

Challenges and opportunities of the Maritime Silk Road initiative for EU countries

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Key words: Maritime Silk Road, BRI, China, EU countries, FDI, blue economy, competitiveness

Abstract

The Maritime Silk Road of the 21st Century (MSR) is one of the two largest and most ambitious projects announced by Xi Jinping in 2013, under the current name, the Belt and Road Initiative. The main aim of this paper is to assess the opportunities and risks of the maritime portion of this project for EU countries. The authors would like to draw the attention of readers to the possible goals behind the MSR, especially now, when numerous doubts connected with the Chinese initiative have risen. The authors analyze the situation and the consequences of the MSR Initiative for European ports and shipping companies, as well as for other infrastructure and sectors connected with seaborne trade as a part of the blue economy.

The MSR creates not only opportunities for developing a blue economy in EU countries, but also competitive risks. EU countries should keep in mind the growing importance of the blue economy for China (including marine industries, the exploitation of ocean resources, and services such as tourism and transport), especially since it already currently represents around 10% of Chinese GDP. It is also worth highlighting that the sea lanes of communication from China to Europe through the Malacca-Suez route are among the busiest in the world. Twenty-five percent of world trade passes through the Malacca Strait alone. This should convince EU countries to pay more attention to China's activity at sea.

Introduction

China's new position in the global economy has awoken its pride and willingness to become a leader of the global economy. For many years, the US insisted that China take more responsibility for the world economy and economic development. China has the second largest economy with respect to its nominal GDP and the highest GDP (PPP) in the world, and is now ready to lead the global economy and to become, if not a hegemon, a co-leader of the globe. This, to a great extent, was a consequence of the latest US President's declarations about a new approach towards international organizations, different global problems, and towards globalization itself. "America First" has become one of the first declarations of Donald Trump after his victory in the

2016 election. Soon after his speech on January 21, 2017, Zhang Jun, the head of the Chinese foreign ministry office of international economic affairs, publicly stated in Beijing, "If it's necessary for China to play the role of a leader, then China must take on this responsibility" (Chin, 2017).

The withdrawal of Western nations from their leadership roles, and especially the abdication of the US as the world hegemon, has been the main factor influencing this decision of Chinese leaders. The 2008 crisis and its slightly delayed negative effects on the Chinese economy forced China's leaders to introduce the concept of the New Silk Road in 2013, also known as the Belt and Road Initiative (BRI). This megaproject, the most ambitious in modern history, consists of two subprojects. One, called Belt, is a system of economic land corridors encompassing

roads, railroads, pipe connections, etc. linking China with Central and West Asia and further with Europe. The second – Road, whose name is Maritime Silk Road of the 21st Century (MSR) – is paving a maritime way to Middle East, Africa, and Europe, and also to the South Pacific. The first subproject seems to be much more well-known, although MSR carries much greater economic and political implications for the world, allowing China to be more present in the world economy, as well as to play a more important role in global policy.

The main aim of this article is to assess opportunities and risks of the maritime part of the project for EU countries. The authors would like to draw the attention of the readers to the possible goals behind the Maritime Silk Road Initiative (MSRI), especially now since numerous doubts and suspicions connected with the Chinese initiative have arisen. Many partners in the project have claimed that China undertakes projects which are beneficial for its own economy and, in the more distant future, for its international political standing.

One of the most important sectors within MSRI and the blue economy is maritime transport, but there are many other dimensions, including seaports, shipbuilding, fishing, tourism, sea mining, etc. Although these are all connected with the blue economy, the authors have chosen to concentrate on seaports and shipping.

Regarding the above goal, the authors have formulated three research questions:

- Should the European Union be worried about the rapid development of the Chinese naval power?
- Is the Maritime Silk Road of the 21st Century Initiative an opportunity for EU economies?
- What are the threats to EU economies connected with MSRI?

The authors have also formulated two hypotheses:

H1: Chinese outward foreign direct investment (OFDI) in the so-called blue economy, being consistent with main theories on OFDI, is driven by special motives in the case of the European Union economies, which may create certain threats for the EU countries involved in BRI and especially in MSRI.

H2: The European Union economies can profit from Chinese OFDI in the member countries' maritime infrastructure within the MSRI.

Using different sources of data from numerous reports and literature on the subject, the authors have attempted to verify the above hypotheses.

Maritime Silk Road as a part of the Belt and Road Initiative

The idea of rejuvenating the ancient Silk Road was proposed by Chinese President Xi Jinping in 2013. He turned to Kazakh leaders with the idea of New Silk Road (its land part) to accelerate the development of Central Asia, as well as western Chinese provinces and to facilitate trade with Europe. While visiting Indonesia in 2013, he spoke about the maritime portion of the project. The OBOR, or BRI concept has been described in many articles, so the initiative is not presented in detail here. To read more about the Belt and Road Initiative, see (Johnston, 2019).

Although the concept was announced by Xi in only 2013 primarily under the name One Belt, One Road (OBOR), many of the infrastructural investments over the Eurasian continent had begun much earlier. China began its Going Out policy at the beginning of the century, and then Chinese investment in different parts of the world began. The entire project's first name was One Belt, One Road, but it has since changed to the Belt and Road Initiative, positioning China in a role of initiator only, not the main leader. It is to soften the general view and to prevent any misconceptions that the infrastructure belongs to only one nation – China.

The main goals of the BRI are, on one hand, redrawing international trade routes between Asia (and of course China) and Europe. On the other hand, it seeks to shift from Western-style multilateralism to a mixture of bilateralism and multilateral negotiations, but this time with China as an initiator and, if not a leader, then one of the main players.

BRI is perceived as an attempt to create a bipolar (with the US and China as the dominant players) or multipolar (with other main powers: the EU, Japan, India) world order. Some researchers have stated that this is a way which will lead to a unipolar world with China as a hegemon. They try to compare the Chinese naval policy to the one once conducted by the US. If hegemony is the main goal of China, then the key problem is to follow the pattern of previous global powers. The first step is to dominate its neighborhood, before it can really dominate the world, as once the US first dominated the Western hemisphere and only then, began to think and act globally. Having global ambitions, China would have to solve many local problems first, which is time consuming. If managed properly, the BRI will certainly give China greater leverage over its neighbors and more influence.

China developed its economy thanks to the Western economic order and globalization which allowed the country to first use Western capital, investments, and technologies. In the next step, it became “the world factory”, and today it is ready to challenge this order and to form new global governance and restructure globalization to give it Chinese characteristics.

Many countries along the Belt, as well as those on the MSR, need infrastructure investments, and they perceive Chinese engagement in the BRI as an opportunity for dynamizing their development and growth. Supported by Chinese leaders and convinced that the concept of the BRI is a win-win, many countries have eagerly joined the project. Even during the last BRI Summit 2018, Xi Jinping strongly stressed that there was no hidden agenda in the whole project, and Chinese analysts systematically rejected the notion that global leadership is the most important objective of the project.

The Chinese economy has lately, after a few decades of very dynamic growth, started to slow down. This has resulted in certain consequences, including the overproduction of steel and concrete, idle capacity in these two sectors, as well as an increasingly demanding society, along with a diminishing growth rate. The idea of rejuvenation of the Silk Road seems perfect in such conditions, allowing China to use this idle capacity and create new markets for Chinese products, while simultaneously

safeguarding the supply of raw materials for Chinese industries.

Recent years have brought one more idea for accelerating Chinese trade with Europe. That is the Arctic Silk Road that would accompany MSR and connect Chinese ports with this continent via a Northern route. Figure 1 presents the basic BRI routes.

The BRI spans three continents, directly engaging over 60% of the world’s population. In fact, it now spans four continents, since in the last five years, the BRI has expanded its scope and now reaches South America. Panama was the first country in the region to sign an agreement with China within the BRI (Koop, 2019). The maritime part of the BRI – MSR – is an initiative to build infrastructure connected with sea transport – ports and safe and efficient sea routes connecting main ports situated along the BRI – as well as the hinterland of the ports. The MSR passes through a region that is home to 42% of the world’s population and 25% of its GDP, excluding China (Baker McKenzie, 2017).

Theoretical background and literature review

The Chinese economy has, to a great extent, grown thanks to inward foreign direct investments, and by taking all the possible positive consequences of the inflow of capital and technology from the

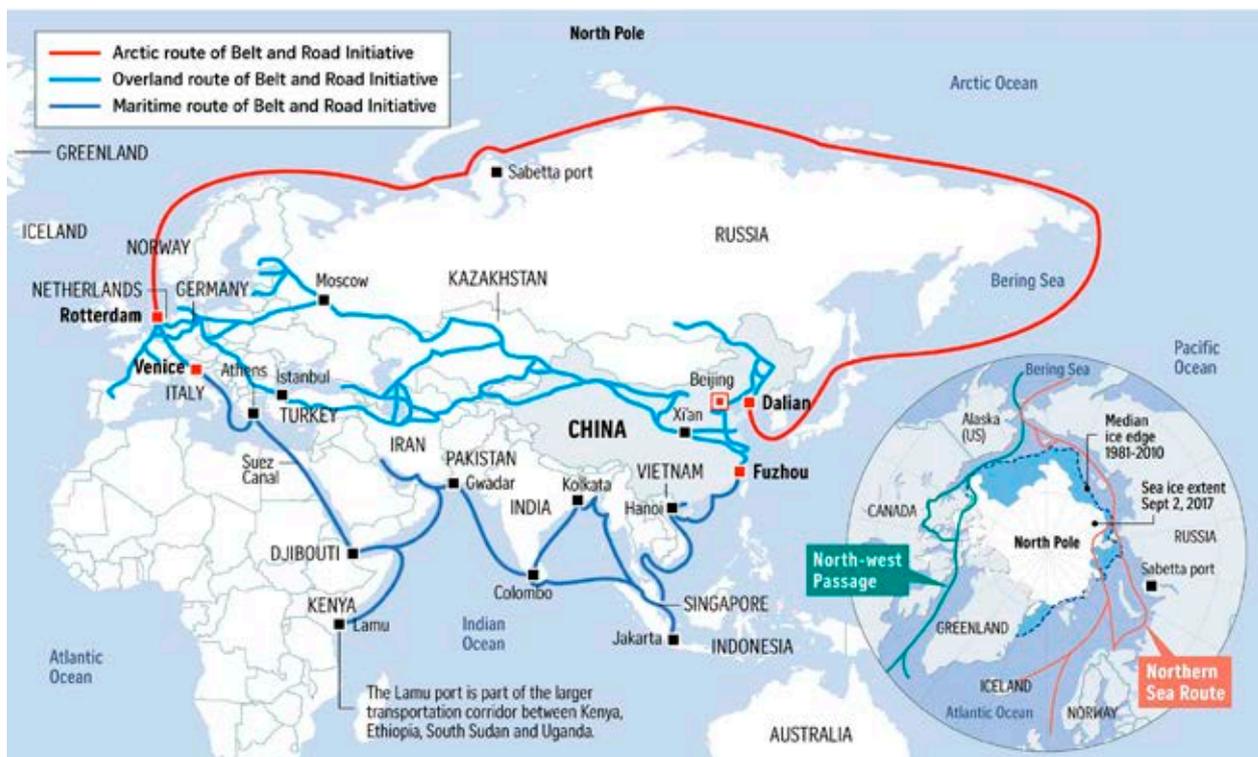


Figure 1. Belt and Road Initiative map (Duchâtel & Sheldon-Duplaix, 2018)

West. Today's China has evolved into the top country as far as OFDI is concerned. Dunning's traditional investment development path theory (IDP), was launched in the 1980s and is related to developed countries (Dunning, 1986). However, with changes in the global economy, the theory has had to change as well. This dynamic approach has been presented in Dunning and Narula's article (Dunning & Narula, 1993) as an extended IDP.

One of the theories that could be also applied in the case of current Chinese investment activity is ambidexterity theory, which highlights the unique strategic behavior of transnational enterprises from emerging markets (Luo & Rui, 2009). Another that can be quoted is the global mindset perspective, which stresses the ability of an individual to adapt to globalization processes, to be conscious of differences, and to have the vision and power to "infect" others with the concept of internationalization (Gupta & Govindarajan, 2002; Bieliński, Markiewicz & Oziewicz, 2019).

Discussing the OFDI, one should not forget that economic and political factors are intertwined, which is especially apparent while researching economies with different systems, e.g., China. One of the theoretical approaches to this problem is Baldwin's political theory of economic statecraft (Baldwin, 1985), which joins economic and political elements by noting that a certain country may achieve foreign policy goals using economic means. This theory appeals especially to states trying to influence the behavior of other states. One of these such tools is FDI flow (Pardo, 2018).

Another theory which could be recalled here is navalism. It defines the power and position of a country on an international forum based on its fleet, which includes its navy as well as its marine merchant fleet. In the past, China has been very hermitic, but it has recently shown some change to this approach. At the beginning of the 15th century, the Chinese fleet was the most imposing one. Chinese admiral Zheng He – commander-in-chief on behalf of the Chinese emperor – led seven cruises to Asia and Africa, expanding friendly ties with other nations, east-west trade opportunities, and China's political influence in the world. After those voyages, a new Chinese emperor decided to suspend further expeditions and ordered the destruction of the fleet, returning to Chinese isolationist policy (Dreyer, 2007). China, with its policy towards the South China Sea and increasing its armament expenses, has especially modernized its navy, and is trying to obtain a strong position on the seas.

It has reached the point in which it is impossible to cut off relations between the EU and China, and if this were to occur, there would be a huge increase in costs. EU economies would have to make difficult choices, to either accept some of these costs, give up some profits, or make other economic and financial sacrifices, in exchange for national security. According to T. Yoshihara from the US Naval War College, it is in the interest of EU countries to be cautious with further engagement and deeper cooperation with China (Chiński Sen – Chinese Dream, 2019).

Discussing the BRI and Chinese motives behind this initiative, there are three basic concepts perceived by researchers as the main reason that has pushed Xi Jinping and China to engage with the initiative. The whole project is either a kind of Marshall Plan for Asia (Yakobashvili 2013), or a new wave of globalization with Chinese characteristics (Henderson, Appelbaum & Suet Ying, 2013). It is also seen as Chinese expansion in an attempt to dominate the world (Yoshihara & Holmes, 2018). Still, it is simply seen as a business opportunity by many companies. In fact, the reality is more complicated than that.

The first concept is strongly rejected by China, although its leaders stress the will of helping other Asian countries develop their economies. The financial means invested in those economies are not given, but rather borrowed from China, which places some constraints on the countries along the Road and Belt (e.g., the Hambantota in Sri Lanka and Gwadar in Pakistan, where protests of local societies have shown their discontent).

As far as Chinese expansion is concerned, this approach seems to be doubtful in the contemporary world, which is multipolar and, as Cabañas – a researcher from an Argentina-based think-tank – states, "No smart country would be aligned with a single power; rather, the countries try to maintain links with all the great powers, hoping to get the most advantage possible" (Cabañas, 2019). Such an approach seems exaggerated.

Moreover, Chinese assertive policy, as far as the territorial disputes around the South China and the East China Seas are concerned, actions connected with gaining certain influences in different parts of the world could awaken suspicions about China's true intentions. One of the evidences of such an assertive policy are the artificial islands on the South China Sea built by the Chinese.

Another theory that could be quoted here and is somehow connected with the third approach to the project, is the network theory. On the one hand, networking offers benefits, such as investments needed

in many developing – but also developed – countries. On the other hand, it has negative elements, such as relationships created within the network that can also carry binding obligations, making the host countries dependent on the investors. In this situation, countries hosting foreign investments are blinded by the possibility and become trapped by debt, as has happened with Hambantota Port in Sri Lanka. Critics of the BRI say that it is an effort to strengthen Chinese influence around the world by financially binding countries to China by so called “debt trap diplomacy”. This has caused growing international criticism, and some countries have begun to rethink their attitude towards the BRI.

When debating the motives behind the participation of different partners in the MSR, different theories should be applied, and one must remember that they do not necessarily replace each other. Rather, they include many phenomena: economic, political, ecological, among others, so it is recommended to use different theories which are not opposed to each other, but rather complementary.

Chinese foreign direct investment in the EU with special reference to MSRI

Based on the data provided by the World Investment Report (World Investment Report, 2018), China is the third largest source of foreign direct investment (FDI) outflows worldwide (after USA and Japan). The outward and inward flows of Chinese FDI have tended to grow, interspersed with short periods of decline. After a decade of this rapid growth, China’s investments abroad declined sharply in 2016 (Figure 2).

The peak of Chinese FDI in Europe was in 2016, when the value of transactions was 37 bn EUR. Chinese OFDI continued to decline in 2018, and its value was 17.3 bn EUR – a decline of about 50% from its 2016 peak (Hanemann, Huotari & Kratz, 2019).

The highest cumulative value of the Chinese investments from 2000–2018 was concentrated in the UK (46.9 bn EUR), Germany (22.2 bn EUR), Italy (15.3 bn EUR), and France (14.3 bn EUR).

Compared with previous years, the industrial investment in 2018 by Chinese enterprises in Europe was remarkably more diverse. In 2016 and 2017, FDI concentrated mostly on two sectors: transport, utilities and infrastructure, as well as ICT. The value of the investment was 13.9 bn EUR in 2017 (Figure 3).

Since 2016 there has been a sudden increase in Chinese investment in seaport management. So far, China has invested in 13 EU ports along the Mediterranean Sea, as well as in northern parts of Europe. These included greenfield and financial investments in European ports in Spain (Bilbao and Valencia), the Netherlands (Rotterdam), Belgium (Bruges, Antwerp), Italy (Genoa), France (Marseille, Le Havre, Dunkirk, Nantes), Malta (Masaxlokk), Lithuania (Klaipeda), and Greece (Piraeus) (Hache & Mérigot, 2017). These ports handle about 10% of Europe’s shipping container capacity.

The investment needs of European ports, especially after the financial crisis of 2008 and the Euro crisis, have been huge, so ports eagerly accepted the influx of capital. The Chinese state-owned enterprises COSCO Shipping Ports and China Merchants Port Holdings have acquired stakes, stating that such an investment is more profitable than shipping itself. It is worth mentioning the most important examples of China’s investment in European ports (Seaman, Huotari & Otero-Iglesias, 2017) include:

- COSCO purchasing 25% of the Port of Antwerp’s container terminal for EUR 150 mn in 2004;
- COSCO and Shanghai International Port Group first acquired 49% of the container terminal of Zeebrugge in 2014, and then announced the acquisition of the entire terminal in September 2017;
- In Greece, after signing a 831.2 mn EUR concession agreement in 2008, COSCO purchased

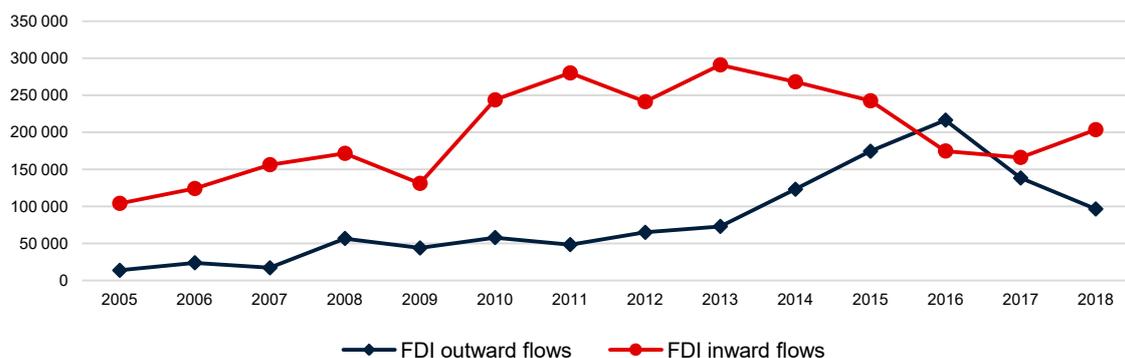


Figure 2. China – FDI outwards and inward flows in 2005–2018 (million USD) (OECD, 2019)

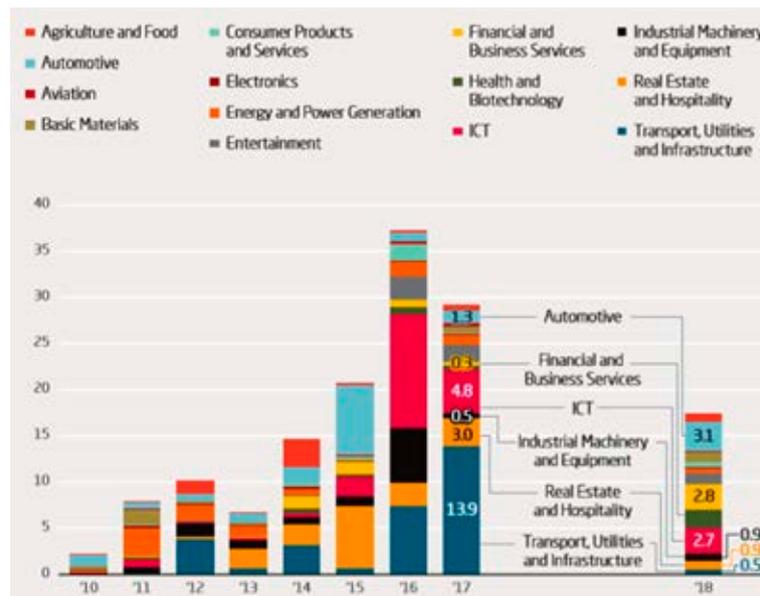


Figure 3. Chinese FDI in the EU by sectors in 2010–2018, EUR bn (Hanemann, Huotari & Kratz, 2019)

a 51% stake in the Piraeus Port Authority in 2016 for 280.5 mn EUR, representing a price of 22 EUR per share.

Particular attention should be paid to the port of Piraeus and the ports in Italy. The Chinese presence in these countries is aimed at the construction of a cross-border transport corridor from the Mediterranean to Central Europe. This corridor will allow China to realize two strategically important goals: the reduction of transportation costs and improved access to and an increased presence in the European market (Seaman, Huotari & Otero-Iglesias, 2017; Tonchev, 2017). Piraeus, called a Chinese gate to Europe, decreased the shipping times of Chinese goods by one week. Moreover, Chinese investors have already expressed their interest in funding the Rovaniemi-Kirkenes railway and the Helsinki-Tallinn tunnel project, which would connect the Arctic with the EU. Chinese shipping company COSCO is interested in summer connections along the Arctic Silk Road, which, together with the Chinese investment in a railway connecting the port of Piraeus with Central and Eastern Europe, would create a circle closing the Belt and Road (Descamps, 2019) and

link the Mediterranean Sea with the Arctic Ocean (Figure 1).

Competitiveness of Chinese maritime transport and infrastructure

Extensive and efficient infrastructure is critical to ensure the effective functioning of the economy. The overall rank and quality of Chinese port infrastructure have significantly improved since 2009, in areas including: road connectivity and quality, rail-road density, efficiency of train services, airport connectivity, efficiency of air transport services, liner shipping connectivity, efficiency of seaport services, electrification rate, electric power transmission and distribution, losses exposure to unsafe drinking water, and reliability of water supplies. In the latest ranking of Global Competitiveness Report 2018/2019 China respectively took the 47th and 49th positions (Table 1).

China is the best-connected economy to the global liner shipping network in 2019 and is constantly increasing this connectivity, as measured by the UNCTAD liner shipping connectivity index.

Table 1. China – quality of overall infrastructure and quality of port infrastructure from 2009 to 2019 (Schwab, 2019)

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2018/2019
Number of countries in the ranking	133	139	142	144	148	144	140	138	137
Quality of overall infrastructure – rank	69	72	69	69	74	61	51	43	47
Quality of port infrastructure – rank	61	69	56	59	59	53	50	43	49

Table 2. Logistics Performance Index 2018 (World Bank, 2018)

Country	LPI Rank	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Germany	1	1	1	4	1	2	3
Sweden	2	2	3	2	10	17	7
Belgium	3	14	14	1	2	9	1
Netherlands	6	5	4	11	5	11	11
Singapore	7	6	6	15	3	8	6
China	26	31	20	18	27	27	27
Poland	28	33	35	12	29	31	23

The UNCTAD Liner Shipping Connectivity Index assesses a country's connectivity to global shipping networks. It is based on five components of the maritime transport sector: the number of ships, their container-carrying capacity, the maximum vessel size, the number of services, and the number of companies that deploy container ships in a country's ports. From 2006–2019, the dynamic of this index increased to 52%. Next in the ranking following China are: Singapore, the Republic of Korea, Malaysia, USA, Hong Kong, Belgium, the Netherlands, the United Kingdom and Spain. Of these, only the US does not participate in the MSR project. China is relatively well-connected to Europe (especially Belgium and Spain), as well as to Eastern and Southeast Asian countries.

China has the highest rank when considering its container port throughput is more than four times that of the USA – the second country in the ranking – as well as other countries like Singapore, Republic of Korea, Malaysia, and Japan. Among the EU countries, the best results were achieved with Germany (11 times weaker result than China), Spain, Netherlands, Belgium, Italy, the United Kingdom, and France (32 times weaker result than China).

When considering the efficiency of seaport services by measuring the frequency, punctuality, speed, and level of price, the executive opinion survey of the World Economic Forum ranked China as number 49. The world leaders are Singapore, the Netherlands, Finland, Hong Kong, USA, Denmark, Panama, Japan, Belgium, and Estonia (Schwab, 2018).

The logistics performance index (LPI) is the weighted average of the country scores on six key dimensions: (1) efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; (2) quality of trade and transport-related infrastructure (e.g., ports, railroads, roads, information technology); (3) ease of arranging competitively-priced shipments; (4) competence and quality of logistics

services (e.g., transport operators, customs brokers); (5) ability to track and trace consignments; (6) timeliness of shipments in reaching their destination within the scheduled or expected delivery time. Compared with 5 leading countries in this ranking, China has a relatively good position in related infrastructure and ease of arranging competitive international shipments. Its weakest position was associated with the efficiency of the clearance process (Table 2). A challenge for China is that it is surrounded by several economies with low perceived logistics performance (World Bank, 2018).

In the area of competitiveness of maritime transport and infrastructure, China's assessment compared with EU countries is high, especially when consideration liner shipping connectivity index and container port throughput. There is still a significant gap where EU countries are more competitive than China. These areas are: efficiency of the clearance process, competence and quality of logistics services, timeliness of shipments in reaching destination, as well as the ability to track and trace consignments. However, it should be noted that over the last decade, China has improved its position especially in: the quality of trade and transport-related infrastructure, ease of arranging competitively priced shipments, and timeliness of shipments (in 2007 the positions were respectively 30, 28, and 36) (World Bank, 2007).

MSRI – possibilities and threats for the EU economies

Should Europe be uneasy about the rapid development of Chinese marine power? There are different points of view and different approaches towards this question.

There is no doubt that the marine routes in Europe have changed. In 1990s of the last century, the transpacific route controlled 53% of global traffic, while transport through the Suez Canal and

the Mediterranean Sea accounted for 27%. Twenty years later, in 2015, those proportions levelled out as the Europe-Far East route currently controls 42% of global traffic, vis à-vis the 44% controlled by the transpacific route. At the same time, the volume of traffic crossing the Suez Canal jumped 124%, with the Mediterranean controlling 10% of global trade (Fardella & Prodi, 2017).

Moreover, seaborne trade plays a significant role in economic relations between China and EU countries. In 2016, 64% of EU-China goods trade (in volume) was transported by sea, compared with 2.06% by rail, 6.35% by road, and 27.59% by air (Duchâtel & Sheldon-Duplaix, 2018). From the EU perspective, the MSRI is much more important than land routes while also considering the transportation costs. The cost of shipping by sea from Shanghai to a Mediterranean port is 797 USD and to north destinations is 912 USD per 40-foot container. The cost to ship a container by train is around 1000 USD, which is achieved only because of heavy subsidies of Chinese local authorities; the real cost can reach 5000 USD (Duchâtel & Sheldon-Duplaix, 2018).

The Belt and Road Initiative will give a new push to further develop the Chinese economy. The goal of the MSRI itself is to push the so-called blue economy, which is widely understood as the exploitation and preservation of marine environments. The blue economy was said to create 10% of Chinese GDP in 2016 (if it were a country – it would have been the 15th-largest economy in the world). While speaking about blue economy and China-EU relations, Chinese policies on further developing its blue economy are transforming the maritime environment in which Europeans have been operating. So, as both parties await security and prosperity, this sector can create opportunities for them. Europe should follow the Chinese approach towards the blue economy and also use it as an engine of growth, by demanding that China operate on a reciprocal basis.

The MSRI also creates many challenges for EU economies which are connected with the fleet, port throughput, carbon footprint, and current and alternative routing schedules from Chinese ports to Europe. There will also be competitive advantages as far as the field of shipbuilding is concerned. However, this initiative requires strong cooperation (Bednarz & Markiewicz, 2015) between countries on a trans-continental scale. It is necessary for countries to cooperate, especially to improve trade facilitation and border management, unify standards in building infrastructure, agree on legal standards and investor protections that will encourage further investment

along BRI corridors, and manage environmental risks (World Bank, 2019). As an example, it is worth mentioning that infrastructure improvements, combined with reductions in border delays, will increase trade by more than 10% for regions such as Central and Western Asia and the Middle East and North Africa. In the same way, when considering BRI intervention along all economic corridors, countries from Sub-Saharan Africa and Central and Western Asia will benefit the most (de Soyres et al., 2018). Improving connectivity and reducing delays will positively influence the trade of time-sensitive products and quality-sensitive food products, since timely delivery is highly valued by producers in both situations. In this sense, the “win-win” strategy proposed by China can be realized, as all of them will fully benefit from the positive spillovers from development. From this point of view, it is possible to positively verify Hypothesis 2, and state that European Union economies can profit from Chinese OFDI located in the member countries’ maritime infrastructure within the MSRI.

Hypothesis 2 was also verified, which asserts that Chinese OFDI in the so-called blue economy, consistent with main theories on OFDI, is driven by special motives in the case of the European Union economies. This may create certain threats for EU countries involved in the BRI and especially in the MSRI. In Europe there are experts that argue that the “win-win” strategy is only a slogan, as the BRI and MSRI are geopolitical projects associated with Chinese power and influence in an attempt to dominate international politics and achieve the goal of becoming a leading force in the world.

An argument that specialist in the EU pointed out and criticized the Chinese agreement with Greece on overtaking the port of Piraeus and the ease with which the Chinese managed to do this. They highlighted that Chinese investment in such strategic places like ports should be restricted to a certain level. This, among other FDI transactions, mobilized the EU to put in place an EU-wide framework for foreign investment screening in November 2018 (European Commission, 2018). It has already impacted Chinese investment patterns (as presented in Figures 2 and 3). More complex regulations for inbound investments are probably only the first step in a broader overhaul of Europe’s policy towards trade and investment with China. Other reforms, such as export controls for dual use and critical technologies, data security, and privacy rules, procurement rules, and competition policy, have also been considered (Hanemann, Huotari & Kratz, 2019).

Another major challenge for EU economies and China is to implement accepted unique rules on state aid. This problem concerns, among others, substantial subsidies of Chinese local authorities to achieve competitive prices to ship a container by train. This requires preserving transparency to reduce asymmetries on the market for state aid.

Furthermore, Duchâtel and Sheldon-Duplaix (Duchâtel & Sheldon-Duplaix, 2018) argue that Europe does not have much to gain from the Maritime Silk Road, except for investment in port infrastructure. European companies are good alternatives to Chinese investments, which was shown by the recent privatization of the port of Thessaloniki, sold to a consortium of French, German, and Russo-Greek companies for 1.1 bn EUR.

Conclusions

Debating the motives behind the participation of different partners in the MSR, different theories should be applied, and one must remember that they include economic, political, and ecological aspects. Therefore, it is recommended to use different theories which will be complementary.

MSRI, as a part of the BRI, represents challenges, opportunities, and risks common in large infrastructure projects. This could significantly improve trade, FDI, and living conditions of citizens in the countries joining the initiative. However, it requires the adoption of deep policy reforms that increase transparency, open the initiative, expand trade, improve debt sustainability, and mitigate environmental, social, and corruption risks (World Bank, 2019).

Participation in such a large infrastructure project requires the cooperation of all participating countries on a trans-continental scale in many different areas. Nevertheless, it seems that nowadays MRS creates more competition than cooperation opportunities in Europe-China relations. Chinese actions have already affected European interests in five main areas: maritime trade, shipbuilding, emerging growth niches in the blue economy, the global presence of the Chinese navy, geopolitics, and the global competition for influence. Therefore, it requires continued capital controls as well as growing regulatory scrutiny in host economies. More complex regulations for inbound investments are probably only the first step in a broader overhaul of Europe's policy towards trade and investment with China. Other reforms, such as export controls for dual use and critical technologies, data security and privacy rules, procurement rules, and competition policy, are considered.

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