

A map of the Balkans and Black Sea region, with countries in the area highlighted in yellow. The Black Sea is shown in light blue, and surrounding landmasses are in light grey.

# **THE BALKANS & BLACK SEA REGION**

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**in the context of**

**China's "Belt & Road Initiative"**

**ICBSS 10th International  
Black Sea Symposium  
6-7 March 2019**

# China's Belt and Road Initiative (BRI)

connecting Asia with Africa and Europe via land and maritime networks

## The 'Belt'

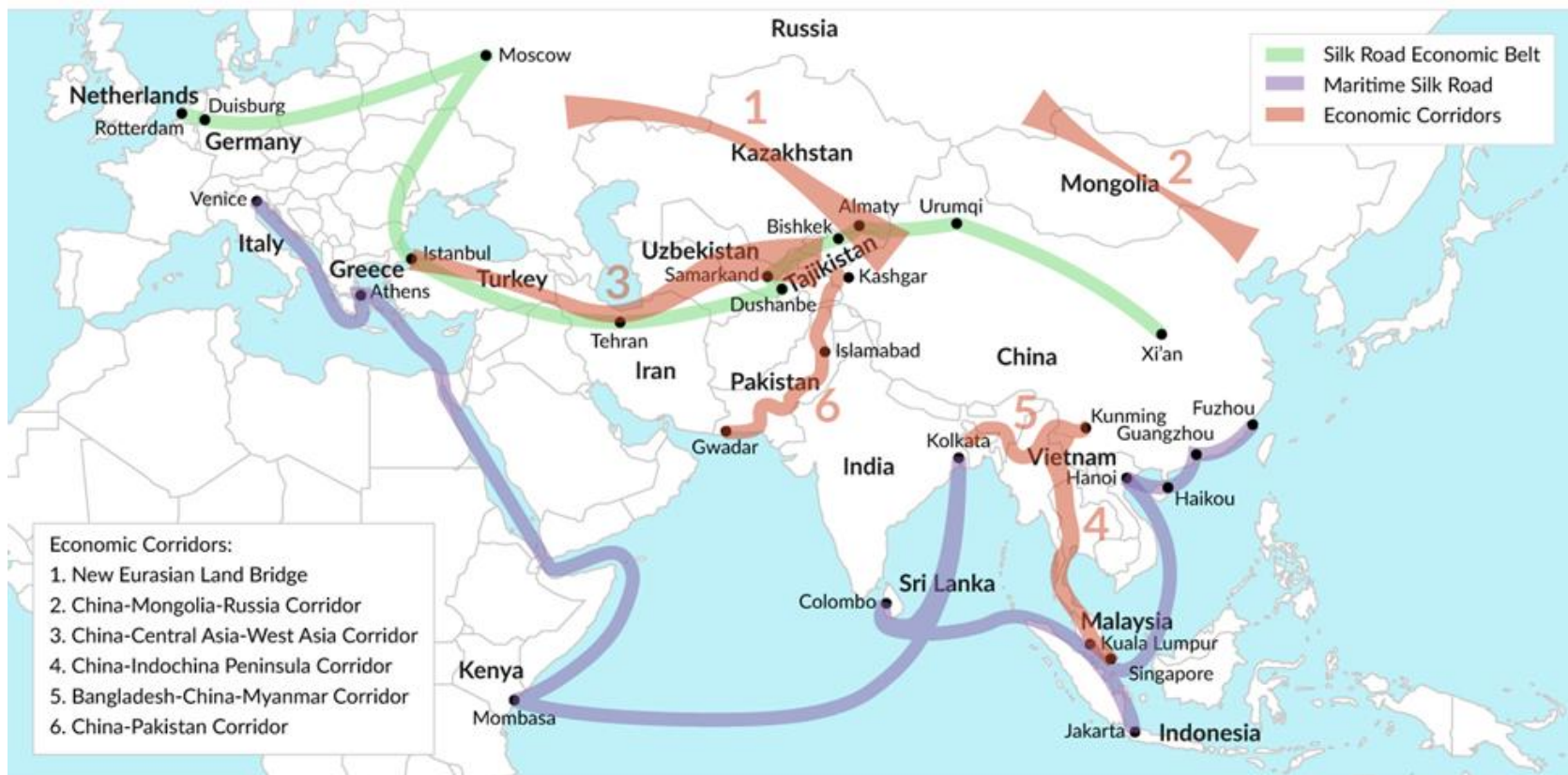
- Aims to link the western parts of China through six economic corridors to Central Asia, Russia, Europe, the Mediterranean and the Persian Gulf, and Southeast Asia, South Asia and the Indian Ocean.

## The 'Road'

- A sea route designed to link China's coastal parts to Europe and Africa through the South China Sea and the Indian Ocean in one route, and through the South Pacific in another route.



## Six corridors: China's Belt and Road Initiative



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- The background of the slide features a large, flowing Chinese national flag (red with five golden stars) in the foreground. Behind the flag, the facade of the Great Hall of the People is visible, including its iconic circular emblem with a star and the Tiananmen Gate. The overall image is slightly faded to serve as a backdrop for the text.
- Its completion, planned for the **100th anniversary** of the founding of the **Chinese People's Republic** in **2049**

# The Belt and Road Initiative in numbers

- Massive investments in ports, roads, railways and airports, as well as power plants and telecommunications networks.
- covers over 70 countries,
- accounting for about 65% of the world's population,
- over a third of the world's GDP.

**source:** European Bank for Reconstruction & Development

- China is the world's largest exporter and the second largest importer  
By 2020, China could become the world's largest overseas investor as well.
- A large part of the overseas port investments has been carried out by state-owned companies, especially **China Ocean Shipping Company (COSCO)** and the **China Merchants Group**.
- The programme is expected to involve over **US\$1 trillion in investments**



# China's presence in the Balkans

- Two major projects

## First

- Chinese state-owned company COSCO, in 2016 purchased the **Port of Piraeus**
- Piraeus the “dragon’s head”

*“Piraeus is very important not just because it’s a gateway to Europe in general, but specifically to Central Europe, now the core area of industrial production,”*

Frans-Paul van der Putten,  
Netherlands Institute of International Relations

# Piraeus, the fastest growing port in the world

- Expected to be the largest port in the Mediterranean by 2019.
- Ranked 6th among the 15 largest European ports in 2018
- This year the administration seeks to increase freight traffic by 35%
- Has a significant role in **rail freight transport** as well - every week, 16-18 freight trains **depart from Piraeus for central and western Europe.**





# Top 15 container ports in Europe in 2018

Total container throughput in 1000 TEU

Rank 2018	Rank 2017	Rank 2007	Port	2018	Growth 2017/2018
1	1	1	Rotterdam (NL)	14,513	5.7%
2	2	3	Antwerp (BE)	11,100	6.2%
3	3	2	Hamburg (DE)	8,730	-1.0%
4	4	4	Bremerhaven (DE)	5,467	-1.3%
5	5	8	Valencia (ES)	5,104	5.6%
6	8	-	Piraeus (EL)	4,908	20.9%
7	6	6	Algeciras (ES)	4,772	8.9%
8	7	7	Felixstowe (UK)	4,161	-> Figure 20
9	10	10	Barcelona (ES)	3,423	15.3%
10	9	12	Marsaxlokk (MT)	3,310	5.1%
11	11	9	Le Havre (FR)	2,884	0.0%
12	12	14	Genoa (IT)	2,609	-0.5%
13	13	5	Gioia Tauro (IT)	2,301	-6.0%
14	14	13	Southampton (UK)	1,995	-> Figure 20
15	-	-	Gdansk (PL)	1,949	23.8%
TOP 15				77,227	4.8%
TOP 3				34,343	4.1%



Theo Not  
21 Februar



# COSCO Shipping Corporation



- China COSCO Shipping Corporation Limited
- Total fleet of COSCO SHIPPING comprises of 1,285 vessels with a capacity of 102.19 million DWT, ranking **No.1 in the world**.
- Particularly important the **container fleet**: capacity of 2.93 million TEU, ranking the third in the world.
- The Corporation has invested in 55 terminals, including over 51 container terminals, all over the world.

# The Land Sea Express Route

## Second

- The US\$2.89bn **Belgrade-Budapest rail project** which has been agreed by Hungary, Serbia and China
- China sees the Belgrade-Budapest rail link as an important part of the BRI, for boosting trade through infrastructure investments from across Asia to Europe and Africa.
- Part of the **Land Sea Express Route** that runs from the port of Piraeus through N. Macedonia and Serbia to Hungary.
- The project for the overhaul of the railway line linking Budapest with Serbia's capital Belgrade is expected to be completed **by the end of 2023**.



# Belgrade-Budapest rail project

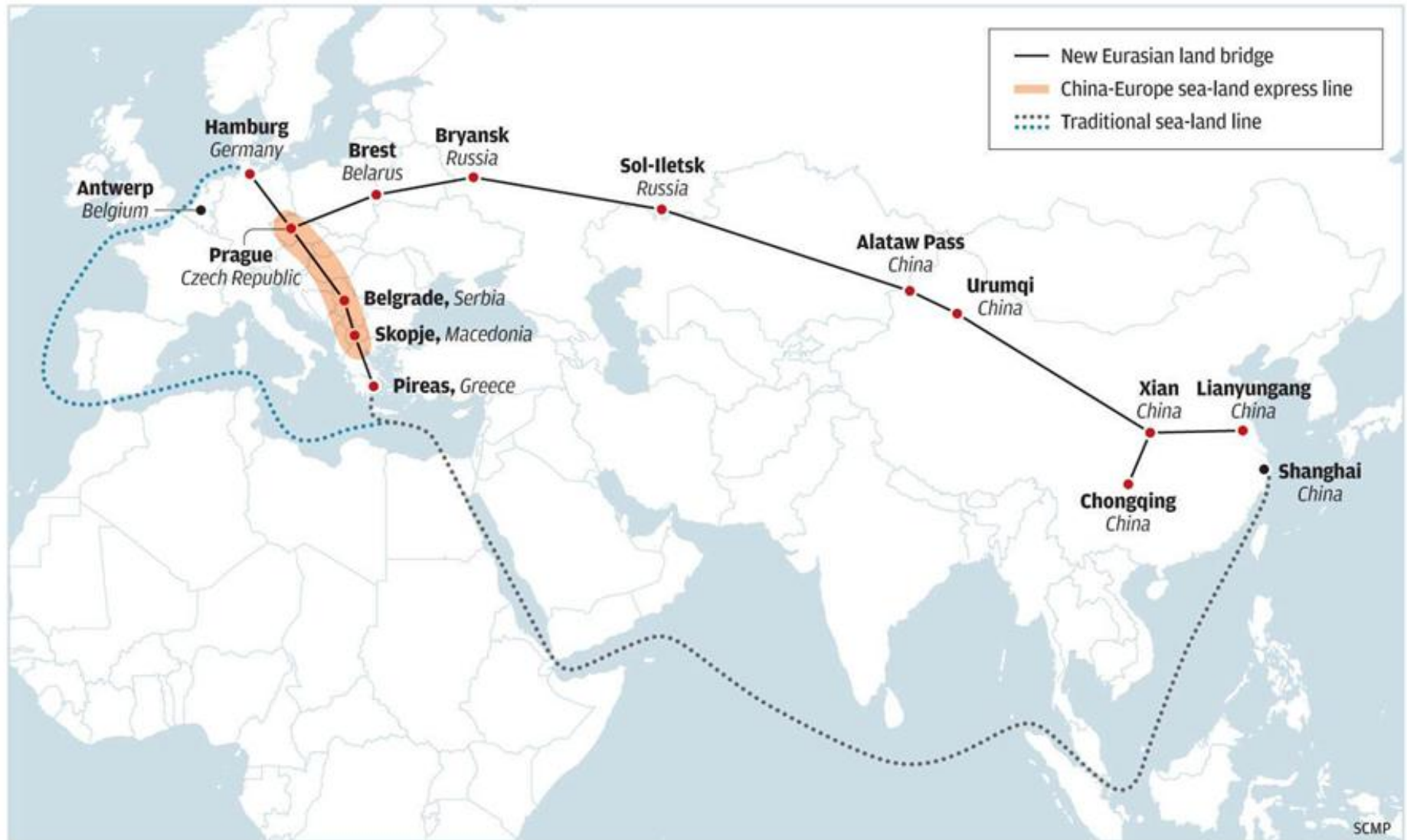


# The Port of Piraeus and China-Europe Land-Sea Express Line.

- The first two trains carrying Chinese cargo containers arrived in the Hungarian capital of Budapest on January 2017, marking the opening of the China-Europe land-sea fast intermodal transport route.
- The shipment, launched by China COSCO Shipping Group, started its journey from the Chinese port of Ningbo and set sail to Piraeus, before travelling by rail to Budapest, all **within 26 days**.
- The number of trains serving on the line has been increased from **3 per week in 2014** to **14 per week in 2018**.
- The China-Europe Land-Sea Express Line is **the most important passageway** that has been newly developed in recent years to connect Asia with Europe.



Source: PortEconomics



# Challenge to China's planned trade route in Europe

- **EU investigation** launched into the Belgrade-Budapest rail project.
- Failure to follow EU procurement rules – assessing the project's financial viability and whether it had violated **EU rules that require public tenders for large transport projects**, with a focus on Hungary which is a full EU member country.
- China's 85 % of a 2.4 billion euro project



# EU - Corridor X

- New proposal of the **Athens–Budapest** part of the "Balkan Route" / Corridor X (red) compared to the old planning (green)



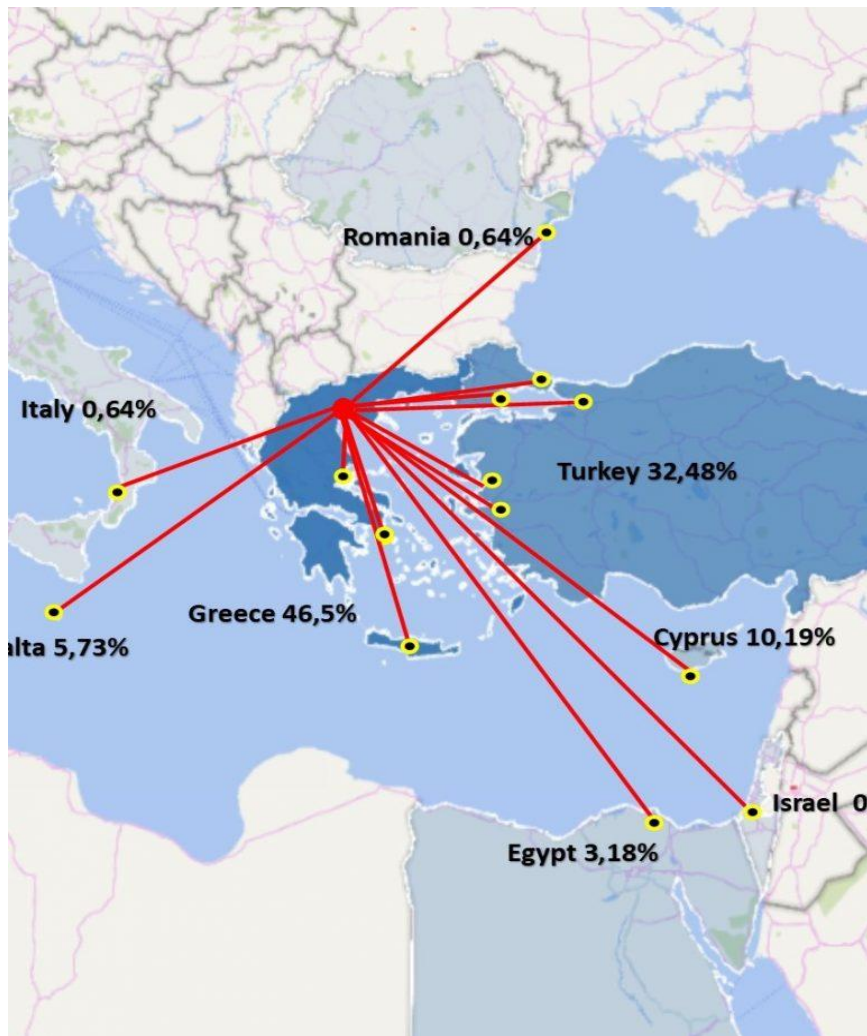
# The Port of Thessaloniki

- The Gateway Port to the Balkans and South Eastern Europe
- Strategically located close to the major Trans-European motorway and railway networks





## The connectivity of the port of Thessaloniki following privatization.



- The presence of an international terminal operator (**Terminal Link**), that is strongly connected with a major container shipping company (**CMA-CGM**) might be a value added for the port in an effort to attract deep sea services directly from the Far East.

**Source:** Port Economics - George Vaggelas & Thanos Pallis  
data analysis on the port's performance following the privatization.

# Ocean Alliance

- The Ocean Alliance brings together **China Cosco Shipping**, with **Evergreen Line**, **CMA CGM** and **OOCL** in a vessel- and slot-sharing agreement.

- The alliance was launched on April 1, 2017 with an estimated total carrying capacity of over 3 million TEUs.
- Have confirmed the extension of the duration of OCEAN Alliance until March 31, 2027.
- The largest alliance in shipping history

## Ocean Alliance

*Starting 2017 and effective until 2022.*



EVERGREEN



### Ocean Alliance

The Alliance  
**151+** Vessels  
**4.4M** TEU Capacity

**350** Vessels  
**3.5M** TEU Capacity

2M Alliance  
**185** Vessels  
**2.1M** TEU Capacity

## Third privatization phase for 10 Greek ports

- Greece's privatization agency, is reportedly ready to commence the third phase of a process to, at least, partially privatize 10 regional port authorities around Greece.
- Alexandroupolis and Kavala ports top priorities for partial privatization.
- Cosco is said to be interested in the privatization of Alexandroupoli, which plans to construct an LNG terminal targeting the Balkans market.



# Why the ports are important for EU?

**Source:** Report on Phase III of the Euro-Asian Transport Links Project

5 Feb. 2018

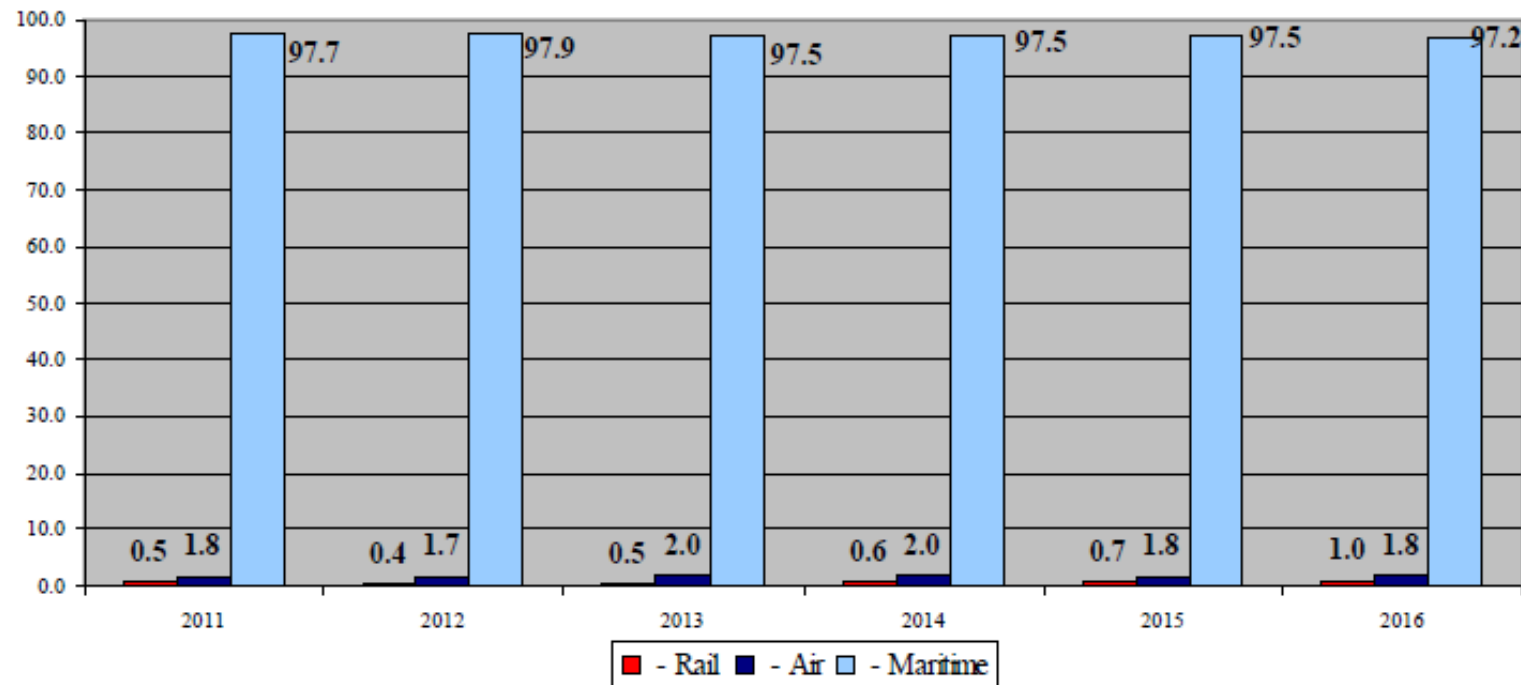
- The market of freight transport between Europe and Asia was highly competitive
- Sea transport accounted for about 97 % of the total volume of cargo transported between Europe and Asia (in tonnes)
- Maritime transport was by large the main transport mode due to **low rates, high accuracy and timetable compliance**, close cooperation with logistics providers in Europe and Asia, the established geography of production located near seaports, the introduction of new solutions such as slow steaming with reduced costs as effect.



# The Euro-Asian Transport Links

Figure 1.7

Market share by modes of transport in cargo flows (in tonnes) between European Union and China in 2011-2016, per cent

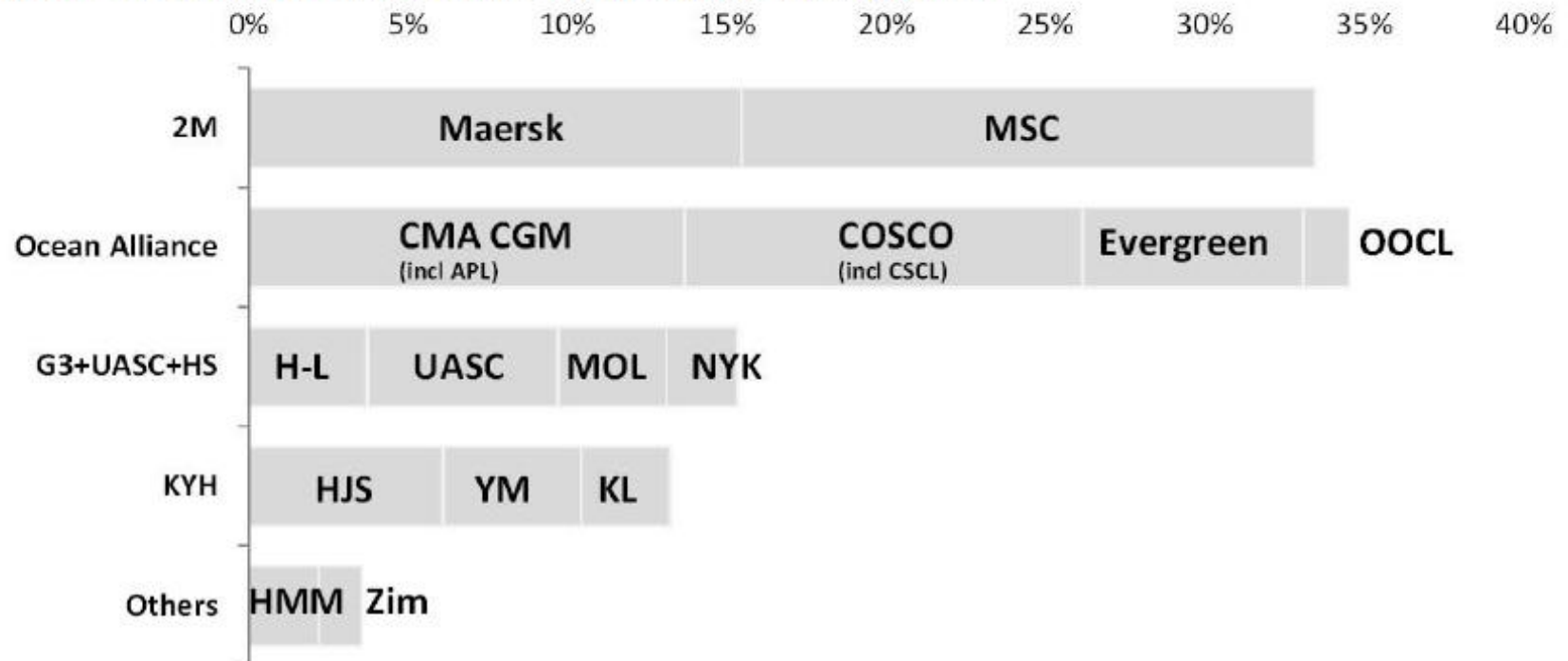


Source: Eurostat

# The Euro-Asian Transport Links

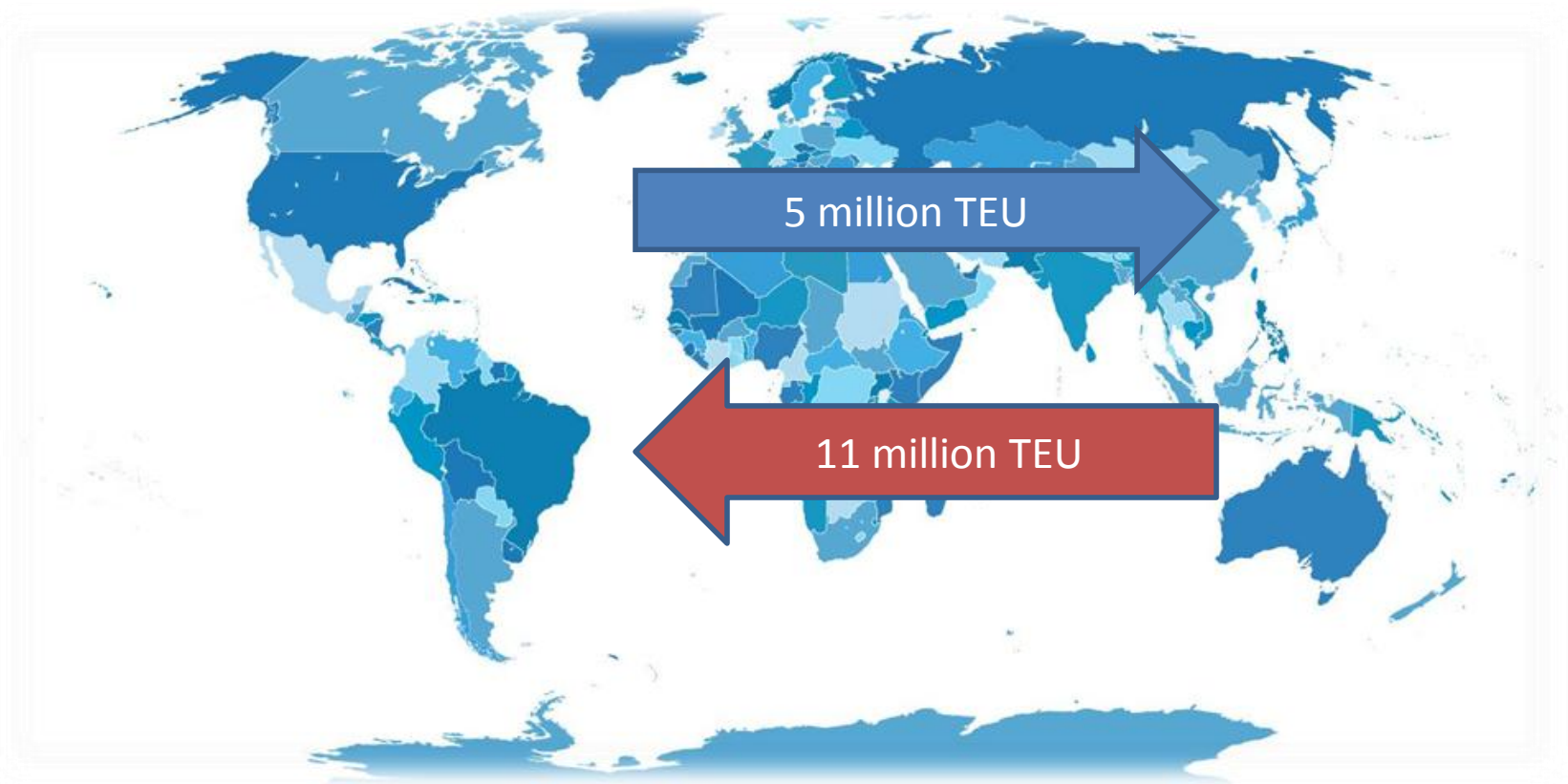
Figure 1.10

Market share by alliance on the Far East-Europe shipping lines, April 2016



Source: Alphaliner Newsletter no 17 - 2016

## Number of containers shipped between the EU and the Far East 2016



# China, Greece signed a BRI memorandum

- China and Greece signed a **Memorandum of Understanding** on **Aug 27 2018**
- to cooperate further within the framework of the Belt and Road Initiative
- First country in the **Med region** to sign such an agreement
- In December 2016 China's State Grid Corporation, the world's biggest utility, purchased a minority stake (24 %) in Greece's power grid operator ADMIE.
- This is China's second major investment in Greece in 2016, after the acquisition of PPA



# COSCO Shipping's Mediterranean strategy

- Apart from the port of Piraeus, COSCO Shipping is very active in the Mediterranean region.
- In Egypt, the company owns a 20 % stake in the **Suez Canal** Container Terminal at Port Said
- In Turkey, it purchased in 2015, 65% stake of **Kumport Terminal** in the Port of Ambarli.  
Kumport is the third largest container terminal in Turkey.
- The Ambarli Port Zone on the northwest Marmara Sea, is a strategic location at the junction in the Eurasian region.
- The terminal is only 35 km from the Bosphorus Strait, a gateway to the Black Sea through which all shipping from there must pass.

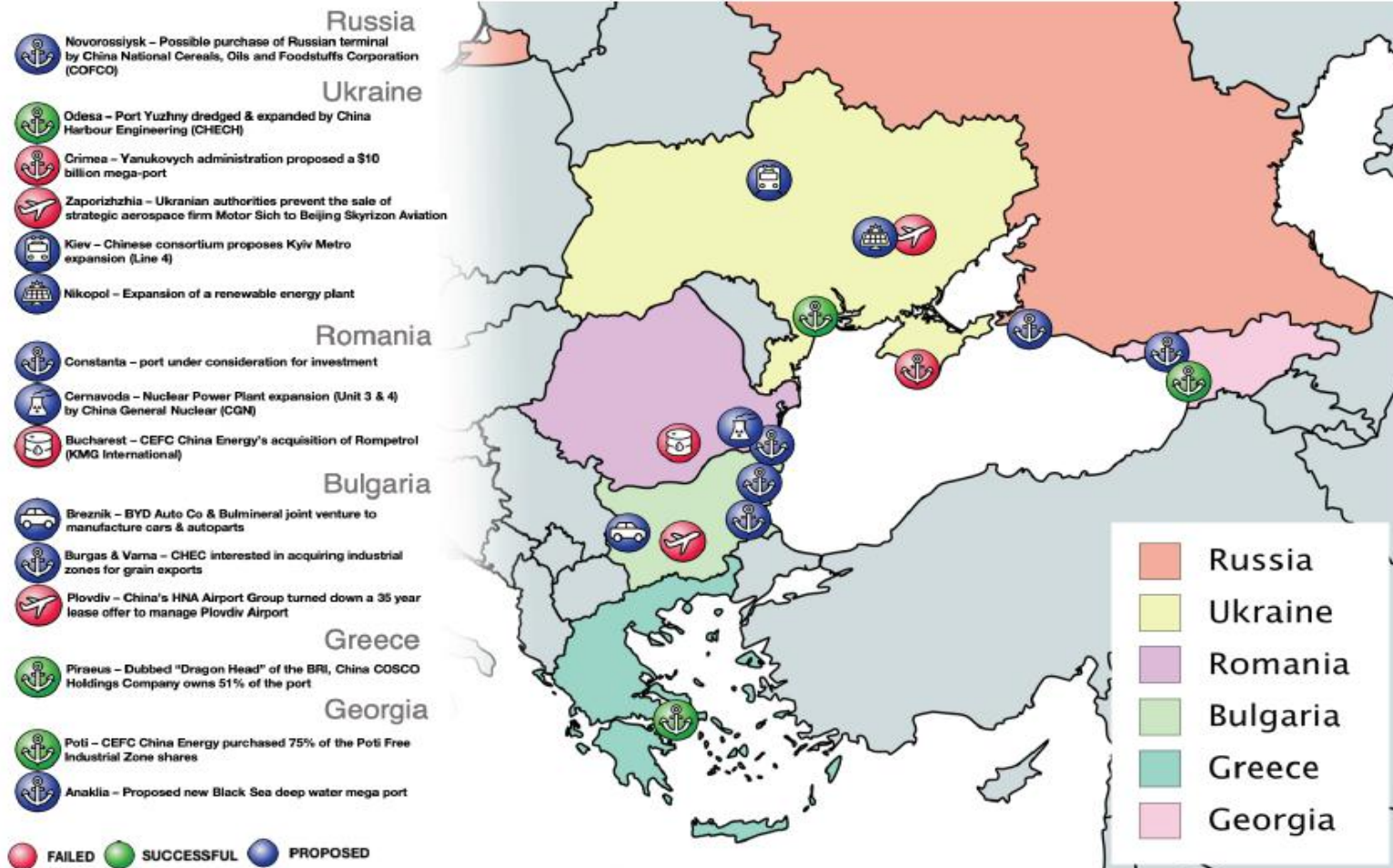
# China's interest in the Black Sea region

China is becoming a major player in the Black Sea.

- The Baku-Tbilissi-Kars railway line, inaugurated on October 30th 2017
- The Chinese-Georgian Agreement, into force on January 1st 2018
- In Ukraine trade with Beijing increased by 18% between 2016 and 2017
- Moldova now exports cognac, wine and tomatoes to Chinese territory
- China is the largest importer of Russian goods
- China's main economic interests in the Black Sea region are agriculture, information technology, aerospace, and port infrastructure.
- Growing political influence through the use of economic investment

# Foreign Policy Research Institute

Foreign Policy Research Institute



China's projects in the Black Sea Region. (Map by Zhanar Irgebay)

# 16+1 Cooperation

- **China and 16 countries of Central and East Europe** - an initiative by the People's Republic of China
- To promote business and investment relations between China and 16 countries of CEE (CEEC)
  - Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, N. Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.
- 11 EU Member States and 5 Balkan countries
- One common historical factor is that they all used to be parts of the socialist block



# 16 + 1 Cooperation

- Greece is not a member in the 16+1 arrangement.  
It has an observer status.
- In 2012, the member states of the mechanism adopted the **Twelve Measures**, which determined the main objectives and form of the cooperation.
- The establishment of the Secretariat is in Beijing, subject to the Chinese Ministry of Foreign Affairs.



## 16+1 Cooperation

- The CEE countries can apply to Chinese financial institutions (National Development Bank of China, Export and Import Bank of China, Industrial and Commercial Bank of China, Construction Bank of China, Bank of China, China Citic Bank) for the financing of projects.
- The relevant states meet annually in order to study the results of the cooperation and specify the directions of future development.
- The involvement in the work of the organs of the mechanism is decided upon by each country on a voluntary basis.



# EU - China relations

- The “16 + 1 Cooperation” has to comply with the Union legislation and strategic documents
- **China-EU 2020 Strategic Cooperation – 2013** and in **2016 EU** adopted the New **Strategy on China**
- EU-China 2020 Strategic Agenda for Cooperation
- structured around three high level pillars focusing on
  - Economic and (Sectoral) Trade Dialogue;
  - Strategic (Political) Dialogue; and
  - People-to-People Dialogue.



# EU - China relations

source:



## PROSPERITY



The EU is China's  
**BIGGEST TRADING  
PARTNER** while China  
is the EU's  
**SECOND LARGEST  
TRADING PARTNER**



Trade in goods  
between the  
EU and China is  
worth well over  
**€1.5 BILLION**  
a day



EU exported to  
China  
**€198 BILLION**  
and imported  
**€375 BILLION**  
in 2017



In 2016 the EU  
exported  
**€38 BILLION** of  
services to China,  
while China exported  
**€30 BILLION** to the EU

# EU - China relations

source:



THE EU IS CURRENTLY NEGOTIATING WITH CHINA A:

## COMPREHENSIVE AGREEMENT ON INVESTMENT

THIS AGREEMENT SHOULD CREATE:



A MORE LEVEL PLAYING  
FIELD FOR BUSINESS



NEW MARKET OPPORTUNITIES  
FOR BOTH SIDES



AND ENCOURAGE CHINA TO:



ADVANCE  
ITS ECONOMIC REFORMS



GIVE THE MARKET  
A MORE DECISIVE ROLE



PAVING THE WAY FOR BROADER TRADE AMBITIONS WHEN THE CONDITIONS ARE RIGHT.

# EU - China relations

source:



## STRENGTHENING EU-CHINA CONNECTIVITY



The EU is preparing a **strategy to better connect Europe and Asia**, with a focus on sustainability, from an environmental, economic, social and fiscal point of view. The EU encourages China to follow best practice in its connectivity initiatives to ensure the sustainability of their benefits for all European and Asian partners.



The EU expects China to adhere to its commitment to promoting **transparency and a level playing field** based on market rules and international norms.



The EU and China are looking to **bring their respective populations closer together** through youth and culture projects, festivals and other dialogues. 2018 is the EU-China Tourism Year.



The EU promotes long-term joint research and innovation partnerships with China in strategic areas of common interest in the context of the EU's **Horizon 2020**.



## **US-China trade war and EU**

- **The EU is the largest economy after the US**
- **US-China economic relations could potentially benefit the EU**
- **The European Union is pressing China to open its economy to European investors and traders and**
- **to take a central role in fighting protectionism**

## EU - China relations

- The head of the Chinese Mission to the EU, Ambassador Zhang Ming, said at the European Parliament in Strasbourg in April 2018

*“We need to have greater mutual trust.  
China always supports the European integration process,  
and supports a united, stable and prosperous EU  
in playing a bigger role in global affairs.”*

# EU to spend 2B euros on railway network in five countries

- The European Union will spend about two billion euros on the expansion of the railway network in Azerbaijan, Belarus, Georgia, Moldova and Ukraine.
- This is an integral part of the expansion plan for the Trans-European Transport Network (TEN-T) project.





## EU's projects

- Azerbaijan and Georgia, located between the Caspian and Black Seas, are important as transit regions in the **Middle Corridor**.
- The cargo arriving from the EU on this multimodal route, passes through the Black Sea or Turkey, and travels across the Caspian Sea to Kazakhstan, and then by rail to China



# The Middle Corridor

- A targeted volume of 60 thousand TEU's should be shipped along the Middle Corridor this year, **four times more than last year.** source: RailFreight.com
- Interest in the multimodal connection between Europe and China via the Caspian Sea is picking up rapidly, and so are the services offered.
- The importance of this route was implied with the inclusion of Georgia and Azerbaijan in the TEN-T network.

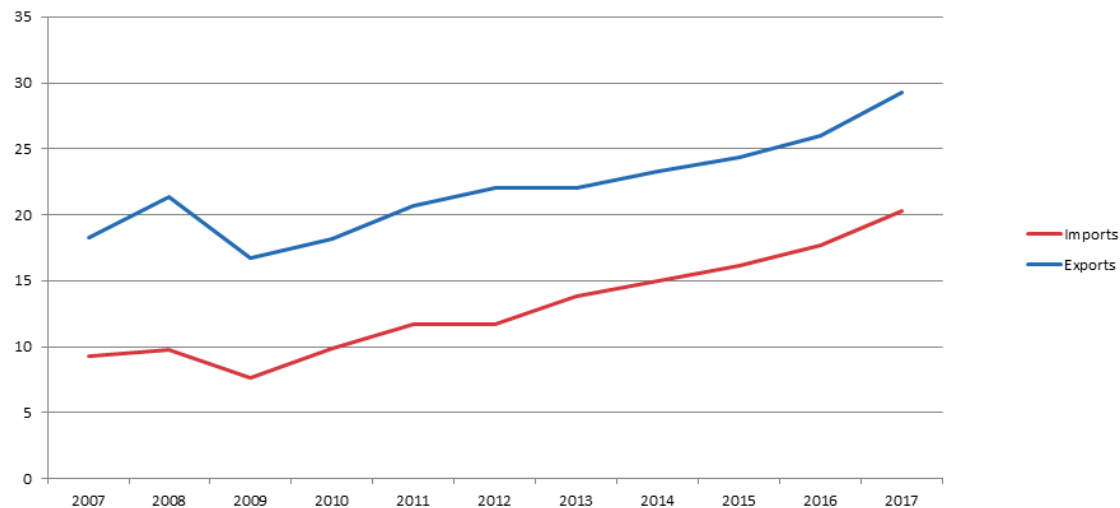




# EU – Western Balkan countries

- The EU was the main partner of the Western Balkan countries, both in terms of exports (70 %) and imports (59 %) in 2017.
- In 2017 manufactured goods made up 77 % of EU exports and 80 % of EU imports from the Western Balkan countries.

EU trade in goods with the Western Balkans, 2007-2017 (in € billion)



# Foreign Direct Investment - FDI

- EU is the only large geopolitical entity that does not yet have a single **foreign direct investment** control and approval mechanism – FDI
- unlike the US, Canada, Japan and Australia.
- Half of the EU member states. have such a mechanism to protect their strategically important businesses for reasons of security or public policy.
- On 28 May 2018 the European Parliament's Committee on International Trade adopted a report calling for closer control of FDI, in particular as a result of growing concerns about acquisitions of European businesses by Chinese
- Parliament's report places greater emphasis on state-controlled FDI, ie acquisitions or mergers with third-country public companies.

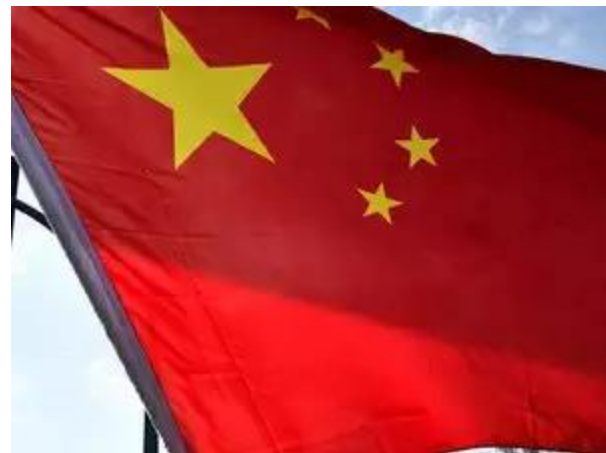
# China-Eurasia Economic Union

- **Eurasia Economic Union** –  
Russia, Armenia Belarus, Kazakhstan, Republic of Kyrgyz
- China and Eurasian Economic Union officially signed **Trade and Economic Cooperation Agreement**.
- China and Russia has joined hands to implement major infrastructure projects.
- Trade volume between China and Russia exceeded 100 billion U.S. dollars by mid-December 2018, a record high.
- China remains Russia's largest trade partner, while Russia is China's tenth largest trade partner.

# Highlights of China's all-around opening-up in 2019

*The past 2018 has set a clear direction for China in 2019 as the country is gearing up for further opening-up in an all-round manner to put in place those measures and targets rolled out previously.*

**source:** Xinhua Silk Road Information Service



# THANK YOU

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