Paved with Good Intentions? A Geopolitical Analysis of the Belt and Road Initiative in Central and Eastern Europe

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Paved with Good Intentions?

A Geopolitical Analysis of the Belt and Road Initiative in Central and Eastern Europe

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Abstract

The objective of this analysis is to reveal the geopolitical and geoeconomic significance of the Belt and Road Initiative (BRI) to the region of Central and Eastern Europe (CEE). Launched in 2013 as a proposal for increased economic interconnectivity between China and Kazakhstan, the BRI has since grown to encompass hundreds of countries across Asia, Africa, and Europe. The region of CEE is of note as it is coterminous with important regional groupings like the 14 + 1 Cooperative Framework between China & CEE and a point of overlapping interests from actors like the European Union (EU), North Atlantic Treaty Organization (NATO), and Russia, particularly in the wake of the war in Ukraine. This analysis considers a multitude of factors – Chinese geoeconomic interests, the geopolitical heterogeneity of countries within the 14 + 1 framework, and the prevalence of EU regulations – to formulate a comprehensive response to the following question: “How effective has the Belt and Road Initiative been in achieving Chinese geoeconomic interests in Central and Eastern Europe, and how has that changed with the war in Ukraine?”
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Introduction

On September 7th, 2013, President Xi Jinping of the People’s Republic of China delivered a speech titled “Promote People-to-People Friendship and Create a Better Future” at Nazarbayev University in Astana, Kazakhstan. Although observers could not have predicted this at the time, this speech marked a pivotal moment in the modern development of Chinese foreign policy, laying out for the first time the aims of what has come to be known as the Belt and Road Initiative (BRI). In the nearly ten years that have passed since this speech, the BRI has massively expanded from a Sino-Kazakh proposal for increased economic interconnectivity to the largest, most ambitious infrastructure project in human history and what is widely considered one of the most pertinent and relevant factors in shaping the contemporary international relations landscape.

In the context of the BRI, Europe can be understood as its logical geographical endpoint: “… from the outset, China has situated Europe as the Western terminus of BRI, envisioning the new Silk Road as what amounts to a flagship link between China and the EU” (Skala-Kuhmann, 2019). That Europe has taken on such an integral role in the BRI is not surprising: the European Union (EU) is both the world’s largest single market area as well as largest trading bloc in the world. Interest in the EU’s immense market potential is not equally accorded by China amongst its member states, however, and a principal example of its more focused interests can be found with the Central and Eastern Europe (CEE) + China cooperative framework, an initiative spearheaded by China to promote its cultural, trade, and economic relations with countries in CEE. The geopolitical significance of this region is hard to understate: aside from most of its members being either members of the EU or the North Atlantic Treaty Organization (NATO), this grouping of countries is also largely conterminous with the Three Seas Initiative (3SI), a regional bloc comprised of Central European, Eastern European, and Baltic states conceptualized
on cooperation in the sectors of energy, transport, and communications infrastructure (Lewkowicz, 2020). Thus, CEE is of considerable significance for not only the EU and NATO, but, by extension, actors like Russia and the United States as well. It is thus of vital importance to consider how the multi-faceted approach of another actor – China – factors into geopolitics of a region where myriad foreign interests overlap. The vitality of this analysis is even more pertinent in the wake of the outbreak of the war in Ukraine, which has had drastic and far-reaching implications for both trans-Eurasian infrastructure and the foreign policies of European countries towards China. These considerations prompt the following research question: “How effective has the Belt and Road Initiative been in achieving Chinese geoeconomic interests in Central and Eastern Europe, and how has that changed with the war in Ukraine?”

This paper will first provide both an extensive literature review of this problem, throughout which trends and gaps in literature on the BRI in CEE countries will be discussed, and a section covering the research methodology of this issue. Then, in the section on the definitions of main concepts, the paper will establish the context necessary to tackle this problem through overviews of key components of the relationship between China and CEE countries and establishing the theoretical framework of geoeconomics, through which the actors of this relationship can be appropriately analyzed. With the contextual groundwork having been laid down, the paper will then transition to the actual analysis of the problem, entailing examinations of Chinese geoeconomic strategy, the development of the BRI in CEE countries, and the implications that it has had for the foreign policy of the European Union. The paper will then discuss the impacts that the war in Ukraine has had on this relationship; it will then end with concluding remarks and recommendations for future research.
Literature Review

The purpose of this literature review is to broadly characterize the existing body of research on the BRI with respect to Europe. Although the initiative was launched in 2013, it was not until 2017 that noteworthy amounts of literature concerning the project began to be produced. Research during this time was characterized by optimism and caution for the detrimental security impacts of the BRI, with examples such as Garima Mohan’s “Europe’s Response to the Belt and Road Initiative” and Daniel Kliman & Abigail Grace’s “Views of the Belt and Road From Select U.S. Allies and Partners” broadly considering the BRI as a threat to EU cohesion and the “US-Europe transatlantic alliance.” Other seminal pieces of literature of the time, such as Johnathan Holslag’s “How China’s New Silk Road Threatens European Trade” and its direct response, Jeremy Garlick’s “China’s Economic Diplomacy in Central and Eastern Europe: A Case of Offensive Mercantilism?” provide compelling cases for the consideration of the BRI as an example of “offensively oriented” geoeconomic project towards which CEE countries have become increasingly recalcitrant – this last argument is supported by Oldrich Krpec & Carol Wise’s “Grand Development Strategy or Simply Grandiose? China's Diffusion of Its Belt & Road Initiative into Central Europe.” This analysis also makes use of the foundational works of geoeconomists Pascal Lorot and Edward Luttwak in shaping the framework of geoeconomics that is applied to account for the Chinese approach to the realization of the BRI.

However, notable gap in the literature surrounding the BRI is its characterization as a Chinese “grand strategy” – this does not actually account for the complexities of SOEs or private companies within the ambit of Chinese foreign policy, as post-1978, the Chinese party-state no longer acts as a centralized authority which subordinate departments follow exactly but rather as a “steering force” whose guidelines are open to individual interpretation and implementation.
This analysis aims to incorporate these realities, as well as the still-recent outbreak of the Russo-Ukrainian War, to form a truly holistic examination of the state of affairs of the BRI in CEE.

**Research Methodology**

My research methodology consisted of an abundance of both secondary and primary sources. Secondary sources included published, peer-reviewed articles that were made accessible through free online databases like JSTOR, ResearchGate, and Taylor & Francis Online, as well as analytical pieces from websites like *The Diplomat* to incorporate information that was too recent to glean from academic sources.

Primary sources included of statements directly issued from the Chinese government, such as “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” to provide accurate accounts of the Chinese perspective; regrettably, however, it was not possible to include more sources of a similar nature due to personal difficulties in adequately comprehending written Chinese language sources as well as the number of government sources to which I was prohibited access due to Swiss firewalls. Nevertheless, this analysis also derived considerable value from a number of interviews: Dr. Sébastian Goulard, the former director of OBOREurope (One Belt One Road Europe), and Dr. Lionel Fatton, assistant professor of international relations at Webster University of Geneva specializing in Indo-Pacific security, were interviewed through Zoom and by phone, respectively.

The rest of my interviews were conducted in-person at various locations around Geneva with the following people: Dr. Yi Liu, a graduate student researching the history of Chinese-European trade during the Cold War; Dr. Chakravartti, head of research at the European Business School; Dr. Basile Zimmerman, assistant professor at the Confucius Institute of the University of
Geneva; and Dr. Krittika Uniyal, another graduate student pursuing research on the impact of the BRI on the Himalayas. The sheer breadth of expertise involved in this analysis proved incredibly valuable, helping contextualize key aspects of the BRI: the historical throughlines of Chinese trade policy with Europe, the conceptualization of the BRI within the ambit of Chinese foreign policy, and the nuances of EU member states’ foreign policy vis-à-vis China within the EU regulatory framework. Ethical standards of research were abided: before each interview, interviewees were informed of their right to anonymity as well as their ability to withhold information at a later point.

**Definitions of Main Concepts and Discussion of Theoretical Framework**

**The Belt and Road Initiative:**

As the “main driver” of Chinese foreign policy, the BRI is considered one of the most high-profile topics of discussion within the field of international relations (Uniyal, personal communication, April 19, 2023). According to the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [MSR],” a statement outlining the broad tenets of the initiative that was issued jointly in 2015 by the National Development and Reform Commission (NDRC), Ministry of Foreign Affairs (MoFA), and Ministry of Commerce (MoCOM), the BRI in general “aims to promote the connectivity of Asian, European and African continents and their adjacent seas” (National Development and Reform Commission et al., 2015). The “Framework” section of the statement lays out the geographical scope of the project, the most relevant aspects of which focus on the direct linkage between “China, Central Asia, Russia, and Europe (the Baltic)” as well as the maritime route “designed to go from China's coast to Europe through the South China Sea and the Indian Ocean” (National Development and Reform Commission et al., 2015). Conversely, the “connectivity” mentioned in the introduction
is defined throughout the rest of the statement as consisting of improvements to regions’
infrastructure, promoting investments, and creating demands for consumption. Crucially, the
statement acknowledges the centrality of China in this initiative, citing its close connections with
the world economy and the opportunities to “deepen its [economic] opening-up” afforded by the
BRI in service of forging “mutually beneficial cooperation with countries in Asia, Europe, and
Africa and the rest of the world” (National Development and Reform Commission et al., 2015).

The BRI is not only an idea around which Chinese foreign policy is shaped and by which
partner countries are drawn into closer connections with China, but – in the analytical sections –
will be understood as a series of proposed and ongoing projects whose local effects will be
analyzed to synthesize conclusions about the overall status of the BRI in a given region. The
nature of the BRI as an “idea,” however, reveals a tandem set of strengths and weaknesses: its
vague conceptualization allows for flexibility in which projects or proposals fall under its label,
but the overall conceit of the project, especially for BRI partner countries, is muddied by its
broad application. Regardless, the BRI still represents an important enough foreign policy piece
for China that funding for the infrastructure and connectivity initiatives that constitute these
“BRI projects” is largely provided by Chinese commercial and policy banks, which are indirectly
governed under the State Council of the People’s Republic: the China Development Bank (CDB)
and the Export-Import Bank of China (Chexim) have contributed USD $190 billion and $145
billion, respectively, to over 1800 BRI projects worldwide.

The primary land route of the BRI towards Europe, one of the key regions denoted in the
statement, is the New Eurasian Land Bridge Economic Corridor (NELB), an expanded version of
the “China-Europe Land Bridge” that predated the BRI; this corridor consisted of routes like the
Chongqing–Duisburg (Germany, Wuhan–Mělník (Czech Republic), and Suzhou–Warsaw
railways and has since taken on plans to expand the “China–Belarus mainline to Baltic ports and western Europe” (Pomfret, 2018). The economic impetus behind the NELB is the deliverance of intermediary global value chain (GVC) goods, such as electronics and automobile components, from China to Western Europe through a less costly alternative to maritime transport (Pomfret, 2018). The NELB, considered the main artery of the whole Silk Road Economic Belt, is complemented by the components of the MSR that also stretch towards the EU Common Market; these components include the Ports of Hamburg, Antwerp, and Rotterdam – the three European ports that rank among the twenty busiest in the world – as well as the Port of Piraeus (European Union Chamber of Commerce in China, 2020). The Greek port city, the majority of which has since been acquired by the Chinese state-owned enterprise (SOE) China Ocean Shipping Company (COSCO) as part of debt settlement plans on the part of the Greek government, has grown into the largest port in the entire Mediterranean Sea (Koutantou, 2021).
The primary Chinese-European routes of the BRI – the NELB (in pink) and the MSR (in blue)

(Source: Pomfret, from Xinhua News)

Cooperation between Central & Eastern Europe and China

Launched essentially chronologically in tandem with the Belt and Road Initiative was the formal inauguration of a cooperative framework between China and CEE countries during an April 26th, 2012, summit in Warsaw. In the words of the Chinese premier at the time, Wen Jiabao, this summit was initiated with the intention to promote “infrastructure construction in central and eastern Europe, explore the re-export issues and develop the regional market” (Cooperation between China and Central and Eastern European Countries, 2012). The significance of the CEE for the BRI can be plainly explained through an understanding of its geographic importance: “…it seemed as if Xi’s vision of enhanced connectivity between Asia and Europe would include CEE as a vital staging post and entry point to Europe. CEE would serve as an endpoint for the overland ‘Silk Road Economic Belt’ through Central Asia and the ‘Twenty-first Century Maritime Silk Road’ through the Indian Ocean to the eastern Mediterranean” (Wnukowski, 2020). To this end, a number of BRI projects have been proposed and financed in this region, which include the proposed Budapest-Belgrade Highway, the E763 Highway in Serbia, the Pelješac Bridge in Croatia, and various power plants and mines across the Balkans; owing to the aforementioned broad application of the BRI label, the buildup of the Port of Piraeus was retroactively construed as a BRI project despite it predating the official launching of the initiative (Wnukowski, 2020). CEE is evidently a crucial piece of BRI; however, the region also carries geopolitical significance outside of the initiative. Importantly, 9 of the 14 participants in the China + CEE Cooperative Framework are also member states of the EU, which has understandably had implications for the cohesion of the union, especially given the prevalence of
divergent perspectives between member states as to the desired extent of political integration into the union. Additionally, CEE hosts several key political groupings, such as the Visegrád Group, comprised of Poland, the Czech Republic, Slovakia, and Hungary; the Central European Initiative, which facilitates cooperation in business and governance among CEE countries; and the Three Seas Initiative (3SI), constituted of numerous CEE countries spanning the Baltic, Adriatic, and Black Seas partnered under the aegis of collaborative initiatives for improving infrastructure and enhancing regional unity. One of the key drivers of the 3SI in particular, whose members are largely former Warsaw Pact members or republics of the Soviet Union, is a desire to deter the influence of Russia, which has historically perniciously impacted the region; the geopolitical prevalence of CEE is thus revealed through a cursory look at the numerous political and geographic realities.

**Geoeconomics**

Before proper analysis of the BRI can occur, a theoretical framework – through which the actions of China, CEE countries, and the EU can be better understood – must be established. This paper will choose to analyze this dynamic through the lens of geoeconomics, defined by French geoeconomist Pascal Lorot as the “economic strategies – notably commercial – decided upon by states in a political setting aiming to protect their own economies or certain well-identified sectors of it, to help their national enterprises acquire technology or to capture certain segments of the world market” (Lorot, 1999). In an increasingly interconnected world wherein states have come to realize the potential to achieve foreign policy goals through economic means, this conceptual marriage of geography and economy has accordingly become increasingly more relevant to understanding the nuances and breadth of states’ actions towards each other on the international stage. This approach is particularly salient, given that the BRI is a
project that relies on geographic realities in revitalizing ancient trans-Eurasian trade routes from Chinese and European antiquity to crystallize China as the “economic anchor” of a new system of global interdependence (Chakravartti, personal communication, April 17, 2023). Given the view of the Chinese state administration of a healthy economy as the bedrock of societal contentment, it is within reason to assume that they are also applying this objectivist approach towards foreign policy - by making themselves in dispensable to the economic well-being of other countries, they can achieve key goals: ensuring “national economic safety” for China and decoupling American economic hegemony from military hegemony (Chakravartti, personal communication, April 17, 2023).

Edward Luttwak, prominent economist, explains that “in the new geo-economic era not only the causes but also the instruments of rivalry must be strictly economic… those political clashes will have to be fought out with the weapons of commerce: the more or less disguised restriction of imports, the more or less concealed subsidization of exports, the funding of competitive technology projects, the provision of competitive infrastructures, and so on” (Luttwak, 2000). The components of the BRI that link China and Europe will thus be analyzed through this lens, particularly as an example of an “economic strategy” to defend national economies and capture international market discussed by Lorot (Luttwak, 2000). As the NELB and the MSR not only involve the conveyance of GVC goods themselves but also the construction of the above-mentioned “competitive” infrastructures and heightened economic integration, the geopolitics of CEE within the context of the BRI fits appropriately within this analytical framework.
Analysis

China’s Geoeconomic “Grand Strategy”

Through the lens of geoeconomics, the BRI can be viewed as a specific case of an offensive strategy, characterized by proactive and ambitious economic statecraft. This type of strategy involves a state’s coordination of public and even private sector economic institutions to effect desired foreign policy goals. This strategy must be considered in the context of the transformation of the Chinese party-state post-1978; prior to this date, under the leadership of Chairman Mao Zedong, Chinese economic foreign policy was at once limited but also purposeful. All trade was very tightly controlled by departments and agencies of the government; plans to initiate trade with Europe intentionally sought to further Chinese foreign policy by reducing economic dependence on the Soviet Union while also driving a wedge in the nascent “transatlantic alliance” between the United States and other NATO countries (Liu, personal communication, April 17, 2023). Under this approach, CEE became a means for China to circumvent the economic stewardship of the Soviet Union as well as American trade embargoes through the smuggling of products from Western Europe to Eastern Europe (Liu, personal communication, April 17, 2023).

Subsequently, under the leadership of Deng Xiaoping in the 1980s and 1990s, Chinese economic foreign policy shed much of this approach and instead opted for what Holslag describes as “defensive mercantilism”, “which aims to protect the home market, and is marked by high import tariffs, state monopolies and significant limitation of foreign investment in so-called strategic sectors” (Holslag, 2017). This period of Chinese economic development was ostensibly guided by the 韬光养晦 (tāo guāng yǎng huì) doctrine of Deng, which roughly
translates to “keeping a low profile” (Liu, personal communication, April 17, 2023). However, by the time that Xi Jinping assumed paramount leadership in 2012, a variety of circumstances – most notably the accretion of large foreign currency reserves and overcapacity of domestic industrial producers – primed China to internationalize their domestic surplus capacity and pivot to “offensive mercantilism” (Jones & Zeng, 2019). Holslag, likewise, defines this as seeking market shares abroad, usually (as is the case with China) the state support of SOEs. This shift from defensive to offensive mercantilism, however, can be accorded to a weakening in the strength of a Chinese “grand strategy.” Silove, in her seminal work “Beyond the Buzzword: The Three Meanings of Grand Strategy,” outlines three varying levels of this term: “grand plan,” “grand principles,” and “grand behavior” (Silove, 2017).

Whereas the state-controlled trade system under Mao could be classified as a “grand plan,” which involves a “‘deliberate, detailed plan’ top leaders make to ‘control in detail the outputs of the state,’” the BRI instead falls under the tenets of “grand principles” instead: “less detailed, ‘overarching ideas’ establishing ‘long term goals’ and the means to achieve them, which ‘guide’ policy decisions, the exact content depending ‘on how the principle is translated into a plan’” (Jones & Zeng, 2019). In spite of popular external analyses of the BRI as being entirely under the purview of the Chinese Communist Party’s State Council, governance of the initiative is actually its “biggest difficulty.” This is due to the fact that “there is no unified department to manage” the project, and instead specific responsibilities are split across a number of governmental departments and agencies: “the [Ministry of Finance], which influences financial disbursements; the NDRC, which regulates large-scale infrastructure projects; MoCOM, which regulates Overseas, investment and – with the State-owned Assets Supervision and
Administration Commission and various functional ministries – SOEs; and the relatively weak MFA, which struggles to promote wider foreign-policy goals” (Jones and Zeng, 2019).

This consideration profoundly alters the way that the BRI in CEE should be regarded. Examining the intricacies and nuances of how the initiative is actually implemented across the various governmental and corporate sectors of the Chinese party-state reveals that instead of a cohesive, unified “grand strategy,” the BRI is better understood as a set of “grand principles” that are promulgated from state leadership but open to interpretation for myriad subordinate actors – this will help contextualize the key characteristics of the development of the BRI in CEE.

Development of the BRI in CEE

As previously mentioned, although the BRI is more useful as a rhetorical lodestar in guiding individual Chinese foreign policy approaches vis-à-vis CEE countries, the primary units of analysis for the BRI in CEE will be distinct and discrete projects, the three most notable of which will be considered as representative of the overall approach of the initiative. These three projects were chosen to reflect not only the chronological duration of the BRI’s involvement in CEE, but the also the breadth of countries and financing models involved as well: the Warsaw-Łódź section of the A2 Motorway, the Pelješac Bridge, and the Budapest-Belgrade Railway.

A2 Motorway and Rail Baltica

The A2 Motorway is a high-speed route that bisects Poland horizontally, the construction of a section of which – between the capital of Warsaw and another major Polish city, Łódź – would have represented the first time a Chinese successfully passed the public tender process to build a piece of transportation infrastructure in an EU member state (Petkova & van der Putten, 2020). The Chinese company in question, the Chinese Overseas Engineering Group (COVEC)
was a subsidiary of notable SOE China Railway Group Limited (CREC), submitted a bid whose
costs would total less than half of the USD $1 billion that the Polish government had set aside for
the construction of the motorway – despite concerns that this low price would signal
considerable Chinese state administration financial involvement or subpar quality for the
construction, the Polish General Directorate for National Roads and Motorways nevertheless
approved of the bid in the spring of 2011 (Petkova & van der Putten, 2020).

Concerns over the ability of COVEC to fulfill the terms of its bid proved to be well-
founded. After completing around 20% of the road by May 2011, the company encountered
financial difficulties and delayed payments to subcontractors (Cienski, 2011). Challenges arose
from COVEC attempting to replicate approaches it has employed from previous, non-EU,
projects, which involved cheaply importing materials from China. After an unsuccessful attempt
at renegotiating the terms of the bid to request additional funding, COVEC ultimately and
unceremoniously withdrew from the project by June 2011 (Petkova & van der Putten, 2020). As
Petkova and van der Putten explain, “it seems that the failure of the Polish highway project was
not a matter of lack of technical expertise, but of underestimating the costs of doing business in
Poland” and a failure “to adapt sufficiently to the EU’s legal framework” (Petkova & van der
Putten, 2020). Specifically, although renegotiation was allowed under certain circumstances,
COVEC’s renegotiated proposal totaled $786 million – 76% higher than the initial bid – and thus
exceeded the maximum price increase of 50% under EU law. Construction of the highway
thereafter fell to the responsibilities of domestic contractors, and the status of settlement between
COVEC and the Polish General Directorate for National Roads and Motorways remains
nebulous.
The Polish government clearly learned from this fiasco when, in 2019, it secured financing for the construction of a railway along its northern portions – Rail Baltica – with 85% of the financing coming from the EU, and 15% originating from the Polish and Chinese governments (Krpec & Wise, 2022). Instead of a Chinese SOE, the winner of the tender was instead a Polish-Chinese construction consortium; additionally, the financing of the project is majorly-sourced from the EU Cohesion Fund, which was established for the express purpose of furnishing funds for EU transportation infrastructure projects. One would reasonably be able to conclude from a comparison between these two Polish transportation projects that in the eight years that have transpired, Poland has taken on a much more reserved approach towards the BRI. Although it has approved of new BRI projects within its territory, Poland has opted for more EU financial involvement, indicating a shortcoming of the BRI in integrating Chinese domestic industry into partner country economies.

**Pelješac Bridge**

Conversely, the Pelješac Bridge in Croatia represents a successful infrastructure project in CEE. The bridge, which can trace its origins back as far as 2009, represents one of the most important pieces of infrastructure in all of Croatia – upon its completion, it linked the county of Dubrovnik-Neretva to the rest of the Croatian mainland for the first time. With the accession of Croatia to the EU in 2013, this project was viewed by Croatian authorities as a prerequisite for further accession into the Schengen Zone: without the bridge, there would not exist a continuous land route between both halves of the country that did not traverse through Bosnia and Herzegovina, which is not an EU member state (Petkova & van der Putten, 2020). The public tender offered by the Croatian government was awarded in 2017 to the China Road and Bridge Corporation (CRBC), a subsidiary of China Communications Construction Company, another
Chinese SOE. In a similar fashion to the Warsaw-Łódź motorway, the CRBC submitted a bid that was significantly cheaper than its European counterparts, which prompted accusations from Italian and Austrian construction companies of deliberate, state-sponsored price dumping on the part of the CRBC (Petkova & van der Putten, 2020). These concerns were dismissed by the EU State Commission for Control of Public Procurement Procedures, as no evidence was found to support these claims – CRBC was permitted to carry on with the construction process and the bridge was opened to the public in July 2022.

Although this project might initially appear to be an example of the BRI successfully entering a foreign market cementing Chinese presence as an “economic anchor,” what should be noted is that 85% of the financing for this project also came from the EU Cohesion Fund, and the EU Commission granted 357 million euros to the Croatian government to directly spend on the construction of the bridge (Petkova & van der Putten, 2020). Although this has raised concerns over the fact that EU taxpayers’ money went to finance a construction process that was done by a non-EU company, Goulard contends that the nature of the financing of this project means that “it is not exactly a BRI project” (Goulard, personal communication, April 22nd, 2023). With this consideration in mind, it appears that the case of the Pelješac Bridge only services the rhetorical and ideological outlines of the BRI; in terms of implications for the tangible impacts to the Croatian economy, however, this project reflects poor penetration of Chinese economic institutions into the CEE economic ecosystem.

**Budapest-Belgrade Railway**

Unlike the previous two projects, the Budapest-Belgrade railway is currently unfinished; this, however, does not diminish from its immense geopolitical importance. Aside from constituting an important artery of the “Pan-European Corridor X,” providing linkages between
the EU, former Yugoslav countries, and Greece, the railway also slots neatly into greater Chinese geoeconomic aims in CEE. Its completion would greatly enhance the viability of framework of transportation in southeastern Europe that would connect the port of Piraeus to the “core” countries of the EU via direct land route through Athens, Skopje, Belgrade, Budapest (the focus of the rail line), and then further westward into the lucrative commercial markets of Germany and France (Rencz, 2019). A successful implementation of this project also carries significant implications for the future of similar infrastructure proposals for further integration between EU and non-EU CEE countries; thus, the Budapest-Belgrade railway is of utmost interest for both the EU and China.

The Hungarian rationale for supporting this project is almost entirely a result of the President Viktor Orbán’s administration’s ulterior motives in forging closer ties with China (Goulard). The public tender for construction of the Hungarian portion of the railway was awarded to a Chinese-Hungarian consortium, whose Chinese 50% is comprised of China Tiejiuju Engineering & Construction and China Railway Electrification Engineering Group, two subsidiaries of the above-mentioned CREC; crucially, however, 85% of the financing of this project was provided as a loan from Chexim, with the Hungarian government financing the other 15% (Petkova & van der Putten, 2020). This has raised concerns in Hungary, where the public has been doubtful of the project’s potential to create Hungarian jobs as well as the ability for the Hungarian government to successfully pay back its loans. In response, the Hungarian government has continuously pushed the idea that the operation of the rail line in transporting Chinese goods, such as GVC goods, through Hungary will provide a sufficient return on investment – this rhetoric falls in line with the Orbán administration’s overall foreign policy
alignments, whereby, through the “Eastern Opening policy,” Hungary can position itself as the gateway for Chinese trade flows to the EU Single Market (de Quant, 2019).

Notably, the Hungarian and Serbian sections of the railway were approached as two distinct projects with separate financing and construction schemes. There are several possible explanations for this seemingly arbitrary complication: owing to the fragmented state of BRI governance, it is not without reason to assume that this arose from misaligned implementation, given that the Serbian portion of the railway is being constructed solely through the CCCC, without any domestic involvement. However, a closer look reveals a more likely explanation: Hungary is an EU member state, and thus EU public tender procedures apply to any noteworthy foreign involvement in construction; Serbia is not, and thus there are fewer regulations by which Chinese SOEs must abide (Wnukowski, 2020). This discrepancy is further reflected in the fact that refurbishment of the Serbian portion commenced in 2017, while complications in the procurement process of the EU legal framework for public tenders delayed the construction of the Hungarian portion to 2019 (Rencz 2019). As of now, a section of railway in Serbia spanning Belgrade to Novi Sad (about half of the distance from Belgrade to the Hungarian border) is complete (Wnukowski, 2020). Compared to Hungary, Serbia’s lack of direct access to the EU Single Market is perhaps the reason why it has been so willing to take on terms for BRI projects that are much more favorable to China: “unlike Sino-Hungarian ones, Sino-Serbian BITs [bilateral investment treaties], contracts, and projects follow terms more favorable to Chinese standards and juridical procedure” (de Quant, 2019).

The Budapest-Belgrade railway thus serves as an exceptionally indicative example of the nature of the BRI in both EU and non-EU CEE countries, wherein the success and viability of the projects is largely dependent on the presence of protective legal frameworks that regulate the
extent to which Chinese SOEs are able to fully penetrate a country’s economic ecosystem. This, of course, has significant implications for the EU, both in terms of economic cohesion as well as security policy.

Implications for the European Union and the Transatlantic Alliance

Over the course of its development, the BRI has become more and more of a salient issue in the discursive spheres of EU policy. The first forays of the BRI into CEE through the 14 + 1 Initiative joined a bevy of “economic, political, and social challenges” caused by “supranational and intergovernmental mechanisms in Brussels” that “are burdened by bureaucracy” (Pantea, 2018). While the BRI does present economic opportunities for development among EU member states that have traditionally suffered from a lack of foreign investment – such as those in CEE – the EU’s overall approach has been highly cautious and reactive. For example, without explicitly referring to the BRI, “the 2016 EU Global Strategy called for addressing ‘China’s connectivity drives westwards’ via a combination of cooperation with Beijing and multilateral Asian groupings” (Kliman & Grace 2018). Thereafter, EU collaboration has pushed for “market rules, transparency, open procurement and a level playing field for all investors” to adapt Chinese geoeconomic methods to ideals that the union is committed to upholding – this demonstrates how the EU response, in its early stages, was characterized by the application of EU economic strategy even in the face of an initiative that clearly merited a much more comprehensive response (Garlick, 2019).

Fatton explains that EU strategies, on the whole, are hybrids of member states’ foreign policies. Whereas this approach tends to be more successful with issues that much more directly affect Europe (such as the Russo-Ukrainian war, which will be discussed more thoroughly in the following section), such strategies necessarily become less cohesive and purposeful as the EU
Commission and European External Action Service mediate increasingly disparate foreign policy viewpoints. The existence of the 14 + 1 Cooperative Framework, of which nine participants are EU member states, has been a point of contention with other member states like France, Italy, and Germany: particularly, in response to the growing number of foreign acquisitions of EU ports like Piraeus, Vado, and Le Havre, “led by calls from Germany, France, and Italy, the Commission is also in the process of developing a screening mechanism for foreign investments in sensitive sectors — critical infrastructure, energy, and telecommunications, high-end tech-companies, and defense technologies” (Mohan, 2018).

As for the von der Leyen administration, one of few (and thus most representative) public strategies of the EU vis-à-vis the Indo-Pacific is the 2022 EU Strategy for Cooperation in the Indo-Pacific. The shorthand factsheet explaining this approach recognizes the growing economic importance of the Indo-Pacific region and proclaims the “enhancement of cooperation” in the following areas: sustainable economic development, digital connectivity, and regional security (Global Gateway, 2022). None of these “priority areas,” however, is supported by robust and concrete initiatives – instead, the 2022 EU Strategy for Cooperation in the Indo-Pacific is better understood as a weak grouping of various member states’ interests – French foreign policy goals for maintaining a security presence for overseas territories and German foreign policy goals of strengthening economic relationships with non-Chinese actors in the region like Japan and Southeast Asian countries (Fatton, personal communication, April 12th, 2023). For the most part, EU member states have little interest in Indo-Pacific affairs, and engagement with its actors manifest mostly in terms of relations with China through the BRI. It appears that the EU has adopted reactive measures in response to the continuous presence of the BRI in CEE but has fallen short of implementing a proactive, comprehensive strategy (Goulard). With few
exceptions, such as Hungary and Serbia, an overall trend in the EU has been observed wherein even CEE countries like Poland and the Czech Republic, who have been heavily engaged in BRI projects, have balked at recent pivots on the part of Chinese SOEs and departments like the MoF towards more aggressive hard-line policies in service of guaranteeing Chinese “national economic safety” – this dynamic is neatly summed up by the following: “moral hazard, creditor traps and recalcitrant borrowers have forced Beijing to slow its excessive infrastructure lending with no strings attached. Poland and the [Czech Republic] have seen the light and committed to the Western model. Hungary has gone the way of the China model, perhaps gratuitously” (Krpec & Wise, 2022). Lithuania provides a clear example of how, when commitments to democracy run counter to broader economic interests, countries will often have to make a choice to side with one or the other; the opening of a “Taiwanese Representative Office” in the capital, Vilnius, resulted in a diplomatic row between Lithuania and the People’s Republic that ultimately ended with Lithuania’s withdrawal from the then 16 + 1 Cooperative Framework in late 2021 (Goulard).

In fact, almost every single participant in the 14 + 1 Cooperative Framework has signed memoranda of understanding with the United States on joint 5G network security against alleged depredations from Huawei, the foremost Chinese telecommunications (Krpec & Wise, 2022). This, of course, has had broad implications for the viability of the transatlantic alliance, which has strengthened – perhaps in direct response to the discursive fears of BRI contributing to division in EU cohesion and security policy, even before the outbreak of the war in Ukraine.

Impact of the Russo-Ukrainian War

The outbreak of the Russo-Ukrainian War has had profound impacts on the future of the BRI in CEE, which can be divided into geopolitical, security ramifications and BRI-oriented,
geoeconomic considerations. In terms of security implications, the outbreak of the war has all but heightened the pace at which Sino-CEE relations have cooled and at which CEE countries have turned towards the transatlantic security alliance: for example, Estonia and Latvia, members of both the EU and NATO, were the two most recent countries to withdraw from the 14 + 1 Cooperative Framework. CEE countries, in general, already having grown recalcitrant towards Chinese geoeconomic practices, have also demonstrated waning interest in the framework – the last several summits of the forum, which were designed to be a meeting place for heads of state, were only attended by foreign ministers and other lower-ranking government officials from CEE countries (Brînză, 2021).

For China, in the short-term, the outbreak of protracted conflict between Russia and Ukraine has severely impeded the progress of proposed BRI projects in Ukraine, among which include the dredging of the port city of Mariupol and the building of wind farms in Yuzhny – both of these cities have more or less been completely infrastructurally compromised, either through direct damage from Russian attacks or blockading by Russian naval forces (Wishnick, 2022). This, in turn, has almost completely invalidated the future potential of the NELB, certain components of which, like the Changsha-Chop (a city in western Ukraine) and the Xi’an-Budapest rail lines, traverse directly through Kyiv and regions of ongoing conflict (Wishnick, 2022). Consequently, it appears that, in the mid-term, auxiliary routes towards Europe will grow in importance, such as the Central Asia-West Asia corridor, which bypasses a Russian land route via Central Asian countries, Iran, and Turkey (Forough, 2022). However, as Goulard notes, these kinds of routes are currently massively underdeveloped; it is more likely that the MSR will, at least in the short to mid-term, replace the Silk Road Economic Belt as the primary means of
conveying trade and transit between China and Europe (Goulard, personal communication, April 22\textsuperscript{nd}, 2023).

**Conclusion**

In answering the question of how effective has the Belt and Road Initiative been in achieving Chinese geoeconomic interests in Central and Eastern Europe and how that has changed with the war in Ukraine, a multitude of factors were considered, ranging from Chinese geoeconomic strategy, the nature of the party-state as a driver of Chinese foreign policy, the heterogeneity of CEE countries’ stances towards economic integration with China, and the influence of EU institutions on this dynamic. As was concluded in the analysis, the enthusiasm of CEE countries towards the BRI has largely cooled in recent years; although construction projects have contributed to the status of CEE as a transportation intermediary for East-West trade, such as with the imminent completion of the Budapest-Belgrade railway, a thorough examination of trends points towards the outcome of only a small handful of CEE countries – Hungary and Serbia – strengthening their ties with China. For China, BRI governance is currently facing immense difficulties in the short-term restructuring of their routes towards Europe; the mid- and long-term implications could possibly result in redoubled efforts to promote “secondary” routes like the Central Asia-West Asia Economic Corridor, or the various routes of the MSR that travel towards Europe.

This dynamic is still at a crossroads, however, and the future of the BRI in CEE does indeed rest on the outcome of the war. Depending on the level of economic isolation borne by Russia by its end, it is with reason to anticipate the expansion of Chinese geoeconomic influence into Russian geography – this, of course, could provide the necessary foundation for a revival of the currently moribund NELB. Additionally, a decisive Ukrainian victory would have far-
reaching implications for the future of the NATO-centered transatlantic security system, which in turn would inhibit the further expansion of the BRI in CEE beyond countries like Hungary and Serbia. Future research would greatly benefit from the additional incorporation of direct statements from the Chinese government to supplement the plethora of Eurocentric analyses. As it stands, however, it appears that the BRI has not significantly altered the geoeconomic landscape of CEE, and the outbreak of the Russo-Ukrainian war has only cemented this faltering dynamic for the time being.
Abbreviations

3SI – Three Seas Initiative
BRI – Belt and Road Initiative
CDB – China Development Bank
CEE – Central and Eastern Europe
Chexim – China Export-Import Bank
COSCO – China Ocean Shipping Company
COVEC – Chinese Overseas Engineering Group
CRBC – Chinese Road and Bridge Corporation
CREC – China Railway Group Limited
GVC – Global value chain
MSR – Maritime Silk Road
NATO – North Atlantic Treaty Organization
NELB – New Eurasian Land Bridge
SOE – State-owned enterprise
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