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# **POLICY PAPER**

**The Belt and Road Initiative in the Eastern  
and Southern EU**

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## **Abstract**

EU countries who have signed memoranda of understanding in the framework of the Belt and Road Initiative (BRI) have met increasing scepticism and to a certain degree, concern. Yet, it remains unclear whether the official act of becoming part of the BRI brings any significant advantage or disadvantage to signatories, compared to European non-signatories. As the majority of countries who signed BRI MoU are in eastern and southern Europe, this paper focuses on cases selected from these areas, namely, Czech Republic, Hungary and Poland, and Greece, Italy and Portugal. Furthermore, despite developments that have seen the BRI developing and taking new shapes (i.e., Digital Silk Road, Medical Silk Road etc.), the focus here is on the original content of the BRI as connectivity and infrastructure project, hence, focusing on the transport, energy and telecommunication sectors. The paper concludes that with the exception of Hungary, as far as EU members are concerned, signing into the BRI amounted to a political sign of goodwill and positive relations, in the hope of enhancing economic advantages. Without arguing that this gesture is with no consequences, this paper shows that it has not brought major new links between the interested parties. There is little ground to argue that membership of the BRI has increased China's economic and/or political influence and leverage over the Czech Republic, Poland, Greece, Italy or Portugal. Rather than the (signing into) BRI itself, the economic attractiveness and therefore opportunity of China and economic links between the countries might have led to forms of influence, which, however, often pre-dated the BRI and were not enhanced by it. Economic attractiveness would have existed and exercised the same type of influence with or without the BRI.

## **Keywords**

Belt and Road Initiative, Connectivity and Infrastructure, Eastern Europe, Southern Europe, EU.





## Introduction

Seventeen<sup>1</sup> European Union member states are part of China's Belt and Road Initiative (BRI). However, arguably the whole EU is part of the BRI as Chinese investments in connectivity infrastructure and projects can be found beyond the official BRI signatories. This paper argues that even those countries which did not sign up to Xi Jinping's flagship project but have received investments and/or loans for infrastructure and connectivity projects should be considered part of the BRI. It is true that these countries might not have to carry the political burden of official BRI membership but there is little or no de facto difference between investments by Chinese state-owned enterprises (SOEs) in infrastructure projects in countries that are part of the BRI and in states that are not. Let us briefly take the example of European ports. Chinese SOEs active in the sector, such as the China Ocean Shipping Company (COSCO), the China Communication Construction Company (CCCC) and the China Merchants Group (CMG), have widely invested all over the EU, including in major northern European ports such as Antwerp and Rotterdam in countries which are not officially part of the BRI.<sup>2</sup> However, COSCO also owns minority shares in the so-called BRI Italian port of Vado Ligure. One should therefore wonder if Vado Ligure's label as a BRI terminal means anything significantly different to any other port in a non-signatory country that has received investments from China. The case of the port of Piraeus in Greece, where COSCO holds majority shares, is different. However, to this day Piraeus remains the exception rather than the rule in the EU.

This paper attempts to understand whether EU countries which have officially become part of the BRI by signing memoranda of understanding (MoUs) with China have seen significant growth in either the number or amount of Chinese investments and whether the BRI has led to increased Chinese influence in these countries visible in a change in their policy decisions regarding China or China-related topics after signing. By shedding light on the impact of these MoUs, the paper contends that signing into the BRI has not brought substantial changes and that the developments observed would have occurred regardless of signing thanks to China's existing economic involvement in the countries analysed. Therefore, the correlation is between China's economic and political might and its potential influence on certain European countries. However, this influence is not strengthened by signing up to the BRI itself, which remains a largely symbolic gesture. However, it is reasonable to assume that the period preceding the signing is a moment in which China might have greater influence on the actors involved as it leverages the materialisation of the MoU. Although this was the case of Italy, where last minute attempts to postpone the signing were thwarted by China's 'threat' to cancel a state visit by President Xi Jinping, we do not know whether similar episodes occurred elsewhere in Europe. Furthermore, the period that precedes the official signing is also a time in which countries still hope that officially joining the BRI will bring them more economic advantages, a hope which this paper shows is misplaced.

Even though (geo)economically, and to a certain degree geopolitically, there should be no difference between analysing Chinese investments in BRI and non-BRI EU countries, political developments require differentiation between the two. Politics is where the line is crossed between those countries which belong to the club and those which do not, for better or for worse. Politics divides those which decided to buy into the project from those which simply

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<sup>1</sup> Eighteen if Austria is included.

<sup>2</sup> [https://www.clingendael.org/sites/default/files/2019-12/Report\\_European\\_ports\\_and\\_Chinese\\_influence\\_December\\_2019.pdf](https://www.clingendael.org/sites/default/files/2019-12/Report_European_ports_and_Chinese_influence_December_2019.pdf)

accepted economic ties with no official political support. Interestingly, the political line in the EU is also a geographical border that sees non-participant northern and core European countries divided from central and eastern (CEE) and southern European signatory countries. The geographical division proposed has a couple of notable exceptions: Luxembourg is a signatory of the BRI and Spain is not. However, generally speaking it is a somewhat reliable division, hence the decision to focus on these two areas to look at the development of China's BRI in the EU in this policy paper.

When it comes to China's presence in the EU, eastern and southern Europe have historically been seen as weak spots, more exposed to Chinese influence, penetration and leverage than their northern fellows. This kind of thinking is not new and has found expression in numerous reports, articles and books. Brussels has long been articulating its concern about these areas in relation to the potential of Chinese action, and analysts and scholars have referred to some of these countries or projects as Chinese Trojan horses entering the EU – as if China was not already much present within the EU. Interestingly enough, the number of times and the diversity of the projects that have been given this label have not weakened or decreased the use of the term. Despite being based on temporary and incomplete data, the image has flourished in the EU and beyond.

Participation by many CEE and southern European states in the BRI is certainly an intervening factor feeding the story. However, it is not the only one. Other elements such as regional subgroupings, episodes of dissent within the EU and instability, and economic structure and weakness are all factors that have contributed to increased concerns in the EU regarding China's presence in these countries. Regarding eastern Europe, for example, the former 16+1 framework, now 17+1 (with Greece), has often been referenced as a Chinese strategy to divide the EU. The unique format of the forum, which includes a number of eastern EU countries, some eastern European countries which are not members of the EU and notably China, has made it difficult to argue otherwise. Undeniably, this is an odd format and one that was meant to strengthen the relationship between eastern Europe and China through annual summits and injections of Chinese capital in the form of investments and loans for several projects. The 17+1 platform appears to have recently been losing traction to the point that some of its originally most fervent supporters, such as the Czech Republic and Poland, have shown little interest in its development and one member, Lithuania, has left.<sup>3</sup> This negative development for the future of the 17+1 is the result of numerous factors but expectations which were never met and empty promises made by China have led many of its EU members to adopt a much less enthusiastic stance towards the Asian power.<sup>4</sup> Of relevance to the topic of this paper is the fact that faith in the BRI has followed a similar path. A notable exception to this trend of disillusion with China is Hungary, where the authoritarian government of Viktor Orbán is still believing in and supporting China.

Concerns linked to the divisive potential of subregional frameworks and China's presence in the EU are not entirely unsubstantiated. In the past, the desire to attract Chinese capital and cultivate a positive relationship with China led some EU countries to take distinctive stands and break away from the EU position. Notable examples that are often referenced are Greece's decision to block an EU statement at the UNHRC condemning China's violations of human rights, Hungary blocking the EU from adopting a declaration about the ruling on the South

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<sup>3</sup> <https://www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis/>

<sup>4</sup> The same cannot be said of the non-EU members of the platform. Notably, Serbia remains largely supportive and enthusiastic of its relationship with China. Recent development in Montenegro in connection with the country's difficulties in repaying a loan from the China Road and Bridge Corporation for the (incomplete) construction of a highway might change the country's position vis-à-vis China.

China Sea made by an UNCLOS arbitral tribunal, most recently Hungary blocking an EU statement condemning China's actions in Hong Kong and Italy's abstention from the vote on the EU's investment framework that indirectly targeted Chinese foreign direct investments.<sup>5</sup> Admittedly, the instances in which these countries have aligned with the EU's position are significantly more than those in which they have dissented. However, a few episodes of dissent have fuelled concerns.

Finally, concerns have been powered by the state of these countries' economies. Undeniably, the Global Financial Crisis and the euro crisis revealed the economic fragility of numerous EU countries. Eastern and southern member states have struggled the most to emerge from the impact of the crisis, and to a certain degree they are still struggling. Economic fragility and poor performance create incentives to search for external capital. Therefore, concerns grew that weaker economies in the EU might become excessively (directly or indirectly) dependent on Chinese money and that China could gain not only economic but also political leverage from the situation.<sup>6</sup>

Despite the EU's initial formal support of the BRI, many EU member states which became signatories have been subjects of debate in Brussels, where sceptical views of China's presence in the region meet more positive accounts. The division runs through Brussels, the member states and political parties within them, at times turning China's economic presence in the region into a political debate. The narrative that eastern and southern EU countries are more susceptible to China's influence and therefore present a higher risk for the EU has flourished among think tanks but has engaged Brussels institutions only in a second rather recent moment.<sup>7</sup> In 2017, steps were taken in Brussels and widely within the EU to adopt measures that could mitigate the security risks (and loss of economic competitiveness) associated with China's growing economic presence, a notable example of which is the EU foreign investment framework.<sup>8</sup> The second half of the 2010s on the one hand saw the shaping of a warier EU view of China and on the other a greater convergence and better delineation of the EU's China policy. This change is enshrined in the 2019 EU-China Strategic Outlook, where a tripartite approach emerges (partner, economic competitor and systemic rival) and for the first time China is described as a systemic rival.<sup>9</sup> Through a data-based analysis of the situation in eastern and southern Europe, this paper seeks to provide a picture of the status of China's BRI in the eastern and southern EU areas and consequently provide policy suggestions that build on this information.

The focus here is the BRI and not Chinese investments more broadly or China's economic presence. Ideally, this paper would look at every signatory of the BRI in southern and central and eastern Europe. However, such an approach would not only require more space than is available but would also inevitably involve sacrificing depth for width, hence the decision to instead focus on certain cases to build a strong data-driven basis for the analysis. Consequently, the paper looks at Greece, Italy, Portugal, Poland, the Czech Republic and Hungary. The fact that there are more eastern European member states which are BRI signatories than southern EU countries means that in this paper the latter group is better

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<sup>5</sup> T. Benner, J. Gaspers, M. Ohlberg, L. Poggetti & K. Shi-Kupfer, "Responding to China's Growing Political Influence in Europe," *Merics*, 2018; <https://chinaobservers.eu/the-new-budapest-belgrade-railway-line-a-white-elephant-on-the-new-silk-road/>

<sup>6</sup> T. Benner, J. Gaspers, M. Ohlberg, L. Poggetti & K. Shi-Kupfer, "Responding to China's Growing Political Influence in Europe," *Merics*, 2018.

<sup>7</sup> [https://www.europarl.europa.eu/RegData/etudes/ATAG/2018/621875/EPRS\\_ATA\(2018\)621875\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2018/621875/EPRS_ATA(2018)621875_EN.pdf)

<sup>8</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1867](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1867)

<sup>9</sup> As well as a partner and economic competitor, two elements that, however, are not new. <https://ec.europa.eu/info/sites/info/files/communication-eu-china-a-strategic-outlook.pdf>

represented than the former. However, the selection criteria for the CEE cases are the following: one country that still fully supports China (Hungary) and two that supported it at the beginning but have taken a more sceptical turn since (the Czech Republic and Poland). Of these two, one might still turn into an actual BRI hub, albeit with few Chinese funds (Poland), and the other has seen very little investment from China and almost none truly linked to the BRI (the Czech Republic). The paper looks at some of the core BRI sectors – transport, energy and telecommunications – and it will show that much disillusion came from words that never turned into deeds. The number and amount of investments and loans in eastern and southern Europe remain much lower than was expected, and to a certain degree feared.

The general trend shown in the next pages will confirm that eastern and southern EU member states joining China's BRI has never led to a significant injection of capital. In the meantime, both China and the EU countries have been developing a better understanding of each other, which instead of leading to further closeness appears to have led to more caution on both sides, cooling the relationship.

## Eastern Europe

The development of the BRI in the EU CEE member states has been an element of concern in the EU for quite some time. Several elements that have contributed to igniting the concern have been mentioned in the introduction and they are complemented by others:

1. Their recent membership of the EU. Most of the CEE countries joined during the 2004 great enlargement.
2. Their recent democratisation. Most of the CEE countries belonged to the Soviet Union and therefore the stability of their democracies might be perceived as less strong. The autocratic Hungarian government and the illiberal development of Poland are cases in point.
3. The instability of their economies, which are less stable than their Western counterparts.<sup>10</sup>
4. The creation of sub-regional fora such as the previously mentioned 17+1.<sup>11</sup>
5. Episodes in which CEE countries broke away from the EU general position to defend and/or side with a position more favourable to China.

The list above is far from comprehensive but it gives an idea of the reasons why in the second half of the 2010s some voices in Brussels became concerned about the Chinese presence in these countries. One element strictly related to the BRI that requires further elaboration is the 'debt-trap.' In other more economically advanced EU countries, China offered direct investments, often in the form of mergers and acquisitions (M&A), as the section on southern Europe will highlight. However, in central and eastern Europe, together with investments loans were often discussed. Notably, loans can create debt and lead to the much feared 'debt-trap,' meaning China loans money for infrastructure knowing countries will not be able to pay them back. At that point, instead of asking for the loaned money back, China asks to be given assets – often the funded infrastructure itself – as a form of payment. Although a) the 'debt-trap' as a conscious Chinese strategy has been

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<sup>10</sup> <https://www.piiie.com/blogs/realtime-economic-issues-watch/eastern-europes-lethargic-economies>

<sup>11</sup> [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS\\_BRI\(2018\)628265\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628265/EPRS_BRI(2018)628265_EN.pdf), p.4.

debunked more than once and b) so far there is only one example of a Chinese loan in the EU,<sup>12</sup> concerns remain.

### **Transport**

The most known and debated Chinese-financed infrastructure project in eastern Europe is undeniably the 350-km (166km in Hungary and 184km in Serbia) Budapest-Belgrade railway, which should connect Hungary and Serbia with fast trains.<sup>13</sup> Agreed in 2016, this is a flagship BRI project located (partially) in the EU. The agreement was only signed in 2019 and the total amount of the loan was not disclosed, but it is set to cover 85% of the project.<sup>14</sup> The loan to Hungary for the construction of its half of the project appears to be coming from one of the traditional BRI lenders, the Export-Import Bank of China (Exim Bank). However, it is not entirely clear what role will be played by the joint venture established in 2015 between the China International Railway Corporation, the China Railway International Group (85%) and Hungarian Railways (MÁV) (15%).<sup>15</sup> Realisation of the project is still ongoing but there are serious and solid grounds for doubts over a) Hungary's ability to repay the debt, b) the actual profitability of the railway and c) corruption.<sup>16</sup>

In a few words, all the worries concerning the possible negative developments of the BRI are materialising in Hungary. However, because of its political situation, Hungary and specifically the loan for the Budapest-Belgrade railway remains an exception in the development of the BRI in eastern European countries. Let us, therefore, turn to the Czech Republic and Poland, initially two of the most enthusiastic receivers of Chinese investments in the EU.

The Czech Republic largely lacks investments in its transport sector and no loans were found but Poland plays a central role as a central European railway hub. Despite much discussion about the possibility of China investing in the country around 2017, hence after signing into the BRI, Poland took the decision not to seek Chinese capital to develop its infrastructure. Although no Chinese investments and/or loans were involved, in 2017 there was a loan from the European Investment Bank to PKP Linia Hutnikza Szerokotorowa SP Zoo (PKP LHS), a Polish infrastructure company, to renovate stations and railways, among which that of Sławków.<sup>17</sup> In 2020, Poland inaugurated a new rail freight link with China connecting Xi'an to the European hub of Sławków, from which containers will leave for other European countries on lorries and trains.<sup>18</sup> The hub is now exploring further connections with other Chinese destinations.<sup>19</sup> Therefore, Poland has all the cards to be a BRI hub without having received Chinese investments or loans for the hub itself. The other important Polish hub is the dry port of Małaszewicze on the border with Belarus, which has also not received Chinese investments

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<sup>12</sup> The Budapest-Belgrade Railway.

<sup>13</sup> <https://chinaobservers.eu/the-new-budapest-belgrade-railway-line-a-white-elephant-on-the-new-silk-road/>

<sup>14</sup> <https://www.politico.eu/article/hungary-seals-chinese-loan-for-budapest-belgrade-railway/>

<sup>15</sup> <https://link.springer.com/content/pdf/10.1007/s10308-020-00592-1.pdf>

<sup>16</sup> <https://chinaobservers.eu/the-new-budapest-belgrade-railway-line-a-white-elephant-on-the-new-silk-road/>

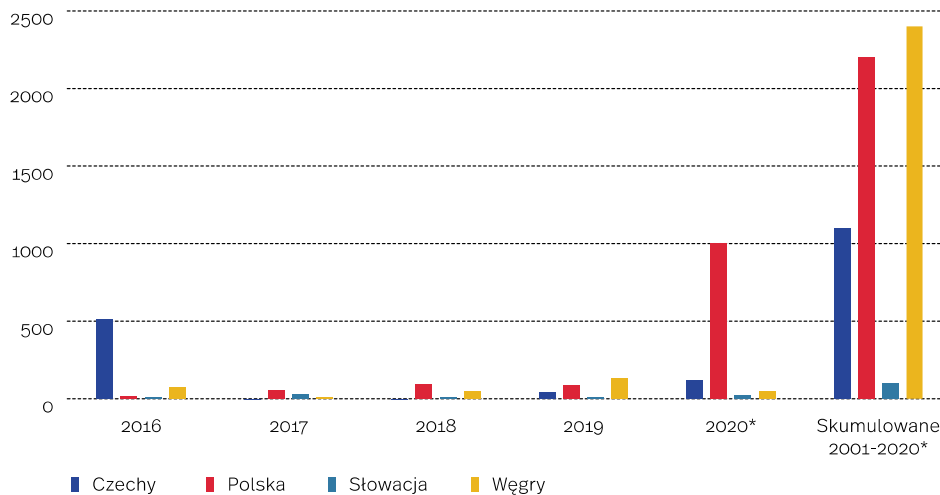
<sup>17</sup> <https://www.eib.org/en/projects/pipelines/all/20160905>

<sup>18</sup> <https://www.railfreight.com/beltandroad/2020/01/08/first-chinese-container-train-arrives-in-slawkow/?gdpr=deny>

<sup>19</sup> <https://www.railfreight.com/specials/2020/03/31/slawkow-ready-for-new-trains-from-china/>

or loans.<sup>20</sup> According to a recently published report by the Polish Economic Institute (PIE), 2020 recorded the highest amount of Chinese FDIs in Poland and these were mainly connected to two logistics projects.<sup>21</sup> The report explains that one of the main investments was the purchase by the Singapore-based GLP of the Goodman Group – a global property group that develops and manages industrial real estate, including logistics and industrial facilities, warehouses and business parks. Of the billion euros paid for the acquisition, 800 million went to Poland. Another major operation was a 200 million euro investment by China Global Leaders (CGL) in two Amazon logistic centres in Poland. These investments made Poland the third largest receiver of Chinese investments in 2020, after Germany and France. If the trend continues, 2020 will not be an exception and the main argument presented in this paper will be weakened as Poland will be a case of increased Chinese investment after signing into the BRI. The reason for such an increase would then require further investigation. However, at the time of writing (2021), developments are too close and still unfolding to be properly assessed and might remain an exception to the overall trend, as the graph below shows.

**Graph 1. Chinese FDI in countries in the Visegrad Group**



Data from [https://pie.net.pl/wp-content/uploads/2021/04/Tygodnik-Gospodarczy-PIE\\_14-2021.pdf](https://pie.net.pl/wp-content/uploads/2021/04/Tygodnik-Gospodarczy-PIE_14-2021.pdf)

The transport sector is where an example of risky Chinese involvement can be found: the Budapest-Belgrade railway. However, this is an exception and it has plenty to do with the advantages this brings to important figures in the Orbán government.<sup>22</sup> Arguably, if Hungary did not have an authoritarian government, the project would never have seen the light in this form. In other cases, either there have been no developments, developments have been non-Chinese financed or the situation is still unfolding.

### Energy

The energy sector is one of the core sectors in which China has engaged with the Czech Republic and Poland, although in the case of the Czech Republic the investments are still

<sup>20</sup> [https://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/report\\_pl\\_rail\\_container\\_transport\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/report_pl_rail_container_transport_en.pdf), p.97.

<sup>21</sup> [https://pie.net.pl/wp-content/uploads/2021/04/Tygodnik-Gospodarczy-PIE\\_14-2021.pdf](https://pie.net.pl/wp-content/uploads/2021/04/Tygodnik-Gospodarczy-PIE_14-2021.pdf)

<sup>22</sup> <https://chinaobservers.eu/the-new-budapest-belgrade-railway-line-a-white-elephant-on-the-new-silk-road/>

not particularly significant. However, as far as Hungary is concerned, the most interesting transaction is relatively recent, dating back to 2019. In Kaposvár, China National Machinery Import and Export (CMC), a subsidiary of Chinese SOE Genertec, began the construction of one of CEE's largest photovoltaic power stations, worth 100 million euros. By investing in this project, CMC wants to establish its European centre of operations in Hungary and expand its operations to other CEE countries.<sup>23</sup>

In the Czech Republic, the main investor is the Chinese private – but linked to the Chinese Communist Party<sup>24</sup> – China Energy Company Limited (CEFC),<sup>25</sup> which entered the Czech market in 2015 and became the main source of Chinese investments in the country. Most of its investments were not energy-related but in real estate, football, travel and media. However, it also acquired a 50% share in the J&T financial group and through this it indirectly obtained connections to Czech energy assets.<sup>26</sup> Moreover, before the arrival of CEFC, in 2014 the Czech government planned two additional nuclear reactors, in the construction of which the Chinese expressed interest.<sup>27</sup> However, due to a change of heart in the Czech Republic regarding China, the interested never materialised. In Poland, the first Chinese investments in the energy sector date back to 2014/2015, hence mostly before the country joined the BRI. In 2014, the China-CEE Investment Co-operation Fund bought 16% of Polish Energy Partners (PEP), planning future investments in wind energy. Subsequently, in 2015 the CEE Equity Fund facilitated the acquisition of the Zopowy wind farm project by a Chinese enterprise. However, it is unclear how much wind energy can be considered a BRI investment. Beyond wind energy, in 2013 a consortium including Chinese enterprises – two of which were subsequently dropped – won the bid to construct a generator in Jaworzno. As can be seen, these investments were of limited size.<sup>28</sup>

### **Telecommunications**

The debate on 5G development has had a great impact on eastern European countries, as it came at a time when their perception of China was declining and US pressure was mounting. The negative turn in perceptions of China coupled with intense US pressure led to an unexpected adoption by many CEE countries of measures limiting Huawei and ZTE's involvement, but Hungary was the exception to this approach.

In 2019, Hungary's foreign minister announced that Hungary was open to Huawei developing its 5G networks.<sup>29</sup> In 2013, the country signed a strategic partnership with Huawei and in 2019 Hungary announced the opening of a new Huawei R&D centre in Budapest. Huawei, after all, is one of the biggest Chinese enterprises operating in the country. The company collaborates with all the major Hungarian telecom providers and has been developing several projects over the years. It therefore appears that Hungary has no intention to exclude

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<sup>23</sup> <https://emerging-europe.com/business/chinas-cmc-to-build-cees-largest-solar-plant-in-hungary/>;  
[http://en.sasac.gov.cn/2019/06/24/c\\_2130.htm](http://en.sasac.gov.cn/2019/06/24/c_2130.htm)

<sup>24</sup> For more information on the ownership composition of CEFC, see <https://www.ft.com/content/f08ab2e6-ce00-11e8-b276-b9069bde0956>

<sup>25</sup> Recently, its business in the Czech Republic has been taken over by the Chinese SOE Citic Group

<sup>26</sup> <https://www.dahrendorf-forum.eu/wp-content/uploads/2017/01/Central-European-attitudes-towards-Chinese-energy-investments.pdf>, p 714.

<sup>27</sup> <https://www.dahrendorf-forum.eu/wp-content/uploads/2017/01/Central-European-attitudes-towards-Chinese-energy-investments.pdf>, p 714.

<sup>28</sup> <https://www.dahrendorf-forum.eu/wp-content/uploads/2017/01/Central-European-attitudes-towards-Chinese-energy-investments.pdf>, p 715.

<sup>29</sup> <https://www.reuters.com/article/us-hungary-telecoms-huawei-idUSKBN1XF12U>

it from its 5G development.<sup>30</sup> Huawei is widely embedded in the telecom sectors of most EU countries. Therefore, the cost of excluding it is high for most European countries, including the Czech Republic and Poland.

Both Poland and the Czech Republic have close ties with the US and this relationship has shaped their approach to the issue of 5G development. In September 2019 when US VP Mike Pence visited Poland, the two countries signed a US-Poland Joint Declaration on 5G setting criteria for future suppliers, which indirectly excluded Huawei. Then in 2020 Poland expressed support for the UK's decision to ban Huawei and the same year the Polish Ministry of Digital Affairs advanced a proposal to amend the country's national cyber security system in order to exclude Huawei on national security grounds.<sup>31</sup> However, the amendment has not yet been adopted.

Similarly, in 2019, the Czech Republic's cyber security agency adopted a warning on the threat Huawei poses to the country's national security, requiring telecom providers to carry out risk analyses based on national security concerns. The added layer of complexity has led many Czech companies to exclude Huawei *ex ante*, spurring complaints and threats from Huawei, which, however, did not lead to a withdrawal of the cyber security agency's warning.<sup>32</sup>

To a certain degree, the 5G case confirms the exceptionality of Hungary and shows that membership of the BRI has not given China leverage over CEE countries. If China had sufficient economic and/or political leverage or more leverage than the US, Huawei would have developed the countries' 5G networks, but so far this does not appear to be the case. Pressure from the US and developments in the European debate on 5G appear to have informed the Czech and Polish decisions, which in fact are in line with the cautious yet non-definitive approach adopted by other EU countries.

### **Southern Europe**

Compared to eastern European signatories to the BRI, southern European countries arrived relatively late in formalising the already well-established trend of inbound Chinese investments through signing into the BRI. Greece and Portugal joined in 2018 and Italy in 2019.<sup>33</sup> Therefore, the three are relatively new to the project. However, investments in sectors such as transport and energy were present in all these countries long before they signed into the BRI and admittedly not many impressive new investments followed. Interestingly, many of the investments made by the Chinese in the countries analysed were the result of privatisation processes enacted after the Global Financial Crisis and the euro crisis. Overall, much like eastern Europe, southern Europe has attracted a very limited number and amount of Chinese investments. Unsurprisingly, the country that attracts the most investment is the one with the largest economy: Italy.<sup>34</sup> Furthermore, much like eastern Europe, southern Europe has not received loans from China; it is uniquely a destination for investments. The major concerns about China's presence in southern EU countries are similar to those expressed for CEE countries, yet different:

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<sup>30</sup> <https://warsawinstitute.org/huawei-poland-hungary-part-5g/>

<sup>31</sup> <https://warsawinstitute.org/huawei-poland-hungary-part-5g/>

<sup>32</sup> <https://www.nytimes.com/2019/02/08/business/huawei-lawsuit-czech-republic.html>

<sup>33</sup> For more information about Italy's BRI MoU: Pugliese, Giulio. "A Global Rorschach Test: Responding to the Belt and Road Initiative", *Defence Strategic Communications*, Vol. 7, Autumn 2020: 113-132." *Defence Strategic Communications*, 2020. doi:10.30966/2018.RIGA.7.4.;

<sup>34</sup> [https://trade.ec.europa.eu/doclib/docs/2019/april/tradoc\\_157871.pdf](https://trade.ec.europa.eu/doclib/docs/2019/april/tradoc_157871.pdf)



1. The strength of populist parties and their preferences for closer ties with China, often led by Euroscepticism.
2. The instability of their economies after the Global Financial Crisis and the euro crisis.
3. Ownership of strategic infrastructure and assets that could create security issues for the whole EU.<sup>35</sup>
4. Episodes in which countries broke away from the EU general position to defend and/or side with a position more favourable to China, including joining the BRI.

### **Transport**

Due to the geographical location of the cases selected, this section will focus on ports. Although Greece's decision to join the BRI is relatively recent, the relationship between Greece and China has been in the eye of the storm for quite some time, arguably since the aftermath of the euro crisis. At the time, China's economy was carrying the global economy out of the crisis and Greece's was on the verge of failure. It was the EU country worst hit by the crisis and it struggled the most in its immediate and medium-term aftermath. In the early 2000s, scepticism towards China and towards Chinese investments was still not widespread in the EU, so much so that the Eurogroup welcomed China helping the Greek economy. China offered to help not only by expressing its availability to buy Greek treasury bills, as was the case of other EU countries, but also by investing in the country with a long-term perspective.<sup>36</sup> It is to this time that the famous investment by COSCO in the port of Piraeus dates, when the Chinese SOE appeared as the only bidder. COSCO had been present in the Port of Piraeus since 2008 and between 2015 and 2016 it was close to enlarging its presence and securing 67% of the shares in the port. However, by the time the deal was concluded in 2016, the government had scaled back COSCO's ownership of the Port of Piraeus to 51%, not 67% or 100%. The initial agreement foresaw a growth of COSCO's share to 67%. However, recently the Greek government has been debating whether to cede the agreed prepaid further 16% to COSCO. A likely negative decision would be based on the fact that COSCO has not complied with the agreed terms. Ongoing protests outside the port lamenting poor treatment of workers are likely to have played a role in the government decision to question the previous agreement to let COSCO expand its ownership. The possibility of reducing the ownership to 51% was not the only part of the agreement with COSCO that did not go as planned. When the Chinese invested in the port, they announced their intention to invest in Greece's railways too as part of a common vision to connect maritime and land transport. However, the public bid was won by the Italian Railways, which now own 100% of the formerly state-owned Trainose railway operator.<sup>37</sup> Therefore, COSCO remains with 'only' 51% of the shares in the port of Piraeus. Whatever the outcome of the latest events regarding the extra 16% shares might be, the early acquisition by COSCO of the majority of the shares in a well-located European port made the Port of Piraeus the Mediterranean hub of the BRI before

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<sup>35</sup> Concerns also regarded acquisitions of European knowledge (mostly in the tech sector). However, a) the focus of this paper is the BRI as a connectivity and infrastructure plan and b) the concerns above apply more widely to the whole of the EU, including northern countries like France and Germany.

<sup>36</sup> Yanis Varoufakis, "Adults in the Room. My Battle with Europe's Deep Establishment," Penguin Random House, 2017, p 318.

<sup>37</sup> Ferrovie dello Stato in Italian. <https://au.finance.yahoo.com/news/greece-sells-state-owned-railway-113901107.html>

Greece signed into the project. The investment has significantly improved the situation of the port, which now lists fourth in the top ten of European ports.<sup>38</sup>

In this respect, Greece is not that different from Italy. When in 2019 Italy signed into the BRI, the EU and the US were even more concerned than when COSCO acquired 51% of the port of Piraeus. Considering the fact that Italy is a G7 country, and most importantly that in the meantime views of China, Chinese investments and the BRI had worsened, the stark reaction should not have come as a surprise. Even less of a surprise should have been the fact that investments in ports were a major concern. Two ports, Genoa and Trieste, signed memoranda of understanding (MoU) with a Chinese counterpart, CCCC, with whom later on Trieste signed an extra and more specific MoU. Despite and to a certain degree because of all the concerns raised, two years after the signing of the memorandum, there have been no developments. CCCC appears to no longer be investing in Trieste or in Genoa, where it lost a public bid to build a breakwater dam. The only development has nothing to do with CCCC or the MoU and it regards the development of a new terminal at the port of Vado Ligure near Genoa, which falls under the same port authority as Genoa. Since 2016, the development and management of the port of Vado Ligure has been in the hands of APM Terminals Vado Ligure SpA, which is formed of APM owning 50.1%, COSCO 40% and Qingdao Port 9.9%.<sup>39</sup> These numbers show that neither individually nor together the two Chinese actors have majority shares in the port of Valdo Ligure. Furthermore, it must be specified that Italy never underwent the process of privatisation of ports that Greece had to go through in the early 2000s. Italian ports remain in public ownership. However, their management can be ceded to third parties for a protracted amount of time, in the case of Vado Ligure 50 years. Interestingly, therefore, despite Genoa and Trieste officially signing the BRI MoU, the only official BRI terminal in Italy is Vado Ligure, the construction and management of which involved COSCO and Qingdao Port long before Italy became part of the Belt and Road Initiative. These are not the only ports in Italy in which the Chinese have invested, but at the moment they remain the most significant.

Despite its advantageous location on the Atlantic Ocean, so far Portugal has received limited investments from Chinese enterprises in its ports. The significant developments in the maritime sector are rather recent, dating back to October 2019 when Portugal launched a public international tender for the development of a new container terminal at the port of Sines. Unlike the cases of Italy and Greece, this collaboration was envisioned when Portugal signed into the BRI.<sup>40</sup> The port's proximity to the Panama Canal makes it particularly attractive to Chinese enterprises. Unsurprisingly, COSCO appears among the interested parties, together with the Shanghai Port Group. Much as in the case of Vado Ligure, the investment would not amount to ownership but to a 50-year contract to develop and manage a second container terminal in the port. Despite rumours that for a lack of other offers the tender would go to the Chinese, who in 2012 had already acquired stakes in one of the already existing terminals at the port of Sines, in Spring 2021 it was announced that no bid was advanced for the port at all.<sup>41</sup>

The case of Portugal and its port of Sines is an excellent prologue to the next section on investments in the energy sector. The reasons are twofold. First, China has heavily invested

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<sup>38</sup> <https://www.tornosnews.gr/en/greek-news/economy/43804-greek-port-of-piraeus-fourth-among-european-ports-in-container-traffic.html#:~:text=The%20Greek%20port%20of%20Piraeus,Mediterranean%2C%20naftemporiki.gr%20reports.>

<sup>39</sup> <https://www.portsofgenoa.com/en/port-basins/basins-vl/basins-apm-vl.html>

<sup>40</sup> <https://www.ft.com/content/862c633e-393b-11ea-a6d3-9a26f8c3cba4>

<sup>41</sup> <https://www.voanews.com/east-asia-pacific/voa-news-china/portugal-envoy-urges-us-counter-chinese-bid-key-seaport>

in the Portuguese energy sector; second, both investments in the energy sector and potential future developments regarding the port of Sines show that often, rather than being led by a preferential relationship, the welcoming and/or acceptance of Chinese investments resembles more a game of selection by exclusion. Since nobody else is available or is making a serious bid, the choice is either to not develop or to develop using Chinese investments. Undeniably, this consideration is not new and neither is it ground-breaking, but often analyses tend to overlook this element and only pay attention to the fact that countries accept potentially risky Chinese investments and/or join the BRI.

## **Energy**

The Portuguese energy sector has been receiving a large slice of Chinese investments, which feeds the narrative that Portugal and China have a special relationship. In 2011, China Three Gorges (GTG) established a strategic partnership with Energias de Portugal (EDP) and acquired 23.27%<sup>42</sup> of EDP's shares,<sup>43</sup> which was to grow to 34-49% over time following further investments by CTG.<sup>44</sup> Nonetheless, in 2018 when CTG attempted a bid to launch a takeover, EDP blocked it. The Portuguese government stated that it had no objections to CTG's bid and officially the issue was initially an excessively low offer, but then it was linked to a regulation limiting voting rights. However, the growing concerns regarding Chinese SOEs investing in EU strategic sectors are likely to have played a role in EDP's decision.<sup>45</sup> The move did not put an end to the partnership between CTG and EDP but it certainly did not strengthen the so-called special relationship between Portugal and China. Admittedly, however, over the years CTG invested in other areas of EDP's business, such as Renovaveis, which deals with renewables.<sup>46</sup> Chinese investments in the Portuguese energy sector did not stop with EDP. In 2012, China State Grid acquired 25% of Portugal's national power grid, Redes Energéticas Nacionais (REN).<sup>47</sup> The sale of the share in REN was also part of a privatisation process in which the government had agreed to sell 40% of REN's shares to international bidders.<sup>48</sup>

In Greece, the wave of privatisations did not end with the port of Piraeus but included other areas such as the energy sector. Public Power Corp (PCC) is the state-controlled power utility enterprise in Greece. In 2017, China State Grid (CSG) acquired 24% of the PCC-owned independent power transmission operator (IPTO).<sup>49</sup> In the same year, Shenhua Renewables acquired 75% of the four wind parks of the Copelouzos Group, a Greek private enterprise.<sup>50</sup> In 2018, in a pattern already seen in CEE countries, the China Energy Investment Corporation

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<sup>42</sup> <https://www.france24.com/en/20190424-energias-de-portugal-shareholders-block-takeover-bid-china-three-gorges>; <https://www.ft.com/content/c4e7a0ae-66b7-11e9-9adc-98bf1d35a05>. In February 2020, CTG sold 1.8000635% shares in EDT, bringing its share from 23.27% to 21.47%. <https://www.edp.com/en/news/2020/03/05/management-transaction-related-china-three-gorges-disposal-shares-26-feb-2020>

<sup>43</sup> <https://www.edpr.com/es/edp-and-china-three-gorges-establish-strategic-partnership>

<sup>44</sup> Now, 21.47%. <https://www.spglobal.com/marketintelligence/en/news-insights/blog/essential-energy-insights-february-2021>

<sup>45</sup> <https://www.ft.com/content/c4e7a0ae-66b7-11e9-9adc-98bf1d35a056>

<sup>46</sup> <https://www.edp.com/en/news/2017/06/30/edpr-announces-completion-sale-a-minority-stake-portuguese-assets-ctg>

<sup>47</sup> <https://www.ft.com/content/41a0c572-4dba-11e1-b96c-00144feabdc0>

<sup>48</sup> The other 15% went to Oman Oil. <https://www.ft.com/content/41a0c572-4dba-11e1-b96c-00144feabdc0>

<sup>49</sup> ADMIE in Greek.

<sup>50</sup> [https://idos.gr/wp-content/uploads/2017/12/Chinese-Investment-in-Greece\\_4-12-2017.pdf](https://idos.gr/wp-content/uploads/2017/12/Chinese-Investment-in-Greece_4-12-2017.pdf)

began a cooperation with the same Copelouzos Group for the development of windfarms, aiming to expand to other European countries.<sup>51</sup> In 2020, State Grid advanced a bid for 49% of the PCC-owned mid/low voltage distribution network operator HEDNO.<sup>52</sup> However, the existing presence of CSG in the high-voltage transmission grid operator IPTO raised concerns in Greece regarding a potential conflict of interest. Interestingly, another Chinese company was also barred from the tender, an episode that presents a relevant precedent of Chinese (state-owned) enterprises being considered not as separate actors but as one.<sup>53</sup>

Like Greece and Portugal, Chinese investments in Italy's energy sector are the result of a process of privatisation of publicly owned enterprises. The two most notable cases are both from 2014: the acquisition by Shanghai Electric of 40% of Ansaldo Energia and by China State Grid of 35% of Cassa Depositi e Prestiti (CDP) Reti. Shanghai Electric bought 40% of the shares in Ansaldo Energia, a power equipment producer previously owned by Finmeccanica, an Italian defence enterprise, which still owns 15% of Ansaldo.<sup>54</sup> The move came because Finmeccanica needed to reduce its debt. Since the relationship between the two was particularly fruitful, in 2017 they signed three cooperation agreements: two for the construction of two power plants in the Shanghai area and the other further strengthened the relationship between the two by permitting Ansaldo to begin penetration of the Chinese market with its products. Furthermore, the agreement consolidated the cooperation with Shanghai Electric that had already seen the two together gaining 30% of the power generation market in China.<sup>55</sup> Data from 2019 show that Ansaldo's presence in the Chinese market has been successful.<sup>56</sup>

CDP Reti is part of the Italian Group CDP,<sup>57</sup> which manages investments for the development of strategic infrastructure in the gas and electric energy sector. In 2014 as part of the privatisation process, CDP sold some of its shares to China State Grid, which became the owner of 35% of CDP Reti.<sup>58</sup> Subsequently in 2019 and then in 2020, first the Silk Road Fund and then PipeChina signed memoranda of understanding with Snam, of which CDP Reti owns 31.4%, for collaboration in the Chinese market, particularly in the light of future green developments.<sup>59</sup>

From the paragraphs above, we can see three main elements at play in the energy sector:

1. Chinese investments were often the result of privatising processes that followed the Global Financial crisis and the euro crisis in which China was either the only or the best bidder.
2. Most of these acquisitions took place long before the countries officially joined the BRI.

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<sup>51</sup> <http://chinaandgreece.com/copelouzos-group-and-china-energy-join-hands/>

<sup>52</sup> DEDDIE in Greek.

<sup>53</sup> <https://energypress.eu/tag/sgcc/>

<sup>54</sup> <https://www.ft.com/content/4e8e4cc4-d6ba-11e3-b251-00144feabdc0>

<sup>55</sup> <https://www.ansaldoenergia.com/Pages/A-stronger-partnership-between-Ansaldo-Energia-and-Shanghai-Electric.aspx>

<sup>56</sup> <https://www.ansaldoenergia.com/Pages/Ansaldo-Energia-wins-new-orders-in-China-five-years-of-partnership-with-Shanghai-Electric-Corporation-worth-half-a-billion.aspx>

<sup>57</sup> An Italian financial institution shaped as a stock company whose majority shareholder is the Italian Ministry of Economy and Finance.

<sup>58</sup> [https://www.cdp.it/sitointernet/en/cdp\\_reti.page](https://www.cdp.it/sitointernet/en/cdp_reti.page)

<sup>59</sup> [https://www.snam.it/en/Media/Press-releases/2019/Cassa\\_depositi\\_prestiti\\_Snam\\_Silk\\_Road\\_Fund\\_sign\\_memorandum\\_understanding.html](https://www.snam.it/en/Media/Press-releases/2019/Cassa_depositi_prestiti_Snam_Silk_Road_Fund_sign_memorandum_understanding.html); [https://www.repubblica.it/economia/rapporti/impresa-italia/tecnologia/2020/08/26/news/snam\\_sigla\\_un\\_intesa\\_strategica\\_con\\_la\\_societa\\_cinese\\_pipechina-265499832/](https://www.repubblica.it/economia/rapporti/impresa-italia/tecnologia/2020/08/26/news/snam_sigla_un_intesa_strategica_con_la_societa_cinese_pipechina-265499832/)

3. Since the early 2010s, China had already shown an interest in investing in an actor with expertise in renewables.

### **Telecommunications**

Much like CEE countries, the telecommunications sector gained enhanced importance with the emergence of a growingly intense debate on 5G. Admittedly, before the US began an intense pressure campaign that in southern Europe culminated in the summer of 2020, all the countries under analysis – Greece, Italy and Portugal – were set to allow Huawei to develop their 5G networks. Most telecom providers in the three countries did not have any objection to Huawei developing their 5G prior to 2019. In 2020 in similar yet different ways, Greece, Italy and Portugal all took steps to limit the possibility of Huawei developing their 5G networks. Nonetheless, all opted for a rather soft approach that left them with plenty of room for manoeuvre in the future.<sup>60</sup> Interestingly, Italy and Portugal experienced a similar development. The governments did not directly act to limit the involvement of Huawei but telecom companies decided to bar Huawei either from certain parts of the development of 5G or from specific tenders regarding this development. It is important to mention the publication by the EU of the 5G Toolbox at the beginning of 2020. Developments in the countries under analysis appear to have in large part followed the Toolbox's suggestions, mostly in the matter of diversification of supply and enhanced control of risk vendors.<sup>61</sup> However, much like their Eastern European counterparts, none of them adopted an outright ban. In 2020, three of Portugal's most important telecom companies, NOS, Vodafone and Altice, which together cover almost 100% of the mobile customers, announced they would not use Huawei's 5G equipment in the core of their networks.<sup>62</sup> In July, TIM, one of Italy's main telecommunication providers, decided to exclude Huawei from a public tender for the development of the 5G networks in Italy and Brazil. The need to diversify suppliers was TIM's justification for the exclusion of Huawei. Admittedly, this came after the Italian government had passed provisions that required telecom providers to share detailed information when engaging with high-risk enterprises, and Huawei is considered to be high risk. Although sharing information does not amount to a ban, the exercise of special powers over TIM and WIND3, another major telecom provider in Italy, in regard to Huawei's supply of 5G resembles more a government action.<sup>63</sup> In line with its decisions elsewhere in Europe, Vodafone is also excluding Huawei from the core of its 5G networks in Italy and Greece.<sup>64</sup> At the end of 2020, Greece was considering an outright ban on Huawei in a fashion more similar to that of the CEE countries. However, in June 2021, an official decision is yet to be reached.<sup>65</sup> It is unclear at the moment if Greece will adopt a blanket ban or if it will prefer a more flexible approach similar to that of Italy and Portugal.

Regarding the BRI, the main observation is that in spite of membership of the Chinese initiative, Greece, Italy and Portugal took a more cautious turn towards the possibility of Huawei

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<sup>60</sup> <https://asia.nikkei.com/Spotlight/Huawei-crackdown/Greece-joins-anti-Huawei-camp-as-US-seals-stronger-ties>; <https://www.iai.it/en/publicazioni/europes-manoeuving-5g-technology-case-italy>; <https://www.reuters.com/article/us-huawei-5g-portugal-exclusive-idUSKCN24V22L>

<sup>61</sup> <file:///Users/francescaghiretti/Downloads/Cybersecurityof5GnetworksEUToolboxofriskmitigatingmeasurespdf.pdf>

<sup>62</sup> <https://www.reuters.com/article/us-huawei-5g-portugal-exclusive-idUSKCN24V22L>

<sup>63</sup> <https://www.startmag.it/economia/huawei-fra-pd-m5s-dis-tim-vodafone-e-windtre/>

<sup>64</sup> <https://www.corrierecomunicazioni.it/telco/vodafone-rimuovera-huawei-dalle-core-network-in-tutta-europa/>

<sup>65</sup> <https://asia.nikkei.com/Spotlight/Huawei-crackdown/Greece-joins-anti-Huawei-camp-as-US-seals-stronger-ties>

developing 5G networks in their countries, in line with other EU countries who are not members of the BRI. This weakens the argument that these countries' membership of the BRI gave China more leverage over their policymaking. Undeniably, however, the negative turn was the result of both endogenous and exogenous variables, the latter in the form of US pressure. At the very least this shows that between China and the US, the latter still holds much more influence in the region.

## **Politics**

Last but not least, this paper will touch on political developments connected to the BRI. Given the possibility, in this case, to make more general remarks, this brief section will analyse eastern and southern European countries together. This paper argues that adherence to the BRI above all has political significance, and this is one more element that brings together CEE and southern European countries. Both internal and external political developments influenced the relationship with China and, therefore, the unfolding of the BRI. Externally, the developments mainly regarded a change of position towards China and Chinese investments occurring both in Washington and in Brussels. Internally, governments' preferences have a major impact on the development of their relationships with China. However, changes in the approach to China do not always require a change of leadership. For example, we see that the same leadership can keep approximately the same position vis-à-vis China and the BRI, as in the cases of Hungary and Portugal, or can change its position dramatically, as in the cases of the Czech Republic and Poland. Greece and Italy, however, both went through significant changes of government, some more than others, that influenced their approaches to China and the BRI. For these cases, one could make an argument concerning the closeness between populist parties, such as SYRIZA in Greece and, initially, the League and the Five Star Movement in Italy, and China. The inclination of leftist populist parties then, could be pit against the evolving anti-China narrative of right-wing populist parties around the EU, with one notable exception: Hungary. However, it is relevant to notice that so far the government of already authoritarian Hungary has maintained a very positive approach to China, against the overall trend in other CEE countries. The governments of the southern European countries analysed have not become more positive towards China after signing into the BRI. If anything, due to the exogenous and endogenous reasons mentioned above, Athens and Rome have become more cautious towards Beijing.

## **Conclusion and Policy Recommendations**

Despite their differences and diverse concerns regarding China's engagement, southern and eastern EU countries have displayed very similar developments. The blurry definition of what the Belt and Road Initiative is has left ample space for speculation and made fact-based analysis cumbersome, consequently the decision of this paper to focus only on three sectors: transport, energy and telecommunications. Pitted against the concerns identified for both geographical areas, the conclusion is that if these are understandable, currently they are mostly unsubstantiated. Therefore, as far as the EU is concerned, signing into the BRI, rather than bringing real benefits, amounted to a political sign of goodwill and positive relations. Without arguing that this gesture is with no consequences or that it has no negative impacts whatsoever, this paper has shown that it has not brought major new links between the interested parties or significantly more Chinese investments into the EU, which arguably would have displayed a similar pattern without the signing into

the BRI. Furthermore, there is little ground to argue that membership of the BRI has increased China's economic and/or political influence and leverage over the Czech Republic, Poland, Greece, Italy or Portugal. Rather than the (signing into) BRI itself, the economic attractiveness and therefore opportunity of China and economic links between the countries might have led to forms of influence, which, however, often pre-dated the BRI and were not enhanced by it. Joining the BRI has brought little or no change in economic terms, suggesting that, as far as these countries are concerned, economic attractiveness would have existed and exercised the same type of influence with or without the BRI. Hungary can be considered an exception, but even in the Hungarian case, China's higher degree of influence appears to result from Hungary's authoritarian government rather than from the BRI. If anything, further engagement with the BRI and China is the result of the country's political setting.

Considering the analysis provided in this paper, 12 policy recommendations have been identified at three levels: state, regional and international.

**State:**

1. Governments should take data-informed decisions. There is now sufficient data to show that the BRI in the EU is neither a high security risk nor a golden pot that can solve all economic issues and develop any infrastructure project in no time with no issues.
2. Governments should safeguard and encourage open debates regarding China's presence in their countries. Open debates have proven helpful to pit different views against each other and guarantee a more balanced outcome.
3. Governments should seek alternative sources of capital – when available. The case of Poland well exemplifies this approach, where funds from the European Investment Bank have been used to develop infrastructure projects. Seeking alternative funds should not mean complete exclusion of Chinese investments but the creation of a more diversified portfolio of investments in the country.
4. Governments should create ad hoc multidisciplinary groups or task forces on China that can advise them on their actions and can report and provide suggestions and representatives to an EU task force on China.

## Regional – EU:

1. Brussels should analyse and manage the situations that data and data-based information show.
2. Connected to point 1, although political gestures such as joining the BRI have high resonance and mediatic impact, the priority should be to know their actual political and economic impacts. Most of the cases above have shown that the act of joining the BRI has brought little or no changes to inbound Chinese investments or to the economy and politics of the countries analysed or the EU.
3. Brussels should upgrade the narrative on the BRI and turn it into a multi-stakeholder project. The idea of a silk road in which all interested parties actively participate and invest, rather than a China-led BRI, is a good way to upgrade a difficult narrative and project it into a positive outcome. Of course, this means that the EU and its enterprises must have the capacity and will to invest in such a project. Making plans to attract private capital should be a fundamental element of any connectivity plan. This includes speeding up the adoption of the capital market union and the banking union.
4. The countries analysed signed up to the BRI seeking closer economic ties and better relationships with China. However, ultimately they assigned big projects to Chinese enterprises because there were either no alternatives or no better alternatives. Therefore, the EU should present these countries with alternatives or accept that Chinese capital might be the only option they have for significant infrastructure development.
5. Brussels should continue to publish guidelines and adopt legal frameworks to guide and inform the actions of member states. The cases of the EU Framework for investments and the 5G Toolbox have shown that these are useful tools. The majority of member states will follow these guidelines. However, there will always be some which will not. This is normal and should not discourage the EU from continuing and enhancing its efforts in this direction.
6. Brussels should adopt legislation that regulates the action of state-owned enterprises, as it plans to do. SOEs should not be treated as private enterprises because they are not. SOEs are companies with clear state participation. In this framework, for example, Huawei cannot be defined a SOE.

## International:

1. The EU should continue to defend rule-based action. However, to stop deterioration of the rule-based international system, reform is needed. Specifically in this case, WTO reform is particularly pressing. China is now the second largest global economy but it is still defined as a developing country. This cannot remain the case. Given the complexity of the current global picture, the solution might lie in new definitions and categories.
2. The upgrade of the narrative on the BRI into a silk road project should go beyond the EU and be adopted at the international level and include international stakeholders.



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