

THE BELT AND ROAD INITIATIVE IN THE CONTEXT OF GEOPOLITICAL RIVALRY – RISKS AND OPPORTUNITIES FOR BULGARIA

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Abstract

On the territory of the European Union, logistical projects clash as a reflection of the clash for global supremacy in establishing a new world order. The Belt and Road Initiative (BRI) is a major strategic undertaking, combining two traditional Eurasian trade roads - the Silk Road the Novgorod-Santiago de Compostela road. Due to their combination the countries in Central and Eastern Europe, part of the 16 + 1 platform, could become an important link in a larger “Eurasian Economic Community”, which could help overcoming their economic difficulties East-West trade statistics show the viability of the project. Such an opportunity faces the resistance by the USA, which launch their own project, the Trimorje, to cut off the economic ties between their geopolitical rivals and CEE. The conflict in the Ukraine cuts off these ties in the North-Est and shifts the weight to the southern section of BRI, the Third Eurasian Continental Bridge. If the EU succeeds in maintaining trade relations with China, this shift reveals new opportunities for Bulgaria to serve as logistic hub, but a negative scenario should not to be excluded.

Keywords: trade roads, BRI, geopolitics, rivalry

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Introduction

International trade is inseparable from international politics. The struggle for control of trade routes always accompanies major geopolitical clashes. In the last 10 years, the European Union has transformed from a subject of international relations into a field of global rivalry between external powers – the US, Russia, China. Competing international logistics projects are crossing its territory, closing or opening up opportunities for the inclusion of countries with modest economic and military-political potential, such as Bulgaria. A historical retrospective and a review of statistics from before the war in Ukraine make it possible to assess the risks and opportunities offered by the various geo-economic and political initiatives.

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The Belt and Road Initiative (BRI) and the 16+1 Group

The Belt and Road Initiative (BRI) is a major strategic undertaking, it could become the main logistical structure of the new world order. In fact the BRI today is simply the next phase of a decades-long shift in the infrastructure sector towards China and away from traditional Western development lending institutions (Bataineh et al., 2019). This shift is causing tensions and inevitable resistance, first and foremost in the US as a country seeking to maintain its current hegemony. Due to this resistance, geopolitical complications arise for the implementation of the project. These complications are felt most acutely among the Eastern European countries that are China's partners in the 16+1 group.

China's cooperation with the Central and Eastern European countries is intended to help overcome their economic difficulties, while the EU has faced alternating internal crises since 2008 – through investment, trade and infrastructure related to the BRI project, including the E763 highway in Serbia, the Budapest-Belgrade railway, the Pelesac bridge (Croatia), investment in Huta Stala Wola (Poland), etc.

China's trade volume with Central and Eastern European countries has been growing ahead of schedule since the establishment of the platform: \$43.9 billion in 2010, \$67.98 billion in 2017, \$103.45 billion in 2020 and \$ 99.48 billion in the first three quarters of 2023, which is about one-sixth of China's total trade volume with the EU (European Commission, 2023). (This amount includes China's trade with the Western Balkan candidate countries, but this trade volume is insignificant compared to the volumes traded with the Visegrad Four countries.)

Bilateral investment, with a volume of \$20 billion (Xuanmin, 2023), lags behind trade, but investment is in sectors that have good growth prospects: automotive parts manufacturing, household appliances, new energy sources, and health care. For now, most opportunities for cooperation are in logistics, as the main sections of the "New Silk Road" pass through the group's territory. Accordingly, the greatest geopolitical tensions are now building up around these sections.

The Eurasian trade axes

Among the traditional Eurasian trade axes, the most famous is the Silk Road – the network of Eurasian trade routes with a length of 6400 km, functioning from the 2nd century BC to the middle of the 15th century. This route has long facilitated economic, cultural, political and religious interaction between East and West. In the fifteenth century the Silk Road was abandoned due to administrative and political obstacles – the invasion of the Turkmens, the conquests of Tamerlane, which encouraged the search for alternative transport technologies and routes. By the time the Turks conquered Constantinople in 1453 and imposed exorbitant duties

on European trade with Asia, sea transport was already winning the competition with land transport and the era of the Great Geographical Discoveries began. The invention of the carrack, the galleon and the fluyt gradually made these transports in the fifteenth and seventeenth centuries incomparably more reliable, rapid and cheaper than the camel caravans that traversed the Silk Road in two years each way even in the early twentieth century (Lattimore, 1929).

In the new context, the Silk Road is the inspiration for today’s Chinese initiative, which is often referred to as the “New Silk Road”, and it is also an example of the major risks facing the re-establishment of the old overland trade links between East and West. In any analysis, it should be recognized that the great technological and economic superiority of sea freight is no longer so pronounced – In the beginning, rail shipments from China to Europe were supported by Chinese state subsidies as high as \$5,000 per container (40 ft). For 2022 the subsidy was \$1,000 per container, and for 2023 it has being considered for abolition (Yeping, 2023). The average cost of a container transported by sea from East Asia to Western Europe is already only twice that of a container transported by train. The great superiority in tonnage of sea freight (up to 18,000 containers on a Triple E compared to 60 containers in a train set) is offset by the up to threefold reduction in time, quite important for a number of groups of goods, e.g. electronics. (As of 21.08.21 Chinese trains arriving in Hamburg already numbered 10,000, carrying 50,000 types of goods across 53 categories (Xinhua, 2022) through 290 regular railway logistics routes from this port to 25 destinations in China (Feng, 2023). The total volume of goods transported through the China Europe freight train throughout the same year reached 160000 TEUs.)

Table 1: Comparison of transport costs, in USD per container, and time, in days, for goods transported between China and Europe

	Shanghai – Gdynia		Chengdu – Warsaw		Shanghai – Rotterdam	
	price	time	price	time	price	time
Plane	37 000	5-9 h.	37 000	5-9 h.	37 000	5-9 h.
Train	4 500	19 days	5 000	15 days	5 000	18 days
Ship	2 600	37-42 days	4 500	43-50 days	2 200	27-37 days

Source: Jakóbowski et al. (2019).

Less famous is the **Novgorod-Santiago de Compostela road**, connecting from the 12th century Western Europe with the lands of the Northeast, and from there through the Volga River – with Central Asia. Raw materials and agricultural products traditionally travelled along this route from the East to the West, industrial goods in the opposite direction, and inter-industry specialization developed between the various parts of Europe (Lang, 1987).



Source: Wikipedia (2024).

Figure 1: Map of the ten Pan-European transport corridors (Novgorod-Santiago de Compostela road in green, Amber Road in red)

For a time (12th and 13th centuries) the road became known as the Amber Road, because of the deposits of the precious stone in the Baltic, which had been

shipped southwards and westwards since around 3000 B.C. The economic boom, including due to intensified fishing, in the Baltic region after the 13th century led to the emergence of the Hansa trade alliance in 1400, supplying wax, amber, resin, hides, rye and wheat from the eastern Baltic, combining sea and land transport. However, the drive for commercial dominance by German, Swedish and Danish merchants, expressed in the imposition of restrictions on Russian partners, led to the decline of Novgorod, its subjugation to Moscow in 1478, the destruction of commercial ties and the end of the trade alliance, with the maritime trade of the northern and western European states shifting to the Atlantic. The Northeast trade route was revived with the opening of Russia to the West under Peter I and the establishment of strong commercial, dynastic, and political ties between the Russian Empire and the German states. The destruction of the Polish kingdom after the 17th century was conditioned, among other things, by the inability of the Polish elite to maintain and ensure the smooth functioning of the road (Holborn, 1982).

The strategic rapprochement of Russia and Germany, including through a common border, along this road frightened competitors (Britain, the United States) and was prevented or severely limited through a series of world wars, the First and Second, and the Cold War between 1945 and 1990.

Combining the Eurasian trade axes in the BRI

Within a short time after the announcement of the China Initiative in 2013, a wave of optimism rose in Eastern Europe. According to Chinese plans, the northern section of the New Silk Road coincided with the Northeast Trade Route mentioned above and promised new incentives for economic growth along the transit of Chinese cargo into the EU. The southern branches of the BRI through the Balkan Peninsula raise similar hopes. The establishment of the 16+1 format is an expression of this optimism. The above trade growth figures show that this optimism was not unfounded. In the absence of any logic other than economic, the CEE group could become an important link in a larger “Eurasian Economic Community”. The existence of several railway lines between the Baltic and the Black Sea increases the total volume of freight transported and thus increases the competitiveness of land transport and at the same time reduces the risks of accidental or permanent disruption of any of the sections.



Source: MERICS (2018).

Figure 2: Map of the BRI

The Transition to a multipolar world order – strategic concepts

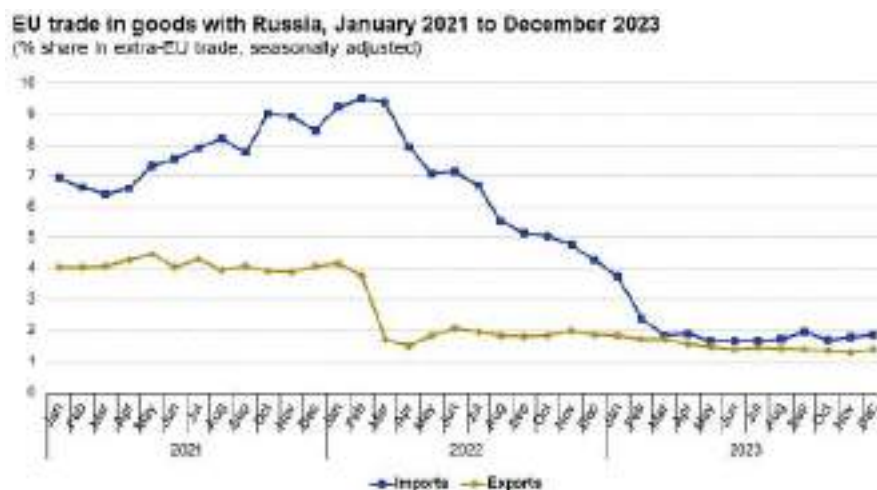
Such a “Eurasian Economic Community” would actually implement the ideas of Karl Haushofer (1941), the founder of the German geopolitical school, to create a “continental bloc” – Berlin-Moscow-Tokyo, with the difference that Beijing currently plays the role of the Asian center of the bloc. Halford Mackinder, the originator of the concept of the geopolitical core, heartland, and its periphery, judged the construction of land links on the mainland from another angle. His theory is best known for the generalization that “whoever controls Eastern Europe controls the Heartland, ... whoever controls the Heartland, controls the World Island (Eurasia). Whoever controls the World Island, will soon rule the world” (Mackinder, 1919).

The effort to prevent any likely rival from taking control of the Heartland predetermined British foreign policy even before the formulation of this concept. (See the so called Great Game of the 19th century.) In the early 20th century, Eastern Europe began to play a growing role as the starting point of this strategy. The American strategist Alfred Mahan (1890), recognizing the superiority of naval technology, bet on the ability of the Periphery to “strangle” the Heartland using a superior naval force – something Britain practiced during its hegemony between 1815 and 1914.

Mahean’s considerations have underpinned U.S. foreign policy strategy since its establishment as a great power and successor to Britain as the world hegemon since 1945. The danger to the United States of a unification, economic and political, of Eurasia was articulated for the last time by Zbigniew Brzezinski (1997).

Today’s US strategy, which also involves its EU/NATO allies, is derived from these concepts and aims to break cooperation not only between the EU and Russia, but also between the EU and China, which the US sees as a major obstacle to its hegemony. The relationship between the two countries began to deteriorate after the beginning of the 2008 crisis and the D.Trump administration has accelerated this deterioration. This is evidenced by recent official documents with a strategic focus – National Security Strategy of the U.S. (2017), U.S. Department of Defense Indo-Pacific Strategy Report etc. (Weaver, 2018). Succumbing to the pressure, in 2019 the European Union published a strategic outlook paper, which called China a “systemic rival”, marking so a change in the Sino-European relationship (European Commission, 2019). When the US in 2021 negotiated the anti-China AUKUS at the expense of France’s interests, the divergent reactions of its EU allies demonstrated the inability of the Union to pursue a unified line of its own for the time being (Panayotova, 2022).

The conflict in Ukraine, which began in 2014 and turned into a real war, deserves a separate analysis, but it served the US strategic goal of severing economic ties between the EU and Russia along the North-East trade route. Evidence of the long-term preparation for this conflict is also found in Zbigniew Brzezinski’s work mentioned above. Involvement, direct and indirect, in it is confirmed by a number of recent events. The results are evidenced by the sharp decline in trade.



Source: Eurostat (2023a).

Figure 3: EU trade in goods with Russia

A spectacular and obvious step of the disruption of the Northeast trade route was the blowing up of the Nord Stream pipeline. However, scientific correctness requires hard evidence, which is not always available, so I will only mention Prof. Jeffrey Sachs, who stated that he suspected the US of blowing up the aforementioned pipelines based on circumstantial evidence (Sachs, 2022). In any case, the disruption of energy supplies from Russia to Germany (France, etc.) fits perfectly with the logic of the strategy, drafted by Zbigniew Brzezinski. It is relevant to mention here that the conflict in Ukraine has directly affected also China's plans in the region - the failed deal to buy the Ukrainian Motor Sich company (Zhouy, 2021) and the thwarting of plans for the Sevastopol fishing port are only two examples.

„Trimorie“ project as an attempt to break the Eurasian trade axis

The „Three Seas“ project, announced in 2015, which envisages the development of transport infrastructure between the CEE countries, including infrastructure for the import of US liquefied natural gas and its transmission between ports in Croatia and Poland, fits into this logic. The initiators of the Three Seas project have been demanding from the outset that the construction of the Nord Stream 2 pipeline be halted on the pretext that it harms Ukraine's interests and places the Baltic states under Russian energy dependence. Although formally the initiative comes from the Republic of Poland and follows the logic of the old Polish project „Intersea“, from the outset the US has made no secret of its patronage (Blinken, 2021). The idea envisages the creation of a vertical (North-South) trade route that should displace the horizontal (East-West) one, which, however, hardly fits into the geographical and economic logic of the region.

The Projects envisaged are as follows:

1. A North-South highway „Via Carpathia“: Klaipėda – Thessaloniki;
2. Liquefied natural gas infrastructure, with sea terminals in Poland and Croatia and a connecting pipeline;
3. Baltic-Adriatic Corridor, Via Baltica road, Rail Baltica and Amber Rail Freight Corridor rail connections. Also Rail-2-Sea (Gdańsk – Constanța railway line).



Source: Macpixmap for GIS.

Figure 4: The Three Seas Initiative includes several proposed railways, highways, and energy pipelines that would link the group’s 12 member states

So far, however, there is no clarity on the financing of all these projects, apart from the \$1 billion promised by US Secretary of State Mike Pompeo in 2020.

This makes the project vulnerable and dependent on the political conjuncture. Economically, it is not viable as there are no large, complementary economies at either end of this route that need more direct and efficient logistical links. A traditional North-South route linking major European economies does exist, but it has shifted to the West and links London to Rome, being the heart of the wealthy agglomeration called the “Blue Banana” (Brunet, 1989). The supply of liquefied gas, which is now a “hot” issue, is highly politico-military burdened. LNG supplies cannot compete with pipeline gas supplies, and no other cargo turnover has emerged to repay the necessary investment.

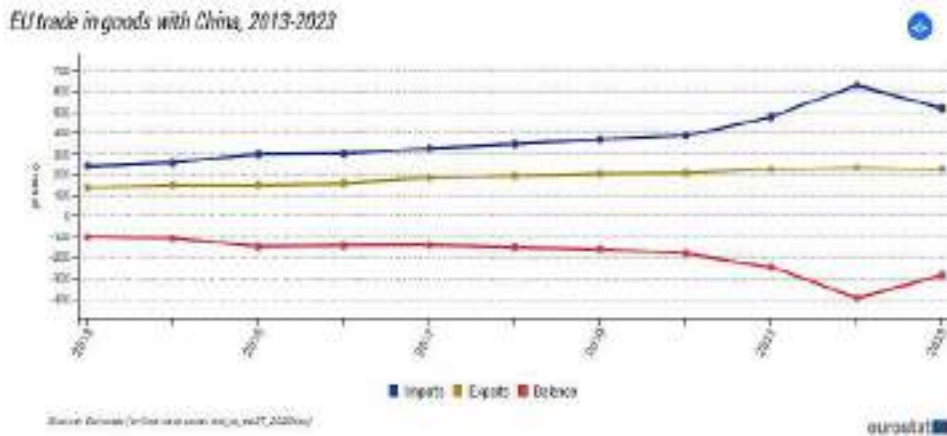
In addition to the Northeast route, the Three Seas project should offer an alternative to China’s BRI too, and not only in the north of our continent. For example, Bulgaria’s hosting of the 16+1 format in 2018 ended without negotiating joint projects with China. Anecdotal commentary attributes this to informal pressure from leading EU partners at the time. In 2019 Greece joined the format as the 17th participant, but in 2021 Lithuania left the group, urging other European countries to do the same. On 11 August 2022, Estonia and Latvia stepped out of the format too. Their preference for the Three Seas project is evident, which they have expressed willingness to join with funding funds from Canada, South Korea and Japan. In fact, only the Central

European countries and Serbia remain active in the 16+1 platform, with their effective logistical link to China passing through the Balkan Peninsula.

Opportunity for Bulgaria – Third Eurasian Continental Bridge

If high tensions persist in China's relations with the United States, including in the South China Sea, which will affect the cost and security of shipping, it could lead to a general slowdown of the entire BRI project and to revision of some of its long-term objectives. Plans relating to transit through Russian and especially Ukrainian territory will not be possible for some time, even if the Trimorie project fails.

A complete break in EU-China links seems unlikely at present given the volume of the bilateral trade to date.



Source: Eurostat (2023b).

Figure 5: EU – China bilateral trade

However, it should be noted that after the absolute record of \$924.07 billion in 2022, the aggregate volume fell to \$794.9 billion in 2023. There are undoubtedly political reasons for this decline, including sanctions pressure from the US, although the figure remains higher than in 2021. As this pressure is not expected to ease, it must be assumed that the BRI logistics chain will operate at reduced capacity in the medium term and that the main burden on the land section will shift to the Trans-Caspian International Transport Route (TICR) – the rail freight and ferry system via Kazakhstan, Caspian Sea, Azerbaijan, Georgia and Turkey to Southern and Central Europe, which is the shortest (6,500 km) route between Western China and Europe – with a delivery time of two weeks instead of 60 days by sea. Its potential is estimated at 10 to 11 million metric tons, or 200,000

containers per year (Kenderdine et al., 2021). By comparison, the New Eurasian Continental Bridge across Kazakhstan and Russia has a capacity of 400,000 containers per year. In fact, in 2022, the TICC's cargo doubled to 1.5 million tons, while the Northern Route's shipping volume declined by 34% (Jafarova, 2023). The Caspian region has been given the opportunity to establish itself as a major logistics hub along a stretch that also opens up opportunities for Bulgaria as a transit link in the chain leading to Central Europe.

The developments described could also revive the EU's TRACECA program, which also aims to push a transport corridor from Europe to the Central Asian countries via the Black Sea, the Caucasus and the Caspian Sea. However, it requires serious commitment, including political and financial, on the European side. If there is coordination between the EU and China, the obstacles to the introduction of a single transport tariff and the long delays for vehicles at border crossings can be overcome. For Bulgaria, this opportunity could partially compensate for the losses from the already thwarted logistics projects through our territory. At the outset, it could start with the construction of a large logistics center on the Bulgarian Black Sea coast: commercial, warehousing and logistics services facilitating trade, transport and re-export through the available airports, sea and river ports and roads, capable of handling 200 000 containers or a total capacity of 10-12 million tons cargo.

Conclusion

However, these opportunities reflect a relatively optimistic scenario in which the EU retains some political autonomy, preserves its economic potential without major losses and maintains at least the current level of trade with China. Maintaining this level, however, also requires maintaining high competitiveness, which goes through normalising relations with Russia – the EU's most convenient supplier of raw materials and energy through the traditional trade routes. In this case, Bulgaria should also step up its participation in the 16+1 platform.

The pessimistic scenario envisages a new "Iron Curtain" between the West and Russia, from the Black Sea to the Baltic Sea, followed by an "Iron Curtain" between the EU and China. In that case, Turkey could enter the role of a profitable intermediary, with worse trading conditions for the EU and reduced trade turnover. The branching of the BRI towards the Middle East and North Africa could gain equal weight. Bulgaria as a trade border of a closed trading community will not be able to take good advantage of its advantageous geographical location.

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