CHINA-EUROPE BRI CONNECTIVITY: WHAT'S WRONG, WHAT'S NEXT

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Abstract: *Connectivity is definitely a prerequisite of economic development and China has known and experienced that for millennia. To get rich, this country focussed on developing domestic infrastructure and it now goes further on, committing itself to building infrastructure networks at intercontinental level, under the Belt and Road Initiative (BRI). Naturally, China's proposition to the other countries has embeded its national interests - which is perfectly acceptable up to a certain level – but, in practice, the Chinese companies' actions have pushed their own interests much further, up to the point where their partners have come to the conclusion that the win-win promise of Chinese officials means nothing more than „China wins twice", while for them, China-financed and implemented projects might rather equate with losses and risks. This paper looks at these issues, focussing on what's wrong and trying to envision the way forward (what's next).*

Keywords: *China, Europe, EU, CEE, BRI, OBOR, connectivity, infrastructure, sea ports, railways, investments, win-win.*

JEL Code: *F21, G33, H53, H81, N74, N75.*

1. BRI and some of its implementation hurdles

Connectivity, *infrastructure* and *win-win* have become the buzz words of the recent five years in the rhetoric backing two major Chinese international endeavours of utmost interest for Europe: the largely promoted and most looked at *Belt and Road Initiative* (BRI) and the less widely known, *16+1 Platform*.

Launched in 2013 as "One Belt One Road" (OBOR), the "Belt and Road Initiative" (BRI) – as it has been renamed since 2017 – is a China-designed, China-centric strategy, that aims at re-constructing the ancient Silk Road at the standards of the 21st century and on a much larger scale: it envisions a terrestrial component spanning three continents (the Belt) – Asia, Africa and Europe – and a maritime one, covering the oceans and seas between the three (the Road). The strategy is designed around the idea of increased connectivity as a prerequisite of the countries' economic growth and development and it envisages the construction of extended networks of both hard and soft infrastructure between the three continents and beyond: on the one hand highways, railroads, tunnels, bridges, channels, as well as pipeline, energy and telecommunications networks interconnecting cities, technological and industrial parks, new or modernized ports and airports, and, on the other hand, international trade and transport agreements, financial

cooperation mechanisms, institutional building, harmonized policies and standards, as well as enhanced people-to-people relations and cultural exchanges.

As it currently includes (but it isn't limited to) roughly 80 countries, covering about two thirds of the overall world population and involving Chinese investments estimated at a total of about USD 1 trillion (Hillman, 2018a), the strategy is obviously huge in scale, costs and ambitions. But albeit promoted as a global public good that is meant to speed up development and bring prosperity to all the countries involved, the BRI seems to primarily be meeting China's domestic and foreign policy purposes (Box 1), aiming at both pushing further the Chinese supply-side reforms, economic rebalancing and advancement and at reshaping the world economy, international relations and global order according to Chinese interests and goals.

Despite having increasingly captured the world's attention since its announcement, the BRI has largely remained "*…the best-known, least-understood policy effort underway*" (Hillman, 2018 b), that is perceived as "*amorphous*" (Economist, 2016) and non-transparent, short of reliable information, of unequivocal criteria on what should a BRI project be, as well as lacking the necessary definitions, rules and norms to regulate the partnership relations between the involved. While these traits could be interpreted as elements of the strategy's flexibility, they might rather create the appropriate conditions for biased decisions, collusion and corruption, rent-seeking, a tilted playing field and unfair competition.

Box 1: Determinants and aims of BRI genesis

The 2013 advent of the *One Belt, One Road* strategy was brought about by China's economy structural asymmetries and imbalances that had demanded comprehensive supply-side reforms. OBOR seems to have firstly been designed with a view to mitigating China's economic vulnerabilities and inefficiencies by:

- Creating external demand for the home industries burdened with overcapacity - primarily for steel, cement, glass, aluminium, other metals and construction materials;
- Creating external demand for the Chinese construction equipment industries;
- Creating new jobs for the Chinese, both at home and abroad;
- Relocating abroad obsolete, low-technology or too polluting industrial units and restructuring domestic industry and reshaping regional and global value chains, in the process;
- Relocating capacities with lost competitiveness between China's regions, to geographically rebalance domestic economy;
- Closing advantageous agreements with the resource-abundant countries along the BRI corridors and investing in adequate infrastructural connections to ensure the long-term procurement of the necessary commodities for the national economy;
- Creating alternative, safer corridors for China's international transports - primarily for oil;
- Building transport networks that facilitate, shorten and cheapen Chinese delivery of goods to foreign markets, at the transited countries' cost;
- Getting Chinese-financed infrastructure construction contracts for the Chinese designers and builders (simultaneously crowding out any local and/or foreign competition, with dumping prices underpinned by state subsidies and/or by

imposing credit-linked obligations).

- Hastening and supporting the internationalization of Chinese companies, taking over valuable foreign assets in strategic industries, innovative start-ups, units owning intellectual property rights over state-of-the-art technologies, R&D capabilities, renowned brands, extensive and efficient distribution networks, to speed up China's transition to the innovation-led economy;
- Capitalizing on the nation's huge external reserves;
- Fostering an increasingly larger use of the RMB as an international currency.
- Diverting by all these ways a large part of the world economy towards China, rendering the countries in the BRI area "*…more dependent on the Chinese economy, increasing China's leverage over them*" and empowering it to *"…more readily shape the rules and norms that govern economic affairs in the region"* (China Power Team, 2017).

Also, the strategy was designed with the purpose of repositioning China globally, among the great economic powers of our time, increasing its influence, promoting its own model, interests and will and helping reshape the entire global order according to them. Additionally, beneath all these more visible, overlapping layers of interests and goals, there seems to be a deeper, probably even more important, geostrategic and military one, which may explain best China's involvement in extremely unsafe but strategically significant regions, where no investors dare go, and risk large amounts of money on potentially unsustainable projects.

Source: the author

The question of the tilted playing field

It is documented that no less than 89% of all the Chinese-financed transport infrastructure projects in 34 Asian and European countries along the BRI corridors have been assigned to Chinese companies without tendering, leaving only 11% to other contractors (7.6% to the local firms and 3.4% to the foreign ones, other than Chinese). For comparison, in the case of infrastructure projects financed by multilateral development banks – such as the World Bank, or the Asian Development Bank – the distribution of contracts was much more in favour of the local companies (40.8%), with the obvious purpose of generating a strong positive impact on the local economy, while the balance was almost equally shared between Chinese (29.0%) and non-Chinese (30.2%) foreign companies (Hillman, 2018 b).

Moreover, albeit China is truly not meddling in the beneficiary country's "internal matters" (such as, for instance, local reforms, human rights observance, transparency, or even the economic and environmental sustainability of the projects financed), the terms of the loan contracts that Chinese companies offer for infrastructure building do have many strings attached. They usually include a series of preconditions – which may seem quite benign, but not always are –, regarding not only the direct assignment of contracts to Chinese builders, but also the mandatory use of Chinese equipment, materials and labour for project implementation, which leaves almost no chance for a local positive economic impact in terms of job creation, or a significant boost to the local horizontal industries. On the contrary, such terms crowd out local contractors and may even push some of the local producers to bankruptcy on the grounds of subsidized imports from China. Moreover, some other contractual terms, such as *long-term tax exemptions* granted to Chinese firms - as it is the case in Pakistan, for instance -, have created a discriminatory playing field for

the local companies, that has virtually put an end to local manufacturing (Chansoria, 2018).

The question of Chinese loan securing

Additionally, Chinese loans are strongly secured against risks by either *sovereign guaranties* from the beneficiary states, or by other contractual provisions that protect against default, such as *collaterals* (e.g. giving China access to local natural resources, or to strategic assets in case of default), or *debt-to-equity swaps for the settlement of the outstanding debt* (i.e. the borrower accepting to yield to the Chinese investor equities in the social capital of the newly-built asset, up to the amount due). The recent case of the deep-sea strategic port of Hambantota in Sri Lanka, which, after being modernized by Chinese firms was not commercially viable, could not earn sufficient returns to service the outstanding debt and had, therefore, to be handed over to the Chinese investor company[1] for 99 years, is a case that speaks clearly about how benign such contractual terms may be. On the other hand, countries such as the EU members in Central and Eastern Europe (CEE11) cannot grant sovereign guaranties, as demanded by China, and risk enlarging their national debt to unacceptable levels according to their previous EU commitments.

The question of cheap Chinese credit

On the other hand, the quite advertised *Chinese cheap credit* is not always that cheap. Given the usual lack of transparency that surrounds Chinese actions, such data are very scarce, but pieces of information still appear. They show that while the interest rates asked for by China for BRI infrastructure loans are sometimes in the range of 2% to 3%, which is below the commercial rates level, they are still much higher than those offered by other competing investor countries, such as Japan[2] (0.25%-0.75%), or those attached to the *soft loans* given by the multilateral development banks[3] (0.25%-3%), and they tend to escalate to 5%, making repayment more difficult (Manuel, 2017).

In other cases, such as that of Sri Lanka (Hambantota) or Pakistan (CPEC[4]) projects, the interest rates have been quite high from the outset, climbing to 6.3%, or even up to 8%-10%, (Economic Times, 2018). On the average, Pakistan, for instance, has to pay annual interest rates of 7%, amounting to values that account for 0.5-1p.p.[5] of the country's entire GDP, so that, by 2024, this country will have to pay back to China almost USD 100 billion (Chansoria, 2018). Chinese loans to Russian companies have been placed at 7% and in South East Asian countries, Sri Lanka included, they went as high as 8.8% (Godement & Vasselier, 2017). A research paper by experts from *William and Mary* estimated at USD 354.4 billion the total Chinese lending between 2000-2014, of which about three quarters had been under commercial terms, and explained that China was successful at getting higher interest rates for loans because it was proactive - offering project ideas and financing without solicitation - and it assumed higher risks that other lenders would dodge (e.g. MDBs in Sri Lanka's case) (Hillman, 2018b).

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[1] China Merchants Port Holdings, a state-owned enterprise.

[2] Japan offered loans for infrastructure building to the Philippines at 0.25%-0.75% interest rates, while China's were between 2%-3% (Punongbayan, 2018). Philippines received offers for Japanese loans at 0.1% interest with 40 years repayment period (Klasa, 2018).

[3] IBRD (World Bank) and ADB infrastructure soft loans are offered at 0.25%-3% interest rate (Economic Times, 2018).

[4] CPEC = China-Pakistan Economic Corridor, one of the six main economic corridors of the BRI.

[5] p.p. = percentage point

Anyway, interest rates don't feature all the cost of Chinese credit. By contract, the level of the interest rate is often linked to either the total value of the project, to the number of Chinese companies involved in its implementation, or to other preconditions: for very expensive projects, such as, for instance, speed train links, the interest rate may be lower, but it may increase quite a lot if the project is only about a railway upgrading[6]; similarly, the larger the number of Chinese companies involved in project implementation, the lower the interest rate for loans. Anyway, the borrower country either loses something or it takes a higher risk, to the advantage of its Chinese partners. Even *zero interest rate loans* given by China may entail other fees and commitments that, in the end, render them considerably more expensive than initially thought.

The question of infrastructure route selection

It is significant to note that, irrespective of the borrower's priorities and interests, Chinese financing is usually offered for specific BRI routes, that primarily meet not the most acute needs of the beneficiary country, but China's goals of optimizing either the transport time and cost of its exports to certain markets (e.g. western Europe), or the safety and efficiency of its imports (e.g. imports of commodities, primarily oil and gas, as in the case of the ports of Gwadar, in Pakistan, or Kyaukpyu, in Myanmar).

Still, one of the best examples in this line of argument remains the case of the highly touted Belgrade-Budapest rail connection which was launched in 2013 as a speed-train project and then adjusted to only a project of upgrading an already existing line. While it hasn't yet started - for a host of reasons, including the disregard of the EU legislation on procurement - and in spite of being "downgraded" to a more modest type of a project, the Belgrade-Budapest rail is still very expensive and contested by Hungarians in terms of its necessity, utility, efficiency in operation, opportunity costs and the time needed for investment recovery.

In an article relevantly entitled "Who benefits from the Chinese-built Hungary-Serbia railway?" Zoltan Voros, a Hungarian scholar from the University of Pecs, rhetorically asks: „Is it beneficial for Hungary to construct this railway with Chinese help? It seems that the project is more ideal for China than for Hungary." The rail will not connect other Hungarian cities in the region, he argues, it will not admit a 200 km/hour speed as announced, it will not reduce the transport time as pretended (due to the rest of the infrastructure connection from Piraeus to Belgrade which is in very bad shape), it will not substantially increase trade flows from the Piraeus port to western Europe. Furthermore, the project will be paid by Hungarians, but it is promoted and known as Chinese. „So, summarizing the project – the author concludes - Hungary is going to upgrade a 152 km railway for roughly $3 billion, plus interest of between $500 and $800 million, to fulfil China's economic vision, with the help of Chinese loans, with the majority of the work done by Chinese companies. According to estimates, it will take between 130 and 2,400 (!) years to make the project profitable for Hungary (Voros, 2018).

[6] For instance, for the Serbian segment of the Belgrade-Budapest rail, the financing deal offered by China provided for a 4.6% interest rate, reduced to 3% in case over 50% of the equipment used was Chinese, and further on lowered to 2.5% if the deal had in view a more expensive fast train (Godement&Vasselier, 2017).

2. BRI connectivity – mixed outcomes after the first five years

In theory, increased connectivity is the precondition of enhanced economic activity, extended commercial exchanges, higher economic growth and improved living standards. Similarly, the old Chinese wisdom teaches that *if you want to get rich, you should build a road*, while the new Chinese narrative speaks about the *win-win* outcomes of infrastructure building and interconnectivity. In real life, it is not that straitforward, and the way in which quite many of the BRI projects have progressed so far following the contractual terms pushed for by the Chinese lenders, shows that not all the parties win. On the contrary, the Chinese-loan beneficiary countries, especially those that are short of both infrastructure, financial means and bargaining power, may find themselves negotiating with Chinese partners that speak about *win-win cooperation*, but in fact don't take into consideration the host country's needs, trying only to meet their own goals, assuming, if possible, no risks and trying to extract for themselves all the benefits of each deal. That is why some of these host countries have come to „translate" the win-win concept as „*China wins twice*" (Dorsey, 2017). That is also why foreign analysts increasingly speak about a deliberate Chinese policy of extending influence and gaining power by creating indebtedness and economic dependency (*debt trap diplomacy*).

Indeed, reflecting a growing change of heart as to the Chinese financial involvement in their infrastructure development, an increasing number of worried countries are currently attempting at mitigating risks by giving up some of the previously accepted Chinese projects: **Malaysia** has recently halted BRI projects worth USD 23 billion; **Myanmar** has stopped a USD 3.6 billion hydro power station project and wants to substantially scale back plans (and costs of about USD 10 billion!) for a new deep-sea port in the Bay of Bengal (Kyaukpyu), that was of utmost importance for China's oil imports (Bloomberg, 2018a); **Pakistan** has cancelled the USD 14 billion Diamer Bhasha Dam project because of „*the tough financial terms imposed by China*"; **Nepal** scrapped a USD 2.5 billion hydro power station project for „*financial irregularities*" (Voa, 2017) and even in Africa there is a first such case: **Sierra Leone** has just scrapped a USD 318 million Chinese-funded new airport mega-project outside Freetown, contending that „*... it is uneconomical to proceed with the construction of the new airport when the existing one is grossly under-utilized...*" (Dipanjan, 2018).

While Chinese infrastructure investments have been more focussed on Asia, Europe was not forgotten, but on the contrary. Still, in spite of the efforts directed to Europe, there aren't many accomplishments to cite in terms of Chinese loan-based infrastructure investments. The reasons are almost the same as those that have rightfully worried the Asian countries, but, additionally, in Europe there is the EU which, on the one hand, is financing itself infrastructure investment programmes under very competitive terms, based on grants, and, on the other hand, EU has strict rules that function all over its 28 member states and are incompatible with the current Chinese funding model. Therefore, despite setting up and institutionally developing the 16+1 Platform[7], China could not make

[7] 16+1 is a cooperation platform set up in 2012 by China and 16 Central Eastern European and Balkan countries (CEE16): Albania (AL), Bosnia and Hertzegovina (BA), Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Macedonia (MK), Montenegro (ME), Poland (PL), Romania (RO), Serbia (SR), Slovakia (SK), Slovenia (SI). 11 of these 16 countries are EU Member States (CEE11) and 5 (the ones in the Balkans) aren't. After 2013, the 16+1 Platform has turned into an instrument of implementing BRI in Europe.

significant inroads in the European infrastructure building, except for some projects in the Balkans. Most of the CEE11 countries are still reluctant, for both legal and financial reasons (Jakobowski & Kaczmarski, 2017). But even in the Balkan countries - where there are China-financed projects underway for either motorways (in Serbia, Bosnia & Herzegovina, Montenegro, Macedonia and Albania), or for thermo-power stations (in Serbia and Bosnia) - the local impact is mixed, all the host countries piling up considerable debt to China and the smallest one, Montenegro, cited among the eight most vulnerable countries in the world that risk falling into the *debt trap* (Hurley, Morris & Portelance, 2018).

However, albeit in its first five years of BRI implementation, China has a quite modest track record of accomplishments in Europe in terms of infrastructure building, it still has made significant advances in other ways:

- (i) It has developed permanent block-train connections between China and Europe, with regular direct freight transport services between Chinese and European cities (the so-called *China Railway Express,* or *China-Europe Freight Trains*);
- (ii) It has progressively increased Chinese ownership and/or involvement in the management of a growing number of European and Mediteranean sea ports;
- (iii) It has managed a remarkable upsurge in Chinese outbound direct investment (ODI) in Europe, mainly by takeovers of some Western-European high-tech, strategic industrial assets, capable of propelling China's supply-side domestic reforms and its transition to an innovation-led development model;
- (iv) It has expanded its influence in some of the European countries (mainly in those where its economic involvement is larger, e.g. in Greece, or in Hungary).

Against the backdrop of China's growing power, larger international involvement and increased assertiveness, coupled with its lack of transparency, all of these forms of increasingly insinuating itself into the European environment have stirred a wave of unease and distrust regarding its real intentions, at both the Union's and individual countries' levels. This is a serious drawback for China-Europe cooperation in general and for the BRI success in particular and, therefore, it should be swiftly, but thoughtfully addressed by the parties.

Has BRI connectivity rendered positive results for Europe? Let's briefly look at the main accomplishments we have previously identified:

(i) China-Europe rail connection: *China Railway Express*.

This endeavour started long before the BRI launch, with China's huge diplomatic effort of negotiating for years the customs agreements with Russia and the other countries on the route, so that trains leaving China could eventually travel through Kazakhstan, Russia, Belarus and Poland to Germany and the rest of Western Europe, using the existing rail infrastructure.

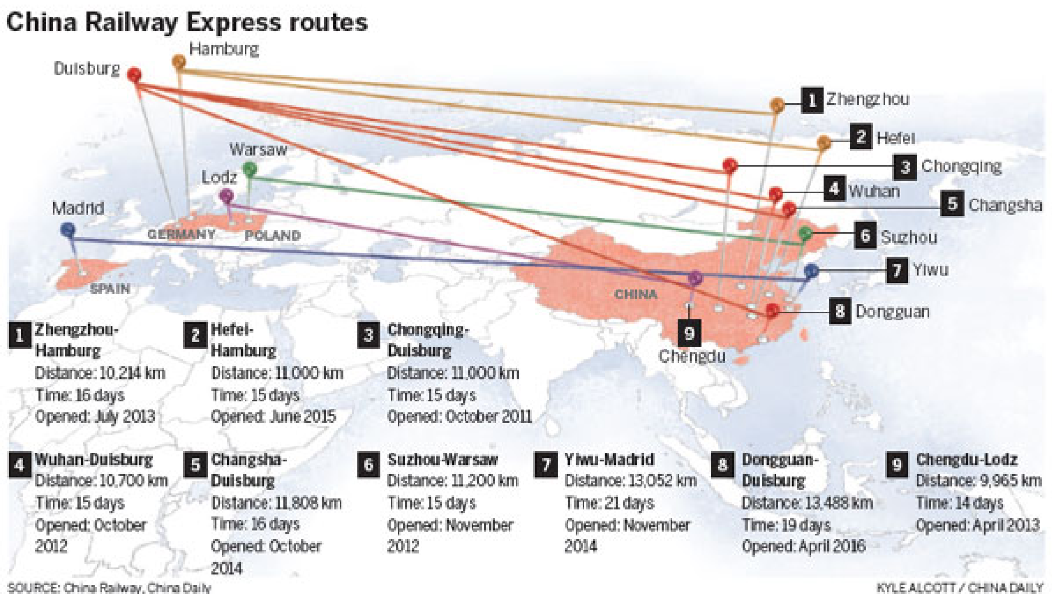
The first *block train*[8] travelled from Chongqing (China) to Duisburg (Germany) in October 2011, covering a distance of over 11,000 km in only 16 days, while the traditional route by sea would have needed 36-38 days (Figure 1). At present, there are 65 rail routes, connecting 48 Chinese cities with over 40 towns in 14 European countries (China Daily, 2018)

[8] A block train is a rail transport method in which all the wagons are fully loaded in the same point and all of them travel to the same destination. It also means that a single forwarder booked the whole train.

and the number of hauls has kept growing year by year: if there have been 2,000 in first three years (between 2013-2015), in 2016, in only one year, their number jumped to 1,800, and further on, to 3,000 in 2017. According to China Railway Corp. forecast, about 4,000 China-Europe hauls will take place in 2018 (Mordor Intelligence, 2018), a level which is consistent with the National Development and Reform Commission's (NDRC) planning, which provided for 5,000 yearly hauls, after 2020 (China Daily, 2016). There have been 10,000 hauls already carried through in the time lapse between October 2011 (the first Chongqing-Duisburg transport) and the end of August 2018 (China Daily, 2018). The upsurge was also impressive in terms of freight volumes, which jumped almost 228 times, from only 1,400 TEU[9] in 2011, to 319,000 TEU in 2017 (Szakonyi, 2018). Moreover, it is worth noticing that there are quite many European cities (e.g. Hamburg, Duisburg, Warsaw, Milan etc.) that receive 3-5 times a week fully-loaded freight trains from China.

What is troublesome, is that on their return journeys, these trains are only partially loaded, or even empty. Sometimes, empty containers are shipped by sea, for cheaper transport back to China, or they are even sold in Europe to save the return trip costs. According to Makocki (2016) the number of trains heading west was double that of the trains heading east. Other, more recent, sources speak about only one train going eastward, for every three trains travelling westward (Szakonyi, 2018). This asymmetry, that keeps worsening, is both a reflection of the existing imbalance in trade flows and a factor which worsens further the trade imbalance between China and its European partners, which, in their great majority, are running growing trade deficits with China.

Figure 1:



Source: China Daily, 22.06.2016

The transport by the "new" rail routes is faster than the sea-borne and cheaper than the air-borne ones, and that influences the structure of the goods transported by cargo trains. In 2016, 35% of the goods exchanged between China and Europe using *China*

[9] TEU = Twenty foot Equivalent Unit; FEU = Forty foot Equivalent Unit.

Railway Express were raw materials, 17% machinery and equipment components, 14% automotive parts, 12% high tech products, 6% fashion items, 4% capital goods and 2% chemicals (Mordor Intelligence, 2018).

However, beyond any of the exporters' or the forwarders' calculations on the haul structure by cargo type, or even of their reasons to opt for *China-Europe Freight Trains* or not, we should keep in mind that this service would have not been possible in the absence of the *Chinese state's subsidisation*. There is an entire system of subsidies in which both the central government, the regional and the municipal administrations contribute together to covering about 60% of the real cost of the transport along these rail routes. According to the forwarding companies that run such contracts, the real cost of the rail transport for a standard 40 feet container (FEU) from China to Europe raises to about Euro 8,000 (USD 9,430), while the starting level for calculating the transport fee paid by the transport beneficiaries is usually about Euro 3,000 /FEU. The remainder of Euro 5,000 /FEU is represented by the subsidy (Knowler, 2018). The Centre for Strategic and International Studies (CSIS) in Washington also estimates that transport subsidies on these routes are somewhere in the range of USD 1,000/FEU - USD 5,000/FEU depending on the transport specifics, out of the total real transport costs of USD 6,000 to USD 8,000/FEU.

As such, there is no wonder that the amounts spent by the Chinese government on subsidies are huge: the block trains that travelled from China to Europe between 2011 and2016 incurred over USD 300 million in budgetary expenditures (Mordor Intelligence, 2018). Obviously, as long as subsidies continue, the rail transport on these routes has a good chance to continue growing[10] and, consequently, the total cost of subsidisation paid by China will skyrocket. According to Jonathan Hillman, from CSIS, if the transported volume is doubled by 2027, even in case subsidies drop to an average of USD 2,500/FEU, the annual cost of subsidisation would reach USD 927 million (Szakonyi, 2018).

Under the circumstances, the question is for how long will the railway transport subsidisation continue? When the proper conditions for real cost decline and transit sustainability are not yet fulfilled and when, additionally, a major political significance has been attached to the BRI, it seems rational to expect that subsidies will continue to be granted further on. That is worrisome because, like any other interventions of this sort, the rail transport subsidies distort the market, creating a tilted playing field. Chinese subsidies for the exported goods and/or for international rail transport fees encourage unfair competition, promote Chinese exports while the Chinese domestic market remains quite firmly protected, contributing, as such, to aggravating Europe's trade deficits with China. On the other hand, even if the railway transport becomes feasible for more exporters and the transported volumes keep growing swiftly, its weight in the total China-Europe trade will remain marginal and „*...less game-changing than often advertised*" (Hillman, 2018c). The seaborne transport, which accounts for about 70% of the cargo traffic to Europe, will remain for long and by far in the leading position.

(ii) China-Europe maritime connection: the European seaports – a new concern.

[10] The International Railway Union forecasts that the weight of China-Europe freight transport in the overall bilateral commercial exchanges, will double in the next decade (Mordor Intelligence, 2018). Nevertheless, considering that, in 2016, just under 1% of the bilateral trade by volume, and only 2% by value were transported by rail, it is obvious that even if it becomes double by 2027, the rail transport weight into the total China-Europe trade will still remain marginal (Hillman, 2018c).

Because 70% of Europe's foreign trade is seaborne, maritime ports are vital assets for the European economy, for its competitiveness, safety and security. Goods worth about EUR 1,700 billion (USD 1,934 billion) are transported yearly to and from Europe by sea and over 1.5 million people are involved in European ports operation (Pandya & Tagliapietra, 2018). On the other hand, China's most important commercial connections with Europe in terms of volumes (94% of the bilateral trade), values (64%) and competitive transport costs, remain the ones by sea.[11] As such, the ports situated along the world's main maritime trade routes and especially the ones along the lanes that cross the South China Sea, the Indian Ocean and the Red Sea, going through the Suez Channel into the Mediterranean Sea towards the European coasts, are important strategic assets that China is extremely interested to control[12]. The same goes for other sea ports on the Mediteranean shores, such as those in northern Africa, Turkey, or Israel, but, in fact, for any harbours significant for the BRI goals.

According to China's Ministry of transport, in the five years since the BRI launch, Chinese companies have participated in building and operating 42 ports in 34 countries all over the world (Global Times, 2018). Container ports and terminals enjoyed priority and, according to *Drewry Consultants*, their number has increased sharply, from only 8 in 2002, to 30 in 2017. Backed by the Chinese banks' financial support - embodied in cheap loans, that bore only a 2.5% - 3.5% interest rate -, Chinese investors were encouraged to adopt an aggressive bidding attitude to get a foothold in the sea ports of strategic importance to China (Moore, 2017). *Grisons Peak*, a London-based investment bank, revealed in a 2017 study that China's total overseas spending on port projects raised to almost USD 10 billion in 2016 and that, in 2017, Chinese companies were expected to buy stakes or invest in foreign ports a more than double amount, of USD 20.1 bn. (Fang, 2018).

Even before the BRI launch, at the onset of the global financial crisis, but the more so afterwards, the European maritime ports have caught the attention of Chinese leaders, planners and companies, who seized the opportunity of „coming to the rescue" of the European economies in distress, by acquiring (parts of) their strategic assets, seaports included. The case of Greece with its port of Piraeus is the first and the most well-known, but the Chinese offensive on European harbours has continued, so that now, there are many sea ports and terminals, both in the southern and the northern parts of the continent, having the benefit of Chinese stakeholders or investors. According to OECD International Transport Forum (2018) statistics, at present, Chinese SOEs control 10% of the European container terminal capacity. In 2017, they have managed their highest jump in container terminal acquisitions since the launching of the BRI, increasing their share of the overall European container capacity from 6.5%, to 10% in just one year. In 2010, China had only 1% of that capacity. For comparison, it is worth underlining that, thus far, there are no European stakeholders or investors in the Chinese port authorities or harbours and that, according to Chinese law, the European shipping companies are not allowed to inshore navigation.[13]

A *Bruegel* research contends that during the last decade, both Chinese state-owned (SOEs) and private-owned (POEs) companies acquired stakes in eight European maritime

[11] 2016 levels (Hillman, 2018c).

[12] According to NDRC (2017), this route (China-Indian Ocean-Africa-Mediterranean Sea) is the first of the three *blue economic sea passages* under BRI/MSR (Maritime Silk Road). The other two main maritime passages span China-Oceania-South Pacific and the Arctic Ocean, linking China to Europe.

[13] Cabotage transports along the Chinese shores.

ports, some of them ranking in the Top 10 largest ones on the continent[14] by container volume. These eight ports are *Piraeus (*GR), *Vado Ligure* (IT), *Marseilles* (FR), *Valencia* and *Bilbao* (ES), *Antwerp* and *Zeebruegge* (BE) and *Rotterdam* (NL) (Pandya & Tagliapietra, 2018). As such:

In northern Europe, China owns 35% of Euromax, which runs *Rotterdam* (NL), the largest European port, but it also detains 20% of *Antwerp* (BE), the second busiest port after Rotterdam, and 100% of *Zeebrugge* (BE), which has the world's largest RO-RO facility.[15] It also dominates the traffic in the port of *Hamburg*, Europe's third leading harbour, where Chinese goods account for more traffic than that of all the other users taken together (Linden, 2018).

In southern Europe, where the fastest growing ports are, China owns, through its SOEs, 67% of the port *Piraeus*, the largest Greek seaport, 49% of *Vado* (IT), which has the largest refrigerating facility in the Mediterranean, it manages the Spanish ports of *Valencia* and *Bilbao* and it designs a docking bay off the coast of Venice (IT), at *Malamocco*, that will be able to handle large container ships.

Besides the maritime harbours named above, in the southern part of Europe, China and Italy are currently financing - under the Maritime Silk Road (MSR) component of the BRI -, the *Five Ports Alliance*, a partnership in the Northern Adriatic Sea that involves three Italian ports (*Venice*, *Trieste* and *Ravena*), the Croatian port of *Fiume* and the Slovenian port of *Capodistra*. These ports will create a major docking system for large container ships that will also use the offshore platform of the *Malamocco* port (IT), near Venice, to unload the Chinese ships coming through the Suez Channel and distribute their cargo throughout Europe, by rail. The bulk of these goods will travel through Switzerland and Germany to northern Europe. Due to their favourable location, the Adriatic ports will become a priority for China, which will develop them, along with the Greek port of *Piraeus*, into a strategic logistical hub that serves China's purpose of creating the shortest, cheapest and most efficient transport routes to the rich markets of Europe (HSBC, 2018).

In the context, it is worth mentioning that not all of China's attempts of penetrating Europe through the Adriatic ports have been successful. The Slovenian authorities, for instance, have refused a 99 years, USD 1.2 billion lease of *Koper,* a port that would have provided perfect access to Chinese exports through the Brenner Pass into Austria and further on, to the rest of the continent. Nevertheless, in case it works, the *Five Ports Alliance* will probably become an even better solution than Koper, from China's point of view.

The listing of other European ports where Chinese owners and/or investors have been reported to be present, include *Dunkirk-Le Havre, Marseille-Fos and Nantes* (FR), *Marsaxlokk* and *Malta Free Port* (MT), *Klaipeda* (LT) [the port-container terminal], Constanza (RO) [the cereal terminal]. At present, Chinese companies hold stakes in 13 European city ports (HSBC, 2018), but there is an even longer list of ports in Europe or in its neighbourhood where Chinese companies have expressed their interest of getting

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[14] Top 10 European seaports by container volume (2016): Rotterdam (Netherlands/NL), Antwerp (Belgium/BE), Hamburg and Bremerhaven (Germany/DE), Valencia and Algeciras (Spain/ES), Felixstowe (United Kingdom/UK), Piraeus (Greece/GR), Gioia Tauro (Italy/IT) and Le Havre (France/FR) (Pandya & Tagliapietra, 2018).

[15] RO-RO = Roll-on/Roll-off multimodal, terrestrial-maritime transport.

directly involved, such as: *Shengjin* (AL[16]), *Varna* and *Burgas* (BG), *Elefsina* (GR), *Trieste* and *Genoa* (IT), *Sines* and *Lisbon* (PT), *Anaklia* (GE[17]) (Fang, 2018; CMA CGM, 2013; Capital, 2016).

On the non-European shores of the Mediterranean Sea, China is also financially involved in the ports of *Somaport Casablanca* and *Tanger Med* (in Morroco), *Port Said* (in Egypt), *Kumport* and *Ambarli* (in Turkey), *Ashdod* and *Haifa* (in Israel) (Fang, 2018; Linden, 2018).

COSCO Shipping Ports (COSCO), belonging to the China Ocean Shipping Group and *China Merchants Port Holdings (CMPort),* which is part of the China Merchant Group, are the two state-owned conglomerates that are most actively acquiring shares and building sea ports or terminals overseas. In fact, they are the first and the second largest Chinese investors in foreign sea ports.

- **COSCO** (Beijing) has invested in 30 seaports around the globe, including the most of the European and Mediterranean ones (*Piraeus, Valencia, Bilbao, Vado Ligure, Rotterdam, Ambarli, Port Said*). *Drewry Shipping Consultants* forecast that, due to its large expansion of recent years, COSCO will become the world's no.1 terminal operator by 2020, but it is highly possible that the company has already been ranking first since the end of 2017, when it might have already overpassed its competitor, the former world leader, Hutchinson Ports (Lupova, 2018).
- **CMPort** (Hong Kong) has acquired stakes ranging between 5% and 85% at terminals at different European harbours - such as *Dunkirk-Le Havre, Marseille-Fos and Nantes* (FR), *Antwerp* (BE) -, or in Europe's neighbourhood: *Somaport Casablanca* and *Tanger Med* (in Morroco), *Ambarli* (TK). It seems that there are also intents of more acquisitions by CMPort along the Arctic shipping route, in ports such as *Klaipeda* (LT), *Kirkenes* (NO[18]) and some ports in Iceland (Duchatel & Duplaix, 2018).
- **Shanghai International Port Group Co. Ltd.** (Shanghai), the exclusive state-owned operator of all the terminals in the port of Shanghai, is another Chinese company interested in getting a foothold in, or around Europe. Its recent successful bidding in Israel, won a concession for 25 years to operate the Bay Terminal of the busiest local port of *Haifa.* This is the second Chinese state-owned port operator present in Israel, after **China Harbour Engineering Company** (Beijing) which built the port of *Ashdod* some 40 km away from Haifa that it now owns (Hao, 2018).

Therefore, China has not only created the so-called *string of pearls* encircling an increasingly worried India by getting control on several ports in the Indian Ocean[19] along the lanes that stretch from the Malacca Straits to the Suez Channel, but it has also managed to extend that *string* around Europe too, by establishing its presence in a growing number of sea ports surrounding our continent in what can be the dangerous embrace of the *„anaconda strategy",* as Theresa Fallon, a China analyst in Brussels, names it: *„If you*

[16] AL = Albania (http://www.europeancuisines.com/Europe-European-Two-Letter-Country-Code-Abbreviations)
[17] GE = Georgia
[18] NO = Norway
[19] Gwadar (Pakistan), for 40 years (starting in 2015); Kyaukpyu (Myanmar), for 50 years (2015); Oboch (Djibouti), for 10 years (2016); Feydhoo Finolhu (Maldives), for 50 years (2017), Hambantota (Sri Lanka) for 99 years (2017) (Fang, 2018).

think of China's growth strategy [in maritime ports] – she says – *they've invested all along the peripheries of Europe. So it's like an anaconda strategy: surround and squeeze it*." (Fang, 2018).

While China's investing in the European ports' expansion and upgrading may be, at first sight and in the short run, a positive endeavour - that generates local jobs, increased GDP and budgetary receipts, economies of scale, reduced transaction costs and low freight fees etc. - in the longer run, and reaching sufficient scale, they might become problematic and even dangerous.

The Piraeus experience shows that, besides a local development boost, Chinese investments may lead to the introduction of different labour policies toward port workers, similar to the ones in China (longer work hours, without benefits or job security, straight shifts without breaks, a tough stance towards workers, including firing the ones that had demands) and sometimes they may lead to increased corruption and tax evasion.[20] They may also determine „*pre*-emptive *obedience*"[21]and „*undue political influence"* affecting both the national and the EU decision-making and functioning. Most of the companies that have stakes in the European maritime ports, primarily COSCO and CMPort, are SOEs, with leaders appointed by the communist party, that receive tasks and targets from the party, implement their national policies but „*...are more than simply implementation units of the Politburo's Standing Committee*" (Ibid).

- One of the great risks in the longer run, stems from the fact that having control over port infrastructure gives to Chinese companies the strategic advantage of selecting their business partners, setting the prices and, ultimately, making the rules that all the others will have to observe. This may finally impact the *navigation freedom.*

Another important risk in the longer run is that European shipyards may become the source of state-of-the-art technologies and know-how for upgrading and reviving the Chinese shipbuilding industry[22], a development that may simply lead to creating the Chinese competitors able to replace Europe in the global markets and to determine the gradual extinction of its own industry in the future. This is not a „theoretical threat" as long as: *Fincantieri* (IT) is already assisting *Baochan shipyard* to build cruise ships - a move that endangers not only the Italian firm, but also other European builders of high-end vessels; *Genting Hong Kong* has already taken over the Nordic Yards' three German shipyards in Wismar, Warnemunde and Stralsund, with expertise in cruise vessels building; the Swedish-Swiss *ABB* company is transfering technology and helping China build ferryboats. Moreover, China has already caught up and became a redoubtable competitor in certain segments of the military shipbuilding sector, which the European shipbuilders used to dominate (frigates, corvettes, patrol vessels, submarines and even aircraft carriers).

- Furthermore, some of the host countries of Chinese SOEs also have security concerns. Israel, for instance, is worried by China's presence in the port of Haifa,

[20] "*In April, the European Union and Italian authorities announced they were investigating Chinese-owned firms on allegations that they are run by criminal gangs who were fraudulently avoiding import duties and value-added tax on goods shipped through Piraeus, according Reuters*." (Fang, 2018).

[21] "*It means making decisions with the idea of not upsetting China."* (Ibid).

[22] Chinese shipbuilding industry ranks first worlwide since 2017, but it specializes in low-end, unsophisticated vessels, lagging behind Japan, South Korea, the US and Europe in terms of high-value ships and marine technologies. Europe dominates, at present, high-end shipbuilding global markets.

where there are the country's main fleets, including the nuclear submarines one, while the whole military world is concerned about China's activities in the port of Haifa, considered a strategic location which can be used to keep a close watch on the western fleets passing through the port (Hao, 2018).

- Additionally, against the backdrop of the recently changed (2015) Chinese approach of the national defence, from the traditional concern for the „*offshore defence*", to the new concepts of „*open seas"* and „*far seas protection*", we cannot exclude the question regarding the *dual use,* civil and military, of the maritime ports that China has come to control around the world and, specifically, in Europe. Albeit controlling foreign ports seems to primarily have a commercial motivation for China, the case of the *Oboh* port in Djibouti - China's first military base (2016) -, is very significant and represents, according to Duchatel & Duplaix (2018), „*...a new approach to Chinese presence overseas rather than an exception*", opening the era of China's naval presence globalization. The PLAN's[23] frequent visits to many of these ports (the Chinese warships made over 290 port visits on all continents, between 2003-2017) re-enforces this assumption. They reveal which are China's priority zones of influence and cooperation, as well as the areas earmarked for intelligence collection. As such, in case the foreign ports are entirely controlled by China, they could be anytime switched to military use, especially when their upgrading or building plans had in view such a transformation from the very beginning.
- The picture becomes even more intriguing when also considering the growing Chinese involvement in the *European airports*. Although the phenomenon is not as intense and large-scale as that of the sea ports, it has already recorded, besides failures, a number of significant successes. Chinese entities already own, totally or partially, at least the following European airports:
  - *Tirana*, the largest airport in Albania belongs 100% to China Everbright Limited, since 2017;
  - *Heathrow,* London, the 1st in Europe and the 2nd globally by passenger traffic –China Investment Corporation[24] acquired 10% of the owner company, in 2012;
  - *Manchester* – Manchester Airport Group and Beijing Construction Engineering Group are jointly building the „airport city" (office buildings, hotels, warehouses, advanced manufacturing, logistic centre) in which the Chinese partner owns 20%[25];
  - *Frankfurt Hahn Airport*, an important cargo distribution German centre, is 82.5% jointly owned by the Chinese HNA Group and ADC GmbH (DE), since 2017[26];
  - *Toulouse-Blagnac*, the fourth largest airport in France (where Airbus has its headquarters and is testing its planes) sold, in 2015, a 49.99% stake to a Chinese consortium including the Chinese state-owned group Shandong Hi-

[23] PLAN = People's Liberation Army Navy

[24] China Investment Corporation (CIC) is China's sovereign wealth fund set up in 2007 to invest some of China's external reserves.

[25] https://www.telegraph.co.uk/property/uk/chinese-investment-manchester-property-powers/ .

[26] https://centreforaviation.com/analysis/reports/chinas-belt-and-road-initiative-and-aviation-419638.

Speed Group and the investment company Friedmann Asset Management, based in Hong-Kong[27].

(iii) Chinese acquisitions and China's influence in Europe

According to the BRI declared purpose, outbound investments should be *win-win* endeavours that aim at speeding up development and at bringing prosperity to all the participant countries. If that is the goal, then the priority destination of BRI investments should be the less developed and emerging economies, that strive to catch up. But that doesn't seem to be the case in Europe. Since the 2008 outburst of the global economic crisis, the European landscape of China's outbound direct investments (ODI) has changed hugely in terms of quantities, sectoral structure, geographical reach and distribution. In just a decade, Chinese yearly investment flows to Europe skyrocketed from only USD 840 million in 2008, to USD 42 billion in 2017 and the overall ODI volume reached, over the ten years' interval, a total of USD 318 billion (Le Corre, 2018). Acqusitions have prevailed over greenfield investments (during this time-span, China took over about 360 European companies) and the number of state-owned investors soared much above that of the private-owned ones (2/3 SOEs vs. 1/3 POEs).

The bulk of the Chinese investments in Europe went to the western, highly developed countries, while the Central and Eastern European (CEE16) emerging economies have been only marginal beneficiaries: according to MOFCOM statistics (2017) the ODI stock in CEE16, cumulated just USD 1.67 billion in 2016, which is a few times less than the annual flow into just one of the great western European beneficiaries and, of course, much less than the cumulated amounts invested there by China: UK - USD 70 billion, Italy - USD 31 billion, Germany - USD 20 billion, or France - USD 13 billion (Le Corre, 2018).

In terms of distribution by sectors, Chinese investments favoured either the European high-tech industries (telecommunications, internet/software, semiconductors, electronics, robotics, automotive), infrastructure (traditional and new energy, transport and logistics, property and construction, utilities), or services (finance, commercial services, retail/wholesale, entertainment, health). Looked at by their sectoral structure, the Chinese acquisitions of western European high-tech companies (Table 1), which have been dominant, reveal a strong connection with the fields identified by Chinese planners in the *Made in China 2025* strategy and earmarked as essential for China's advancement to the stage of an innovation-driven economy, able to master the technologies of the future and to dominate their global markets. Consequently, both the geographic and the sectoral distribution of these acquisitions suggest that the main purpose of the Chinese takeovers is that of getting access to breakthrough technologies, as well as to the European research and innovation capabilities, technological and organisational know-how, powerful brands and global distribution networks.

[27]https://www.airport-technology.com/news/newsfrance-sells-49-stake-in-toulouse-airport-to-chinese-consortium-4461847/.

Table 1: Recent Chinese takeovers in Europe

The European company [country](field, rank)	The Chinese buyer	Contract value (USD bn.) (year of conclusion)
Pirelli [IT](tyres, 5th globally)	China National Chemical Corp. (ChemChina)	7.7 (2015)
Avolon [IE](airplane leasing)	HNA-Bohai Leasing	2.6 (2016)
Syngenta AG [CH](agro-chemicals)	China National Chemical Corp (ChemChina)	46 (2016-2018)
Supercell Oy [FI] (internet/software)	Avic Capital Co. Ltd. (managed by Tencent)	8.6 (2016, 86% equity stake)
KUKA AG [DE](industrial robots)	Mideea Group Co. Ltd	4.8 (2016)
Global Switch Holdings Ltd. [UK](telecomunications)	Anxin Trust Co. Ltd.	3.0 (2016, 49% equity stake)
NXP Semiconductors NV [NL](semiconductors)	China Jianyin Investment Ltd.	2.8 (2016)
Skyscanner Holdings Ltd. [UK] (internet/software)	Ctrip.com International Ltd.	1.7 (2016)
EEW Energy [DE](energy)	Beijing Enterprises HoldingLtd	1.6 (2016)
KraussMaffei Group GmbH [DE] (systems for production and processing plastics and rubber)	China National Chemical Corp (ChemChina)	1.0 (2016)
Bio Products Laboratory Ltd. [UK](healthcare)	Creat Group Corp.	1.2 (2016)
KION Group [DE] (materials-handling equipment, trucks, forklifts; 1st in Europe, 2nd globally)	Wechai Power Co. Ltd.	1.5 Gradual acquisition of a 38.25% controlling stake (2006-2016)
Daimler A.G. [DE] (cars, commercial vehicles, engineering, 3rd globally)	Zheijiang Geely Holding Group	9.0 (2018, 9.7% of Mercedes Benz, 2nd car brand globally)

Source: Compiled by the author from media.

Moreover, the high price that the Chinese companies are willing to pay for some of these takeovers also suggests that their motivations don't have a purely economic, but also a strategic nature. They additionally show that, irrespective of their ownership type (SOEs or POEs), these companies benefit from the Chinese state's support so that they can freely act under the guiding principle that no matter how expensive some of these acquisitions may be at present, the benefits they would bring in the long run would turn them into veritable bargains.

As such, some of these deals have scored real records. For instance, the takeover of the Swiss company *Syngenta A.G.* by ChemChina for USD 46 billion, was the most expensive deal signed in the world in 2016 and it implied the payment of the highest amount ever paid by a Chinese company for an acquisition. The takeover of the *Kuka A.G.* by Mideea was the most expensive deal in Germany and also the one that has turned into a wakeup call for that country's leaders as to the risks of losing vital technologies in strategic

industries. Still, the stunning takeovers in Germany went on: the 2018 acquisition of a stake in the capital of *Daimler A.G.* by the private-owned Geely Group (which made it the single largest investor in Daimler) was the largest investment by a Chinese company in a global car manufacturer.

It is significant to highlight that, with just one exception (Geelly Holding Group), all the notable deals listed above have been concluded by state-owned companies, with the direct and indirect support of the Chinese state through its banks and sovereign funds, including the ones specifically created for BRI implementation. For instance, the USD 9 billion takeover of the Italian company Pirelli, ChemChina benefitted from the financial support of the Silk Road Fund[28] (Le Corre, 2018). It is not very clear how is this deal complying with the declared purpose of the Silk Road Fund. It rather looks like the Chinese state is simply backing with all its means and tools its otherwise huge and powerful state-owned companies, in implementing China's global strategies. One way or another, the big Chinese private companies are also supported by the state and involved in putting into effect the governmental policies regarding China's presence in international markets and its repositioning among the great global powers. Moreover, it seems that POEs are required to share data with the Chinese government and to set up party committees that give the government control over company decisions (Reuters, 2018). Obviously, all the interventions of the Chinese state made in favour of its *national champions,* or through them, generate significant market distortions in Europe, as well as on the global stage, and crowd out competitors.

Increasingly more European leaders, especially from Germany, France and Italy, become wary of Chinese takeovers. They warn that Europe is risking to lose its competitive edge if it continues to underestimate the far-reaching impact of losing key technologies in Chinese takeovers. Last April, Germany's head of domestic intelligence agency said, in a conference, that a sharp drop in China's cyber espionage activity, that had first puzzled everyone two years ago, was later on understood and explained as a change of approach (and tools) by Beijing, which gave up the focus on cyber espionage in favour of the legal, easier way of accessing German technology by direct takeovers. "*Industrial espionage is no longer necessary if one can simply take advantage of liberal economic regulations to buy companies and then disembowel them or cannibalise them to gain access to their know-how*" he said. (Reuters, 2018).

Europe may also face security risks either from allowing the access of foreign companies to dual-use technologies, or from letting them gain total control on extremely sensitive assets, such as grid companies, nuclear power plants, sea ports or airports. This year, for instance, *China Three Gorges* – a big state-owned energy corporation - tried a USD 11 billion, 100% takeover of the Energias de Portugal (EDP), the largest Portuguese grid company, with subsidiaries in North and South America (Le Corre, 2018). How safe could that be for Portugal's sovereignty and national security, as well as for the EU and NATO to which Portugal belongs? That is a question that any of the other member countries should honestly answer any time they might be lured with such deals.

The expected abrupt decline in Chinese takeovers after 2016 did not happen. Neither the Chinese government's control measures to curb capital flight, nor the European's growing resistance could stop the Chinese appetite for acquisitions in the EU, primarily in

[28] The Silk Road Fund is a USD 40 billion state-owned investment fund of the Chinese government, established in 2014 with the declared purpose of fostering the development of the countries along the OBOR/BRI routes.

the western, technologically developed economies. These went on in 2017 and 2018, at a slower pace, in a more selective and prudent manner and changing focus, from the big and famous companies, to the innovative start-ups and to the high-tech-savvy and creative small and medium size enterprises (SMEs) that make the backbone of the EU manufacturing and economy.

Europe is committed to the free movement of capital, but allowing the control of foreign firms over resources, critical infrastructure, sensitive technologies and information *„...comes at the cost of technological advances and security and public order in the European Union*" (Reuters, 2018). Europe has to react. Several countries[29] in the EU have developed their own mechanisms for vetting foreign direct investments (FDI), but only a few have put in place systematic screening mechanisms in key economic sectors such as infrastructure, or strategically important high technologies and not many deals have been officially blocked. That is why, for better results, such screening mechanisms should be developed and coordinated at EU scale. The process is underway, but probably it will not advance swiftly, both because the 28 countries have different visions on how to address the issue, and because some of them, that already have, or just wish to have a stronger Chinese capital presence in their economies, are influenced in their decision-making and will oppose measures that might annoy China. To avoid that in the future, the EU will most probably switch from unanimous, to qualified majority votes on sensitive subjects.

3. Conclusions

Connectivity is definitely a prerequisite of economic development and China has known and experienced that, for millennia. To get rich, this country focussed on developing domestic infrastructure and it now goes further on, committing itself to building infrastructure networks at intercontinental and even global level, following the old Chinese saying „ *If you want to get rich, first build a road"*. Obviously, for now, China is the only country that has come up with an undeniably impressive vision on the future progress of humankind, that may answer to many of our needs and concerns. It has also come up with a strategy, the BRI, with financial resources, institutions and mechanisms, with building capacity and capabilities and a long track record of breath-taking achievements in terms of infrastructure building and infrastructure-led economic development.

Naturally, China's proposition to the other countries has embedded its national interests - which is perfectly acceptable up to a certain level – but, in practice, encouraged or not, supported or not by their local and central governments, the Chinese companies' actions have pushed their own interests much further, up to the point where their partners have come to the conclusion that the *win-win* promise of Chinese officials means nothing more than „*China wins twice",* while for them, China-financed (and/or implemented) projects might rather equate with losses and risks. For the developing and emerging economies, Chinese-financed connectivity under BRI might entail huge debt burdens resulting from newly-built infrastructure assets that often don't comply with their national needs, priorities and interests and don't meet economic rationality, social and environmental requirements. Nevertheless, in case of default, they may incur severe debt

[29] 15 of the 28 member states

settlement formulae (remember Hambantota, or the countries that use their natural resources as collateral for loans).

For the highly developed nations, Chinese investments in various sensitive sectors of their national economies may become both a way of getting a foothold and of extending influence in the local markets and communities, and also a mechanism of draining toward China local valuable knowledge, high-tech know-how resources and innovative capabilities. Such moves, especially the takeovers endanger not only the competitive edge, global market shares, profits and even the survival of these western companies, but they may also harm their economies, future living standards and security.

Until now, the intensified China-Europe railway and maritime connectivity seems to have led to larger bilateral trade volumes, but they have mostly helped China discard more of its overproduction into the European markets, without the long expected further opening of the Chinese domestic market to the European suppliers. That asymmetry, the lack of reciprocity and some of the Chinese policies (e.g. the tool-kit of the traditional industrial policy) have exacerbated the bilateral trade deficits of most of Europe's economies, with China. Furthermore, in the absence of a Bilateral Investment Treaty (BIT), the same asymmetry is also plaguing the China-EU investment relationship, so that, while Chinese investments capitalize on the benefits of a liberal market in Europe, the European investors are still subject to numerous barriers to entry, conditionalities and hardships in China's markets. In infrastructure building, the Chinese banks and companies have mainly targeted the CEE and Balkan countries' areas of Europe (CEE16), not very successfully in the CEE11 - due to the misfit financing model they have come up with -, but with some projects underway in the Balkans, that have unfortunately put some countries in danger of over indebtedness (remember Montenegro).

For all the actors on the international stage, BRI may become a true opportunity as long as all of them, starting with China, do what they say (act in honesty) and say what they do (are transparent), catering for their partners' interests as much as for their own. That does sound quite idealistic, but it is in perfect resonace with the *win-win* concept promoted by China. Is the *win-win* concept too idealistic? For now, it seems that it is, judging specifically by the BRI outcomes in Europe and almost wherever. Is it an idealistic concept, marketed to an open and too naive Europe by a pragmatic, self-interested China, which now *„...approaches Europe with less respect – as a sort of supermarket of opportunities to extract benefits that can help it rise, neutralise opposition to its foreign policy and keep the West from acting as one against it."?* (Economist, 2018). That might be exactly so. Or not?

BRI may be re-formulated and refined to work better and for the benefit of all the countries involved, if China wants to. To succeed, BRI needs to be re-designed and managed as a true multilateral endeavour that observes international principles, rules and norms, incorporates ideas from all the participants considering them all with their specifics and priorities, sharing fairly the risks and benefits among them and observing the requirements of economic rationality, social and environmental sustainability. China needs to restore trust, stir the willingness and enthusiasm of other countries to take part in the BRI, which is not possible without turning the theoretic idea of win-win connectivity from simple rhetoric, into clear facts. If not largely accepted and truly beneficial to all the involved, BRI has a great chance of meeting increasing resistance and backlash, generate discontent, flare up old regional rivalries, as well as hostility to China. On the contrary, if re-designed in a balanced, finely-tuned and less China-centric approach, BRI could indeed change the world to the better. China will have to decide what's next.

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