first comprehensive strategic partner in Central and Eastern Europe. Serbia has been actively supporting the BRI and "16 + 1 Cooperation" and has signed a memorandum of understanding with Chinese government on BRI construction. In recent years, China has significantly increased its investments in Serbia. The Cross-Danube bridge project at Belgrade, Kostolac Power Station project, and the acquisition of Smederevo Ironworks by HBIS Group have been launched. A new Chinese investment tide was recorded in 2018. The Linglong Tire invested \$994 million in Serbia's Zrenjanin Free Trade Zone for the construction of the capacity of 13.62 million high-performance radial tires per year. In September, China's largest gold miner, Zijin Mining, won the race for Serbia's biggest copper mine project, for which Zijin will pay US \$1.26 billion to acquire 63 percent stake of copper mining and smelting complex RTB Bor. These investments have injected vitality into Serbian economy and escalated the economic and trade cooperation level between the two countries. In addition, one of the Chinese landmark BRI projects — the Hungary-Serbia Railway (Serbian part)

has been under construction and is making smooth progress.

The investment tide took place with the improvement of transport and financial services. Direct flights have been ongoing between the two countries, and Chinese financial institutions have set up offices in Serbia. To facilitate people-to-people exchange, “The Agreement between Serbia and China on Mutual Visa Exemption for Holders of Ordinary Passports” entered into force in January 2017, which turned Serbia the first European state that exempt visa for Chinese ordinary passport holders.

7. Croatia

Croatia is the last CEEC and the first Western Balkan state that joined the EU (on July 1, 2013). In the course of membership application, Croatia did not pay much attention to China, while the EU, neighborhood states were the main focus of Croatian foreign policy. After joining the EU, Croatia’s interest in China begun to grow, and has now become increasingly interested in Chinese investments as a consequence of the “16 + 1 Cooperation”. A number of Croatian PMs, from Stjepan Mesić, Ivo Josipović to Andrej Plenković, have been advocating the friendly relationship with China. Croatia is semi-presidential state, where the president holds power in the fields of foreign affairs and security. The Croatian president, Kolinda Grabar-Kitarovic, favors the development of China-Croatia relations as well as the Croatian participation in the BRI.

Today, Croatia is adopting the multi-dimensional foreign policy, with strong pragmatic features. It is actively cooperating with the EU, the US, Russia and China with different focuses. For example, it is an active advocate of various EU cooperation proposals, fostering energy cooperation with the US, embracing Russian investments in financial and retail sectors, and intensifying cooperation with China in infrastructure sector.

The CEECs can play key roles in fostering the Maritime Silk Road construction. Croatia is now taking efforts to build the link between the China-Europe Land-Sea Express Route and its Rijeka port, which shares very close cooperation with Chinese Ningbo port.

China's successful bid for the EU-funded Peljesac Bridge project is a huge boost for China-Croatia relationship. The project is the first large infrastructure project that a Chinese infrastructure company implements with EU funds and in the EU market. China Road & Bridge Corporation strictly adhered to related European regulations in the course of bidding, and ultimately stood out in the competition with other well-known constructors, such as Strasbag (Austria). Its success should be attributed to its excellent professional skills, low construction costs, advanced management knowledge, and rich international experience (see Chapter IV for details). At the same time, by actively promoting regional connectivity at West Balkans, China can build a favorable image in the area, and forge a model for China-EU connectivity cooperation.

8. Macedonia

The Fifth High-Level Symposium of Think Tanks from China and CEECs was held in Skopje, Macedonia. The symposium was hosted by CASS, Macedonian Ministry of Foreign Affairs, Macedonian Academy of Sciences and Arts, the General Secretariat of the "16 + 1" Process, China Foundation for International Studies, and organized by the Institute for Geostrategic Research and Foreign Policy of Macedonia and the "16 + 1" Think Tank Network. It is an important annual people-to-people dialogue event within the "16 + 1 Cooperation" framework.

The Macedonian PM Zoran Zaev met CASS vice-president Wang Jingqing before the symposium. PM Zaev spoke highly on the achievements of the BRI and "16 + 1 Cooperation" particularly in infrastructure sector which benefited Macedonia. Macedonia is a small state, but a "big friend" for China. It hosts the first infrastructure project funded by China's \$ 10 billion special loan package within the "16 + 1 Cooperation" framework. The project considerably strengthens the connection between the Macedonia capital (Skopje) and Ohrid, a well-known tourist destination. This will help attract more Chinese travelers, and boost the Macedonian tourism industry.

Macedonia has made positive progress on the negotiation over its national name in 2018. The Macedonian parliament has given green light

for a plan to change the country’s name. If the plan also survives in the Greek parliament, it will become a substantial step for Macedonia to join the EU. Macedonia, which has made progress in the process of political reconciliation, is also looking forward to more foreign investments to prosper its economy. The Macedonian authority is positive with Chinese investments, and takes part in “16 + 1 Cooperation” proactively. It is now hosting China-CEEC Coordination Centre for Cultural Cooperation and will convene the China-CEEC Cultural Cooperation Forum in 2019.

Chapter 2

The European Elites' Views on the BRI

This survey follows the previous 2015 and 2017 surveys, but with some changes and adjustments on the operational manner so to achieve more in-depth and comprehensive understanding of the European elites' views on the BRI. The survey is conducted in the following way:

First, the research team drew up a list of more than 260 potential respondents, most of them come from academic institutions, think tanks, enterprises and universities. The formulation of the list is mainly based on the contact lists provided by partner institutions of the "16 + 1" think tank network and the BRI advisory companies. This list almost covers the present European elites who are aware of and interested in the BRI. Through keeping in touch with this group and carrying out ongoing surveys, a regular information consultation network has been constructed.

Second, the research team distributed the questionnaires to the elites via internet and they replied online. Then, the team members collected and analyzed the data. The choice of elites and distribution of the number of elites in each European state refer to their nationality, which were set with different weights according to such indicators as population, size, economy, and institutional influence of their host states.

Third, the research team makes a comparative study based on the three-year research results, so to systematically review the changes of European elites' attitudes and views, and track the causes of these changes. Through a series of ongoing follow-up surveys, in particular the surveys regarding risk assessment questions, the changes of elites' views are examined, so to raise suggestions for preventive purposes for the BRI

construction in Europe.

Finally, to improve the credibility of the survey, the research team collaborated with the Belt and Road Advisory. The Belt and Road Advisory team maintains a database of European experts and scholars. Its team listed a number of potential respondents of the questionnaire and did a preliminary survey. With the assistance of the Belt and Road Advisory team, the breadth and representativeness of the survey could be guaranteed.

The research team finally collected 103 valid responses. The results are inputted in the database and analyzed with the help of SPSS programme.

I. Introduction to the Survey

Generally speaking, the survey on European elites has been continuously improved: the selection of research group, the distribution of gender, nationality, and occupation etc. are all further optimized. The respondents have become more representative in identity, nationality and occupation.

1. Gender

Table 2 – 1 The Gender of Respondents (2015—2019) (%)

Gender\Year	2015	2017	2019
Male	61.8	76.3	58.3
Female	38.2	23.7	35.0
Prefer not to specify			6.7

The male respondents account for 58.3%, while the female respondents account for 35%, and nearly 7% respondents did not answer this question in the 2019 survey. The research team attempted to balance gender ratio in the survey course. However, it can be seen from the results that males are apparently more interested in the theme than females, which results in a certain degree of imbalance. But in

comparison with the 2015 and 2017 surveys, the gender imbalance issue has been improved.

2. Age

Table 2 – 2 The Age of Respondents (2015—2019) (%)

Age\Year	2015	2017	2019
Below 30	21.8	13.6	16.5
31—40	56.4	39.8	39.8
41—50	13.6	22.9	27.2
51—60	3.6	19.5	5.8
Over 60	4.5	4.2	7.8
Prefer not to specify			2.9

It can be seen from the table that 16.5 percent of respondents are below 30, and most of the respondents can be found within the age range between 31 and 40. The respondents aged between 41 and 50 occupy 27.5 percent while those older than 50 occupy 5.8 percent and 7.8 percent for 60 years and older. It can be concluded that the respondents are mainly composed of middle-aged and young people, and the age mix is reasonable. In the 2015 survey, over half of the respondents aged between 31 and 40. The situation was improved in the 2017 survey and further optimized in the 2019 survey. Now, the middle-aged and young respondents constitute the main body of the research group while senior elites are marginal.

3. Nationality

Table 2 – 3 The Nationality of Respondents (2015—2019)

Nationality \ Year	2015		2017		2019	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Albania	1	0.9	2	1.7	2	1.9
Austria	0	0	4	3.4	1	1.0

(Contd.)

Nationality \ Year	2015		2017		2019	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Belgium	0	0	2	1.7	5	4.9
Bosnia-Herzegovina	1	0.9	2	1.7	1	1.0
Bulgaria	7	6.4	3	2.5	4	3.9
Croatia	1	0.9	3	2.5	1	1.0
Northern Cyprus	1	0.9	0	0	1	1.0
The Czech Republic	7	6.4	3	2.5	5	4.9
Denmark	0	0	2	1.7	1	1.0
Estonia	2	1.8	2	1.7	1	1.0
Finland	0	0	3	2.5	1	1.0
France	3	2.7	4	3.4	4	3.9
Germany	5	4.5	4	3.4	5	4.9
Greece	0	0	3	2.5	1	1.0
Hungary	6	5.5	10	8.5	4	3.9
Italy	1	0.9	3	2.5	7	6.8
Latvia	1	0.9	3	2.5	1	1.0
Lithuania	1	0.9	2	1.7	2	1.9
Macedonia	4	3.6	5	4.2	2	1.9
Malta	1	0.9	0	0	1	1.0
Montenegro	1	0.9	2	1.7	1	1.0
Holland	3	2.7	3	2.5	1	1.0
Norway	0	0	1	0.8	1	1.0
Poland	29	26.4	8	6.8	9	9.7
Portugal	0	0	1	0.8	2	1.9
Romania	14	12.7	8	6.8	2	1.9
Serbia	7	6.4	17	14.4	4	3.9
Slovakia	5	4.5	3	2.5	7	6.8
Slovenia	2	1.8	6	5.1	0	0
Spain	1	0.9	3	2.5	2	1.9
Sweden	4	3.6	1	0.8	1	1.0

(Contd.)

Nationality \ Year	2015		2017		2019	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Switzerland	0	0	2	1.7	3	2.9
UK	2	1.8	3	2.5	8	7.8
Belarus					1	1.0
Iceland					2	1.9
Luxembourg					1	1.0
Moldova					1	1.0
Turkey					2	1.9
Ukraine					1	1.0
Total	110	100	118	100	103	100

There are a total of 103 questionnaires completed by respondents from 38 European states, which can set up the authority and representativeness of the survey. The number of 103 questionnaires also meets the need of survey, which can guarantee the credibility of analysis results.

Compared with the 2015 and 2017 surveys, which cover respectively 25 and 31 countries, the 2019 survey investigate more European countries (38 countries). Three separate surveys were conducted with a focus on 16 CEECs, so the proportion of respondents from CEECs is slightly higher. But the nationality distribution of the 2019 survey is more balanced: while the number of respondents from CEECs declines, the number of respondents from Southern, Northern and Western Europe increases. The problem that a huge number of respondents are found in one single country has been solved. For example, there are 29 Polish respondents in 2015 survey, and 17 Serbian respondents in 2017 survey. But in the 2019 survey, the number of Polish respondents, which is the largest among all the states, is only nine.

4. Occupation

Table 2 – 4 The Occupation of Respondents (2015—2019)

Occupation\Year	2015		2017		2019	
	Number	Percent (%)	Number	Percent (%)	Number	Percent (%)
Civil Servant	20	16.9	20	16.9	14	13.6
Think Tank Researcher	31	26.3	31	26.3	30	29.1
Journalist	8	6.8	8	6.8	0	0
University Academic	32	27.1	32	27.1	48	46.6
Other (Business Owner)	27	22.9	27	22.9	11	10.7

With respect to the occupation structure, there are four main types of respondents: “civil servant” (16.9%), “think tank researcher” (26.3%), “journalist” (6.8%) and “university academic” (27.1%). The “other” respondents include, for example, NGO staff, PhD student, advisor, engineer, the self-employed, and corporation staff. The occupation mix is quite balanced. In the 2015 survey, the “civil servant” takes the lion’s share, while “journalist” is peripheral. The 2019 survey further fine-tuned the occupation mix of respondents. Among all types of respondents, “university academic” takes the largest proportion with 48 respondents, followed by “think tank researcher” (30 respondents), “civil servant” (14 respondents), “business owner” (11 respondents). No survey toward journalists is recorded.

II. The Awareness of European Elites on the BRI

The European elites’ awareness on the BRI is mainly assessed via their knowledge on the purposes and ideas of the BRI. It is demonstrated through the feedbacks that European elites believe the BRI mainly aims at solving Chinese domestic development issues, while breeding new forms of global governance and globalization are important as well. Moreover, they believe that the BRI endeavors to foster economic and

trade cooperation which is featured with mutual benefits and win-win outcomes.

It is proved by years of surveys that the elites have a good understanding on the basic facts of the BRI. Compared with the previous two surveys, the 2019 survey shows that the elites' understanding on the basic statements of the BRI is sound and accurate. They believe that the BRI is an initiative that holds the principle of achieving shared growth through discussion and collaboration. Although it was first raised by China, it involves multiple players and can facilitate unimpeded trade. The BRI does not only focus on Chinese interests, but also benefit other participants; it does not only contain infrastructure and economic projects, but also projects in other areas, which makes it an all-embracing initiative.

The detailed analysis of the investigation is as follows.

1. The Drivers behind the BRI

To assess the European elites' awareness on the drivers behind the BRI, some revisions are made in the 2019 survey. First, more options are included in the questionnaire, taking into account the Chinese and European concerns over the BRI; Second, the respondents are asked to choose five most important options, which are further assign a number from 1 being the most important to 5 being the least important. By doing this, a clearer understanding on the European elites' opinions on the drivers behind the BRI can be reached.

Table 2 – 5 What are the primary drivers behind the BRI?

Content	Respondents that take it as the No. 1 option		Total respondents that take it as a option	
	Number	Percent (%)	Number	Percent (%)
Addressing the developing countries need for investments	3	2.9	22	21.4
China's domestic development/Overcapacity of certain sectors	22	21.4	63	61.2
China's domestic political interests	7	6.8	36	35.0

(Contd.)

Content	Respondents that take it as the No. 1 option		Total respondents that take it as a option	
	Number	Percent (%)	Number	Percent (%)
China’s rise in the world	12	11.7	42	40.8
China’s search for natural resources	3	2.9	21	20.4
China’s search for new markets	8	7.8	46	44.7
Establishment of a new form of global governance/a new form of globalization	14	13.6	45	43.7
Establishment of a new geopolitical order	6	5.8	27	26.2
Expansion of China’s influence	14	13.6	55	53.4
Facilitating increase in global trade	3	2.9	30	29.1
Facilitating better investments/usage of China’s 3 trillion foreign reserves	3	2.9	34	33.0
Facilitating mutual cooperation focused on win-win results	6	5.8	20	19.4
International development aid/support	0	0	4	3.9
Internationalization of Chinese companies	1	1	34	33.0

In the data analysis, two aspects are recognized: the number of respondents that choose a particular opinion as No. 1 driver, and number of total respondents that choose a particular option. By doing this, the elites’ main focuses on the BRI can be identified.

It is notable that 22 respondents take the option of “China’s domestic development” as the No.1 driver of the BRI, and 63 respondents in total choose this option as the one of the drivers of the BRI, which are all the largest. It is followed by “Establishment of a new form of global governance/a new form of globalization” and “Expansion of China’s influence”, with respective 45 and 55 respondents in total. The option of “China’s search for new markets” ranks the second in the case of total respondents, which indicates that most European elites believe that the exploration of new markets drives the BRI.

In sum, European elites believe that the fundamental driver behind the BRI is to help Chinese domestic development/transfer Chinese

overcapacity, and help establish a new form of global governance and globalization, as well as to expand China's influence. Although the options of "Facilitating increase in global trade" and "Facilitating mutual cooperation focused on win-win results" are both chosen by respondents, they are not as popular as the three aforementioned ones.

2. The Basic Statements about the BRI

What sort of views that the European elites take on the BRI which has been under implementation for five years? To answer this question, the research team envisages eight options for the survey, which is shown in the table below.

Table 2 – 6 The Assessment on the European Elites' Views on the BRI Statements

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option	Disagree	Indifferent
BRI was proposed by China, but it will become a multilateral initiative led by multiple actors.	6	39	47	17
BRI implementation adheres to principles of co-discussion and co-construction.	12	46	29	28
BRI is focused only on China's interests and gains.	3	28	49	26
BRI is a specific strategy planned by China in details.	10	38	46	19
BRI is a purely economic project.	3	14	79	10
BRI is a two-way street where Chinese goods and funds gain access to foreign markets and foreign goods and funds gain access to Chinese market.	8	43	34	26
BRI is run by both Chinese and foreign institutions and companies.	6	29	46	28
BRI is focused only on a heavy infrastructure buildup.	5	18	78	7

The proportion of choosing the option of “The BRI adheres to the principle of achieving shared growth through discussion and collaboration” is the highest (46 respondents), which means that the basic idea of the BRI has been widely accepted and influencing the European elites in the past five years. The second most popular option is “BRI is a two-way street where Chinese goods and funds gain access to foreign markets and foreign goods and funds gain access to Chinese market” (43 respondents), which actually, is the impeded trade matter. The third most popular option is “BRI was proposed by China, but it will become a multilateral initiative led by multiple actors.” (39 respondents), which shows the correct understanding of the European elites. It is argued from the results that the European elites’ perceptions on the BRI is sound. Compared with the previous two surveys, their views on the BRI have become clearer: the BRI is an initiative adheres to the principle of achieving shared growth through discussion and collaboration; although it is proposed by China, multilateral actors are involved and will help foster imbedded trade.

In addition, there is a high percent of elites that do not agree with some statements. For example, 79 respondents do not believe that the BRI is a purely economic project, 78 respondents do not believe that the BRI focuses exclusively on infrastructure projects, and 49 respondents do not agree that the BRI serves exclusively Chinese interests and gains. It demonstrates that the European elites hold profound and accurate views on the BRI: the BRI does not only focus on Chinese interests, but also benefits others; does not only pay attention to the economic and infrastructure projects, but also other areas, which makes it’s a comprehensive initiative. However, it is notable that there are 46 respondents do not agree on the idea that “BRI is run by both Chinese and foreign institutions and companies.” Some respondents note that it is still rare for Chinese and foreign institutions and enterprises to work together to manage BRI project.

III. The Assessment on the BRI Construction in Europe

For the purpose of systemically assessing the BRI construction in

Europe over the past five years, the research team made up some options, including the level of China-EU cooperation in specific areas and its importance for China-EU relationship, the European elites' perception on the achievements of the BRI construction, the risks and challenges the BRI faces in Europe, how to tackle these risks and challenges, what are the main problems China and EU face in people-to-people exchange. This section constitutes the core of the survey and is certainly also the core of the assessment on the BRI construction in Europe.

From a bilateral point of view, the level of EU-China cooperation in trade, infrastructure investment, political dialogue, cultural exchange is high, and the impact on bilateral relationship is significant. This is also true for the survey at the EU-China relationship level. The No. 1 concern for elites on China-EU cooperation is trade, followed by infrastructure investment, and their preference in other areas is not very obvious. For the case of total respondents that pick up a particular option, trade development prevails, political dialogue ranks at the second while people-to-people follows.

So, what is the European elites' perception on the progress of the BRI in the past five years?

First, the consensus among European elites (over 70%) is that the BRI is an opportunity for Europe and the world.

Second, the European elites believe the achievements that the BRI made in Europe remain relatively modest, and the Chinese BRI work harder on generating pragmatic outputs.

Third, the European elites argue that the BRI shares solid cooperation foundation with European regional development plans.

Fourth, the European elites believe that the two partners have a lot of work to do in fostering policy dialogue, where the effectiveness problem should be underlined.

Fifthly, European governments, citizens and EU institutions have shown different views toward the BRI. European governments are taking a positive view, while the public are not concerned and the EU institutions are generally negative toward the initiative.

Sixth, the European elites believe that the European governments are not well informed with the implications of the BRI while the

awareness of the public is even lower.

Seventh, the European elites contend that the existing financial institutions of the BRI should be further improved, so they can assist the BRI implementation.

Eighth, the European elites’ perception about the relationship between the “16 + 1 Cooperation” and the China-EU relationship is paradoxical: on one hand, they believe that the “16 + 1 Cooperation” may lead to opportunities and coordination space for China-EU cooperation; on the other hand, they remain skeptical about the motives of the “16 + 1 Cooperation”.

Ninth, the European elites believe that the EU’s new can work well with the BRI. They are active in promoting the cooperation between the EU’s Connecting Europe and Asia Strategy and the BRI. However, they also believe that the release of the EU’s strategy takes place in the context that the BRI has threatened the European interests.

The European elites also assessed the challenges faced by the BRI, and believed that the risks of China-EU BRI cooperation concentrated on the trade volume and structure imbalance, the lack of transparency of Chinese infrastructure projects, the lack of reciprocity in bilateral market accessibility. The European elites believe that China and the EU can work together to resolve these issues. The EU expects its partner to enhance the degree of reciprocity and market accessibility, fully align the initiatives of one another, and encourage the localization of investments and closer collaboration between Chinese and European enterprises.

1. The Level and Significance of the EU-China Cooperation in Specific Areas

Since the BRI was launched, China and the EU have conducted cooperation in various fields, focused on “five types of connectivity,” namely policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds. The elites’ opinion is one of the barometers of China-EU cooperation within the BRI, in particular on assessing the cooperation level in the above-mentioned areas and the importance of such cooperation. The case for China-EU

cooperation is similar. The elites' prior concern over China-EU cooperation is trade, followed by infrastructure investment, while their preference in other areas is not very obvious. For the case of total number of elites that choose a specific option, trade cooperation prevails while political dialogue and people-to-people exchange follow. Generally speaking, the economic and trade cooperation is regarded as the overarching priority by elites.

Table 2 – 7 The level of bilateral cooperation in specific areas and its importance to your country

Theme	Development (1 – 5)		Importance to your country (1 – 5)	
	No. 1	Total	No. 1	Total
Investments in agriculture	4	19	2	30
Investments in energy	7	43	0	54
Investments in infrastructure	18	48	22	73
Investments in manufacturing	5	42	13	68
Trade development	31	82	54	90
People-to-people exchange	7	77	3	56
Political dialogue	18	76	5	69
Think tanks/ Experts Exchange	8	66	2	39

(Two columns are included in the table: the left one indicates respondents that take it as the No. 1 option, while the latter shows the total respondents that take it as an option. The same case applies to the “Importance to your country” column.)

It can be seen from the table, “trade development”, “investment in infrastructure” and “political dialogue” are taken as the three most widely chosen options. Among the options that are marked as one of the five choices, the No. 1 option is “trade development” as well, while “people-to-people exchange”, “political dialogue” and “think tank/experts exchange” follow. It seems that the European elites' believe that bilateral cooperation in economic and trade field is improving, and the cooperation level is rising obviously. In addition, the scale and level of people-to-people exchange are growing rapidly, while political dialogue

and think tank/experts exchange have improved as well.

When discussing the importance of cooperation in given area to the elite’s country, the No. 1 option is still “trade development”, followed by “investment in infrastructure”. Moreover, they are also the first two options that are preferred by the largest number of elites, although “political dialogue” and “Investments in manufacturing” also occupy striking proportions.

In sum, the European elites value more the cooperation in economy and trade, infrastructure and manufacturing. For them, although the level of cooperation in economic and trade and infrastructure has been lifted, bilateral cooperation can be further strengthened in more areas. The elites believe that people-to-people exchange is important, but not as important as the cooperation in real economy sectors.

Table 2 – 8 The EU-China Cooperation Level and its Importance to the EU

	Development (1 – 5)		Importance to the EU (1 – 5)	
	0	12	0	21
Investments in agriculture	0	12	0	21
Investments in energy	1	39	2	53
Investments in infrastructure	18	52	7	64
Investments in manufacturing	5	49	5	58
Trade development	48	92	65	95
People-to-people exchange	8	66	2	49
Political dialogue	9	71	15	74
Think tanks/ Experts Exchange	7	61	3	44

(Two columns are included in the table: the left one indicates respondents that take it as the No. 1 option, while the latter shows the total respondents that take it as an option. The same case applies to the “Importance to the EU” column.)

The case is similar for EU-China cooperation. The elites’ prior option in EU-China cooperation is trade, followed by infrastructure, while their preference in other areas is not prominent.

For the options that most respondents select, “trade development”

prevails, while “political dialogue” and “people-to-people exchange” follow. It seems that for the elites, bilateral economic and trade cooperation and infrastructure cooperation have achieved a lot of results, and the level of cooperation in political dialogue and people-to-people exchange is rising. It is notable that although 18 elites pick up infrastructure as the No. 1 option, there are only 52 elites that choose it as one of the options, behind “political dialogue”, “people-to-people exchange” and “think tanks/experts exchange”. For “the importance to the EU”, the overriding option is “trade development”, followed by “political dialogue”. Among the options that attract most favors, the trade theme prevails again, while “political dialogue” and “investment in infrastructure” occupy the respective second and third position.

In sum, the European elites recognize the importance of economic and trade cooperation and political dialogue, and believe that although progress has been made, political dialogue between the two sides remains important.

2. The Perception of European Elites on the Progress and Achievements of the BRI

How is the BRI implemented, and what are the achievements it has made in the past five years? The elites’ assessment on the progress and achievements of the BRI is crucial to answer this question.

An analysis on some specific questions is offered below.

Table 2 –9 The Opinions of European Elites on Some Important Issues

Theme	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
BRI offers significant opportunities to Europe at large.	17	56	21	8	1
BRI is an opportunity for my country.	26	51	19	5	2
BRI has had major accomplishments in Europe.	1	19	35	39	9
BRI has had major accomplishments in my country.	5	17	27	33	21

(Contd.)

Theme	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
There is room for synergy between BRI and European regional development projects.	19	72	11	0	1
Communication between the Chinese government and my country's government has been going smoothly and has brought good results.	12	26	26	35	4
Communication between the Chinese government and the EU institutions has been going smoothly and has brought good results.	1	10	39	44	9
BRI in Europe can be efficiently carried out through the mechanisms that are already in place.	0	28	29	41	5
My country's government holds a favorable view on BRI.	22	37	33	11	0
The population of my country holds a favorable view on BRI.	5	23	53	21	1
The EU institutions hold a favorable view on BRI.	0	15	31	42	15
The level of knowledge about China in political, economic and academic circles is sufficient in my country.	4	11	10	43	35
The level of knowledge about China in the population at large is sufficient in my country.	2	8	6	42	45
BRI financial mechanisms deployed as part of BRI are well-suited to facilitate China-Europe cooperation.	0	13	31	50	9
China-CEE Cooperation has a positive impact on Sino-European cooperation.	7	31	33	20	12
China-CEE Cooperation allows greater coordination of Sino-European cooperation.	6	31	30	26	10
“Connecting Europe and Asia” strategy that was recently launched by the EU has a high synergy potential with BRI.	8	51	32	10	2

(Contd.)

Theme	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree
“Connecting Europe and Asia ” strategy can assist BRI in standards setting.	8	69	21	3	2
“Connecting Europe and Asia ” strategy shows that EU sees China’s BRI as a challenge.	7	48	28	19	1

The above questions can be classified into two groups: one group of questions on the elites’ opinions on the BRI, and the other group of questions on the elites’ opinions on the EU-China cooperation within the BRI framework.

In sum, the vast majority of European elites (over 70 percent) believe that the BRI is an opportunity for both Europe and their countries.

However, when discussing if significant achievements on the BRI construction have been made in Europe and their countries, the answers of most elites are negative.

Most European elites believe that there is great synergy potential between the EU’s “Connecting Europe and Asia Strategy” and the BRI, and there is a solid cooperation foundation between the two parties.

When being told “communication between the Chinese government and the EU institutions/your country’s government has been going smoothly and has brought good results,” most elites relied “Disagree”. This is particularly true for the question regarding China-EU policy dialogue, on which only 11 respondents express approval, while 53 respondents disagree and 39 respondents are not concerned. The policy dialogue between the China and the EU needs to be further strengthened.

Most of the European elites expressed disapproval (46 elites) on the statement that “BRI in Europe can be efficiently carried out through the mechanisms that are already in place”, and no one single elite take it as the prior option, while only 28 approvals were recorded. It can be concluded that the European elites find that the pragmatic implementation of the BRI should be underscored in the future.

The image is completely different when talking about the attitudes of European governments, the public and EU institutions on the BRI.

The European governments are more positive to the BRI, for which 59 approvals and 11 disapprovals from elites are recorded. However, for the public attitude toward the BRI, most respondents (53) choose “Indifferent”, while 28 respondents agree to different degrees and 22 respondents disagree. When asked whether the EU institutions are positive to the BRI, only 15 positive replies are collected, while 59 elites choose “Disagree” and “Strongly Disagree”, and no one ever prioritizes this option. In brief, European national governments are generally positive toward the BRI, the public are not concerned, and the EU institutions are generally unfavorable toward the initiative.

It is interesting when asking about the attitudes of different types of population on the BRI. When asking whether your government is well aware of Chinese politics, economy and academia, 78 disapprovals and 15 approvals are recorded. But when asking if the public awareness on China is sufficient, 87 respondents disagree or strongly disagree, while only 10 agree. This shows that the European national governments are not well aware of the Chinese BRI, while the public performance is even worse.

For the option—“BRI financial mechanisms deployed as part of BRI are well-suited to facilitate China-Europe cooperation”, 59 elites say they do not think so, while only 13 elites agree on this judgement. It reminds that the BRI financing institutions need to be further improved to better put the BRI projects into practice in Europe.

The attitudes of the European elites are slightly more positive on the relationship between the “China-CEE Cooperation” and “China-EU cooperation”. On the elaboration that “China-CEE Cooperation has a positive impact on Sino-European cooperation”, 38 elites express approval while 32 express disapproval. 37 elites agree that the “China-CEE Cooperation” offers the China-EU cooperation a bigger room for synergy, while 36 elites disagree. Although there is almost an equivalent number of approvals and disapprovals, the number of approvals is slightly more than that of disapprovals. This indicates that the European elites’ perception on the relationship between “16 + 1 Cooperation” and China-EU cooperation is ambivalent: on one hand, they believe that the

“16 + 1 Cooperation” may bring about opportunities and room for synergy for China-EU cooperation; on the other hand, they remain skeptical about the motives of “16 + 1 Cooperation”.

The last group of questions of the survey is on the relationship between the EU’s “Connecting Europe and Asia Strategy” and the BRI. When asking if they believe there is great conjunction potential between the “Connecting Europe and Asia Strategy” and the BRI, 59 respondents answer “yes”, while 12 answer “no”. When asking if they believe that the “Connecting Europe and Asia Strategy” may assist the BRI in formulating standards, 77 express approval while only 5 express disapproval. When asking if the release of the “Connecting Europe and Asia Strategy” indicates that the EU takes the BRI as a threat, most respondents (55) say “yes”, while only 20 respondents say “no”. It is clear that the elites are positive on promoting the synergy between the “Connecting Europe and Asia Strategy” and the BRI, although they also believe that the release of the “Connecting Europe and Asia Strategy” indicates that the EU takes the BRI as a threat.

3. The Risks and Challenges that the BRI Faces in Europe

The European elites has undoubtedly a complex view over the progress and achievements made by the BRI, as well as the risks and challenges it faces. So, what are the European elites’ opinions on the risks and challenges of the BRI?

The China-EU trade imbalance in volume and structure, the transparency of China’s infrastructure projects, the lack of reciprocity on market access, the different geopolitical interests of both sides are the primary choices of European elites. The total number of options, although somewhat different, is generally similar. In conclusion, the risks of China-EU BRI cooperation concentrate mainly on the issues of trade imbalance in volume and structure, the transparency of China’s infrastructure projects, the lack of reciprocity on market access.

The details of the survey are as follows.

Table 2 – 10 The Major Challenges for Developing BRI Cooperation between China and Europe

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
Concerns over capacity of reaching EU’s standards for Chinese infrastructure construction	2	28
Concerns over trade imbalance and unbalanced trade structure	25	56
Concerns over transparency of procedure of Chinese infrastructure construction	19	68
Difference in geopolitical interests	12	39
Ideological differences	4	26
Insufficient mutual recognition of regulations and mutual assistance in law enforcement	2	38
Insufficiently clear communication of BRI’s goals and lack of blueprint	3	34
Lack of human capital	2	8
Lack of knowledge among the decision makers	1	20
Lack of reciprocity on market access from Chinese side	18	61
Lack of success of flagship BRI projects in Europe	1	11
Lack of synergies between interests of European countries or the EU and BRI	1	15
Lack of trust as European count suspicious attitudes towards the “16 + 1 Cooperation” and perception of China as trying to divide EU	4	34
Lack of win-win results	0	9
National security concerns of European countries	5	27

The first options among the potential challenges that the BRI faces include the China-EU trade imbalance in volume and structure, the transparency of China’s infrastructure projects, the lack of reciprocity on market access from Chinese side, and the different geopolitical interests of both sides. Although there is somewhat difference for the case of choices made on a specific option, the difference is slight. The No. 1 option concerns the transparency of China’s infrastructure projects, followed by the lack of reciprocity on market access from Chinese aide

and the China-EU trade imbalance in volume and structure. These issues also constitute the first three overarching challenges the BRI faces in Europe.

So, how to tackle these risks and challenges? For answering this question, the research team make up two questions for the elites: how to cooperate with the EU? and how to cooperate with European state?

4. How to Tackle the Risks and Challenges the BRI Faces

How to deal with the above-mentioned risks? The answers of the European elites are demonstrated in either the options or their notes. For readers who are interested in this part, please refer to the “Policy Recommendation” of the report.

The questionnaire consists of two sections: the survey about the elites’ opinions on specific country and their opinions on EU institutions. At the European level, the European elites expect the EU and China to cooperate to deal with their respective concerns; the EU expects China to improve market accessibility, the conjunction of initiatives of one another, and the localization of investments as well as the closer cooperation between European and Chinese enterprises. At the national level, the improvement of market accessibility is the No.1 issue stressed, while greenfield investment, direct cooperation between enterprises, and the bilateral cooperation on standard formulation are also emphasized.

Table 2 – 11 Steps should be Taken to Address the Challenges that the BRI Faces
(Cooperation with the EU)

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
Combine implementation of BRI with implementation of EU’s “Connecting Europe and Asia” strategy	14	37
Ease the visa policies	0	12
Encourage localization of investments and greater usage of local companies/contractors	11	56

(Contd.)

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
Enhance the direct cooperation between Chinese and European enterprises	9	40
Establish new BRI dialogue mechanisms to enhance the consultation with the EU institutions	10	37
Include EU institutions in the process of setting standards for BRI projects	9	49
Increase China’s reciprocity and market openness for European businesses	30	76
Increase cooperation on green development and climate change	2	20
Increase the transparency of BRI projects	9	67
Increase the number of greenfield investments under BRI	1	23
Increase the people to people exchange	3	28
Pursue jointly funded China-EU projects in EU	2	22
Pursue jointly run China-EU projects in BRI countries in Central Asia or Africa	1	2

When speaking of the measures to tackle these risks, the answers of the elites are quite concentrated. The prior options include “increase China’s reciprocity and market openness for European businesses”, “combine implementation of BRI with implementation of EU’s ‘Connecting Europe and Asia’ strategy”, “encourage localization of investments and greater usage of local companies/contractors”, and “establish new BRI dialogue mechanisms to enhance the consultation with the EU institutions”. For the suggestions that gather the largest number of choices, “increase China’s reciprocity and market openness for European businesses”, “increase the transparency of BRI projects”, “encourage localization of investments and greater usage of local companies/contractors”, and “include EU institutions in the process of setting standards for BRI projects” rank at the first. In short, the European elites expect the EU and China could work together to tackle

their respective concerns. The European side would like to see more Chinese efforts to improve transparency of BRI projects, the full conjunction of their respective initiative, and the encouragement of localization of investments and greater usage of local companies.

Table 2 – 12 Steps should be Taken to Address the Challenges that the BRI Faces(Cooperation with Your Country)

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
Ease the visa policies	0	13
Encourage localization of investments and greater usage of local companies/contractors	11	49
Enhance the direct cooperation between Chinese enterprises and those coming from your country	12	64
Establish new BRI dialogue mechanisms to enhance the consultation with your country institutions	8	37
Include institutions from your country in the process of setting standards for BRI projects	12	40
Increase cooperation on green development and climate change	1	23
Increase China's reciprocity and market openness for businesses from your country	23	73
Increase the number of greenfield investments	14	43
Increase the people-to-people exchange	2	43
Increase the transparency of BRI projects	10	49
Pursue jointly run projects in other BRI countries in Central Asia or Africa	0	13
Pursue more jointly funded projects in your country	7	37

“Increase China's reciprocity and market openness for businesses from your country”, “increase the number of greenfield investments”,

“enhance the direct cooperation between Chinese enterprises and those coming from your country” and “include institutions from your country in the process of setting standards for BRI projects” are singled out by elites as the prior options. “Increase China’s reciprocity and market openness for businesses from your country”, “enhance the direct cooperation between Chinese enterprises and those coming from your country”, “encourage localization of investments and greater usage of local companies/contractors”, and “increase the transparency of BRI projects” are the most popular options among the elites.

In sum, the stances of European governments coincide with those of the EU, where in the eyes of elites, the improvement of reciprocity and market accessibility situates at the top. Meanwhile, the governments also concern the increase of greenfield investments, direct cooperation between enterprises, and bilateral cooperation on standard formulation.

5. The Challenges for Strengthening European and Chinese People-to-People Bonds

The people-to-people bonds have always one of the key points of the BRI, and it is regarded as the important foundation for BRI construction. European elites generally believe that people-to-people dialogue projects should be implemented in a much deeper and more meaningful way. The existing approaches for people-to-people dialogue have failed to help eliminate the bilateral perception deficit. In addition, more patience is needed and the ideological differences between the two parties should be stressed.

Table 2 – 13 The Biggest Challenges in Facilitating an Effective People-to-People Exchange

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
Ideological differences	20	43
Insufficient number of exchanges and programs	16	54
Lack of willingness of both sides to cooperate	5	25

(Contd.)

Theme	Respondents that take it as the No. 1 option	Total respondents that take it as an option
People-to-people exchange requires more time and cannot be facilitated over a short-term period	26	83
People-to-people exchange programs should be run in a way that allows more in-depth and meaningful exchange	35	85

The people-to-people bonds are playing significant roles in fostering EU-China connectivity, but it remains a challenge of building these bonds well. Aiming at these challenges, the team set up a questionnaire. The preferred options of the elites include,

“people-to-people exchange programs should be run in a way that allows more in-depth and meaningful exchange,” “people-to-people exchange requires more time and cannot be facilitated over a short-term period”, and “ideological differences”. For most of the elites, they believe that the major challenges for building people-to-people bonds today include, “people-to-people exchange programs should be run in a way that allows more in-depth and meaningful exchange,” “people-to-people exchange requires more time and cannot be facilitated over a short-term period”, and “insufficient number of exchanges and programs”. In sum, the European elites’ opinions are quite concentrated. They believe that people-to-people exchange programs should be run in a way that allows more in-depth and meaningful exchange, the existing approaches for people-to-people exchange are not capable of helping eliminate bilateral perception deficit, and more time are needed and the ideological differences between the two parties should be dealt with properly.

6. Policy Recommendations for Developing the EU-China Relations within the BRI

At the end of the questionnaire, an open question is set up to consult the elites on how to develop China-EU relations within the BRI framework. The author selects some of these recommendations and list

them below.

(1) Political differences (not quite the same as ideological differences) lack of attention of the existence of such need in some EU country, It is not perceived as a priority, so there is not enough budget, human capital or decision-making power allocated to enhance people-to-people exchange initiatives). Systems of earmarking resources are different as the State is the major provider of said resources in China following the specific role that is given to people-to-people exchanges in the Party’s approach.

(2) At present, China and the EU should focus on the following issues: insufficient trust over China’s intentions with BRI in EU; promise fatigue over win-win rhetoric and unfulfilled market opening commitments; ongoing global geopolitical uncertainties.

(3) All in all, the much-touted dialogue should be really focused on clearly depicting goals and ways of implementing them, rather than promoting the would-be beneficial consequences only; moreover, dialogue should include full observance of international rules and regulations, as well as mutually agreeable solutions to updating them when needed. Also, a sincere dialogue should aim at securing a level-playing field, which is of the essence in carrying out true win-win cooperation projects.

(4) Any communiques or strategy documents developed by governments or Chambers of commerce need to move from identifying problems between China and EU counterparts and start making actionable policy suggestions backed up with evidence to put to the Ministry of Commerce.

(5) As Europe and China business environment is very different in business culture issues, I suggest to establish business exchange center, where companies from EU and China could find out more about their countries, business policies, behavior, etc. It should be like fist step, passing it, ready to go to these markets. This center needed for both business sides

(6) China is a strategic partner of the EU, but the most important strategic partner of the EU is the United States (not only as regards political values or investment volume) even under the actual American President. China should use the BRI as a tool of solving global issues

(development, environment, migration, terrorism etc.), together with its partners.

(7) EU should be invited to become a key partner of China in implementing the BRI, seen not as a Chinese strategy but as a solution for global issues. Please allow me to ask three questions: If China offers the EU the status of key strategic partner for implementing the BRI for Development, how would the EU react? How would the other actors respond? Could be China ever a more reliable partner than the US for the EU? These are questions I have been thinking about for a long time and in my opinion China and EU can shape a better world together. Besides, it should be taken into account that effective jointly run projects are more convincing than a general framework of cooperation. Is there already a study on best practices under the BRI?

(8) China should be more specific and more detailed with both the BRI and “16 + 1” project proposals. European side is not the best informed, both to the intent as well, as content of Chinese initiatives.

(9) China should pay more attention to the EU member states with which it had limited economic cooperation so far, instead of focusing so much on favored partners. China should do more on strengthening the protection of intellectual property rights. The EU should lift its arms embargo on China.

(10) China need to table a credible agreement on government Procurement, make procurement more open. Pilot projects with European enterprises. Open to foreign financiers.

(11) China’s communication on BRI should be more moderate and focus on concrete projects. China’s regulation of different sectors should be more transparent and should take into account the interests of foreign partners.

(12) Definitely people-to-people exchange should be developed, as well as academic exchange. This is always the first step to understand each other, hence building new forms of academic exchange is beneficial for the long term cooperation development.

(13) Enhance global innovation policies/exchanges to better develop entrepreneurial, hence investments, synergies on both parties’ sides (EU/China).

(14) European side: 1. put an improved understanding of China

and people-to-people exchange with China into the policy agenda (now it's out of domestic policy agenda in too many EU countries); 2. Improve coordination among EU countries in negotiations with China over infrastructural projects and investment into critical technology or assets; 3. Try to develop an effective, workable and shared “China policy”.

(15) Chinese side: 1. increase reciprocity in trade; 2. increase transparency on BRI's standards, data, regulations, rationale, communication, aims, etc. 3. Approach EU as EU and not as individual countries.

(16) More open dialogues between China and Europe are needed. China should provide more details and transparency on its projects at the same time work together with the European states/companies on goals and standards-setting. European countries should look for opportunities of promoting their own interests while cooperating with China under the BRI framework.

(17) More reciprocity in market and investment access; further liberalization of Chinese economy; more transparency, more dialogue, more exchange on political and Institutional levels followed by people to people exchanges; provide hard data on challenges and success of Chinese companies.

(18) Step back from the BRI as an initiative and ask what the best ways of strengthening Europe-China are first (e. g. market access) and then shape the implementation of BRI in Europe around these priorities (in other words develop a “BRI for Europe” which meets Europe's concerns as well as furthering China's interests). I realize this is challenging though. (Author's note: there is already such a mechanism in Europe.)

(19) Step up work (and visibility) of the China-EU connectivity platform; strengthening P2P dialogue (esp. academic exchanges and research cooperation); strengthening cooperation between cities and provinces.

(20) Student exchanges have always been an important factor in strengthening cooperation between countries. The rapprochement between Germany and France followed this pattern. This exchange must be massive in its size.

(21) The most important step is to intensify the high-level dialogue

between China and EU institutions in order to address the increasing public debate on the potential threat of rising Chinese influence in Europe.

(22) The narrative of the BRI has taken a total political outlook in Europe. This is a concern because the BRI should be displayed in the European countries with more detailed information and not only let the media outlet take care of the narrative. There should be a body of experts that explain to the European people what the initiative is about.

(23) Trust-building measures could be taken by China: embracing effective operating standards; greater clarity over project scope, intentions and purpose; improved openness over debt management and repayment parameters for recipient states; and procurement competition for BRI projects more in line with international norms.

(24) We need more joint projects with strong dissemination of their purposes and results. We need more joint talent cultivation activities because we are losing capacity for the future think-tank. Education using technology to create joint space for talents. Research labs for connecting academic elite to produce co-win not only win-win.

(25) We need to work more closely on green energy development and solutions to the climate change problem. We have a lot of potential synergy in this field.

Chapter 3

The Overall Risk Assessment of the BRI in Europe

Over the past two years, the BRI has been experiencing an increasing number, frequency and level of risks. To systematically assess the impact of these risks might bring to the BRI, and thus improve the capability of stakeholders to cope with, the author first identifies and summarizes these risks. Then, through the process of filter and integration, the author assesses and ranks these risks in recognition of indicators including economic cooperation, progress of big projects, EU domestic development climate, EU foreign development climate, and the China-EU mutual perception. The conclusions are as follows.

I. China-EU Economic and Trade Disputes have Become the Principal Risk

Since the establishment of diplomatic relationship between China and the European Community in 1975, bilateral economic and trade relations have been well developed and were never significantly disturbed during the period. However, taking 2017 as a watershed, the economic and trade frictions between the two parties started to increase, and the EU started to stress the need of more reciprocal and fair trade, and accuse China for being slow in its reform toward an opening market and protection of intellectual property rights. The EU's accusation against China is generating a significant negative impact over the prospect of China-EU relations as well as the implementation of the BRI in Europe.

1. Negate China's MES in the Name of "Market Distortion"

Taking the recognition of China's MES as an opportunity, the EU has been raising the trade stress over China since 2017. The "Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defense Investigations" was released by the European Commission on 20 December 2017^①. The document highlights the overall control of the Chinese Communist Party (CCP) on economy, politics and society, and negates the achievements of the China's market economy construction, rejects to recognize China's MES and thus ideologizes the market economy with Chinese characteristics and the China-EU trade cooperation.

When the time arrives that China will automatically obtain the full MES as the WTO trade agreement stipulates, the EU started to look for excuses, and finally found the CCP control over the state economy as the breakthrough for negating China's MES.

As early as November 2016, the European Commission had officially launched a legislation revision process and submitted a new proposal to the European Parliament and the Council of Europe about the anti-dumping and anti-subsidy legislation adopted by China. The core of the proposal is to replace the "non-MES" concept with the "market distortion"^② concept. It will be put into practice after being passed by

① Commission Staff Working Document on Significant Distortions in the Economy of the People's Republic of China for the Purposes of Trade Defence Investigations, http://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156474.pdf.

② In November 2017, the European Commission launched the legislative amendment process, and submitted a proposal on amending the anti-dumping regulation to the European Parliament and European Council. It proposed to replace the application of "non-market economy" and "market economy" concepts with "country neutral", and focus on the investigation over "market distortion" in a given country. Significant distortions are defined as "those distortions which occur when reported prices or costs, including the costs of raw materials and energy, are not the result of free market forces because they are affected by substantial government intervention". It states that in assessing the existence of significant distortions regard shall be had, inter alia, to the potential impact of one or more of the following elements: 1, the market in question being served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country; 2, state presence in firms allowing the state to interfere with respect to prices or costs; 3, public policies or measures discriminating in favor of domestic suppliers or otherwise influencing free market forces; 4, the lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws; 5, wage costs being distorted; 6, access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the state.

the European Parliament and the Council of Europe. China’s “market distortion” is analyzed mainly from three aspects in the aforementioned document issued by the European Commission:

China’s “cross-cutting distortions” is analyzed at the first level. The report analyzes such factors and aspects as Chinese socialist market economy, the CCP, planned economy, state-owned enterprises, financial system, Chinese public procurement market and the investment restrictions for Chinese and foreign enterprises.

China’s “distortion in the factors of production” is analyzed at the second level. Such an analysis takes place on factors, for example land, energy, capital, raw materials and other material inputs and labor.

The third level sees the analysis on China’s “distortions in selected sectors”. The report analyzes China’s market distortions in respective steel, aluminum, chemical and ceramic sectors.

The report argues that as China’s ruling party, the CCP plays a decisive role not only in the field of politics, but also economy. China’s national economy is no longer running on the basis of market rule, but is under the control of the state power represented by the CCP. Based on the above conclusions, the EU maintains that:

- (1) No recognition of China’s full MES;
- (2) As China’s economic practice is featured with strong national will, it is necessary to strengthen the review of Chinese direct investments in European countries, in particular the investments and M&A of Chinese state-owned enterprises in EU member states;
- (3) Increase the entry barriers of particular Chinese products (steel, aluminum, photovoltaic, etc.) into the EU, and reserve the rights of conducting anti-dumping investigations over Chinese products.

These declarations show that the EU, within the WTO framework, has established a brand-new and self-serving framework and set restrictions for future economic and trade cooperation with China.

2. The EU’s Insistence on Chinese “Market Distortion” will Prolong the China-EU Economic and Trade Disputes

The message delivered by the EU’s report is that it will not recognize China’s full MES. China should have acquired the MES by

December 2016, but the EU held the no-recognition policy on China's MES, and modified the anti-dumping investigation method to tackle with the criticism and lawsuit for not complying with its WTO commitments.

The EU argues that all WTO members are applicable to the same method and there should be no distinction between market economy and non-market economy any longer. The magnitude of anti-dumping investigation is based on the comparison between export price and domestic price or cost of the export country. If the state interference leads to distortion of domestic price or cost of the export country, the domestic value of given product will be calculated at the value of a third country. The selected third country should be at a similar level to that of the export country in terms of economic development. In addition to the gross national income per capita and related economic indicators, the level of social and environmental protection should also be taken into account.

The EU's move indicates that the China-EU trade disputes will continue to increase. The Chinese state-owned enterprises that are "going global", especially those to the EU, will be further reviewed and restricted. The EU renounces the "MES" and "non-MES" concepts, and turns to the "economic distortion" concept, to maintain the legal basis for implementing the anti-dumping investigation over Chinese trade. It means that the EU can apply the price of a third country to determine if there is dumping, when the EU identifies that there is a "significant market distortion" in China. It is notable that except replacing the past applicable condition of "non-market economy country" with "significantly distorted market", the new anti-dumping investigation method adopted by the EU does not change fundamentally.

The structural contradictions between China and the EU will continue to exist, the bilateral economic and trade cooperation environment might be contaminated, and the political mutual trust in economic and trade cooperation might be undermined. The anti-dumping and anti-subsidy investigation and investment security review are likely to be exploited by the EU at any time to stress China, and the BRI is at risk in terms of unimpeded trade.

II. The Rise of Protectionism in Europe is the Second Major Risk that the BRI Faces

It has been five years since the introduction of the BRI and nearly ten years since the European debt crisis. Dramatic evolution has been recorded in the past decade. Europe has been sinking in a turbulent situation where five crises prevail, including debt crisis, Ukrainian crisis, refugee crisis, terrorism, and the Brexit. Europe has been repeatedly and badly hit by these crises. When the global landscape is witnessing a profound adjustment and the emerging economies, including China, are developing rapidly, Europe touches its growth bottleneck. The crisis over development model caused by the superposition of a variety of crises has diffused a sort of pessimistic mood in Europe. The protectionism finally steps on the stage against this backdrop.

1. The Popularization of the Social and Political Thoughts Leads to Protectionism

Populism has been long existing in western countries as a kind of social and political thought, but since the mid-left and mid-right parties take turns to rule and can respond to the public opinion effectively, populism has always been marginal. However, since the debt crisis, the EU has been subject to a variety of crisis shocks, which results in the rise of populist parties in a number of European countries. These parties enter the government through parliamentary elections and challenge the governing rules of traditional left/right political parties. Euroscepticism or anti-EU^①, anti-establishment, conservatism and nationalism have become their main policy orientations. A detailed introduction of European populist parties is available in Table 1.

^① Some European populist parties are only “skeptical about Europe”, critical over Eurozone or EU fiscal austerity policy. It does not necessarily mean that these parties are “anti-Europe”.

Table 3 – 1 The Representative Populist Parties in Europe^①

Political Spectrum	Party	Political Impact
Radical left-wing populist party	Five Star Movement, Italy ^②	ruling party, percent of vote: 31% (2018)
	Podemos, Spain	opposition party, percent of vote: 21.2% (2016)
	Coalition of the Radical Left, Greece	ruling party, percent of vote: 35.5% (2015)
Conservative right-wing populist party	Fidesz, Hungary	ruling party, percent of vote: 49.27% (2018)
	ANO2011, Czech Republic	ruling party, percent of vote: 29.64% (2018) ^③
	Alternative for Germany, Germany	opposition party, percent of vote: 12.6% (2017)
	Freedom Party of Austria, Austria	ruling party, percent of vote: 27.4% (2017)
	Party for Freedom, Dutch	opposition party, percent of vote: 13.1% (2017)
	Front National, France	opposition party(2017)
	United Kingdom Independence Party, United Kingdom	opposition party(2017)
	The True Finns, Finland	ruling party, percent of vote: 17.65% (2015)
	Law and Justice Party, Poland	ruling party, percent of vote: 37.6% (2015)
	Partido Popular, Portugal	ruling party (together with CDS), percent of vote: 36.86% (2015)
	Swiss People's Party	ruling party, percent of vote: 29.4% (2015)
	The Danish People's Party	opposition party, percent of vote: 21.1% (2015)
Sweden Democrats	opposition party, percent of vote: 12.9% (2014)	

① It is notable that there debates in the academe on the classification of populist parties, and the existence and nature of these parties are not fully recognized by corresponding states. The table is drafted in alignment with the popular opinions presented in media, and does not necessarily indicate the author's views.

② Both far-right and far-left contents can be identified in the doctrines of Five Star Movement, but it is recognized as a far-right party inside the European Parliament.

③ The ANO2011 failed to organize a cabinet at the end of 2017, and attempted to do so again in June 2018.

The performance of the European elites disappointed the public when Europe was in crisis. Democratic politics is dissimilated to elite politics in a number of countries, and the elites often put the public aside when making decisions. In this context, “issue” parties, “public opinion” parties and “topic” parties emerge and grow rapidly. The populist parties cater to people’s demands, express their concerns over the common people, promise to improve their lives, and are the parties that “truly” represent the people’s interests in propaganda.

Populism and protectionism co-exist with one another^①. The growth of populist parties has led to a strong protectionist sentiment in Europe and an increasing emphasis on the protection of national interests. Both the left-wing and the right-wing European populist parties’ views on the contemporary economic globalization tend to be negative. They urge the governments to pay more attention to the protection of “people’s” interests in international affairs, and wear the color of trade protectionism to different degrees.

Populism is associated with political polarization. Political polarization is defined as political groups and individuals with different positions on an issue cluster into separate poles of political spectrum, and their political stances and preferences stand sharply against one another, and difficult to compromise and integrate^②.

European politics, in the past, was in power of the left-wing, right-wing or middle political parties, and the political pendulum helped guarantee the overall stability of political and ideological trend through the adjustment and correction processes. But in recent years, the role of “political stabilizer” played by European mainstream parties has been challenged, and the “polarization” trend of European politics has become increasingly clear. Particularly, the far-right force stands out at the political spectrum, and is difficult to reconcile with the so-called

① “Populism and Protectionism in the EU”, <https://www.aspeninstitutece.org/news-article/populism-protectionism-european-union/>.

② Paul DiMaggio, John Evans and Bethany Bryson, “Have American’s Social Attitudes Become More Polarized?”, *American Journal of Sociology*, Vol. 102, Issue 3, November 1996; Alan I. Abramowitz and Kyle L. Saunders, “Is Polarization a Myth?” *The Journal of Politics*, Vol. 70, No. 2, 2008.

traditional mainstream politics or the established doctrine in Europe^①.

Statistics show that nearly 30 far-right parties have generated an impact on the political landscape of 18 European countries. They even organize a far-right coalition in the European Parliament, which exert a certain impact on the EU. The elites become less consolidated on national development strategy, meanwhile, the conservative and far-right forces take the opportunity to claim more power. The protectionist thought continues to influence the political ecology. The far-right anti-immigration, anti-diversity, anti-integration force and the far-left force which demands social equity share very different political doctrines. But the far-right parties occupy a bigger market, and the protectionist stance has become its new name card.

The stances of the far-right forces are multiple, but nativism, exclusionism, welfare chauvinism, and racism are among the most highly stressed points. Economic globalization and European integration are the main drivers of the rise of far-right forces. The unrestricted flow of goods, capital, services and personnel brings great pressure to the welfare distribution system of western European countries, and also increases the competition of the labor market, breaks and reshapes the working class in Europe and leads to instability and unemployment to a large number of European workers. In order to protect their interests, western European workers who are affected or damaged, attempt to use their nationality, nation, race, welfare, etc. as exclusive standards, to restrict the entry of external forces, and to prevent themselves from sinking into a catastrophic whirlpool^②. Usually, the ideology and policy of the far-right parties are realistic: on one hand, they hold the conservative orientation of social and cultural value; on the other hand, it advocates such economic policies as big government, welfare state, and protectionism^③.

① <http://www.parlgov.org/>.

② Beverly J. Silver (translated by Zhang Lu), *Forces of Labor: Workers' Movements and Globalization since 1870*, Beijing: China Social Sciences Press, 2012, p. 28 (In Chinese).

③ Shi Zhiqin, Liu Lida, "Nationalism, political crisis and voter split — the rise of far-right parties in 2014 European Parliament election", *Contemporary World and Socialism*, Issue 2, 2015 (In Chinese).

2. The Cases of European Protectionism toward the BRI

(1) Carry out safety review on Chinese investments and strengthen market protection

Chinese investments in Europe surged from 2 billion in 2009 to about 20 billion in 2015, and amounted to 35 billion in 2016, which was 77 percent more than that of 2015, and nearly 1500 percent more than that of 2010^①. With the introduction of the BRI, Chinese investments in major infrastructure, energy, and production capacity projects in Europe have been largely crowned with the BRI, which has underscored the strategy nature of the BRI in European public opinion. The EU is also increasingly concerned that the BRI might lay foundation for China to exert greater influence in Europe through investments in key industries. European great powers, in particular Germany, are increasingly alerted with the loss of key technologies, data protection and the M&A of Chinese state-owned enterprises to its high-tech enterprises. They start to protect their domestic markets in the name of national strategy and public security.

In 2017, Germany, France and Italy called for establishing a mechanism for greater scrutiny over foreign acquisitions within the European border (or at the EU level). The ninth amendment to the “German Foreign Trade and Payments Ordinance” was published in July 2017 to restrict the M&A actions by non-EU actors. According to this new regulation, when a non-EU actor acquires more than 25 percent stake of an enterprise that holds key and security-related technologies, the German government can strengthen the review and even terminate the acquisition in the name of “threats to public order”. The assessment

^① Mathieu Duchâtel, “Trump trade reset gives China and Europe opportunity to rebalance relations”, ECFR, March 16, 2017, www.ecfr.eu/article/commentary_trump_trade_reset_gives_china_and_europe_opportunity_7246; Thilo Hanemann and Mikko Huotari, “Record Flows and Growing Imbalances—Chinese Investment in Europe in 2016”, Rhodium Group and Mercator Institute for China Studies, January 2017, http://rhg.com/wp-content/uploads/2017/01/RHG_Merics_COFDI_EU_2016.pdf; Gisela Grieger, “Foreign Direct Investment Screening: A debate in light of China-EU FDI Flows”, European Parliamentary Research Service, May 2017, [http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/603941/EPRS_BRI\(2017\)603941_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/603941/EPRS_BRI(2017)603941_EN.pdf).

process is also extended from the original two months to four months^①. The UK extended the scope of foreign direct investment reviews to small-scale overseas M&A, particularly those in dual-use system, advanced technology and the military sector. France and other countries also took measures to strengthen investment review and protect their high-tech markets.

There is no coordination mechanism between the EU and member countries on foreign investment review yet, and the review scope of member countries is different from one another. In light of this, Commission President Juncker proposed in September 2017 that member states should improve coordination and establish an institution similar to that of the Committee on Foreign Investment in the US. It should be envisaged to prevent the EU's leading role and the security and public order of the EU and its member states from being harmed, by the M&A over key technologies, sensitive information and infrastructure by non-EU state-owned enterprises^②. The European Parliament approved the law in November 2018 for the creation of a set of early-warning mechanisms for future foreign investments in Europe, although the final say of this regulation is in the hands of member states.

(2) Strengthen the review of infrastructure projects financed by Chinese loans

Infrastructure construction is one of the fastest growing areas within the BRI framework in Europe. With the support of various Chinese financial instruments, China's booming investments in infrastructure projects in CEE has led to the EU's vigilance and concern, who in turn, strengthened the review over these projects. The most prominent cases of the EU's review include: (1) the China-EU cooperation on the interconnection in western Balkans; (2) The EU's review over the Hungary-Serbia railway project.

The EU was wary of China's infrastructure projects in western

① "New German Regulation on Foreign Investment Control", <https://www.chinalawinsight.com/2017/07/articles/global-network/new-german-regulation-on-foreign-investment-control/>.

② "State of the Union 2017 – Trade Package: European Commission proposes framework for screening of foreign direct investments", European Commission-Press release, http://europa.eu/rapid/press-release_IP-17-3183_en.htm.

Balkans in the first several years, but with the launch of the cooperation, the EU has become proactively seeking to talk with China and to cooperate. For the EU, this is not only to make the two partners benefit from each other, but also to put the implementation of Chinese infrastructure projects within the EU framework. However, with many Chinese infrastructure projects have come to the ground in western Balkans, the EU has become suspicious and released the “Berlin Process”^① to fend off Chinese influence in the region. At present, the EU has published a number of western Balkan connectivity plans to raise the EU’s voice and influence in the region’s infrastructure market. At the same time, the EU has also strengthened its review over the Hungary-Serbia railway to ensure that the project is implemented in accordance with European rules and standards (see the *Europe and the “Belt and Road” Initiative: Responses and Risks (2017)* for details) . These changes indicate that as an important area for economic development, the EU takes connectivity as an important aspect for protecting its interests and has started to strengthen its review over China’s lending practices and modalities.

At the end of 2017, some European media rumored that the BRI was creating the “debt imperialism”, and denounced that Chinese investments could harm developing and emerging markets^②. It was claimed that recipients of Chinese loans had to provide sovereign guarantees, which would lead to the rise of the country’s debt levels, triggering the EU debt redline of no more than 60%. Moreover, because China selects loan projects according to their strategic values, sometimes, the short-term returns of these projects may not be sufficient to repay its debt, which adds to China’s negotiation weights. This might be exploited by China to force the recipient governments to convert the debt into stake, and expand China’s influence in that country. As a consequence, more and more countries would drop into China’s “debt

① The Western Balkan’s Berlin Process: A new impulse for regional cooperation, Briefing 4 July 2016, European Parliament.

② John Hurley, Scott Morris, “Gailyn Portelance, Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective”, CGD Policy Paper 121 March 2018, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-policy-perspective>.

bondage trap”.

III. The Uncertainty of European Integration Prospect is the Third Major Risk the BRI Faces

The EU has long been China’s No. 1 trade partner, No. 1 source of foreign investments and No. 1 source of imported technologies. A growing and powerful EU fits China’s fundamental interests, and is beneficial to global multi-polarization and the democratization of international relations. The close cooperation with EU is not only conducive to the development of China’s export-oriented economy, but also for the creation of a peaceful and stable development environment, which is key to the implementation of the BRI. But since the 2008 financial crisis and the European sovereign debt crisis, the EU’s future development has been facing increasing risks and uncertainties.

1. European Integration Faces Many Problems

First, the role of French-German engine has abated and the integration impulse is insufficient.

At the inauguration of European integration, the security and war problems were underlined, meanwhile, mutual economic benefits were explored by pioneers. At that time, the energy cooperation between France and Germany was an important engine of integration, and the pursuit of security by the two countries enhanced their dual-core cooperation. The construction of European Energy Community and the following single European market helped draw the roadmap for future European development. Built on the basis of the single European market, France and Germany led Europe to promote the free flow of labor, capital, goods and commodities, and the Schengen system and the Euro were applied one after another, which injected considerable momentum to the European integration. Today, the France-Germany engine does not have sufficient power in providing security guarantee or building a more cohesive Europe any longer.

At present, France’s economic influence is not comparable with that

of Germany, and it is difficult for France to support the construction of EU military building alone after Brexit. Germany’s economic power has been growing, and stands out in the EU. However, due to its domestic political fluctuations, it finds difficult to push the European integration forward.

Second, the role of elites has weakened, populism thought is rampant, and it becomes more difficult to reach a consensus on European integration.

In the past five or six decades, European integration process has been dominated and promoted by elites. Elites held high authority and public trust in designing and advancing European integration. However, today, it is public distrust in elites that fills the Europe. As mentioned earlier, populism and Euroscepticism are rampant on the continent. Elite politicians have to resort to referendum to make important decisions, and thus, the uncertainty (brought about by referendum) has increased, which is demonstrated by the occurrence of “black swan” events, such as the British referendum. These emerging factors do not only affect the stability and unity of the EU, but also gradually lead to the absence of enterprising elite leadership in European integration.

Third, the European domestic crises have amassed, and the “crisis-driven integration” theory has failed.

“Crisis” has always been playing an important role in facilitating the European integration. The “crisis-driven integration” theory was popular in European media. Actually, European integration had been moving forward via overcoming multiple crises, and European elites were also accustomed to dismantle crisis into “dangers and opportunities”. However, today, the multiple crises: economic crisis, Ukrainian crisis, refugee crisis, terrorism, and the Brexit have all piled up, makes it difficult for the EU to cope with. Nowadays, the EU can not find a set of solutions to solve the series of crises, neither can stand on its own feet to tackle with them. It requires external support to survive the predicament. For example, the US and Russian engagement is required to deal with the Ukrainian crisis, and joint efforts by the global community are necessitated to eliminate poverty in Africa and the conflicts in Middle East, and to eventually solve the refugee crisis.

Fourth, the continuous expansion of the EU has led to

diversification of interests at home, which is difficult to compromise.

Since the “explosive” expansion in 2004, a border has emerged between the “new Europe” and “old Europe”. The “new Europe” are at different development stages from the old one, and their needs are more diverse, which makes decision-making at Brussels more challenging. Germany actively advocates the EU to resolve the refugee crisis and insists on apportioning refugees to member states, while the Visegrad Group countries (Poland, Hungary, Czech Republic, Slovakia) boycotted the immigration apportionment programme made in Brussels. In the face of the European integration dilemma, EU institutions have proposed the “multi-speed Europe” programme, which is strongly opposed by CEE countries such as Romania. The increasing number of member states also provides an opportunity with foreign forces to divide and control the EU. The US has repeatedly utilized the diverse interests of EU member states, launched a differentiation campaign and planted its own “Trojan horse” inside the EU. These have made the EU’s decision-making a more difficult task.

Europe has been attempting to shift to a supranationalism path, but the inter-governmental sentiments among member states clearly rose in the past years. Member states valued their own interests over the EU’s, and the EU’s consolidation has weakened.

2. The Prospect of European Integration is Unpredictable and Risky

In the next ten years or even longer, “multi-speed Europe” might dominate the course of European integration, and the EU might move toward a more cohesive direction which leads to the emergence of the so-called “core Europe” and “marginal Europe”. The promotion of “multi-speed Europe” will inevitably result in contradictions within the EU. Along with the numerous crises faced by the EU, the prospect of European integration might share the following possibilities:

(1) The dissolution of EU

In the past six decades, adherence to European integration and Brusselsism has been viewed as a “political correctness”, and the “dissolution of EU” is a banned term in European politics. However,

from the US election to the Brexit, the conventional “political correctness” has been repeatedly broken. Now, the likelihood of EU dissolution and the retrogression of European integration has increased. A recent report released by the German military states that the complete dissolution of the EU and the west in the next 20 years is an issue that deserves careful consideration^①. If the EU disintegrated, the resulting conflicts and institutional retrogression will become a very huge risk for the BRI.

(2) Multiple models coexist

Europe has always been a test field of all sorts of ideas and regimes. In the future, along with the uncertainty of European integration, a situation in which multiple development models coexist might occur, which means that the EU may maintain a “decent” presence, but member states, EU candidates or other European countries will adhere to different development models.

“Formal member state” model—share a single market, Euro and Schengen system; Norwegian model—not join the EU, not adopt a common tariff policy with the EU but share a single market with the EU; Swiss model—maintain some areas out of the EU jurisdiction, such as banking and agriculture, integrate deeply with the EU in other areas; Turkish model—not join the EU, but ally the EU on tariff policy; Ukrainian model—not join the EU, but reach an agreement with the EU to build a prior partnership.

The prospect of European integration will be deeply shadowed regardless of the cooperation model, which will affect China-EU cooperation, as well as the implementation of the BRI in Europe.

IV. Geopolitical Changes in Europe Constitute the Fourth Biggest Risk the BRI has to Face

Great power conflicts and geopolitical crises are the risks faced by the BRI today. The increasingly tense EU-Russia relations and Sino-US

^① German Military Report: the EU and west might disintegrate completely in the next two decades, http://www.sohu.com/a/202746694_162522.

trade disputes have resulted in risks to the construction of the BRI, affecting the considerations of Europe, particularly CEE countries, in cooperating with China, as well as in implementing the BRI jointly with China.

EU-Russia relations. Since the NATO and EU's eastward expansion, the geopolitical tensions cross Eurasia have been persisting. The situation has been inflamed further by the Ukrainian and Crimean crises. Many CEE countries have a tradition of "de-russification". In the past one or two years, such countries as Poland, Ukraine and the Baltic states have accelerated the "de-Russification" process. The geographical tensions between CEE countries and Russia has been continuing, and the Baltic states count on NATO military forces and deploy military and missile defense bases. The mutual sanctions between Russia and Europe have deteriorated the business environment in the region. These geopolitical risks faced by the BRI constitute a serious problem to be solved.

The China-US trade disputes. There is also potential impact of China-US trade disputes on the BRI. If such disputes spill over to such areas of finance and digital security, European countries will have to seriously consider directives from the EU and NATO. At this moment, if the disputes between China and the US could be fenced in economic and trade fields and gradually cooled down, it will not significantly affect the BRI.

In the context of geopolitical tension, the trend of EU-US relations and their attitudes toward China have become increasingly important. Some European scholars argue that the complex geographical landscape faced by Europe will not only bring challenges but also opportunities to the BRI. No single geographical impact is certain, and the likelihood of EU and US jointly exert pressure on China is no exception. The American protectionism and trade war have stressed Europe. Europe may not necessarily follow the US on every single issue, as Europe is also one of the harmed parties in the trade war, and it will look for alternative partners, including China. Even on the stance toward Russia, the EU is never a monolithic unity. In addition, the US and EU do not only share common stances, but also contradictions on WTO reform. Katarina Brockova, University of Economics in Bratislava, Slovakia, points out

that the US and EU agree that the current consultation mechanism within the WTO is not efficient, and the multilateralism negotiation mechanism is in crisis. For these reasons, the WTO has to be reformed immediately. At present, the EU’s arguments on WTO reform include: 1. The WTO regime needs to highlight the rules of the market economy, help cut off government subsidies, and specify which forms of government financial support or engagement of state-owned enterprises can be allowed; 2. Restrict forced technology transfer, and formulate laws and regulations on technology transfer; 3. Formulate new policies and regulations on digital trade. On such reform areas as international trade regime, the US and EU seem to have a lot in common in exerting pressure on China and have spoken in one voice, but contradictions also exist between them which creates space for China-EU cooperation. The two partners can further discuss and cooperate on WTO reform^①.

V. The Poor Media Environment is the Fifth Biggest Risk Faced by the BRI

With the implementation of the BRI and “16 + 1 Cooperation” in CEE region, particularly in the Balkans, an increasing number of noises on the two initiatives have been heard. For example, it has been told that China is “dividing and ruling” the EU; Chinese investment to the expressway in Montenegro is a “debt trap”; and China’s “sharp power” challenges the European values and development paths.

If these arguments could be taken as results of western manipulation, then the relatively vulnerable public opinion basis of the BRI and the “16 + 1 Cooperation” poses a certain degree of challenge to people-to-people ties within the framework. A survey on the “16 + 1 Cooperation” and the BRI among college students, led by Professor Pentkovski of the University Veliko Turnovo, Bulgaria, shows that students’ recognition on the two Chinese creations is low: nearly 70 percent students said that they never heard of the concepts of “16 + 1

^① Recorded by the author at the high-level think tank workshop organized at Macedonia, 30 October 2018.

Cooperation” and BRI, and when asked about the specific meaning of the two concepts, up to 90% students replied “Don’t know”^①.

A long-term statistical tracking by Serbian scholar Medici on western media denotes that the lack of information and information asymmetry are important roots that lead to such media behaviors as fabricating reports, distorting and misinterpreting China’s cooperation initiatives^②. In general, although the “16 + 1 Cooperation” is a shared project between China and CEE countries, its characteristics and image are defined by the western media. Studies by Chinese scholars demonstrate that according to China’s direct investment data and experience in Montenegro, which is a economy depends on agriculture and tourism industries, that Chinese investments have little to do with local debt. On the contrary, Chinese investments can help foster national economic and employment growth. However, western media have been repeatedly reporting that China has set a “debt trap” for Montenegro^③.

Some think tanks clamored with media that China’s centralized regime is expanding its political impact through Europe and exporting the Chinese model with the assistance of its economic power (investing in Europe). In 2017, the US National Endowment for Democracy supported scholars including some from Eastern Europe to concoct the concept of “sharp power”^④ and denounced that the centralized regime was mobilizing economic power to spread development model in Europe. The “sharp power” is understood as the “authoritarian regimes” exert influence over targeted states or groups through such usual measures as distraction and manipulation. It is different from “soft power”, which wins “hearts and minds” via media, culture, and public diplomacy. Soon after its introduction, British and American media started to hype

① Recorded by the author at the high-level think tank workshop organized at Macedonia, 30 October 2018.

② Recorded by the author at the high-level think tank workshop organized at Macedonia, 30 October 2018.

③ Recorded by the author at the high-level think tank workshop organized at Macedonia, 30 October 2018.

④ National Endowment for Democracy, *Sharp Power: Rising Authoritarian Influence*, December 2017, <https://www.ned.org/sharp-power-rising-authoritarian-influence-forum-report/>.

China’s “sharp power” theory^①. The disputes over product competitiveness between China and the EU are being lifted to the development model level. Chinese investments in Europe face a contaminated media environment.

The promotion of the BRI and the “16 + 1 Cooperation” necessitates a solid public opinion foundation, which can usually generate a multiplier effect. If the media ecology continues to deteriorate, the future development of the two initiatives is deemed very unfavorable.

VI. The European Wrong Perception over Chinese Model is the Sixth Biggest Risk that the BRI Faces

Many Europe governments do not agree that China is exporting its development model to Europe, as so claimed by some western elites, but policymakers in these governments have intentionally (or not) referred to the applicability problem of Chinese model in Europe. They also view the “16 + 1 Cooperation” or even the BRI as part of the Chinese model or instruments for the Chinese model to exert its influence. Anton Domazet, from Bosnia and Herzegovina, believes that the introduction of the BRI and “16 + 1 Cooperation” is an attempt by China to provide global public goods. The question is: how can China take this opportunity to provide better global public goods and provide public goods for small countries as well on an equal footing? It is widely agreed that recognition and equality constitute the attribute of public goods, but in some cases, the BRI and “16 + 1 Cooperation” are viewed as China’s unilateral will. At present, in the journey of “going global”, China still lacks the know-how on providing public goods. There are still some limits in China’s efforts to shape the global discourse and employ specific methods to turn what is “China’s” to the “world’s”. In addition, the

① Christopher Walker and Jessica Ludwig, *The Meaning of Sharp Power: How Authoritarian States Project Influence*, Foreign Affairs, December 2017; David Parkins, *What to do about China’s “Sharp Power”*, Economist, December 2017, <https://www.economist.com/news/leaders/21732524-china-manipulating-decision-makers-western-democracies-best-defence>.

Balkan countries hold different views from China on dealing with stability and development issues. In the past three decades, China has placed more emphasis on development and taken development as the fundamental principle and believed that existing problems could be solved through development. The Balkan countries are rooted in different historical soils and prioritize stability in view of their institutional attributes and historical heritage. Anton Domazet argues that on the relationship between stability and development, the Balkan countries are not capable of replicating the Chinese course, that is, to foster stability through development.

Moreover, European countries are buying and propagating such arguments as the expansionist nature of Chinese model, the whole-nation regime and the “Thucydides trap”, and some observers even believe that the Chinese model is forcibly exerting China’s preference and influence. These incorrect and one-sided understandings will increase the risks of implementing Chinese projects.

Chapter 4

Risk Assessment of B&R Investment Cases in Europe

This chapter provides an in-depth research report on five Chinese B&R investment cases in Europe, demonstrating the successful experiences of these projects while also indicating the risks faced or may be faced by these projects in the future. The writing are expected to be some kind of reference for Chinese enterprises that wish to go global. The selected projects are mainly influential and typical ones, thus can serve as good examples.

I. Port of Piraeus

Thanks to its excellent natural condition and geographical location, the Port of Piraeus (hereinafter referred to as the Port) is Greece's largest port and one of the largest in the Mediterranean. When looking at its hydrological condition, the Port is a natural shelterharbor. Geographically located to the north of Mediterranean and in the south of Balkan Peninsula, it is an ideal transshipment port, connecting areas include Southern Europe, Western Europe, Central and Eastern Europe, the Middle East and even Africa. As the gateway to Southern, Central and Eastern Europe. It is also an access to the railway systems of mentioned regions, serving as the starting point for the China-Europe land-sea express line jointly initiated by China, Serbia, Hungary and Macedonia. The express line will further facilitate the exchanges between the Far East and Central and Eastern Europe. Therefore, it can be concluded that the Port, with a unique geographical position, is one

of the most important transportation hubs in Central and Eastern Europe and the region of Mediterranean.

Piraeus Port has always been the busiest port of Greece. As a listed company, the Piraeus Port Authority S. A. (PPA) mainly runs six types of businesses, including container terminal business, logistics and warehousing business, shipbuilding and repairing business, cruise terminal business, automobile terminal business and ferry terminal business. In 2008, the annual container throughput of the port was more than 1 million cases, ranking in the tops in Europe. After COSCO taking over the Port, the handling capacity of the Port has increased rapidly. In fact, it is now one of the fastest growing ports in the world.

1. Process of Acquisition

Although COSCO did not officially complete the acquisition until 2016, its effort on it began years ago. Dating back to 2008, with an investment of 831 million euros, COSCO Pacific acquired a 35-year concession period for managing Container Terminal 2 and Terminal 3 of the Port, and at the same time it established the Piraeus Container Terminals (PCT). In 2010, COSCO started to take charge of the Port, and achieved good results with their endeavor.

In 2015, after the Greek left-wing government took office, it suspended the privatization process of the Port, posing huge difficulties to COSCO's acquisition plan. After rounds of dialogues, consultations and adjustments, COSCO finally reached a transfer agreement and a shareholder agreement with the Greek government. According to the agreements, COSCO Shipping acquired 67% of the shares of the Piraeus Port Authority (PPA) for 368.5 million euros: first a total of 280.5 million euros were paid to obtain 51% of the shares, and 5 years after COSCO completed the mandatory investments of 350 million of euros, it will be able to acquire the remaining 16% stake with an additional 88 million euros. As a result, by then it will acquire a total of 67% of the PPA stakes, for a total price of 368.5 million euros. Afterwards, the acquisition will be finally settled.

2. Managing the Port of Piraeus

When COSCO first took over the Port, it encountered many problems. The first was the resettlement of port workers. Since the Port was originally a Greek state-owned enterprise, the workers were originally civil servants of the state. After COSCO took over the Port, these workers needed to sign new labor contracts with COSCO. Unsatisfied with the acquisition agreement, the workers organized a series of protests and strikes, posing great trouble to the daily operation of the Port. Besides, Greece has a comparatively strong and deep-rooted labor union system. Negotiating with the labor union on contracts and salaries was also a challenge for COSCO.

At that time, Greece was trapped in the debt crisis, with a deteriorating economic and depressed shipping industry, which was another challenge faced by the Port. Moreover, the old pier equipment had been in disrepair for a long time. With such equipment, the cargo handling was very inefficient. All these difficulties led to a sudden drop in container throughput and a huge loss of the Port. Finally, it was the uncertainties resulted by the transition of government. It came in a time when COSCO's operation had just returned to the right track, hence the impact was particularly severe.

Ever since the acquisition, COSCO has made great endeavor to improve the infrastructure of the port, modernize the management system, and enhance the efficiency of operations. And results came out to be fruitful. The operating performance of the Port has been growing continuously these years. Compared with the situation when COSCO first took over, the container throughput of the Port has increased from 680, 000 TEU (standard container) to 4.15 million TEU in 2017, which was a second largest amount of increase in European ports during this period. At the same time, its global ranking of throughput amount rocketed from 93rd to 36th. Besides, its handling capacity is expected to reach 5 million TEU in 2018. Another fact is that the Port used to suffer a loss in year 2009 – 2010, and after the PCT started to operate, it turned losses into gains, and the total profits of the two units (PCT and PPA) quickly grew from 3.12 million euros to 51.8 million euros in

2017.

In Greece, COSCO not only managed to retain profits there, but also dedicated itself to a better local society and more vitalized economy. From 2010 to 2016, the Port of Piraeus Project directly created 2,600 jobs for local society, and indirectly brought more than 8,000 jobs, with a direct economic contribution of 600 million euros. Taking COSCO's future investment into consideration, by 2025, the Project is expected to create 31,000 jobs, driving Greece's GDP growth by about 0.8%. The company also actively assumed its social responsibility. In July 2018, a huge mountain fire broke out in the east of Athens. PPA and PCT donated a total of 30,000 euros, and the employees also raised funds spontaneously as well as participated in voluntary blood donation. All these efforts were well received by Greek society.

Based on the Port, COSCO further opened the China-Europe land-sea express line, a combined maritime and land transportation channel. The Port plays an important role in connecting the road network of far east to the European inland railway system. Currently there were around 17 block trains running on this line per week, carrying cargoes of 735 client companies. In 2017, the amount of goods reached 40,000 TEU. The service is now provided to countries of Greece, Macedonia, Serbia, Hungary, Bulgaria, Romania, Austria, Slovakia, Czech Republic, etc., covering a population of more than 32 million.

In the next five years, COSCO plans to complete the mandatory investment of 350 million euros in the Port as required by the concession agreement. They will even invest another 500 million euros to repair and expand the piers of the Port, maintain the infrastructure, and purchase the latest equipment. The ambition of COSCO is building the Port to be the largest container transit port in the Mediterranean, the bridgehead of land and maritime transportation in this region, and the southern gate of the Balkans.

3. Risks of Investment of the Port

Like all Chinese companies doing business abroad, the Piraeus Port Project, name card of B&R investment in Europe, is attracting attention and bearing risks at the same time. COSCO has made practical efforts in

building a risk control system, which is quite effective in some ways, but there remain several hidden dangers, posing challenges to the Port in a long run.

(1) Labor risks. Strike is a frequent phenomenon in Greece. Since 2010, the employees have organized several strikes, causing huge impacts on the daily operation of the Port. At present, the PCT handle this issue with outsourcing laborers, setting up a “employment firewall” to ensure stable daily operation on the piers. COSCO has been negotiating with the strong Greek labor unions (there are three of them in the Port) to sign new code of conduct for employees. The efforts were highly praised by Mr. Pitsiorlas, the Deputy Minister of Economic Development of Greece. At the same time, COSCO also makes great effort to formulate new collective labor agreements with the three major trade unions respectively, and individual labor contracts with the management personnel and new employees. The company has done a great deal to ensure stable labor force. However, the contradiction between employers and employees will always exist. In August 2018, there were even some incidents during the negotiation. It can be foreseen that this kind of disputes will always accompany the development of the Port. Therefore, it is necessary that COSCO continues cooperating with labor unions and workers, with the aim of establishing a fair labor system, guaranteeing the development of ports and protecting the rights of workers.

(2) Legal risks. All Chinese companies operating overseas must learn and comply with local laws and regulations: they must not violate local laws, and should also learn how to use the law to protect their own interests. Before COSCO joined the Port, what the PPA left was complicated legal cases of high expenditure. After the acquisition, what COSCO carried out first was an institutional reform in the legal department: they hired famous local law firms to handle the old cases. Secondly, they informatized the management of the company’s legal system to improve work efficiency. In addition, they also changed the unreasonable regulations that the company covered all legal costs generated by every executive and worker. In this way, they prevented many capricious lawsuits and saved large amount of attorney fees. Overall speaking, COSCO has done a great job in coping with the legal

risk. It should be noted that any investment and managerial activities in Greece, an EU member state, are under the EU's legal supervision. Therefore, to prevent potential legal risks COSCO should pay attention to both Greek laws and EU regulations.

(3) Economic risks. Currently the global economic recovery is still fragile. Although the Greek economy is gradually bottoming out, it still takes a long way to fully recover. The Sino-US conflicts provoked by the Trump administration has given rise to trade protectionism, deteriorating the development of the global economy and international trade. As an international trade hub, the Port's revenue is largely dependent on the performance of Greek and global economy. Therefore, COSCO needs to take all these factors into account. The corporation's interest can only be defended with thorough consideration, rational planification and prudent investment. They should avoid any rash plans. On the other hand, COSCO should make full use of its own influential effect, help promote the economic development in the surrounding areas, and actively contribute to a better economic environment. In addition, to deal with the investment risks, overseas investment insurance with improved coverage and loss ratio can protect the company's security and interests.

(4) Policy risks. Governmental alternations of a country often lead to policy changes in foreign investment, with a large impact on the investment of foreign companies. In 2008, COSCO signed a franchise agreement with PPA. After the changes of state power in Greece, the new government held a different attitude toward the privatization of the Port. It proposed to revise the agreement, for which COSCO had made no preparation. Eventually the contract was maintained with mutual agreement. In 2015, another change of the Greek government brought the left-wing government come to power. The new prime minister soon announced suspension of the privatization process. After various efforts, COSCO finally completed the acquisition in 2016. COSCO's acquisition of the Port was full of twists and turns, and the final settlement did not mean similar risks will not occur in the future. To minimize the impact of political rotations on the port's operation, COSCO should keep contact with both the ruling and opposition parties with frank and sincere talks. To maintain a good image, other than abiding by local laws and regulations, they need get along with the local people. At the same

time, crisis response plans must be made in case of all potential situations. Only by doing these can they maintain their presence in Greece.

(5) International risks. With China's recent growth and increase in foreign investments, the international community has paid real attention to Chinese companies' overseas activities. Actually, some of the European and American countries are very wary of it. Many Western media claimed that China's investment in Greece is “money diplomacy”, “neo-colonialism” and a method to expand China's influence in Greece. EU leaders are also worried that Chinese investment will affect Greece's position on internal issues, undermining the common strategy of EU. As a landmark of Chinese investment projects on European ports, COSCO's operation was also a concern of western media. Any negative news may be highlighted and related China's overall national image. Under such pressure, COSCO shall stick to rule-based and legitimate operation, respect the local government, institutions and Greek people, further promote the recovery and development of local economy, and play an exemplary role in Sino-Greek cooperation on trade and investments.

4. Summary

COSCO's acquisition of the Port of Piraeus is considered as a pearl in the crown of the Belt and Road Initiative, a benchmark for other Chinese companies to invest overseas that encouraged them to invest in Greece. At the same time, the Project also broke a path for Chinese enterprises to follow, facilitating their later operations when investing in Greece. Following the footsteps of COSCO, ZTE signed an agreement with COSCO to set up a logistics center in the Port, Huawei started to transport goods to Central and Eastern Europe through a special train departing from the Port, and China State Grid also acquired a portion of the shares of the Greek State Grid. Alibaba, Wanda and several other giant corporations from China paid their visits to Greece. The Industrial and Commercial Bank of China is also expected to enter the Greek market. Apart from that, this acquisition has direct boosted Chinese investments in the Greek tourism industry. For example, CYTS has set up branches in Greece to carry out services on tourism real estate. There

are also several companies considering the possibility of cruise tourism based on the Port.

For those companies that are investing or planning to invest in Greece, the experience of COSCO are worth learning. Although most Chinese companies investing overseas now have some basic knowledge on preventing risks, but their ability of risk control still needs to improved. To grow stably and retain revenues overseas, Chinese enterprises need to raise their awareness on risk control, allocate enough budget on this career to establish solid institutional support, and most importantly, prevent and control risks from the source. Only by bearing this in mind these can they go global in a better way.

II. Montenegro North-South Expressway Project

The Montenegro North-South Expressway refers to the highway from Bar to Boljare, with a total length of about 180 kilometers. The construction is planned to be divided into five sections. Upon completion, the Expressway running through the entire latitude of Montenegro will be connected to the Corridor XI highway in Serbia, and head to the southern port of Bar. In May 2015, construction of the priority section of the highway, the Smokovac-Mateševo part, was officially started by contractors China Communications Construction Co. , Ltd. (CCCC) and China Road and Bridge Engineering Co. , Ltd. (CRBC). The 41 – kilometer highway is worth a value of 809 million euros, and is expected to be completed within four years. Since 60% the length will be bridges and tunnels, it is the most difficult section of the Expressway in both design and construction.

1. The Importance of the Expressway

(1) Poor road infrastructure in Montenegro. Roads in this country were generally built during the former Yugoslavia age, with limited network coverage, little equipment maintenance and slow renovation. They are narrow, located in mountainous and sometimes dangerous places, with few guardrails. The frequent falling rocks, and slippery icy

road in the rainy winter are all causes of traffic safety problems. Given that tourism is the pillar industry of Montenegro's economy and vehicles from Europe will flock into this country during the tourist season, the poor road network greatly limited their development. The tourist destinations in the southern coastal areas often suffered from serious congestion, troubling the passing tourists and lives of the local people.

(2) The worrisome gap between the north and the south is increasing. The tourism resources of Montenegro mainly concentrated in the southern coastal areas. Historically, the coastal areas enjoyed better development than inland and northern regions. Nowadays, the capital Podgorica and the southern region are still featured by better infrastructure, education, and scientific and technological innovations than the rest of the country. The northern area, of which agriculture and animal husbandry is the important sector, is limited by some natural geographical factors. For a long time, it suffered from low economic growth, insufficient employment, and a large number of emigrant workers moving to the capital and coastal areas. Among these emigrants, a great proportion of them make their living in Serbia, due to the short distance and similarity between the two regions in culture, religion and other aspects. This has led to certain Serbian influence in the northern area of Montenegro. The hollowed out northern region has become an important issue that cannot be ignored in the development of Montenegro. In 2006, with a slight advantage of 55.5% in a separate referendum, Montenegro decided to secede from the entity of Serbia and Montenegro. However, there are still quite a few groups who hold fantasies about the former Federation, especially in the North. Since the new government of Montenegro came to power in 2016, the focus of its work has been boosting the economic development momentum of the north and alleviating the gap between the north and the south. The situation of the north has a great deal to do with its ruling foundation and national stability. Besides, the new Prime Minister Duško Marković was born in the northern town of Mojkovac, so his personal influence is also a special factor in this process. In order to speed up the circulation of personnel and goods, one prerequisite is to remove the barrier of old transportation network. By the time that the expressway is opened to traffic, it will greatly stimulate the interconnection between the north and

the south.

(3) Practical demand on enhancing the economic revenue of Port of Bar. Bar is a natural deep-water port in the southern part of Montenegro. It used to be an important military port of the former Yugoslavia. It still serves as a berth for large passenger vessels, freighters and warships, but its facilities are in bad repair and the supporting traffic connection is seriously inadequate. The Fiat Group of Italy has a factory in the southern Serbian city of Kragujevac, so Bar is a channel for the car to be shipped abroad. However, the 400 – kilometer way from Kragujevac to Bar takes at least 7 or 8 hours in train, which greatly delayed the transportation efficiency. Besides, the complicated privatization process of the Port of Bar has achieved no real result yet. Due to the above-mentioned reasons, the Port of Bar find itself in an awkward situation and it is difficult to maximize its function. By the time when the entire North-South Expressway is completed, the Port of Bar will be able to truly integrate into the European transportation network, and the potential competitive strength of this port will be largely improved. The living standard, demand for production and driving conditions along the line will also be greatly improved, facilitating regional connectivity and the overall economic development of Montenegro and neighboring countries.

(4) A prerequisites for achieving European integration. The current government of Montenegro actively dedicated itself to the process of European and Atlantic integration. Montenegro has joined NATO in 2017 and is fully committed to joining the European Union. The negotiation progress of Montenegro's accession is ahead of most candidate states. In the 33 chapters of the accession negotiations, only the Chapter 8 of "Competitiveness" and the Chapter 27 of "ecological environment and climate change" have not yet been opened, and the government of Montenegro said that it has been well prepared to open them. When forming policies, Montenegro also follows the pace of the EU: its domestic laws are gradually being aligned with EU standards, its decisions on international issues are consistent with Europe, and in September 2018, for the first time it agreed to receive a small number of refugees in response to requests from EU countries, which reveals its obvious pro-European standpoint. As one of the few European countries

with on highways, in a long time the access of Montenegro to neighboring countries is limited by ordinary roads. This is not only an unfavorable condition in the transportation meaning, also, for a “good student” eager to join the EU, no highway means certain kind of “separation” from the European family. Upon completion, the Expressway will connect the northern part of the Bogliar area the European Corridor XI in Serbia, further integrating Montenegro into the European family.

2. The Construction of Highway and External Comments

The project contract requires the construction of the priority section to be started on May 11, 2015. However, due to various factors such as technical review, project approval, and administrative supervision, it did not begin until one year later. The project is currently advancing in an orderly manner, with more than 2,000 Chinese or foreign employees participated in the construction. Of the 16 planned tunnels, 14 have been opened up, and also, more than 20 bridges are under construction. The most difficult one, the Moračica Bridge, has been capped and is now in the process of closure.

The Montenegrin government attaches great importance to the construction of the expressway. Many high-rank politicians have expressed their support to the expressway. Milo Đukanović, the President of Montenegro, has said in various occasions that the expressway will form a strong impetus to boost the economy of northern Montenegro and promote North-South integration. Prime Minister Dushko Markovic has visited the site several times to encourage engineers, expressing his expectations for the project. Ivan Brajović, the current Speaker of the House, former Minister of Transport and Maritime Affairs, is the one who promoted the signing of the priority section of the project, and he also showed his interest at the construction on various occasions. Osman Nurković, the current Minister of Transportation and Maritime Affairs, has expressed satisfaction with the construction many times. The Ministry led by him has established regular communication mechanism with the CRBC for the construction projects. Milan Rođen, former Minister of Foreign Affairs and current chief political adviser of the

president, said in an interview that the expressway will have positive impact on Montenegro's economic and social development in a long-term. The ruling party of Montenegro, Socialist Democratic Party (Demokratske Partije Socijalista) and its friends also frequently referred to the project in a positive way.

As for the people of Montenegro, they have long been waiting for such a highway. As one of the few Chinese companies implementing large-scale infrastructure projects in Europe, CRBC is active in assuming social responsibility as a large corporation. Since the beginning of this business, it has donated and built a number of facilities for local people. According to the Montenegrin government, in May 2018, CRBC signed a cooperation agreement with Klinički Centar Crne Gore, the largest public medical institution of highest level in Montenegro, to provide it with ICO equipment worth about 500,000 euros. The daily needs of the project bring huge business opportunities to local farmers, producers and retailers in food, daily commodities and other industries. Veselin Vukotić, the president of the University of Montenegro, has commented on the expressway saying that it would break the closed mentality of Montenegro and speed up the opening pace of this country. The design and practice of old Montenegro roads was a reflection of the former Yugoslavia convention, with a huge gap to the newest technologies and latest trend. In turn, the construction of this expressway represents a high technical level from China and follows the EU standards. From both sides, Montenegro will benefit. In addition, the project has played a significant role in the exchanges between Chinese and Montenegro people, and even boosts the enthusiasm of local people on learning Chinese.

Serbia, the country on the other side of the expressway, also holds a positive attitude towards the project. Zorana Mihajlović, Serbian Deputy Prime Minister and Minister of Construction, Transport and Infrastructure, visited Montenegro in July 2018 and met with Osman Nurkovich, the Minister of Transport and Maritime Affairs of Montenegro. Mihajlović said that Serbia will continue to build the Pan-European Corridor XI in its territory until it is docked with the Montenegro part on the border, and they will establish a joint committee to determine the final meeting point of the road. The Serbian side is also

planning to repair the Serbian part of the road connecting Belgrade, Serbian capital and Bar, Montenegro by 2021. Mihajlović said that enhancing the connectivity of infrastructure is a must for the well-being of the people. Therefore, whether it is a highway or other infrastructure, it will be of great significance. In the future, Serbia will continue to cooperate with Montenegro in this regard. Since the dissolution of the State Union, Serbia lost its seaport and its overall economic development has been greatly affected by this fact. In recent years, Serbia's industry has developed rapidly, and locally manufactured products have begun to have a presence in Europe. So the author believes that Serbia is in urgent need of transportation infrastructure to serve its economy. In addition, there are close contacts between Serbia and Montenegro, and Serbia is one of the top three tourist markets for Montenegro. This also makes it important for Serbia to remove the traffic barriers between the two countries.

3. Risk Assessment of the Project

(1) Debt issues. The contract for constructing the priority section is worth 809 million euros, and the Export-Import Bank of China offered a loan of 687 million euros, accounting for about 85% of the whole value. This is by far the largest amount of the buyer's credit for the cooperation between China and Central and Eastern European countries. The interest rate is 2%, with a repayment period of 20 years and a grace period of 6 years. According to the data of the Ministry of Finance of Montenegro, till June 30, 2018, Montenegro's public debt has reached 70.1% of its GDP. The growing public debt rate has also attracted the attention of opposition parties, civil organizations friendly with these parties, some EU officials and some western medias. Nebojša Medojević, leader of Democratic Front, the major opposition party in Montenegro, said in an interview that the huge debt brought by the highway would make Montenegro unaffordable, like a boulder on the neck. Other opposition parties such as Demokrate Crne Gore and the Joint Reform Movement (URA) also criticized the government for debts caused by the highway. In October 2018, *Vijesti*, a media favorable to the oppositions, publicly accused the Montenegro government of withholding important documents

related to the expressway, implying corruption and lack of transparency. The EU and some western medias also hold reservations on the increasing Chinese presence in the Western Balkans. In July 2018, Reuters published an article citing an unnamed EU official, saying that the biggest problem is “Their fiscal space has shrunk enormously. They have strangled themselves. And for the time being this is a highway to nowhere”. The report also accused the Montenegrin government of handling the debt issue by raising taxes, partially freezing public sector wages and ending the subsidy of some citizens. The report said that the B&R Initiative is forcing many small countries, including Montenegro, to sink into a debt crisis, and these small countries will tend to increase their dependence on China when they are unable to repay. The US Central Intelligence Agency (CIA) released the Country Report of Montenegro in October 2018, saying that if Montenegro does not carry out fiscal consolidation, its public debt rate can reach 80%.

Overall speaking, criticism from domestic stakeholders mainly target at the Montenegrin government, while seldom deny the importance of the subject or question the participation of Chinese companies. This type of criticism mainly comes from the opposition parties, with the purpose of exerting pressure on the current government and winning support from some voters. The negative comments from other countries usually focus on the points of debt and China’s influence, exaggerating the so-called debt crisis in Montenegro, without mentioning the positive effects of the expressway, such as promoting the development of Montenegro, the connectivity in Europe, and the European Integration in the Western Balkans. Therefore, we can say that these reports are, at least, incomplete.

According to some forecasts in Montenegro, along with the construction the public debt rate of Montenegro will peak in 2019 then slowly decline. In recent years, Montenegrin economy has shown a strong trend of growth. There are a variety of reasons for the growth. The accession negotiation of Montenegro goes on rather smoothly, it is attracting growing amount of FDI, and the expressway, the largest infrastructure project in the history of Montenegro, is advancing well on schedule. According to the statistics bureau of Montenegro (Monstat), the actual GDP growth from 2014 to 2017 was 1.8%, 3.4%, 2.9% and

4.7% respectively, the number for the first quarter of 2018 was 4.5%, and the second quarter was 4.9%. The sectors that contribute most for the growth are infrastructure construction, import of large machinery and equipment, tourism, etc. In addition, according to the contract, at least 30% of the project must be assigned to local subcontractors. As a result, the project has created thousands of jobs for the local area, and as the project progressing, its demand for local labor forces will continue to increase. For Montenegro, a country where the unemployment rate is about 20%, this means a lot. When some medias are repeatedly reporting that the project is not economically bankable, or it affects the overall financial performance of Montenegro, it is deliberately ignoring what positive impact the expressway could exert on the Montenegro economy and its overall national development.

Other comments believe that Montenegro only seeks financial support from China after it failed to gain support from the EU. The author thinks that this point of view just tells part of the truth. Since 2016, the new Montenegrin government has been considering China as one of the three priority of diplomacy. Montenegro has always been an active participant in the “Belt and Road” Initiative and “16 + 1 Cooperation”, maintaining cooperation with China in various field. Chinese companies have won the project through public bidding, and special offers for buyer credits of the bank was almost simultaneously launched, offering timely option for the project. In October 2018, when Montenegro President Milo Djukanovic was answering the question of a reporter at the World Investment Forum in Geneva, he publicly asked the EU what is preventing them from supporting Montenegro like China does. Djukanovic said that infrastructure construction is urgently needed by some Southeast European countries, including Montenegro, and it is impossible for these countries to implement such a project with their national budgets. The loans provided by China are very favorable. There is no country in the world that would miss that opportunity, particularly countries from South-East Europe.

As the Chinese saying goes, “Want to get rich, first build the road”. For Montenegro, this road is even more meaningful than that. As mentioned above, this expressway is a well-deserved national strategic project of Montenegro. The debt problem is a process that must be

experienced as Montenegro realizing its national strategy and long-term interests.

(2) Environmental issues. In 1991, the Montenegro Parliament passed the Declaration of Ecological state Montenegro, officially defining Montenegro as an ecological state on this planet. In its 13,800 square kilometers of land, there exist five national forest parks and five UNESCO world heritage sites. Due to the few plains and big height difference of this country, Montenegro has a fragile natural environment. It legislates strict environmental protection law and actively promotes cooperation on international environmental protection. In one of the two chapters waiting to be opened in the accession negotiations into EU—the chapter “Environment & Climate Change”, Montenegro is expected to invest more than 1 billion euros in environmental protection to meet EU standards, and it is a large figure for Montenegro. In September 2018, Montenegro hosted the Ministerial Conference on Environmental Protection Cooperation between China and Central and Eastern Europe, at which it announced the establishment of a “16 + 1 environmental cooperation mechanism”. The care for environment is deeply rooted in the hearts of the Montenegrin people, and they often protest against activities or infrastructure projects that they think will damage the ecological environment. In this context, the construction of any large-scale infrastructure will certainly face challenges.

The priority section of the expressway will cross mountains, rivers and build bridges over it, actions all related to the ecological environment. Before implementation the project should go through a series of environmental assessments and obtain permission from corresponding departments. However, at the beginning of the construction, there were still some rejections from opposition parties, non-governmental environmental organizations and local residents. In October 2018, some NGOs in Montenegro said that construction may bring a huge ecological crisis to the Tara River, an important hydrographic system in Montenegro. They added that the Ministry of Sustainable Development and Tourism and the Ministry of Transportation and Maritime Affairs are both to blame.

Given the real differences in environmental laws between China and Montenegro, Chinese companies should be prepared to spend a period of

time in exploring and adapting the local condition. In a country like Montenegro that attaches great importance to ecological protection, Chinese enterprises must raise their environmental awareness and treat it as equally important as the safety and quality of the project. At the same time, they should keep smooth communication with the Montenegro government, the proprietor of the project, to together find out a way to solve any potential problems. For what they do good, the companies should also publicize it through various channels.

(3) Issue of delay. As stated in the contract, the construction should begin on May, 2015, but was delayed to May 2016 for some reasons. CRBC has adopting measures such as increasing manpower and extending working hours to catch up with the schedule. Since 2018, some media in Montenegro have commented that the project may be postponed and will not be completed until the end of 2019. The main reason for this is not only the delay of the commencement date, but also for the fact that when signing the contracts, they two parties failed to include all construction part in it, resulting in an additional increase in the amount of work required. According to the medias, the two sides are currently negotiating on the additional cost caused by the additional work. Osman Nurković, Montenegro’s Minister of Transport and Maritime Affairs, said in October 2018 that the construction should not rush to catch the schedule.

The author believes that the increased amount of work is actually a buffer for the delayed commencement date, and on the other hand, it certainly poses challenges to the implementation of the project: the increased work means an increase on the cost, and it is always a real burden for the financial budget of Montenegro, regardless of its amount. The time of payment will affect the later construction. In addition, the extension of time and increase of cost are expected to result in swings of the public opinion. The opposition parties in Montenegro and medias might also have something to say.

The government of Montenegro maintains its positive attitude towards the construction of the remaining sections. It is hoped that the rest of the project will also be started as soon as possible after the completion of the priority section, although the way of financing needs to be discussed. The Montenegrin government previously said that it hoped

to build the remaining sections through a public-private partnership model, and in March 2018, it signed a memorandum with CRBC to continue the construction of the remaining sections through the PPP model. This year, the government has repeatedly discussed whether to open the public bidding for its several domestic airports in a business concession model, and is the follow-up plan being negotiated. It can be expected that the remaining sections of the expressway might still adopt the PPP model.

III. Stanari Thermal Power Plant in Bosnia and Herzegovina

The Stanari Thermal Power Plant is a strong evidence against the criticism and suspicion of some western elites and medias on Chinese investment. Also, there is much experience can be learnt from its investment model.

The Stanari 1x350MW Thermal Power Plant is a project contracted by Shanghai Dongfang Electric Co., Ltd., funded by China Development Bank and underwritten by China Export Credit Insurance Corporation. On August 8, 2018, the project was officially awarded the final acceptance certificate issued by the proprietor, which marked the successful end of the project warranty period. The completion of the project has the following meaning:

(1) It demonstrates China's speed and efficiency

The project was officially started on December 21, 2012, connected to the grid on January 4, 2016, and handed over to the proprietor on August 8, 2016. That was 45 days ahead of the contracted date. All indicators of performance were better than what was promised in the contract. The high quality and high standards of the project have impressed the media, representing China's speed and efficiency.

(2) Compliance with EU standards and example of China-EU cooperation

Stanari Thermal Power Plant produces less exhaust gas than the latest EU emission standards and is currently the most advanced and environmentally friendly thermal power station in Europe. Field visits show that the factory area is clean and tidy, with sufficient emission

facilities and environmental protection facilities. It not only complies with the EU’s clean energy and environmental protection plan, but also benefits the economic development of Bosnia and Herzegovina, facilitating its integration into the EU while promoting China-EU relations at the same time.

(3) A market-oriented project with no “debt crisis”

Shanghai Dongfang Electric signed a five-year operation and maintenance agreement with the project proprietor, which is also the first similar practice by Chinese companies in Europe. The project was invested by the China Development Bank, and the client provided its own asset as guarantee for the loan. The proprietor used the plant, coal mines, electricity sales income and the assets of the parent company as guarantee, hence there is no need for national sovereign guarantee and the state is free of debt issue. In the two years of operation, the power station has fabricated more than 4 billion kWh of power, and the full operating time in the past year has exceeded 7,700 hours. It has become the power plant of highest utilization in the region, and brings huge benefits to its owner (a Serbian who registered company in the UK). It is a model project of PPP model, in which financial institutions of China provides investment, private owners use the money to construct and repay the loan with the income of selling electricity. The whole profit model is completely market-oriented. What the Chinese company provides is not only a “turn-key” project, but also resident personnel in charge of technical maintenance, which contributes to the long-term sustainability of the power plant.

(4) Chinese enterprises promoting local employment and assuming social responsibility

During the project period, more than 1,200 local people of Bosnia and Herzegovina directly participated in its construction and operation. Currently, about 200 to 300 local people are employed, which greatly enhances the employment rate and overall economy of this small town, turning Stanari to an actual city. Many residents of Stanari also changed their lives thanks to the project. They not only found jobs there, but also acquired work skills, with which they could improve their quality of life. This is a result of Chinese company’s participation in assuming social responsibilities and promoting the well-beings of local people.

(5) Equipment from China shows a good performance abroad

The complete equipment for building the Power Station mainly comes from China, accounting for more than 90% of the whole equipment and is estimated to operate for 30 to 40 years. Chinese equipment was transported to Bosnia and Herzegovina by sea or by China-Europe Express Railway. By bringing Chinese machinery and equipment abroad, the company managed to establish a positive image of China's production capacity.

(6) Fruitful results of "16 + 1 Cooperation"

The Stanari Thermal Power Plant is the first project implemented using the 10-billion-dollar special loan under the framework of "16 + 1 Cooperation", and it is also the first 16 + 1 project to be started and put into operation. It is not only the first large-scale cooperation project since the official establishment of diplomatic relations between China and Bosnia and Herzegovina, but also the first thermal power plant contracted, independently designed and constructed by Chinese companies in Europe. The project is a combination of Chinese manufacturing, financial support and local resources, a typical exemplar of win-win cooperation. The project is also one of the initial landing results of the "16 + 1 Cooperation" in the Balkans, a real accomplishment of "16 + 1 Cooperation" in this region.

(7) Enhancing the overseas image of Chinese companies

The successful construction and operation of the project has completely changed the view of Bosnia and Herzegovina and neighboring countries on the Chinese manufacturing. Instead of the old "low price and low quality" stereotype, the project has won wide recognition and praise from the owner, the local people, politicians and peer companies. So far, visitors to the plant include government and business delegations from Germany, Montenegro, Serbia, Croatia, Pakistan, Ukraine, Georgia, South Korea, and other countries. They all speak highly of the design and construction of the power station, and of the equipment quality and operation status. This have pointed out a possibility of Chinese equipment entering the Balkan countries, and even the more demanding European market.

However, the project also faces a series of problems and challenges:

(1) Pressure from domestic competitors

According to the contractor of the project, recently a number of thermal power enterprises from China are all targeting at the oversea market. With strong producing capacity, they share the vision of going abroad. However, the number of projects is fixed, so competition arises. The chambers of commerce in the electromechanical sector of China has a limited competence, so it difficult for it to coordinate between different enterprises or stop them from vicious competition. Also, individual companies have a greater chance to ignore the potential risk and jump into the market. Even though there was a chamber of commerce to coordinate which companies to participate in the bidding, it is still a difficult task to find the balance point.

(2) Pressures from foreign competitors

Pressures from international companies are equally high as that from domestic competitors. For political reasons, some local proprietors are more inclined to European contractors, but others might give priority to economic factors. Chinese companies will be able to gain their opportunities, as long as their products and technology are competitive. The main competitive advantages of Chinese companies in this region lie on their low price and adequate technology. In a mature market like the EU, price strategy is far from enough, what the companies need to do is to further upgrade their technology and services for a more sustainable development in the future.

(3) Pressure on financial tools

Compared with other countries, China’s financial support for Balkan project has both advantages and disadvantages. The advantage is that it is fast, with less requirements, and it support thermal power (European financial institutions have stopped supporting this kind of energy) . However, the interest rate it provided is relatively high in the European market. Usually the rate of preferential loans set by Chinese financial institutions are between 1% and 3% , while the rate of loans provided by European financial institutions is generally below 1% , and the rate of Japan institutions is even close to zero. European financial institutions give strong support to new energy projects with attractive interest rate, so in this field Chinese financial tools are less competitive.

(4) Impacts from political environment

The Stanari Thermal Power Plant has been operating smoothly and efficiently, partly due to the kind support of the Bosnian Republika Srpska government during the process of investment and in accelerating relevant formalities.

However, there are also unfavorable effects in the political aspect. In 2015, Shanghai Dongfang Electric signed another project with the Bosnian government, the Banovici power station, which is located in the Muslim-Croat Federation of Bosnia and Herzegovina. In this region, due to the turbulent political scene, the project progressed slowly, and it has not started until now. The Federation was a composition of different parties that constantly fight against others, and policymakers are hindered by each other when making decisions. At present, the Federation is undergoing another general election, and in this context the project finds itself in an even more difficult situation.

(5) The project companies lack medium-term and long-term plans

In this study, the researchers found that the Chinese companies did relatively less research work before they going global. For a standardized investment, preliminary research and feasibility assessment are absolutely necessary. Chinese enterprises have shown their strength in field research and short-term decision-making, but they still need to enhance their capacity for standardized and procedural analysis. Without long-term and in-depth market analysis, risks are inevitable for a project.

IV. Hesteel's acquisition of Smederevo Steel Plant

1. Background of Acquisition

In 2015, at a meeting with Chinese Premier LiKeqiang, Serbian Prime Minister Vučić mentioned the long existing problem of the Smederevo steel plant, hoping that the Chinese government could provide some necessary assistance. The factory was previously operated by a US company which went bankrupt later and sold it to the Serbian government for one dollar. However, it became a huge burden for Serbian government: the entire city was built based on the factory, and

the poor management of factory meant the employees losing their source of family income.

The Chinese government handed this case to Hebei Province for carrying out preliminary research. Hebei Province is a strong in steel production, with abundant experience in this sector. After preparations and comprehension of the EU rules, Hesteel purchased the entire plant and its assets for US \$46 million.

In 2014, Hesteel seized the opportunity to become a shareholder of Duferco DPH, combining its advantages on the sales ends with its own strength of production. In this year the export amount of Hesteel exceeded 4 million tons, entering European, American and the Middle East markets. In 2015, based on successful previous cooperation, Hesteel acquired 51% of Duferco’s stake, which enable it to own the world’s largest steel sales network. This also laid a solid foundation for Hesteel to acquire the Smederevo steel plant and sell its products.

In June 2016, Hesteel managed to complete the acquisition of Serbia Steel Co. , Ltd. , and fully integrate its managerial team in early July. Five months after, Smederevo steel plant ceased to lose, the monthly output increased from 30,000 tons to 150,000 tons. Since that December, began to gain profits. As the Serbian prime minister said, “you have created a miracle. ” So how did Hegang manage to do these?

2. Successful Experience of Hesteel

(1) They cooperated with the Serbian side to establish and maintain an efficient dialog channel for exchanging information: (1) Weekly summary and monthly report to ensure that all parties are timely informed about the production situation, and that any problems can be solved in the first time; (2) It worked with the Serbia part to ensure that the project will not be involved in EU anti-dumping prosecution. Once there are any new movements in this aspect, they treated it seriously. Finally In July, 2017, the European Commission removed Serbia from the list of anti-dumping investigations.

(2) They made full use of their own advantages to support Serbia partner, including internal technologies, managerial experiences and skilled engineers. They helped to explore the potential of the factory and

revitalized it. Under Hesteel's coordination, the Serbian company made better use of the global resources and marketing network of this new business unit. Hesteel Serbia managed to reduce costs on raw materials, increase prices of the final products and enter new market, ensuring stable operation and constant growth of revenues.

(3) With favorable policies of the two countries, they made joint efforts on employee training. In accordance with the agreement between China and Serbia, a bilateral cooperative training plan was formulated to improve all-round skills of the employees. A total of 120 representatives will visit China to study quality management, human resources, on-site management, design and repair of equipment. The experts who trained them are from Ministry of Commerce of China, Hebei University of Economics and Business, Macroeconomic Research Institute of the National Development.

(4) They assisted the Serbian partner to update their products and renovate technologies. In the year 2016, Hesteel invested 138 million dollars for this purpose, and in 2017 they invested another 1.5 million dollars. Hesteel decided to invest another US \$ 150 to improve the technical level of the company. With this investment, the company was expected to fabricate more products of higher quality, better structure and with less emission.

3. Risk Assessment of the Project

(1) Risks and uncertainties in the acquisition process

(I) Risk of state funding. Before the successful acquisition of Smederevo steel plant by Hesteel in 2012, the Serbian government had provided a total of 400 million Euros to the Smederevo Steel Plant in forms like government loans, government guarantees and debt relief. According to agreement between the EU and Serbia, this kind of funding is likely to be considered as an illegal by relevant EU committees. Then they might order the factory to return the whole funding it received, or require it to implement "compensation measures", including but not limited to production quota. Since Smederevo steel plant is the legal entity of the funding, so if Hesteel is recognized as the successor of its enterprise, it may be subject to the risk of repaying state funding,

obeying production quota restrictions or other “compensation measures”. This trouble was later solved through negotiation with the Serbian government.

(II) Risk of management after acquisition. Smederevo steel plant employed more than 5,000 people with mature experience in the metallurgical industry, ensuring sufficient labor supply of the company. However, a majority of the middle-or-higher-level managers and almost all top executives come from the management company HPK. When they leave the company, the implementation of business plans would be affected. This issue was also properly resolved later.

(III) Risks of EU’s anti-dumping practice. Serbia has not joined the EU yet. There are rumors that the EU will also launch anti-dumping investigations against Serbia, following the US anti-dumping investigation against Chinese steel companies. According to our verification, rumors are just rumors, but it is very likely that the EU, due to its vigilance against Chinese steel, initiate anti-dumping investigations against the new company after the project is handed over. Since more than 80% of its market is in the EU, if the EU raises such investigation it will inevitably cause huge damage to the new company.

(2) Troubles in management brought by cultural shock

Cultural differences between different countries (nations), different enterprises, and different individuals will certainly lead to certain troubles to business. In the process of transnational cooperation, such as the China-CEEC cooperation, cross-cultural management is a topic that must be studied by all parties. Comparatively, Chinese employees, due to their traditional mentality, are more inclined to collectiveness, caring more about the overall benefits of the state or the enterprises. They also might have stronger sense of responsibility at work. The Serbian employees are shaped by professionalism and individualism to a larger degree. They know better how to protect their own rights. Also, there are also differences in cultural customs.

(3) Overcapacity of global steel production

Nowadays all steel plants face severe external pressures due to the weak recovery of world economy and the global overcapacity of steel production, and Hesteel is no exception to. How to cope with the impact of the global economy? How to upgrade the company structure and

renovate products in such background? These are all questions must be considered by Hesteel people.

V. Peljesac Bridge Project

The Peljesac bridge is the biggest construction project undertaken by Chinese company in Croatia, estimated value is 357 million EUR, completion is expected in 2021. This project unmistakably represents a big breakthrough in Sino-Croatian relations. However, there are several controversies attached with the project, including its commercial usage, tender procedure, main contractor and its role in bilateral dispute with BiH, which have certain potential to impact the construction process.

1. Overview

In June 2017, European Commission (EC) approved funding for the construction project Peljesac bridge (PBP), that will connect Dubrovnik exclave with Croatian main A1 highway through Croatian territory, avoiding the existing route through Neum, small strip of land belonging to non-EU Bosnia and Herzegovina. Soon after the EC “gave a green light” for the project, deciding to allocate 357 million EUR from cohesion policy fund for PBP, Croatian media started with calculations on possible contractor for the PBP. Chinese Road and Bridge Corporation (CRBC) appeared in the shortlist, with several dailies reporting an “insider information” that ‘Chinese’ will likely be the main contractor. From July 2017, CRBC held several meetings with Croatian Transportation Ministry and Hrvatske ceste (Croatian Roads Co., HC) reps in charge of public tender for PBP.

In September 2017, HC officially opened a tender for PBP. During the bidding process that lasted until January 2018, Croatian Trans Min and HC announced that three “serious offers” have been received, among them CRBC was with “the most favorable one”. Although it was announced that this decision would be made and published much before the end of the bidding process, according to well-informed sources, delay was caused by Sarajevo opposing to PBP. Bosniak politicians wrote

a letter to EC demanding to stop the project before the final maritime border settlement between Croatia and Bosnia and Herzegovina.

In January 2018, 4 months after the bidding process started, HC announced that the Chinese consortium led by CRBC will build PBP. In explaining the decision, HC decided to honor the contract to CRBC based on the most favorable offer (2.08 billion HRK, excl. VAT) which was the closest to the estimated (initial) total project value of 1.75 billion HRK. Additionally, CRBC also had “excellent references” (Donghai bridge, Hangzhou Bay Bridge), pledged to complete PBP within three years (half a year earlier than the deadline defined in the tender), and ‘warranty period’ (in case additional repairs) of 120 months. Therefore, HC Tender Committee awarded CRBC maximum 100 points.

Other two offers from ‘the first hat’ include: 2.6 billion HRK worth offer by Strabag, an Austrian (and Russian) construction company with cooperation track with HC related with Croatian A1 highway construction project. Its offer also included 120 months ‘warranty period’, but three and a half years for project completion. The offer of the Italian-Turkish consortium Astaldi-Ictas was 2.5 billion HRK, but it was not taken into consideration because it lacked bank guarantees. Following the decision, Strabag announced it will appeal to Trans Min and HC joint supervisory commission on the account that the offer provided by CRBC was based on dumping prices.

Since offered price was less than 10% higher than estimated value of the project, the appeal from Strabag was dismissed and CRBC was confirmed as the main contractor. In April 2018, the contract with CRBC was finally signed, and both sides started immediately with finding project supervisor. Project documentation and other related documents are “handed over” to CRBC by summer 2018 when CRBC started with logistical prep work for the project.

In September 2018, the project officially started, the first group of CRBC engineers and workers in charge of logistic support have already arrived and conducted screening for domestic subcontractors and cooperants. According to the contract, CRBC should first make a new detailed design for pillar placements, which is expected to take 6 months. Despite some reports on problems they have encountered finding

local engineers, staff and accommodation facilities, continuing site preparations before the main machinery (underwater drill) arrives on site runs according to the schedule and, according to M. Pipenbacher, the chief architect, the first visible bridge parts will appear 10-12 months after the start of the project (Jul-Sept 2019).

PBP in bilateral territorial “dispute” between Croatia and Bosnia and Herzegovina regarding maritime border in Neum bay.

According to Sarajevo-based interpretations, the border demarcation issue on which the objections against PBP are based, should be backtracked into 1996, when Bosniak MoP Alija Izetbegovic and Croatian President Franjo Tudjman signed an agreement which declared current border demarcation as provisional and that any change of current status would require consent of the two parties. They had also established protocol for bilateral committee to negotiate the sea border demarcation which would respect the UN Convention on the Law of the Sea (UNCLOS) and include international arbitration as the last instance.

In 2007 when Croatia announced intention to proceed with PBP, Sarajevo wanted to establish that PBP interferes into this border demarcation protocol. Same year, Serb MoP Radmanovic requests Croatian side “not to engage in any unilateral decision regarding the bridge construction” until the both parties determine whether the bridge encroaches into Bosnian territorial waters and unlawfully limits Bosnian access to open sea. Croatian side, on the other hand, claims that Peljesac bridge is well beyond Bosnian waters, will be high enough to allow passage for larger ships and thus it does not constitute the change in the current demarcation status. Croatia also made promise to fully respect Bosnian right for access to open sea and agreed for a need to correct current territorial status of waters surrounding Klek peninsula.

In 2009, when PBP was submitted for the EC funding, Croatia had to confirm that there are no legal issues related with the territory and land where the bridge was planned. Documents that followed the application also included written memorandum signed by officials in the Ministry of Foreign Affairs of both Croatia and Bosnia and Herzegovina which “suggested” that pending border demarcation agreement between two sides is not posing any legal obstacle for the construction project.

After making due screening and evaluation, the European Commission declared the project documentation as valid and approved the funds for the project. This project documentation was contested by Bosniak politicians who claim that Bosnian politicians were tricked or bribed to put their signature on documents on which the EC established Croatian *uti possidetis*. Instead, they insist to backtrack the bilateral dispute on earlier documents made by BIH-Croatia Bilateral Committee for Cooperation in which “Izetbegovic-Tudjman agreement” has been reinforced.

Right now, Zagreb is not willing to concede to any of terms proposed by Sarajevo. First of all, Croatia firmly rejects any bilateral dispute with implications on Peljesac bridge because, strictly speaking, Bosnian side cannot get consensus of all three President-members to put a matter on official bilateral level. Ex-Croat MoP, Dragan Covic was impassable hurdle in previous term, now Serb-MoP Dodik announced he will be against any action regarding Peljesac bridge. Since the issue is still undergoing internal contentions within BIH, opinions supporting dispute escalation are yet to form consistent stance against Croatian claims as well as against internal ‘pro-Croatian’ opinions. Hence, in this “dispute” Sarajevo is not metonym for Bosnia and Herzegovina, but rather signifies a group of unitarist politicians who happen to arrive from Sarajevo. Second, Croatia has strong European support in the matter. Not only during the bidding process, but also few days after new Croat MoP Komsic’s statement against PBP, the EC in a very dismissive tone assured both parties that the construction of the bridge won’t be stopped. Third, dominantly Croat population in Neum and surrounding areas is largely supportive for PBP. In Sarajevo’s parlance, Neum, as the country’s only access to the Adriatic Sea is “envisioned” as a strategic port for Bosnian tourism and transport, even promoted to become special economic zone with free trade, low taxes and tourism-based economy. In this imaginary, Peljesac bridge, cutting Bosnian access to open sea is dooming the chances for Neum to ever become “Bosnian Hong Kong”. More realist objections claim Peljesac bridge by linking Croatian highway with Dubrovnik will, in fact, turn Neum into transportation backwater and take away the important source of revenue on which its economy was thriving all these years. As relevant as it can be, this objection was

dismissed as it was mainly coming from Sarajevo. Dominantly Croat population in Neum, on the other hand, didn't see their long-term interests threatened like Sarajevo predicts. Indeed, they supported the bridge as it will relieve Neum of the traffic congestion, especially in the summer months.

2. Other Controversies

(1) Political value of PBP. The idea for Peljesac bridge was as old as (the beginning of) construction of A1 highway. Since 2004, the initiatives for the construction intensified during political campaigns with political paroles “on unifying Croatian territory” and local politicians currying favor to Dubrovnik electorate about the importance of the bridge. Parallel with the construction of A1 highway (2005 – 09) Croatian politicians had several times “cut the ribbon and put the cornerstone” for the project. During this course, some ground works were done and one land pylon was erected (which will have to be demolished by CRBC). The work stopped in 2009 following recession and was not resumed afterwards. However, during the course, PBP remained valuable source for nourishing “unification myths” in Dubrovnik and beyond, hence in following years its political capital seemed to exceed all other accounts.

(2) Commercial value of PBP. Many actors (NGO, opposition, inter-governmental) objected essentially “political” decision to carry out the project as the impartial and comprehensive study on the costs and benefits of the projects was never done. Important point is the financial strain on the national budget because and the fact that the government had to prioritize more urgent project for infrastructural development with more immediate windfalls for national and local economy, such as opting for more “rational” highway link through Neum exclave. Some points also emphasized that the project is economically unjustified, because the costs exceeds (or doesn't provide clear prospects of) the return, claiming that PBP will become Croatian “cathedral in desert”. This opinion is reflected in high expenditures, but also in inaccurate cost estimations, inefficient project preparation, etc. However, since the project has been granted funding from the EU cohesion fund, financial side,

understandably, moved away from the list of local and national concerns and disputes on project costs are now mostly defunct.

(3) “Dumping” concerns. Some economists in Croatia and abroad raised this issue, mainly pointing out that CRBC offer cuts below fair market prices and indicate dumping practice. This argument is espoused on a ground of CRBC obtained workforce (Chinese nationals) and construction materials (steel) well below estimated project costs (by other competitors). Additionally, Croatia only adopted EU public procurement law in 2017 (where prevails “most economically favorable” approach, offered price constitute only about 30% – 40% of the selection criteria), PBP tender was carried under the old law (“price as the most important criterion”); therefore, although offered and estimated price variable was within 10%, media still speculated about price fixing and dumping.

(4) Price fixing. After ‘Agrokor crisis’ in the first half of 2017, slow wage adjustments in public sector and still feeble economic growth, Croatian govt was under strain to keep tight grip on budget expenditures, especially for big construction projects that would require serious budget rebalancing. According to various unconfirmed information that circulated in media, Croatian Transportation Ministry, therefore held “preliminary talks” with Chinese counterparts to “offset” the bidding price that would be entirely within the amount the EC agreed to finance and possibly relieving Croatian govt of covering additional costs. However, no media outlet provided evidence for this info.

3. Current Issues and Challenges

(1) Collateral in bilateral dispute

Commotion that Sarajevo created after Croatia in June 2017 announced starting the PBP caused serious reactions in Sarajevo. According to Sarajevo, PBP unilaterally impose changes in the current status of maritime border demarcation negotiations between Croatia and BiH in Neum enclave along with cross-border ship corridors that are not yet settled. Bosnia(k) side (at beginning, only Sarajevo-based Muslim parties like SDA) tried to exert a pressure on Croatia and the EU to stop the project before the final settlement on maritime border and defining

the right of navigation in Neum Bay. BiH Member of Presidency (MoP) and the president of SDA, Bakir Izetbegovic have sent a protest letter to the EC, demanding to stop the PBP and threatened to raise an issue to the European Court of Justice in case if the EC rejects the review.

In the months following public tender for PBP, Bosniak side engaged in vocal media campaign against the PBP. However, without support from Serb and Croat MoP and without any Croat or Serb political party endorsing the opposition to PBP, for Croatian side the objection from BiH didn't become official, therefore, it was dismissed as non-diplomatic issue. Moreover, enjoying the full support among Croat dominated population in Neum and surrounding areas, Croatian official weren't very concerned about complaints coming from Sarajevo. Political representatives of Bosnian Croats support border demarcation settlement, but perceive Sarajevo's claim on PBP as imposing changes on current negotiation status as unfounded, insincere or even "utopian projection of unitarist desperados from Sarajevo". This situation slightly changed following Bosnian general elections in October 2018. Zeljko Komsic, new Croat MoP and ardent unitarist supports Sarajevo's position in opposing PBP. He promised to send a protest note to the EC if the construction continues before the both countries made an agreement on territorial dispute regarding Neum bay. Moreover, if the EC rejects the mediation, he even announced his support to Bosnian claimants in pursuing arbitration through the European Court of Arbitration and Intl Court for Maritime Law in Hamburg. With Croat MoP taking Sarajevo position, pro-Croatian voices so as local Croat voices with more cooperative stance regarding the PBP might be less heard. As a matter of fact, even though Peljesac bridge is still not a source of bilateral dispute between Bosnia and Herzegovina and Croatia, Sarajevo might well play out local opposition by employing sort of unitary paternalism or in another way claim that local Croats are acting against Bosnian state interests. This will put Sarajevo directly against Zagreb and, as much as it may seem unlikely for a time being, in a long run it could require concessions from Zagreb regarding the demarcation of Neum bay, extended right of navigation under Peljesac bridge or, more likely, some mundane political favors that can impact the PBP construction progress.

(2) " Euro concerns "—internal objections by European

“stakeholders”

According to disclosed information shared by officials in charge of the tender and liaison with Chinese companies, negotiation process with CRBC also raised some eyebrows in European countries. These objections were primarily raised internally and unofficially, besides economic concerns (usually involving dumping price, economic protectionism toward the EU companies) also included political concerns (geopolitical underpinning of Chinese entrance in the EU construction sector, etc.) However, it should be said that these concerns were dominant during the tender process, before the main contractor has been decided. Some feared that Strabag’s objection to tender decision might be politically backed, but despite alleged lobbying in Brussels, this company didn’t succeed in canceling the tender. Paradoxically, some claim that the “Euro concerns” increased only after CRBC was confirmed as the main contractor, “demonstrating that Europe didn’t pay much attention to the tender process, or our side played well to eschew European scrutiny”.

Be as it may, according to media reports, European opposition was more vocal after the tender decision. In August 2018, undisclosed source for Seebiz. hr claims “the Germans” are against Chinese company contracting the main construction project in Croatia “especially because it is financed by European money”. Other sources (retrieved on Al-Jazeera Balkans) quoted some “concerned European officials” fearing that PBP is “cheaply given to the Chinese”; concerns on entering European construction market “on the backdoor” and the critiques on lack of the reciprocal treatment for the European companies in China, accusations on dumping, price-fixing and non-transparent procedures were also voiced.

Similar critiques were reported to appear from “Weber affiliated group” on EPP (European People’s Party) Helsinki meeting in October 2018, which is close to ruling HDZ government in Croatia. According to some reports, some MEPs belonging to EPP more assertively opposed “Chinese contractors being financed by the EC” and pledged to actively prevent similar occurrences in the future. Also, there are some opinions claiming that PBP is “too big bite” for Croatia, precluding chances it can serve a big breakthrough or warning on the pace of Sino-Croatian

economic relations. As a government pursuing ‘hardline’ convergence with CFSP, these concerns are expected to be very close to ears of Croatian leadership and was possible reason why the agenda of Plenković’s visit to China in November 2018 was slightly downscaled, focusing only on PBP and “current projects” in bilateral meetings, without discussing much other projects and proposals.

The challenge the European ‘stakeholders’ can put on ongoing phase of PBP is twofold. First, as it was allegedly suggested, the EC will apply ‘painstaking scrutiny’ in overseeing that the main contractor and supervisor (Croatian consortium: IGH, COG, Interstionzenjering) are closely following all safety, environmental, procurement standards, otherwise the EC can withdraw funds for the project. Second, this scrutiny will be canalized on Croatian govt. and Croatian consortium in charge of supervision. This will make Croatian consortium more prone to the influence of Croatian govt. and/or forwarded ‘internal’ pressures from European ‘stakeholders’.

(3) Subcontractors and boosting local economy

Even though CRBC as a main contractor through the contract was not stipulated to hire local companies, the PBP was advertised as a chance to boost local construction sector and stimulate the local companies to engage in various subcontracting services. According to various sources, CRBC so far expressed willingness to hire certain number of local companies to help with logistics, catering as well as translation, consulting and transportation services. Despite some information claiming CRBC encountered difficulties finding local subcontractors, it is hard to verify these accounts as CRBC, as reported by Vecernji list, sealed off construction site and stipulated local providers not to disclose any related information to the media.

On the other hand, the government pledged that local companies will also be included in the project. According to Transportation Ministry, local subcontractors (logistics, catering) and around local workers (translation, consulting, transportation) were discussing the terms of cooperation in August 2018. Local construction companies Skladgradnja and Konstruktor confirmed they are undergoing negotiations with CRBC regarding the provision of expertise and subcontracting of certain parts of the projects. However, the total share of local

subcontractors in the project as well as the procedures through which they obtained subcontracts remains largely unknown to public.

4. Implications on Sino-Croatian Relations

Plenkovic’s government recognized the benefits of having closer economic cooperation with China. On 16 + 1 Sofia Summit it was decided that Croatia will host the next 16 + 1 Summit. Croatia has also expressed intention to enhance cooperation in tourism, sport and film industry. Chinese investors are slowly approaching Croatia (Port of Zadar), have shown interest for Senj wind power plant, modernization of Croatian railway network, national stadium, etc. PBP is unmistakably the largest cooperation project and represents a big breakthrough in Sino-Croatian relations (SCR).

In order to sum up the impact PBP has in bilateral developments, three things should be added. First, relations with China not (yet) received due prioritization in Croatian “extra-EU” FP, in the same level as it is a case in Hungary or Czechia. As much as domestic FP pundits see the current extent of involvement between China with some CEE countries as a path which Croatia has capacity to follow, certain risk averse thinking regarding general implications it might have on European CFSP - which, in extreme case, could unnecessary drag Croatia into EU internal “block divisions”- as well as inexperience in dealing with China are main reasons why current Croatian leadership might still hold reservations about undigested initiatives and proposals for deepening SCR. PBP cooperation should be thus regarded as a result that had positive outcome on SCR only after all conflicting geo-economic implications have been ruled out. Second, catching up with China shouldn’t be mistaken for taking the lead in relations with China. Plenkovic’s government inherited rather passive and ignorant stance towards SCR, so recent “discovery” is still far from overreaching strategy towards China. Indeed, Croatian vision of SCR has limited scope and is still without comprehensive, long-term platform.

VI. The Serbian Section of the Hungary-Serbia Railway

1. Introduction to the Project

The Hungary-Serbia Railway is the rail road between Budapest, the capital of Hungary, and Belgrade, the capital of Serbia. This important road connects southern Europe, Central Europe, Eastern Europe and even the Middle East. In 2013, during the 2nd 16 + 1 Leader Summit in Romania, Li Keqiang and the Hungarian Prime Minister jointly announced the modernization plan of this railway.

The Project implemented by China consists in updating the existing non-electrified single-track railway to an electrified express railway that transports both passengers and cargos. The travelling time between the two cities will be shortened from 8 hours to 3 hours. The Hungary-Serbia Railway is the first European railway infrastructure constructed by China. It is one of the main achievements of B&R Summit Forum and the flagship project of “16 + 1 Cooperation” between China and Central and Eastern European countries.

During the 3rd 16 + 1 Leader Summit in 2014, Li Keqiang reached an agreement with the Prime Ministers of Serbia, Hungary and Macedonia to connect the Hungary-Serbia Railway to the Port of Piraeus, Greece through Macedonia, forming a “China-European Land-Sea Express Line”.

At the 7th Leader Summit held in July 2018, all participating countries welcomed the important progress made by China, Serbia and Hungary on the Project and were willing to explore the possibility of extending it to ports of Albania, Croatia, Montenegro and Slovenia, This would be further step of the pragmatic cooperation on the China-European Land-sea express line. The 17 countries wish to launch similar cooperation on infrastructure along the express Line and China-Europe Railway Express, believing that it will be beneficial to the European integration process.

Being a project of large scale and great significance, the railway faces all sorts of challenges and risks. Since Hungary is currently a

member state of the EU while Serbia is not, the Hungarian railway section of the Railway has made slow progress due to this reason. As *Financial Times*, the British media reported on February 20, 2017, the European Commission is investigating the financial feasibility and bankability of this flagship project, and whether the project violates the EU regulation that “any large project of transportation infrastructure must hold public bidding”. Until September 2018, the section in Hungary is still in the stage of preparatory work. Although a contract of the Serbian section was signed earlier, it was after four years and three inauguration ceremonies that the construction finally began.

2. The Construction of the Serbian Section

Inside the Serbian territory, the Railway is divided into three sections: the section Belgrade-Stara Pazova (34.5km), the section Stara Pazova-Novi Sad, and the section Novi Sad-Subotica (107.4km). Among them, the contractor of the section in the middle, the section Stara Pazova-Novi Sad, is a Russian railway company, and the other two sections are contracted by Chinese companies.

The investor of the Serbian sector is the Serbian Railway Company, MAV Group; the financing party is the Government of the Republic of Serbia; and the contractor is a joint venture of the Serbian branch of China Railway International Corporation (CRIC) and China Railway International Group (CRIG). In the total investment of 1.26 billion euros, the national budget of Serbia accounts for 15% of it, and the remaining 85% are provided by the Export-Import Bank of China in the form of preferential buyer’s credit loans.

In November 2016, the joint venture signed the commercial contract with the Serbian side regarding the section Belgrade-Stara Pazova. Later, after one year of preparation, more contracts were signed: the loan agreement between the Export-Import Bank of China and the Serbian Ministry of Finance signed the loan agreement, the internal framework agreement of the joint venture, and the subcontract of design between the joint venture and Institute of Transportation CIP.

Due to the numerous participants involved in the construction of this section, the negotiation process is complicated and time consuming.

On the Serbian side, in addition to the proprietor, namely, the Serbian Ministry of Transport and the MAV Group, other involved institutions include the Ministry of Labor, NOBO (the institution for certification hired by MAV), the supervision committee, the technical reviewing committee, Management Center of Serbian Railway, etc. On the other side, to complete the contract the Chinese joint venture needs to employ a list of service providers in Serbia, such as local insurance companies, security consulting companies, law firms and accounting firms. After complicated negotiation between all parties, it was not until November 2017 that the joint venture acquired the permit of construction issued by the Serbian Ministry of Transport. Simultaneous with the 6th 16 + 1 Leader Summit in Budapest, a groundbreaking ceremony was held at Zemun Station. On June 5, 2018, construction of the section was officially started. Currently, the ongoing tasks include land acquisition and demolition, recruitment of Serbian personnel, submission of design draft, docking of safety and quality plans, etc. are underway.

At the same time, the section Novi Sad-Subotica concluded three rounds of tough negotiations. The two sides have jointly determined the construction of the whole line to be fully enclosed and they have reached agreements on the price and construction period. The contract of this section was formally signed during the 7th 16 + 1 Leader Summit held in Bulgaria, on July 7, 2018.

3. Challenges Faced by the Project

(1) Fierce domestic and international competition

There are two main types of Chinese investments in Serbia. The first is building factories to produce commodities to export. In this case, the pressures come from exporters of EU member states, Russia, or Turkey and other countries. They may compete for overall share of Serbia's exporting market, under the restrictions of anti-dumping and trade protection. The second type is Chinese enterprises building large-scale infrastructure projects. The Hungary-Serbia Railway is a typical example. In this case, the competitors of Chinese companies are large multinational companies from developed Western Europe countries, Japan, the United States, and Russia. Compared with these companies,

Chinese enterprises sometimes find themselves in unfavorable conditions to win the bid. However, the clearly stated price in the project contract is one of their advantages over other competitors. Some companies complain that EU’s accusation in the transparency of bidding is actually due to their dissatisfaction of losing their traditional market. However, on the other hand it is also truth that competition between different Chinese companies might lead to a price war, which is not a good thing for the project quality.

(2) Technical and procedural compliance

Most Chinese companies going abroad accumulate their experience in domestic market, or through international projects in Asia, Africa and Latin America. Previously, the “China model” was transplanted to many African countries and it turn out to be quite successful. In Latin America, they followed the local standards left by old sovereign countries, Spain and Portugal. This time in Serbia, what they shall follow is the EU standard.

Although Serbia has not yet become a member state, for the requirements in the project procedures Serbia is basically consistent with the EU. The Serbian section of the Railway is to renovate the existing line and build another line to form a two-line electrified express railway for both passenger and cargo. It will also upgrade the signal system to the ETCS-2 level control system, and both the online and offline facilities will meet EU’s mandatory Technical specifications for interoperability (TSI standard). All construction procedures and documents shall comply with Serbian laws regarding construction, railway safety and so on. The practice of this project shows that Chinese enterprises still have much to do to be familiar with these regulations. In other words, they need the support of local third-party companies on qualified engineers, document elaborations, draft drawing and information on the equipment, in order to present a satisfactory plan.

In administrative procedures, Serbia share along and complicated approval process with many EU countries. Central and local governments interact in a different model compared to that of China. In terms of environmental protection requirements, Serbia complies with the EU’s ban on thermal power. Heavy industry is usually not allowed to exist in

national industrial parks. More details such as wind direction and river flow need to be considered when establishing a factory. Since Serbia has various neighboring countries, some projects may also need to obtain environmental permits from these countries. For example, the ongoing Phase II project of Kostolac Power Station needs approval from the Romanian government for construction near border. Currently, projects of Chinese enterprises in Serbia basically managed to meet the environmental requirements of this country, but this have increased their cost.

(3) Chinese participation and non-Chinese participation

Usually Serbia stipulate that non-Chinese proportion should account for 40 – 50% of the total project volume. For example, the contract of the section Belgrade-Stara Pazova has stated the Chinese joint venture should hire non-Chinese subcontractors, while equipment and material fabricated or assembled in China should not exceed 46% of the total contract value. Understandably, there are also requirements for employing a certain number of local labor force.

More Chinese elements were introduced by the joint venture in the design of the project. They adopted their own design in procedures such as communication, signal, electric power and electrification engineering. They also combined their managerial ideas with the Serbia convention and Serbian laws, to formulate a new management system. The Chinese executives strived to add adequate and appropriate Chinese elements into this work while ensuring the high efficiency and law compliance of the project.

4. Analysis of Future Risks

The complexity of this project is inevitable, when we consider the scale of the project, the value of its contract and the numerous participants involved in it. Due to the limits of distance and differences on language, politics, and culture between related countries, there is another problem of information asymmetry. For the Serbian section that has already started, the risks in the future consist in challenges in funding and the external environment.

(1) Financial risk

In May 2018, the international credit rating agency Moody's classified Serbia's sovereign credit rating as Ba3 (i. e. to have speculative elements and a significant credit risk.), and the outlook was stable. Overall speaking, the rating was at a lower-middle level. This year, the financial situation of the Serbian government has gradually improved if compared to the time of the financial crisis. The GDP growth rate used to drop to -3.11% in 2009, but this year the Serbian Central Bank estimated it to reach 4% . However, the public debt ratio is still high, exceeding 70% of the GDP in year 2014, 2015 and 2016, and dropping, though insignificantly, to 57% in January, 2018 after macro adjustment.

Similar to other Serbian large-scale constructions contracted by Chinese enterprises, the Serbian section of the Railway utilized buyer preferential loans provided by Chinese financial institution, the Export-Import Bank of China, and the government provides sovereign guarantee for the project. This model is the so-called Engineering Procurement Construction (EPC). Compared to the “oil-for-loan” model used in Africa, this model depends more on the financial performance of the partner country. Once the Serbian government fails to make both ends meet, China will face the situation of unable to recover part of the loans.

With increasing debt pressure, the Serbian government now encourages foreign companies to adopt the “Build-Operate-Transfer” (BOT) model or the Public-Private Partnership (PPP) model for large-scale constructions. For example, the planning Morava Canal developing project and some other highway projects are currently discussing on the BOT model. Serbian government will issue franchise certificates to private institutions interested in the projects, allow them to raise funds within a certain period of time, and to take charge of the daily management and operation after completing construction.

(2) The impact of Serbia's accession into Europe

Joining the EU is basically the most important goal of Serbia's foreign policy in recent years. The originally expectation was to become an official member states of the EU by 2020, but now most Serbian

officials and entrepreneurs believe that this process will take another 5 – 15 years. Once Serbia joins the EU, the agreements signed by Serbia and other countries will be included in EU's overall program and external strategy. For example, Serbia's free trade agreements with countries like Russia, Turkey, Belarus and Kazakhstan will be invalid, and cooperation agreements with China may also need to be adjusted accordingly. Under the framework of the EU, the Serbian section of the Railway may face some resistances, just like what the Hungarian section is facing now.

Even in a field of China's expertise, with the promotion of large state-owned enterprises and support of the government, the construction of the Hungary-Serbia Railway will never be easy. However, faced with all sorts challenges, cooperation is still the main theme and only option in line with the common interests of all countries. The project is the first attempt of Chinese railway companies to go global. From the transformation of the old line to the construction of a new one, with technological advantages the Chinese companies has made great advances regardless of all the difficulties and challenges. With the gradual completion of the Railway, it can be expected that it will provide valuable experience for subsequent B&R projects in Europe.

Chapter 5

Prospect Analysis

I. The Impact of Protectionism on the BRI

(1) The impact of European protectionism on the BRI will persist. Within the BRI framework, it is difficult for China and the EU to make substantial progress in the short run, but will make progress in the medium and long run.

Judged from the current situation, the protectionist sentiment around Europe is strong; Europe's refugee crisis, terrorism, etc. will not ease in short time; the political ecology will remain conservative in the foreseeable future; and the protectionist forces may even grow. A large number of European voters are complaining about the threats posed to Europe by globalization and emerging powers. Therefore, in the short term, European governments may likely adopt protectionist measures to relieve their ruling stress, and thus protectionism still has a huge survival space.

In the context of a growing protectionist climate, China-EU policy communication barriers within the BRI framework will increase in the future. The EU institutions and some major powers will continue questioning the BRI^①. At the Leaders Roundtable of the Belt and Road Forum for International Cooperation, the China-EU Annual Summits, bilateral meetings between China and European countries and many other occasions, an agreement on the BRI could not be reached. The EU insisted on adding “transparency” and “reciprocal cooperation” terms as

^① “EU Backs Away from Trade Statement in Blow to China's Modern Silk Road Plan”, the Guardian, 15 May 2017, available at <https://www.theguardian.com/world/2017/may/15/eu-china-summit-beijing-xi-jinping-belt-and-road>.

well as European specific standards to the agreement. While adhering to high standards, the United Kingdom insisted on adding “best practices” and “best standards” that the European side considers, which made it difficult to reach an agreement^①. It is expected that the EU and its member states will increasingly stress China through setting premises for BRI cooperation. The competition between the BRI and European rules and practices will become more apparent. European great powers or EU institutions will continue to apply their own rules and practices to build a higher protectionist wall for the EU common market and common interests.

This situation is estimated to ease in the long term. First, European countries still have strong incentives to attract foreign investments and share development opportunities with emerging economies; Second, with the growth of BRI projects in Europe, Chinese enterprises have become increasingly familiar with the local business environment, assume more social responsibilities, and create more employment opportunities. The European public perception on the BRI will shift accordingly, and the objective understanding on the constructive significance of the initiative will grow.

(2) Chinese investments in Europe will be put under more supervisions, but the EU will employ a more balanced approach to deal with the BRI investments in Europe.

The EU will continue to promote the construction of an investment security review mechanism and establish such a regime on Chinese investments at the EU level. In order to avoid more controversies, the EU will define the strategic industries more clearly, set clearer standards for Chinese investments, and at the same time integrate Chinese financial instruments into the existing EU mechanisms such as the Pan-European Network Service^②.

In the future, the EU will also seek a balance between market

① “May Resists Pressure to Endorse China’s ‘new silk road’ Project”, *Financial Times*, 31 January 2018.

② “Foreign Investment Screening and the China Factor: New Protectionism or New European Standards?”, November 16, 2017, <http://cn.bing.com/search?q=Europe+protectionism+China&qs=n&sp=-1&pq=undefined&sc=0-25&sk=&cvid=77D35329CFC54F098429CC247B26194A&first=11&FORM=PERE>.

protection and openness while refining the provisions and regulations of the investment security review mechanism. As a European think tank analyzed, market protection is not sustainable on the pretext of national security. As a practitioner of free market, the EU must uphold the true openness principle and take smarter measures to prevent its market from being undermined by protectionist measures. Fair competition environment is very important for maintaining the long-term competitiveness of EU products and the multilateral international trade regime. Therefore, the EU is bound to make a good balance between the free trade principle and the protection of key sectors, so as to avoid being misread by the outsiders that market protection against China is a kind of anti-China action^①. Therefore, although the investment environment faced by the BRI in Europe will become unfavorable, there still will be great space and opportunity for cooperation.

In the future, the negotiation of the China-EU Investment Agreement might be forced to accelerate due to the further improvement of the market protection regime, and thus, better solidify and regulate their bilateral investment cooperation, and promote the BRI investments to be implemented in the legal framework jointly recognized by China and the EU.

(3) There will be no substantial relief in trade disputes between the two sides due to trade protectionism.

The no recognition on China's MES indicates that trade disputes and frictions between the two parties will last. The EU renounces the “MES” and “non-MES” concepts and turns to the concept of “economic distortion”, in order to preserve the legal basis of anti-dumping investigation against China. Once the EU identifies that there is a market “significant distortion” in China, it can apply the price of a given product in a third country to judge whether there is dumping. The EU's new anti-dumping investigation method is not different fundamentally from the old one — except the shift of applicability from the past “non-

① “Foreign Investment Screening and the China Factor: New Protectionism or New European Standards?”, November 16, 2017, <http://cn.bing.com/search?q=Europe+protectionism+China&qs=n&sp=-1&pq=undefined&sc=0-25&sk=&cvid=77D35329CFC54F098429CC247B26194A&first=11&FORM=PERE>.

market economy market” to “severely distorted market”.

Under the guidance of this principle, the EU’s existing anti-dumping weapons remain in force. The number of European anti-dumping investigations over China will not reduce, instead, the anti-dumping and anti-subsidy forces in given fields will increase in alignment with the EU’s interests and public opinion. Therefore, in the short and medium term, there will be no significant breakthrough on trade disputes and frictions between China and Europe.

(4) The American influence on European protectionism is remarkable; and the future China-EU relationship will be featured with a mix of competition and cooperation.

The American influence on European protectionism is seen at both positive and negative aspects, and the two aspects reinforce one another. At the positive aspect, the American influence on European protectionism is very direct and concrete, such as Mr. Trump’s significant impact on the rise of European populism. The investment security review and the no-recognition policy on China’s MES, are implemented under direct American influence and intervention, to a certain degree. Therefore, the US and EU have always been stressing China. They share common stances and interests in encouraging China to open market, import more, and protect intellectual property rights.

At the negative aspect, the US and EU are contradictory in some areas, as the Trump administration favors trade unilateralism, and rejected to abide by the international trade regime. These have triggered the contradiction between the EU and the US. Moreover, the endless trade frictions caused by the US also dissatisfy the EU. Europe desires to strengthen its cooperation with China to safeguard trade multilateralism and liberalism, as well as globalization. Therefore, there is a common basis for China-EU cooperation in relation to the US. In this case, by strengthening cooperation with Europe to oppose American trade protectionism, China can partly ease the trade pressure imposed by Europe. In sum, the China-EU confliction and cooperation the protectionism issue will become normal, and the depth of their bilateral cooperation will be affected by American factors. The implementation of BRI in Europe needs to take full consideration of these complex characteristics, and explore better cooperation opportunities.

II. The European Proposals and Recommendations for Cooperating under the BRI

There are already some studies on how the EU views the BRI and how the EU can participate. This indicates that the EU pays high attention to the BRI, and desires to strengthen cooperation with China to benefit mutually. China should be aware of the European stances and raise constructive cooperation programmes in a targeted manner.

The author summarizes the proposals raised by a European think tank^① as follows.

(1) The EU should use the framework of the “Connectivity Platform” to seek greater clarity on the geographical and project scope of the BRI. In particular, in collaboration with China, it should seek to establish priority corridors and develop corridor studies analogous to those prepared for TEN-T.

(2) There is no immediate case for modifying the existing TEN-T programme to address bottlenecks or constraints with a view to accommodating additional traffic generated by the BRI. The scope and future evolution of the BRI is too uncertain to be confident that investment at specific locations along a given TEN-T corridor would be justified.

(3) However, the TEN-T Corridor Studies should be reviewed periodically to take account of developments in the BRI and other relevant third-country initiatives. More generally, TEN-T policy should become more outward-focused to take explicit account of such initiatives. The regular review of TEN-T Corridor Studies should be facilitated by the preparation of traffic forecasts for priority BRI corridors, following the model of the European Commission’s Reference Scenario forecasts of transport, energy and emissions.

(4) The European Parliament should support the European

① Steer Davies Gleave: Bianca COSENTINO, Dick DUNMORE, Simon ELLIS, Alberto PRETI, The new Silk Route-opportunities and challenges for EU transport, January 2018, <https://research4committees.blog/2018/01/16/the-new-silk-route-opportunities-and-challenges-for-eu-transport/>.

Commission in implementing its proposals for implementing a European Industrial Policy, in particular those initiatives designed to establish the EU's position as a global hub for standards, and more generally improve the competitiveness of European export industries.

(5) The European Parliament should also support the European Commission in developing and implementing proposals for the screening of foreign direct investment (FDI), the opening up of public procurement markets in third countries, and encouraging China to participate in the OECD Arrangement on Guidelines for Officially Supported Export Credits.

(6) The European Parliament should continue to monitor closely the negotiation of the Comprehensive Agreement on Investment with China, with a view to ensuring that it provides a platform for fair and undistorted competition and for compliance with EU market rules and standards in the promotion and implementation of future BRI projects.

III. Chinese Proposals and Responses

So what kind of measures should China take to respond effectively to the risks?

First, be prepared for risk assessment and prediction, and make it a systematic project.

Carry out the ex-ante risk assessment, risk aversion in the course, and the ex-post risk summary in the course of BRI projects, and amass risk assessment cases. Take risk assessment a systematic and compulsory work, and integrate it into the first steps of regime construction, government policymaking and commercial investments. In the forthcoming ungraded BRI construction programme, the weight of risk assessment should be increased, and risk assessment should be lifted to play a more important role in assisting the implementation of the BRI.

The role of think tanks in risk assessment should be highlighted. They should be encouraged to build long-term strategic partnership with governments and enterprises. Governments or enterprises can obtain risk assessment outputs through strategic cooperation, government procurement, etc. , and in turn, think tanks can serve governments and

business stakeholders in this manner.

Second, several principles of China-Europe relations under the BRI should be underlined.

1. Deal with Bilateral and Multilateral Relations Properly

Europe is a complex actor. The China-Europe relations at bilateral and multilateral dimensions are equally important, and it is normal for China to perform dual-track diplomacy with the EU and its member states.

China attached great importance to deal with European institutions and major powers in the past, but the interests of the EU institutions and EU member states have become more diverse at present, and the EU institutions cannot negotiate with thirdparty on most issues on behalf of its member states. In the case of the EU’s investment security review mechanism, although the EU would like to reinforce the security review on foreign investors, there remain many different voices among member states. Therefore, the EU has to strengthen coordination at the institutional level, while leave the right of making the final call to member states.

For “16 + 1 Cooperation”, it is important to focus on bilateral rather than multilateral cooperation at the moment, and do not rush to fit all the countries in the framework, although it is multilateral. It is no easy task integrating all the 16 countries, and China should endeavor to lay a solid foundation for bilateral cooperation first. Only when the 16 pairs of bilateral relations are consolidated, the overall cooperation within the “16 + 1 Cooperation” can become possible.

At the same time, it should be noted that some of the CEE countries have taken note of the fact that cooperating with China as a group can benefit more easily. Therefore, as a platform, the “16 + 1 Cooperation” will not play a better role until it is properly applied. The multilateral platform, as an effective complement to bilateral cooperation, can lead to a mutually supportive and reinforcing effect.

2. Deal with Public and Private Relations Properly

In the future China-EU cooperation under the BRI, government should play a very important role, but government can not do everything and do everything perfectly. The role of non-governmental organizations should also be stressed, as well as the relationship between the authority and market. The power of market should be harnessed based on the public-private partnership. Future cooperation should focus on micro-domains, turn to SMEs and local cooperation, and pay more attention to humanities exchanges.

3. Deal with Elite and Public Relations Properly

European countries are all democratic, where public opinion matters a lot. Therefore, although Chinese policymakers can work with European elites at the early stage of the BRI, public perception will become more important later. The BRI and the “16 + 1 Cooperation” should find them a broader audience, so that the public can better understand the inclusiveness nature of the Chinese initiatives.

At the same time, cooperation with elites should be managed well. The elites’ views usually play a guiding role, especially on such platforms as media and academe. In the future, the two sides should invest more in think tanks, media and public diplomacy platform, and promote the benign interaction between elites and the public.

4. Deal with the Relations Between Individual Cases and Inclusiveness Nature Properly

For cooperating with European countries, it is vital to talk more about popular (successful) cases and be cautious about inclusiveness, as inclusiveness is difficult to balance between actors. Promoting (successful) cases is one of the effective manners to achieve universal benefits. The promotion of (positive) cases can serve to nurture the proactivity of European states to strengthen cooperation with China, or at least to block the dissemination of negative impact among European

countries.

Due to the imbalance in economic and trade volume with China, European countries favor to employ the EU consultation mechanism to protect their interests. At the one-to-many level, the impact of policy transmission between EU member states sometimes puts Chinese enterprises at an unfavorable position. The policy transmission or mutual influence among member states makes them easy to reach an implicit agreement. The result is often that the negative impact brought about by the unfavorable construction projects of Chinese enterprises are more likely to disseminate among European states than the positive impact brought about by Chinese best practices. Chinese investors should pay attention to and prevent themselves from losses in such cases when they are going global.

5. Deal with the Big-Europe and Small-region Perspectives Properly

It is key to keep the concept of “big Europe” in mind, and deal with the relations between China, CEE and western European countries properly. Germany and France locate at the upper stream of the production chain of CEE countries. And the main trade partners of CEE countries are Germany and France as well. It is impossible to develop relations with CEE countries without taking western Europe and EU institutions into consideration. Meanwhile, as Europe is always complex, deep regional and sub-regional cooperation remain important, such as the cooperation with Visegrad Group, Balkan and Southeastern European countries. They constitute the basic cells for boosting China-EU cooperation, and can result in more links and benign interactions between the two sides.

IV. Suggested Policies

First, resolutely oppose the EU’s “market distortion” concept.

China should resolutely oppose the EU from imposing the self-made so-called “market distortion” concept. China should maintain the

rights under the WTO settlement mechanism and take necessary measures to resolutely safeguard its legitimate trade rights and interests. The Chinese Ministry of Commerce has pointed out that the European method violates WTO rules. There is no such concept of “significant market distortion”, neither provisions about social and environmental dumping in WTO rules. The new EU anti-dumping investigation method lacks its basis in WTO rules. Therefore, the trade investigation based on the concept of “significantly distorted market” will be a challenge to the WTO free trade principle. China should formulate a counter-measure in accordance with WTO rules, to warn against the EU’s unfair review over Chinese trade.

Second, prepare to file a trade lawsuit with the EU.

In accordance with WTO rules, responding to the EU’s failure of terminating the “substitute country” practice in anti-dumping investigation, China proposed a consultation request to the WTO dispute settlement mechanism in December 2016. In December 2017, China’s suit over the EU on anti-dumping “substitute country” practice held its first hearing in Geneva, Switzerland. The two sides might submit a second written statement in March 2018 and a second hearing might be convened between May and June 2018. China should apply legal weapons to solve the problem.

Third, accelerate the reform of state-owned and central enterprises, stimulate the vitality of enterprises, and improve their international competitiveness.

In the battle of reforming state-owned and central enterprises, it has been clearly declared that the CCP’s leadership should be guaranteed; the CCP’s construction should be strengthened, the accountability regime should be continuously implemented; and the CCP’s working institutions should be well-established. At the same time, in accordance with the requirements of streamlining administration, delegating more powers to lower-level governments and society, improving regulation and optimizing services, perform duties lawfully, and strengthen the supervision of state-owned assets with the focus on capital management. Identify the cardinal points of supervision, improve the efficiency of state-owned capital and enhance their vitality. Chinese enterprises, especially large and medium-sized

state-owned enterprises, must be familiar with EU rules when they go abroad. The Chinese stakeholders should be familiar with the European laws and regulations in the trade field at EU and member state levels as soon as possible. Establish a team on law and trade to strengthen the capability of resisting trade risks, and effectively apply legal weapons to safeguard interests.

Fourth, accelerate the negotiation of bilateral investment agreement with the EU.

The role of the China-EU Bilateral Investment Agreement is not restricted to providing a legal basis for the development of bilateral investment relations, some provisions of the agreement are likely to become the new international investment rules in the future. Therefore, further promoting the China-EU bilateral investment agreement negotiation and reaching a series of consensus will greatly safeguard Chinese trade interests in relation to the EU.

Fifth, make sure the BRI and “16 + 1 Cooperation” are down to earth by emphasizing the role of the public.

In the past five years since the BRI was introduced and “16 + 1 Cooperation” was launched, China has done a lot of work to strengthen people-to-people ties, which has aroused widespread attention from many European elites. However, in the views of some European think tanks, the implementation of the BRI and “16 + 1 Cooperation” should gradually shift from “upper path” to “grassroots path”, so that they can collect more public awareness.

Dr. Valentin Katrandjiev, researcher at the Bulgarian Diplomatic Institute, points out that “16 + 1 Cooperation” should develop a broader societal base. Even for those Chinese in Bulgaria, they do not know what “16 + 1 Cooperation” is. The EU and China should further strengthen cooperation ties between experts, media, and think tanks. The two partners should not restrict the framework at the elite level, and should rely more on the media and the public to shape the framework and lay a broader societal foundation for “16 + 1 Cooperation.” Researcher Hu Qingjian from the Hungarian Geopolitical Research Institute argues that “16 + 1 Cooperation” is very important, but now it is not visible to the public. The public does not understand it and its popularity is limited. Hungarian people don’t know much about the

“16 + 1 summit”, although it was convened in Budapest. Albania’s former ambassador to China, Hajdar Muneka^①, finds that the mutual understanding between the two sides is still not profound enough. Many people, including representatives in the Albanian parliament, are not very clear of the “16 + 1 Cooperation” concept. He suggests that China and its European partners should mobilize non-profit organizations, government departments and popular figures to participate. Grzegorz Stec^②, a visiting scholar at Yanjing Institute, Peking University, and a researcher at the European Institute for Asian Studies, argues that if the cooperation between China and CEE countries only takes place at high and national levels, it is difficult to become pragmatic and achieve tangible results.

Sixth, reach a win-win outcome by holding import and export expos.

Although the trade imbalance between China and European countries has its industrial structural roots, the Chinese authority has been formulating and implementing import strategies for the purpose of nurturing a coordinated and sustainable economic and trade relationship. The Import Expo held in 2018 was a good opportunity to reduce Chinese trade deficit with European countries. More measures in this vein can be taken to create a more benign and sustainable China-EU economic and trade cooperation relationship.

① Speech by Hajdar Muneka, Former Ambassador of Albania to China, at the 4th High Level Think Tanks Symposium between China and Central and Eastern European Countries, Beijing, China, 18 – 19 December 2017.

② Speech by Grzegorz Stec, Yenching Scholar at Peking University, Associate Researcher at the European Institute for Asian Studies, at the 4th High Level Think Tanks Symposium between China and Central and Eastern European Countries, Beijing, China, 18 – 19 December 2017.

Appendix

Survey on Views of European Countries about the “Belt and Road” Initiative(2018)

To whom it may concern,

This survey is conducted by the China-CEEC Think Tanks Network, Chinese Academy of Social Sciences and financed by China-CEEC Relations Fund. Its goal is to evaluate the opinions and views of European experts/commentators/thought leaders active within Sino-European cooperation framework on the Belt and Road Initiative (BRI). This survey is being carried out for research purposes only. We ensure the privacy of your personal information. Please complete the survey basing it on your individual perceptions and views. Thank you for your support and cooperation!

I. Basic Information

1. Gender

a) Male

b) Female

c) Other (Specify) _____

d) Prefer not to specify

2. Age

a) Below 30

b) 31 – 40

c) 41 – 50

d) 51 – 60

e) Above 60

f) Prefer not to specify

3. Nationality (Specify—roll down list plus “other _____”)
4. Occupation
 - a) Civil servant
 - b) Think Tank Researcher
 - c) Journalist
 - d) University Academic
 - e) Business owner
 - f) Other(Specify) _____
5. How long is your experience of studying/working in China (a cumulative time)?
 - a) I don't have the experience of studying/working in China (e. g. only attended business trips or visits to conferences)
 - b) Less than 6 months
 - c) 6 – 12 months
 - d) 1 – 2 years
 - e) 2 – 5 years
 - f) Over 5 years

II. Definition of BRI and its goals

6. What are the primary drivers behind the “Belt and Road” Initiative?

Please choose the top 5 among the 14 drivers listed below and assign a number from 1 being the most important to 5 being the least important.

If you think that fewer than 5 drivers cover the list of primary drivers mark only those (e. g. 1 – 3) and assign “0” or “X” to other drivers.

- ◇ Addressing the developing countries need for investments
- ◇ China's domestic development / Overcapacity of certain sectors
- ◇ China's domestic political interests
- ◇ China's rise in the world
- ◇ China's search for natural resources
- ◇ China's search for new markets
- ◇ Establishment of a new form of global governance / a new form of globalization
 - ◇ Establishment of a new geopolitical order
 - ◇ Expansion of China's influence
 - ◇ Facilitating increase in global trade

◇ Facilitating better investments/usage of China’s 3 trillion foreign reserves

◇ Facilitating mutual cooperation focused on win-win results

◇ International development aid/support

◇ Internationalization of Chinese companies

◇ Other (specify) _____

◇ Other (specify) _____

◇ Other (specify) _____

7. Assess the statements by choosing a point on the spectrum best representing your personal views.

Please mark the point on the spectrum that best represents your personal views.

— BRI was proposed by China, but it will become a multilateral initiative led by multiple actors

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI implementation adheres to principles of co-discussion and co-construction

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is focused only on China’s interests and gains

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is a specific strategy planned by China in details

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is a purely economic project

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is a two-way street where Chinese goods and funds gain access to foreign markets and foreign goods and funds gain access to Chinese market

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is run by both Chinese and foreign institutions and companies

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is focused only on a heavy infrastructure buildup

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

III. Assessment of BRI in Europe

8. Please assess the quality of cooperation between China and your

home country under the BRI (since 2013) within the relevant field and the level of interest of your country in the relevant field.

Assign a number on a scale from 1 to 5.

“1” meaning that in your view the level of development of cooperation has been very low in the relevant field/that the field has been of low-interest to your country, “5” meaning that in your view the level of development of cooperation has been of very high in the relevant field/that the field has been of high-interest to your country,

	Development (1 – 5)	Importance to your country (1 – 5)
Investments in agriculture		
Investments in energy		
Investments in infrastructure		
Investments in manufacturing		
Trade development		
People-to-people exchange		
Political dialogue		
Think tanks/Experts Exchange		

9. Please assess the quality of cooperation between China and the EU under the BRI (since 2013) within the relevant field and the level of interest of your country in the relevant field.

Assign a number on a scale from 1 to 5.

“1” meaning that in your view the level of development of cooperation has been very low in the relevant field/that the field has been of low-interest to the EU, “5” meaning that in your view the level of development of cooperation has been of very high in the relevant field/that the field has been of high-interest to the EU.

	Development (1 – 5)	Importance to your country (1 – 5)
Investments in agriculture		
Investments in energy		
Investments in infrastructure		
Investments in manufacturing		

(Contd.)

	Development (1 – 5)	Importance to your country (1 – 5)
Trade development		
People-to-people exchange		
Political dialogue		
Think tanks/ Experts Exchange		

10. Assess the statements by choosing a point on the spectrum best representing your personal views.

Please mark the point on the spectrum that best represents your personal views.

— BRI offers significant opportunities to Europe at large

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI is an opportunity for my country

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI has had major accomplishments in Europe

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI has had major accomplishments in my country

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— There is room for synergy between BRI and European regional development projects

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— Communication between the Chinese government and my country’s government has been going smoothly and has brought good results

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— Communication between the Chinese government and the EU institutions has been going smoothly and has brought good results

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI in Europe can be efficiently carried out through the mechanisms that are already in place

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— My country’s government holds a favorable view on BRI

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— The population of my country holds a favorable view on BRI
 Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— The EU institutions hold a favorable view on BRI
 Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— The level of knowledge about China in political, economic and academic circles is sufficient in my country

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— The level of knowledge about China in the population at large is sufficient in my country

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— BRI financial mechanisms deployed as part of BRI are well-suited to facilitate China-Europe cooperation

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— China-CEE Cooperation has a positive impact on Sino-European cooperation

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— China-CEE Cooperation allows greater coordination of Sino-European cooperation

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— “Connecting Europe and Asia” strategy that was recently launched by the EU has a high synergy potential with BRI

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— “Connecting Europe and Asia” strategy can assist BRI in standards setting

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

— “Connecting Europe and Asia” strategy shows that EU sees China’s BRI as a challenge

Strongly agree / Agree / Indifferent / Disagree / Strongly disagree

11. What are the major challenges for developing BRI cooperation between China and Europe?

Please choose the top 5 among the 15 challenges listed below and assign a number from 1 being the most important to 5 being the least important among them.

If you think that fewer than 5 challenges cover the list of primary drivers mark only those (e. g. 1 – 3) and assign “0” or “X” to other drivers.

- ◇ Concerns over capacity of reaching EU’s standards for Chinese infrastructure construction
 - ◇ Concerns over trade imbalance and unbalanced trade structure
 - ◇ Concerns over transparency of procedure of Chinese infrastructure construction
 - ◇ Difference in geopolitical interests
 - ◇ Ideological differences
 - ◇ Insufficient mutual recognition of regulations and mutual assistance in law enforcement
 - ◇ Insufficiently clear communication of BRI’s goals and lack of blueprint
 - ◇ Lack of human capital
 - ◇ Lack of knowledge among the decision makers
 - ◇ Lack of reciprocity on market access from Chinese side
 - ◇ Lack of success of flagship BRI projects in Europe
 - ◇ Lack of synergies between interests of European countries or the EU and BRI
 - ◇ Lack of trust as European count suspicious attitudes towards the “16 +1 Cooperation” and perception of China as trying to divide EU
 - ◇ Lack of win-win results
 - ◇ National security concerns of European countries
 - ◇ Other (specify) _____
 - ◇ Other (specify) _____
 - ◇ Other (specify) _____

IV. Recommendations for future development of Sino-European cooperation under BRI

12. From your point of view, what steps should be taken to address the challenges that the “Belt and Road” Initiative is facing in Europe at this stage?

Please choose the top 5 among the 15 solutions listed below and assign a number from 1 being the most important to 5 being the least important among them. If you think that fewer than 5 solutions cover the list of primary drivers mark only those (e. g. 1 – 3) and assign “0” or “X” to other drivers.

- ◇ Combine implementation of BRI with implementation of EU’s

“Connecting Europe and Asia” strategy

- ◇ Ease the visa policies
- ◇ Encourage localization of investments and greater usage of local companies/contractors
- ◇ Enhance the direct cooperation between Chinese and European enterprises
- ◇ Establish new BRI dialogue mechanisms to enhance the consultation with the EU institutions
- ◇ Increase China’s reciprocity and market openness for European businesses
- ◇ Increase cooperation on green development and climate change
- ◇ Include EU institutions in the process of setting standards for BRI projects
- ◇ Increase the transparency of BRI projects
- ◇ Increase the number of greenfield investments under BRI
- ◇ Increase the people to people exchange
- ◇ Pursue jointly funded China-EU projects in EU
- ◇ Pursue jointly run China-EU projects in BRI countries in Central Asia or Africa
- ◇ Other (specify) _____
- ◇ Other (specify) _____
- ◇ Other (specify) _____

13. From your point of view, what steps should be taken to address the challenges that the “Belt and Road” Initiative faces in regards to cooperation with your country at this stage?

Please choose the top 5 among the 15 solutions listed below and assign a number from 1 being the most important to 5 being the least important among them.

If you think that fewer than 5 solutions cover the list of primary drivers mark only those (e. g. 1 – 3) and assign “0” or “X” to other drivers.

- ◇ Ease the visa policies
- ◇ Encourage localization of investments and greater usage of local companies/contractors
- ◇ Enhance the direct cooperation between Chinese enterprises and those coming from your country

◇ Establish new BRI dialogue mechanisms to enhance the consultation with your country institutions

◇ Include institutions from your country in the process of setting standards for BRI projects

◇ Increase cooperation on green development and climate change

◇ Increase China’s reciprocity and market openness for businesses from your country

◇ Increase the number of greenfield investments

◇ Increase the people to people exchange

◇ Increase the transparency of BRI projects

◇ Pursue jointly run projects in other BRI countries in Central Asia or Africa

◇ Pursue more jointly funded projects in your country

◇ Other (specify) _____

◇ Other (specify) _____

◇ Other (specify) _____

14. From your point of view, what are the biggest challenges in facilitating an effective people-to-people exchange between China and European countries?

Please assign numbers corresponding to the level of importance of a challenge with “1” being the most important. If you think that a proposed challenge is not relevant please mark it with an “X”.

◇ Ideological differences

◇ Insufficient number of exchanges and programs

◇ Lack of willingness of both sides to cooperate

◇ People-to-people exchange requires more time and cannot be facilitated over a short-term period

◇ People-to-people exchange programs should be run in a way that allows more in-depth and meaningful exchange

◇ Other (specify) _____

15. Please offer other suggestions of strengthening the cooperation between China and Europe under the “Belt and Road” Initiative below.

Thank you for your support!

The Author

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