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China's Black Sea Ambitions

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China's Black Sea Ambitions

Executive Summary

The People's Republic of China is actively engaging Black Sea littoral states through various initiatives to open new markets for Chinese goods, facilitate the acquisition of valuable or strategic local industries, and offer loans for large development projects. These efforts go far beyond just building roads and bridges, with growing political influence operations intended to ultimately put the countries on a pro-Beijing axis. Although Chinese-funded projects often fail or come with strings attached, China has been able to present itself as a credible alternative when the European Union is unable or unwilling to provide financing.

If China is successful in its political efforts, EU unity in general and cohesion on China policy in particular will be difficult, if not outright impossible. To meet this challenge, the EU must make the "One Europe" principle the nonnegotiable cornerstone for all engagement with China. In addition, Brussels needs to devote more attention and resources to the Black Sea region, carefully monitoring the 16+1 initiative and other proposals and presenting alternatives where feasible, including Georgia and Ukraine. Lastly, there needs to be greater awareness of the Chinese Communist Party's efforts to use economic investment as a vehicle for political influence.

Key Findings

• Since 2012, China has hosted over 200 conferences, summits, camps, and unofficial gatherings for Central-Eastern European participants under the 16+1 initiative. Some of these events have been used by the Chinese Communist Party to identify and groom pro-Chinese voices within the political, business, and journalist community.

• There are differences in approach to China between various Black Sea states. Romania has taken a cautious stance, prioritizing EU development funds. Bulgaria is actively encouraging stronger ties with Beijing, but with mixed economic success. In the case of Ukraine and Georgia, there are hopes that greater Chinese influence will be an additional counterweight to Russia.

• Instead of respecting the "One Europe" principle, China prefers to pursue bilateral ties with individual EU member states.

• China's main economic interests in the Black Sea region are agriculture, information technology, aerospace, and port infrastructure.

• Throughout the Black Sea region, there is limited knowledge, even at the elite level, about contemporary China and Chinese regional initiatives such as 16+1.

• Opportunities exist for constructive Sino-EU engagement in the Black Sea region. More cooperation is needed between Black Sea states and China on tourism, the digital economy, renewable energy and green technology, and combating imported counterfeit and illicit goods.

China as a Black Sea Actor

On June 14, 2017, former Governor of Ukraine's Odesa Oblast (1998-2005) and longtime member of the Verhovna Rada[1] Serhii Hrynevetsky found himself more than 4,000 miles away from the shores of the Black Sea in Northeast China, leading the "Odesa-Shanghai 1871" delegation to Harbin's 28th International Economic and Trade Fair.[2] A political survivor of Ukraine's turbulent politics and a don of Odesa's murky business world since the 1990s, Hryvenetsky had come to Harbin to make the case[3] that just as Tsarist Russia sent a merchant ship to the Qing Empire from Odesa in 1871 to establish a new direct Sino-Russian maritime route, Odesa today should be the first port of call for rapidly expanding Chinese business interests in Ukraine and in the Black Sea region.

Throughout modern history, the Black Sea's strategic value has fluctuated between that of a relative geopolitical backwater and a prized waterway of cross-regional trade and communication, sparking several bloody conflicts in the process. The Russian Federation's annexation of Crimea in 2014 was a seismic event for the region, jolting the other littoral states and triggering renewed European Union and United States focus on the security and political economy of the Black Sea after years of prioritizing bilateral relations. The heighted attention has coincided with the arrival of a new major outside player: the People's Republic of China.

> "Chinese commentators quietly acknowledge that Beijing's efforts in Central-Eastern Europe inherently challenge the interests of the EU, Russia, and occasionally even the United States."

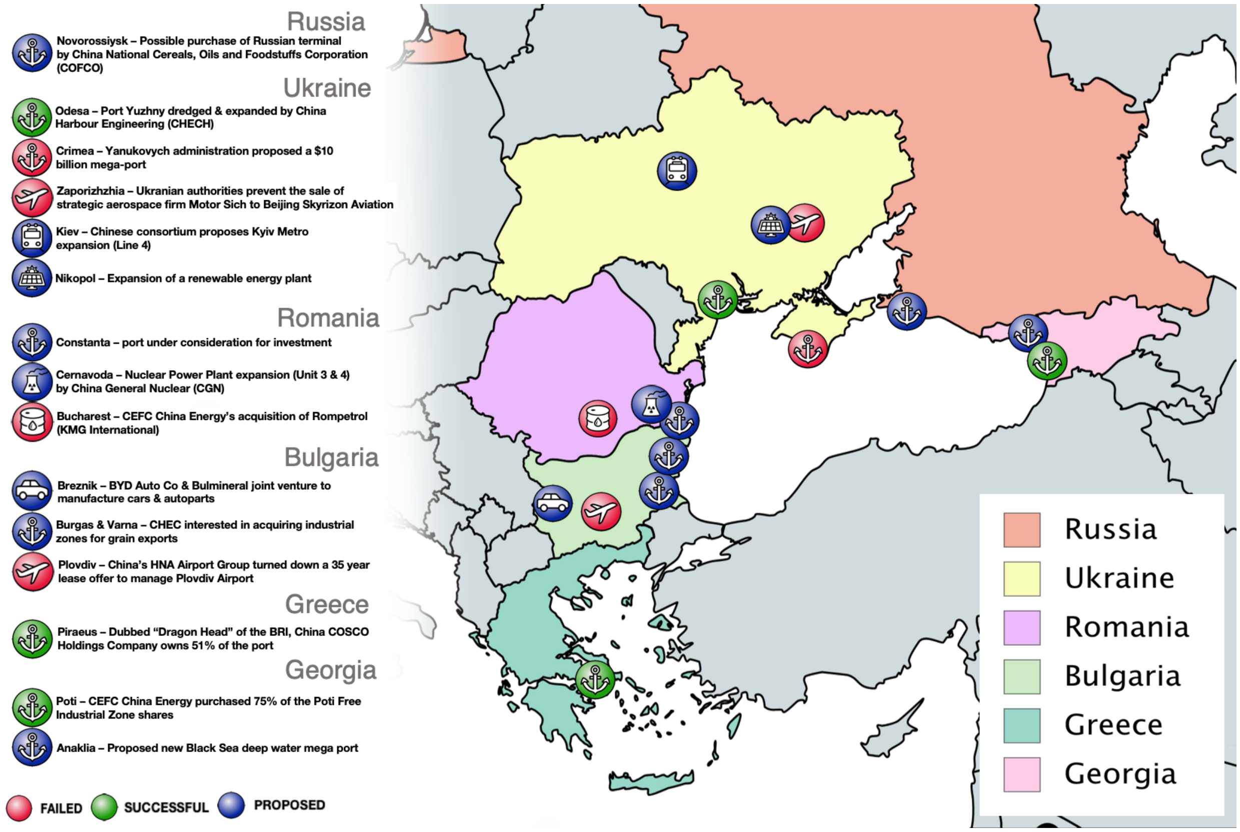
Beijing is seeking to expand its economic and political presence in the Black Sea as part of its larger strategy to find new markets for Chinese goods and services, further Chinese domestic innovation by acquiring valuable foreign technology and firms, and establish strategic partnerships with countries beyond China's immediate borders. China's involvement in the region is only beginning to take shape, but despite stressing "win-win" economic engagement and side-stepping military-political questions, Chinese commentators quietly acknowledge that Beijing's efforts in Central-Eastern Europe inherently challenge the interests of the EU, Russia, and occasionally even the United States.

The following report looks at China's involvement in the Black Sea region using both Chinese and local sources, with the goal of placing Chinese activity within the context of Chinese outreach to Europe writ large. China's foray into the region is often, but by no means exclusively, under the aegis of the Belt and Road Initiative

1 Ukraine's Parliament.

2 Heilongjiang Daily, "Ukraine's Odesa 'New Silk Road' Starts From Harbin [乌克兰海滨城市敖德萨"新丝路"情结从哈尔滨打开]," *Sohu,* June 20, 2017. Accessed November 26, 2018, http://www.sohu.com/a/150324007_99916178.

3 Dmitriy Voloshenkov, "Odesan Factor in Ukrainian-Chinese Relations [Одесский вектор Украино-Китайских отношений]," *Vector News,* May 23, 2017. Accessed November 26, 2018, http://vnews.agency/exclusive/50545-odesskiy-vektor-ukraino-kitayskih-otnosheniy.html.



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

(BRI) and the 16+1 initiative, a Chinese-led framework that is directed at 16 post-communist states in Central and Eastern Europe. The report looks at four Black Sea littoral states: Bulgaria, Romania, Georgia, and Ukraine. Undoubtedly, China attaches great importance to its relations with Russia and Turkey, but those ties are influenced by non-Black Sea-related factors and are not evaluated by Beijing through the prism of establishing a foothold in Europe and thus are outside the scope of this paper.

The Black Sea and the Belt and Road Initiative

The Belt and Road Initiative, one of Xi Jinping's signature policy initiatives, was first unveiled in the fall of 2013 when Xi traveled to Kazakhstan and Indonesia. The Chinese name of the project, yidai yilu (一带一路),[4] is shorthand for the Silk Road Economic Belt and the 21st century Maritime Silk Road. Since then, BRI has become one of the most followed China-related developments of the Xi era. In the last few years, the BRI has unfortunately become a catch-all for Chinese development aid, private and public loans, and direct foreign investment, greatly muddying analysis. Contributing to the lack of clarity on Chinese involvement is the tendency by Chinese institutions and media to brand virtually any foreign project as part of the BRI.

The Black Sea, like other maritime regions, is often highlighted in official BRI-related statements. According to Chinese Ambassador to Bulgaria Zhang Haizhou (张海舟), the Black Sea region is vital to the success of the BRI project, and he hopes for active cooperation with all the littoral

4 *Yidai yilu* translates literally to One Belt One Road.

countries.[5] Liu Zuokui (刘作奎), a prominent researcher at the Chinese Academy of Social Sciences, hopes that the BRI framework can help Black Sea countries mutually cooperate on trade, emphasizing the great untapped potential of the region. Platitudinous to any outside observer, such official statements are the inevitable product of a state media that is party-controlled and slogan-driven. When digging beyond Xinhua or The People's Daily, one finds far more detail on the Black Sea in published reports from authoritative Chinese think tanks and academic institutions. Earlier in 2018, the Chinese Academy of Social Sciences published a report by the above mentioned Liu Zuokui and Huang Ping (黃平) on the accomplishments of the 16+1 initiative during the past five years.[6] To date, the report offers by far the most detailed look at China's strategy and some of the subtler, behind the scenes efforts underway to woo Central-Eastern European states.

"When it comes to Balkan and the Black Sea states in particular, the relative underdevelopment of these countries compared to western EU members is seen as an opportunity for China."

A major theme in their report and other Chinese scholarly works is the central role of geography in China's strategy. The 16+1 initiative and investments in the Black Sea can all facilitate the linking of the Black, Adriatic, and Baltic Seas. When it comes to Balkan and the Black Sea states in particular, the relative underdevelopment of these countries compared to western EU members is seen as an opportunity for China.[7] If the EU is unable or unwilling to provide development funds, China can fill the void. Indeed, China's most successful ventures in Romania, Ukraine, and Bulgaria have often been long-sought projects where funding either dried up or was unavailable to begin with. Chinese scholars also envision the 16+1 initiative closely working with China-friendly countries just outside the region, particularly Belarus and Greece.

Another important objective identified by Liu and Huang is to create strong local-level ties with China in the region. Local cooperation agreements have been signed with Zhejiang, Jiangsu, and Hebei provinces as well as Beijing.[8] Second Tier cities such as Ningbo have been connected with the region through delegation visits and other forums. In the past five years, China has hosted over 200 conferences, summits, camps, and unofficial gatherings for participants hailing from Central-Eastern Europe to promote everything from traditional Chinese medicine to youth political forums and dialogues on journalism.[9] The broad swathe of fields covered by these outreach events ranges from the legitimate and productive (cultural exchanges, tourism, product quality control) to highly problematic largely unpublicized delegation visits that undoubtedly expose Central-Eastern European journalists, politicians, and business leaders to influence operations conducted by the Chinese

5 Wang Xinran (王欣然), "Chinese and Bulgarian Experts Passionately Discuss BRI Initiative's Growth Potential in the Black Sea Region [中保专家热议"'一带一路'倡议在黑海地区的发展空间"]," *Xinhua News Agency*, September 19, 2017. Accessed November 26, 2018, http://www.xinhuanet.com/world/2017-09/19/c_1121687897.htm.

6 Huang Ping and Liu Zuokui, "The Cooperation Between China and Central & Eastern European Countries (16+1): 2012-2017" [中国–中东欧国家(16+1)合作五年成就报告(2012-2017年)], Social Sciences Academic Press, 2018.

7 Ibid, p. 23.

8 Ibid, pp. 39-40.

9 Ibid, pp. 45-61.

Communist Party (CCP).[10]

Geopolitical Implications

On the first line of the first page of Mao Zedong's Selected Works, one finds the following sentence: "Who are our enemies? Who are our friends? This is a question of the first importance for the revolution."[11] More than 80 years later, this maxim continues to be one of the guiding principles for Chinese leadership.

Chinese commentary on the BRI and the 16+1 emphatically reiterate China's official position of political noninterference. Publicly, there is also an explicit prioritization of economic and trade matters over the political. The authors of the above mentioned report go further and state that China will not involve itself in the realms of ideology, defense and security, and high politics, including local border disputes.[12] In practice, China attaches great importance to political ties with countries in Central and Eastern Europe: trade investment relations are the deepest with Hungary and Serbia, two countries that also share a close political partnership with Beijing that predates the 16+1 initiative. Furthermore, the said involvement in the region is explicitly characterized by scholars as a bridgehead into Europe, where otherwise Chinese interests are thwarted by the interests of Brussels and Berlin. BRI forums focused on the region often criticize Europe for having a "Cold War mentality"[13] and make no secret that China is seeking a greater role. China's major acquisitions of European port infrastructure—up to 10%[14] by some estimates and largely focused in Southern Europe and the Black Sea—have to be seen as part and parcel of a larger strategy to gain a foothold on the continent.

Chinese experts are well aware of the growing pushback against some BRI projects, especially the so-called "debt trap" diplomacy which has raised concerns from Greece to Sri Lanka that China is exploiting growing indebtedness of vulnerable states to scoop up strategic infrastructure or increase Chinese political influence. They also note the very public reservations EU officials have made about 16+1,[15] primarily German and EU Commission concerns that China is seeking to divide Europe and that it needs to respect the "One Europe" principle.[16] The response has been to publicly call for the reduction of bilateral trade deficits and promising more investment to address the economic mismatch between the world's second largest economy and some of Europe's smallest economies. This response is summed up by the slogan, "Seek progress while ensuring

10 CCP-directed influence operations run the gamut of lobbying and relationship building, locally targeted PR campaigns, setting up and sponsoring friendly academic institutions, to outright bribery and covert recruitment of high-value targets.

11 Mao Zedong, *Selected Works of Mao Zedong*.

12 Huang Ping and Liu Zuokui, "The Cooperation Between China and Central & Eastern European Countries (16+1): 2012-2017," p. 41.

13 Ma Feng (马峰), "第一届中国—乌克兰学者高端学术对话会 [The First Sino-Ukrainian Senior Scholar Dialogue]," 国外社会科学 *[International Social Science]*, 3rd issue, 2018.

14 Keith Johnson, "Why Is China Buying Up Europe's Ports?" *Foreign Policy,* February 2, 2018. Accessed November 26, 2018, https://foreignpolicy.com/2018/02/02/why-is-china-buying-up-europes-ports/.

15 Ju Weiwei (鞠维伟), "中欧关系下的"16+1 合作"：质疑与回应 [Sino-European Relations under the 16+1 cooperation: suspicion and responses],"中国与世界 [China and the World], July 2018.

16 Sigmar Gabriel, the German vice-chancellor and foreign minister, called on Beijing to respect the concept of "One Europe" adding: "If we do not succeed for example in developing a single strategy towards China, then China will succeed in dividing Europe."

stability (稳中求进)."[17] Although Chinese scholarship has identified job creation and alleviation of unemployment as one of the most effective ways to strengthen ties and improve the region's perception of China, to date, Chinese investment projects have created only a modest amount of new jobs. This is largely due to "buy Chinese" clauses in agreements and the preference for acquisitions of existing companies to "green field" investing.

Chinese Domestic Opinion

China's international spending spree has attracted its fair share of critics domestically. There is growing elite and popular dissatisfaction in China that money is being wasted on projects of dubious value designed to enrich state-owned enterprises (SOE) and give Xi Jinping the veneer of great power diplomacy. This can be seen from waning public enthusiasm for new BRI projects, and telling statements from senior officials such as the Governor of the People's Bank of China, Yi Gang (易纲),who publically said in April 2018: "Ensuring debt sustainability — that is very important."[18] Yi's comments are bolstered by evidence suggesting that BRI-related lending by major state-owned banks may have actually dropped precipitously from about $75 billion in 2015 to less than $25 billion in 2018.[19] Meanwhile, lending by commercial banks—which are dealing with serious overleveraging and bad debt domestically—has ceased almost entirely.

Moreover, any spending that falls under development aid is particularly unpopular since China continues to face many urgent domestic challenges from rural poverty to a faltering healthcare system. Among Chinese foreign policy experts, there is also awareness that the latest Chinese projects, including the 16+1 initiative, far from improving China's image, have aroused considerable local suspicion, and in the case of Balkan and Eastern European investments even portrayed as a "Trojan Horse."[20] The fact that Chinese investments are mostly mergers and acquisitions, which leads to few, if any, new jobs in countries that still suffer from relatively high unemployment only exacerbates China's image problem.

Despite the headwind, it would be wrong to assume that domestic misgivings are enough to put a break on the BRI. The program enjoys the personal blessing of Xi Jinping, and he has demonstrated a clear willingness to persevere in the face of elite misgivings on projects viewed to be of key strategic value to China, as seen by China's behavior in the South China Sea and elsewhere. Second, the depth of the non-economic interactions shows the seriousness in cultivating multifaceted and deep ties that will be relevant long after highways and bridges have been finished.

17 Huang Ping and Liu Zuokui, "The Cooperation Between China and Central & Eastern European Countries (16+1): 2012-2017," p. 37.

18 Keith Bradsher, "China Taps the Brakes on Its Global Push for Influence," *New York Times,* June 29, 2018. Accessed November 26, 2018, https://www.nytimes.com/2018/06/29/business/china-belt-and-road-slows.html.

19 Matt Schrader, "Domestic Criticism May Signal Shrunken Belt and Road Ambitions," *Jamestown China Brief,* August 10, 2018. Accessed November 26, 2018, https://jamestown.org/program/domestic-criticism-may-signal-china-scaling-back-its-bri-ambitions/.

20 Ju Weiwei (鞠维伟), "中欧关系下的"16+1 合作"：质疑与回应 [Sino-European Relations under the 16+1 cooperation: suspicion and responses]."

Sino-Ukrainian Ties

When Mao finally visited the Soviet Union in 1949, he told Joseph Stalin that he hoped to bring back something that not only looked good, but also tasted delicious. Mao badly wanted a security treaty, but he was letting the host know that substance mattered more than appearance. In the case of Sino-Ukrainian relations, the priority has often been the reverse.

> "Undoubtedly, in some quarters, deepening Sino-Ukrainian cooperation is also seen as a way to put the EU and the United States on notice that Kyiv has other options as well."

Both Kyiv and Beijing have strong incentives to publicly laud the state of Sino-Ukrainian relations.[21] China sees Ukraine as a country of considerable economic potential, and there are hopes that it could play a more active role in various Chinese-led initiatives in Europe and the former Soviet Union. For Ukraine, touting Chinese investment and cooperation is perceived to be a strategic means to further reduce Russia's economic leverage and possibly even secure some additional political backing. Undoubtedly, in some quarters, deepening Sino-Ukrainian cooperation is also seen as a way to put the EU and the United States on notice that Kyiv has other options as well.

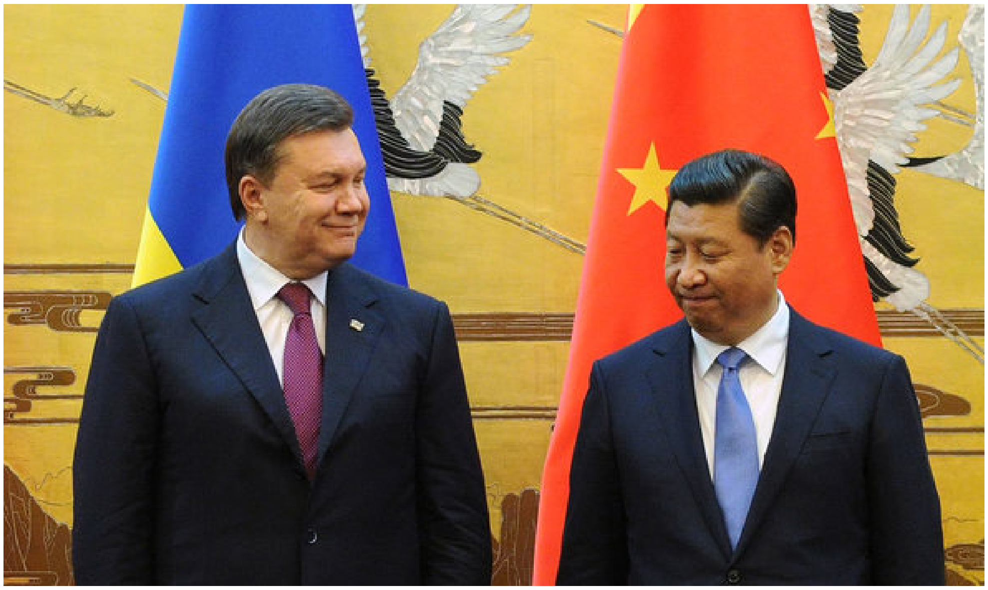
What on paper looks like a partnership of complementary interests has failed to materialize largely due to political differences. To date, Ukraine has not been a key partner for either BRI initiatives or other Chinese diplomatic initiatives. Ukrainian experts readily admit that Sino-Ukrainian ties lag behind Chinese relationships with Kazakhstan, Azerbaijan, Belarus, Hungary, or Serbia.[22] The relationship has even experienced discernable deterioration during both the Viktor Yushchenko presidency (2005-2010) and the first few years following the 2014 Euromaidan Revolution.[23] During both periods, Chinese leadership perceived Ukrainian internal politics to be too unstable and too pro-Western. Russia also figured into Chinese considerations vis-à-vis Ukraine: there was a clear reluctance to get involved out of concern for how Moscow might respond. It should be noted that during Yushchenko's term in office, the full focus of the government was on Euro-Atlantic integration—with engagement with China treated as an afterthought. Ukraine is not unique in this dynamic; other Eastern and Central European states have seen a reduction in China-related engagement when pro-European parties come to power.

If there was a golden age in Sino-Ukrainian relations, it occurred under the much maligned Viktor Yanukovych presidency (2010-2014). Unlike Yushchenko (or Petro Poroshenko), Yanukovych visited China twice and received Hu Jintao in Kyiv. Beyond

21 "Chinese Ambassador to Ukraine, Du Wei, Attends the Signing Ceremony for a Memorandum on Chinese Governmental Assistance (Ambulance Cars) to Ukraine [驻乌克兰大使杜伟出席中国政府援助乌克兰救护车交接备忘录签署仪式]," *Foreign Ministry of the People's Republic of China*, September 25, 2018. Accessed November 26, 2018, https://www.fmprc.gov.cn/web/zwbd_673032/wshd_673034/t1598237.shtml.

22 Vitaly Kiktenko, et al, "Foreign Policy Audit: Ukraine-China," Discussion Paper, 2016.

23 Ibid.



Viktor Yankovych's visit to China in 2013. (Source: Whang Zhao)

choreographed diplomacy, several deals were inked including one that envisioned a $3 billion dollar[24] new mega-port in Crimea along with Chinese partial ownership of Yevpatoria's port facilities. After Yanukovych's ouster and the subsequent annexation of Crimea, Chinese plans met an indefinite setback. Beyond the agreement, China's close cooperation with Yanukovych highlights that China has no qualms about doing business with leaders suspected of corruption and entering opaque deals.

Relations Today

China continues to view Ukraine as a country of considerable economic potential, but political factors still give Beijing pause. Although vociferous criticism of "color revolutions" is usually associated with Vladimir Putin and the Russian state media, color revolutions are also a frequent boogeyman in official Chinese commentary.[25] The CCP, fearing domestic challenges to its own legitimacy, dismisses grassroots protest movements and endorsed alarmist commentary about Ukrainian unrest in 2014-15. The Russian factor also continues to be crucial; leadership in Zhongnanhai does not want to antagonize the Kremlin at a time when China itself is feeling more isolated. The political impasse has not had an impact on trade, however, with double-digit growth in bilateral trade, increasing to $7.68 billion in 2017.[26]

In 2017, when the head of the National Development and Reform Commission (NDRC) and Vice Premier, Ma Kai (马凯), visited Kyiv, Ukrainian media announced

24 Idil P. Izmirli, "Sale of Crimean Land by Yanukovych: 'Made in/for China,'" *Eurasia Daily Monitor* Volume: 11 Issue: 24, February 6, 2014. Accessed November 26, 2018, https://jamestown.org/program/sale-of-crimean-land-by-yanukovych-made-infor-china/.

25 See, the following editorial [Chinese] from the CCP's leading theoretical journal, *Seeking Truth*: 必须警惕和防范颜色革命 [Necessary to be Vigilant and Guard Against Color Revolutions], 求是, January 17, 2016, http://www.qstheory.cn/llqikan/2016-01/17/c_1117800282.htm.

26 Andrey Buzarov, "Ukraine and China: Seeking Economic Opportunity within a Framework of Risk," *Wilson Center,* February 21, 2018. Accessed November 26, 2018, https://www.wilsoncenter.org/blog-post/ukraine-and-china-seeking-economic-opportunity-within-framework-risk.

more than $7 billion dollars of new joint projects.[27] These include a $2 billion new metro line in Kyiv; a light rail connection to Boryspil International Airport; a ring road around Kyiv; Chinese SOE (China National Complete Engineering Corporation)-backed mortgages for affordable housing; green energy solar and wind farms; and new port infrastructure in Odesa. The agreements were heralded as a major breakthrough, especially after the cooling of relations between Kyiv and Beijing after the 2014 Euromaidan protests. Shortly afterwards, both Ukrainian authorities and the official Belt and Road Portal (中国一带一路网) under the State Council prominently promoted[28] the dredging and expansion of the Odesa Yuzhny port done by China Harbor Engineering Company (CHEC), one of China's largest SOEs.[29]

Gargantuan Chinese infrastructure projects sell newspapers, but most of the proposals are only memoranda of understanding that are unlikely to move beyond the signing ceremony. The Kyiv metro case is particularly illustrative: the Kyiv administration would provide 15% of the total of $2 billion estimated for the project with the hopes of attracting the rest of the sum as a loan from Chinese financial institutions.[30] As mentioned earlier, Chinese state lending has significantly decreased, while commercial banks are unwilling to finance projects that cannot clearly demonstrate economic viability. Incidentally, this has been plaguing Russian efforts to court Chinese private sector investment in infrastructure as well.

Despite the failure of some noteworthy projects in energy efficiency and a light rail plan from Kyiv to Boryspil airport, the potential for Chinese investment should not be trivialized. Not only is commercial business booming, there is strong interest in agriculture, information technology (IT), shipbuilding, aviation, and defense technology. According to a Ukrainian scholar working in China, political setbacks and worries about Ukraine's macroeconomic health notwithstanding, there is still a lot of interest in the aforementioned sectors.[31] Moreover, some Ukrainian technology, especially in the aviation and defense fields, exceeds China's and is therefore highly sought after.

China is also taking steps to better understand developments in Ukraine. In addition to Confucius Institutes set up in Ukraine, there are now several small Ukraine research centers in Chinese universities.[32] Although modest in scale, these teams translate Ukrainian publications for the Chinese expert audience, brief Chinese government officials, and help dispel various

27 "China Becomes a Key Trade Partner, Investor in Ukraine," *Kyiv Post,* January 12, 2018. Accessed on November 26, 2018, https://www.kyivpost.com/business/china-becomes-key-trade-partner-investor-ukraine.html.

28 Tan Weijun (谭武军), "Chinese Firm Enters the Central-Eastern European Dredging Market: Ukraine's Yuzhny Harbor is Dredged Ahead of Schedule [中企首次进入中东欧疏浚市场 乌克兰南方港疏浚项目工程速度超预期]," *Belt and Road Portal*, January 4, 2018. Accessed November 26, 2018, https://www.yidaiyilu.gov.cn/xwzx/hwxw/42303.htm.

29 Incidentally, CHEC was also the firm behind the controversial port project in Sri Lanka that first brought "debt-trap" diplomacy to public attention.

30 "Chinese Consortium to Build Kyiv Metro Line 4," *Railway Pro,* November 27, 2017. Accessed November 26, 2018, https://www.railwaypro.com/wp/chinese-consortium-build-kyiv-metro-line-4/.

31 Ievgeniia Rozhenko (热妮娅), "乌克兰与中国经贸关系的前景和障碍 [Ukrainian-Chinese Economic Relations, prospects and obstacles]," 国际商贸 [*International Trade*], pp. 71-73.

32 See, announcement for Zhejiang Normal University's Ukraine Research Center: http://ies.zjnu.edu.cn/2015/1021/c2841a29798/page.htm.

Cold War-related stereotypes that party cadres and business leaders have towards the post-Soviet region such as failing to differentiate between Russians, Belarusians, and Ukrainians.

Military Cooperation

China continues to be the single largest purchaser of Ukrainian arms. Since the 1990s, there has been a longstanding interest in research and development transfer, and Ukrainian military technology is still needed for the People's Liberation Army's (PLA) modernization efforts and indigenous research. Even Ukraine's deepening cooperation with the North Atlantic Treaty Organization (NATO) appears to not have had any dampening impact on Sino-Ukrainian military relations. The performance of the Ukrainian military in the war in Eastern Ukraine is also of interest to Chinese military analysts, with several recent publications on "hybrid war" in both Ukraine and Syria in the PLA's most influential publications such as China Military Science Journal (中国军事科学).

However, Sino-Ukrainian military cooperation has on more than one occasion harmed Kyiv's interests and reputation. The story of how China got its first aircraft carrier—the Liaoning—from Ukraine puts any Tom Clancy novel to shame. A former PLA basketball star-turned-businessman, Xu Zenping (徐增平), was enlisted by the People's Liberation Army Navy (PLAN) to purchase the half-built aircraft carrier Varyag in 1998. To do this, a bogus Macau gambling company was set up that claimed it wanted to convert the ship into the world's largest floating hotel and casino. It did not take long for Western intelligence services to detect that something was amiss, and pressure was put on Ukraine to publicly auction off the ship. Undeterred, Xu organized marathon drinking sessions with the key Ukrainian stakeholders and resorted to open bribery to successfully rig the bidding process in his favor.[33]

More recently, Ukraine's security forces had to dramatically intervene to halt the sale of a strategic aerospace defense firm Motor Sich to a little known Beijing aviation firm.[34] Although there has been limited reporting of the case, the Chinese firm appears to have been interested in turbine engines—a persistent Achilles heel for Chinese indigenous fighter jets. With Ukraine very publicly committed to military reform and closer cooperation with NATO, Kyiv has to seriously take into account the reputational costs of continuing close military ties with the PLA.

Not a Means to Balance Russia

Ukrainian commentators and a few Western analysts see Chinese involvement in Ukraine as a means of reducing Russian leverage over Ukraine economically.[35] While Chinese firms have to some extent displaced Russian business, this has more to do with the thorough decoupling of the two economies and not any active Chinese measures. China has signaled that it has no interest in getting

33 Minnie Chan, "The Inside Story of the Liaoning: How Xu Zengping Sealed Deal for China's First Aircraft Carrier," *South China Morning Post,* January 19, 2015. Accessed November 28, 2018, https://www.scmp.com/news/china/article/1681755/how-xu-zengping-became-middleman-chinas-deal-buy-liaoning.

34 Jack Laurenson, "Blocked Chinese Takeover of Ukrainian Aerospace Firm no Closer to Being Resolved," *South China Morning Post,* June 17 2018. Accessed November 28, 2018, https://www.scmp.com/news/world/europe/article/2151183/air-blocked-chinese-takeover-ukrainian-aerospace-firm-no-closer.

35 James Brooke, "With Russia on the Sidelines, China Moves Aggressively into Ukraine," *Atlantic Council,* January 5, 2018. Accessed November 26, 2018, http://www.atlanticcouncil.org/blogs/ukrainealert/with-russia-on-the-sidelines-china-moves-aggressively-into-ukraine.

entangled in the Russian-Ukrainian conflict. Beyond ideological considerations of noninterference, China is content with the status quo where the security and political costs are borne by Russia on one side, and Ukraine, the EU, and the United States on the other.

2000s saw a growth in Chinese exports to Romania and an increase in smaller-scale Chinese-owned businesses in the country, but this was not coupled with large-scale, state-backed financing. That would change by the early 2010s, when China began to propose ambitious multibillion dollar projects.

Sino-Romanian Ties

During the tense years of the Sino-Soviet split, Nikolae Ceausescu's Romania was the only Eastern European communist state other than the staunchly anti-Soviet Albania to maintain close ties with Beijing. With the collapse of communism, however, Romanian leadership prioritized EU integration, letting traditionally warm relations wither. According to one Romanian source,[36] when Jiang Zemin visited Bucharest 1996, Romania's then-President Ion Iliescu was not even briefed that Jiang had spent time in Romania in the 1970s and could speak a little Romanian—creating a minor diplomatic embarrassment and illustrating how neglected the bilateral relationship had become.

Shortly after Jiang concluded his 1996 visit to Africa, Eastern Europe, and Central Asia, he announced the "Going Out Policy" (走出去政策), which still encourages Chinese companies to operate globally and meet the growing demand for products in emerging markets.[37] As was the case with Ukraine, the spanning everything from infrastructure and acquisitions in Romania's oil sector to nuclear energy and manufacturing. And while some deals like the purchase of Rompetrol quickly fell through, China has persisted in its efforts elsewhere in Romania.

> "China's growing interest in the Black Sea region since 2012 has been met with a mixed response in Romania."

China's growing interest in the Black Sea region since 2012 has been met with a mixed response in Romania. On one hand, the 16+1 initiative and the BRI have been publicly praised by Romanian leaders, with the current Prime Minister Viorica Dancila specifically identifying the Black Sea and the Danube as potential catalysts for boosting interregional mobility and trade competitiveness within the 16+1 format.[38] At the same time, a recent report surveyed 40 Romanian business and political elites, finding that most are completely unware that

36 Mihai Titienar, "Comment: Why is Romania's Relations with China Underdeveloped?" *Romania Insider,* November 16, 2016. Accessed November 26, 2018, https://www.romania-insider.com/comment-romanias-relation-china-underdeveloped/.

37 CCP Central Committee Documents Research Unit, "Jiang Zemin's 'Going Out' Strategy's Form and Importance [江泽民"走出去"战略的形成及其重要意义]," *CCP News*, November 10, 2008. Accessed November 28, 2018, http://theory.people.com.cn/GB/40557/138172/138202/8311431.html.

38 Office of the Romanian Government, "Remarks by Prime Minister Viorica Dăncilă at the Plenary Session of the Summit of the China - Central and Eastern European Countries Cooperation Format." Accessed on November 28, 2018, http://gov.ro/en/media/press-releases/remarks-by-prime-minister-viorica-dancila-at-the-plenary-session-of-the-summit-of-the-china-central-and-eastern-european-countries-cooperation-format&page=1.

16+1 even exists. Among the general public, knowledge of 16+1 is virtually nonexistent.[39] Moreover, despite pledging as much as $12 billion dollars in investments and loans, to date, the sole state-backed project that is near completion is a $30 million dollar auto parts factory that will provide only 265 jobs.[40] Chinese sources also list a new 600MV unit at the Rovinari coal plant, which would cost a billion Euros and employ more than 4,000 people, but the project has been mired in controversy and can hardly be considered a success for Sino-Romanian ties.[41] With some opacity, China's Huadian Engineering Co (华电集团), an SOE, was picked in 2012 to expand the existing Rovinari plant in Southwestern Romania. Delays emerged almost immediately, and the company failed to complete an environmental assessment before the scheduled construction start date in 2014. Nevertheless, Huadian signed a joint agreement on a construction timetable in April 2016 only to be delayed once again. Throughout the process, serious concerns arose about both the environmental implications for an already polluted region and the economic viability of the project.[42] Currently, the plant is often forced to sell electricity below production costs, making it highly unlikely that the 1 billion euro Chinese investment or loan could ever be profitable or repaid.

China's heretofore lack of success in Romania has not dissuaded it from pursuing even more ambitious projects. For several years, China General Nuclear Power Group (中国广核集团, CGN) has been in talks about building two new reactors at the Cernavoda Nuclear Power Plant. By building in Romania (and exploring a smaller nuclear deal in Bulgaria), China is seeking to gain a foothold in the highly competitive and saturated nuclear energy market.[43] A Chinese-built reactor in an EU member state would not only give CGN a massive marketing boost, but it also would give China major influence over a vital energy hub powering Southern Europe and Turkey. And even though China's 13th Five Year Plan (2016-2020) has called for constructing more than 30 million kilowatts[44] worth of new reactors—a target of colossal ambition—China's success outside of the Mainland has been much more modest, with currently only two plants in Pakistan. It should also be noted that CGN was able to enter the negotiations in the first place because the French and German firms, Engie and RWE, pulled out in 2010 due to economic concerns.

> "Despite high-level visits, Sino-Romanian relations lack the depth of ties between Beijing and Budapest or with Serbia, which enjoy strong political backing by their respective leaders."

In addition to nuclear energy, China is pursuing the possibility of establishing a new trade corridor that would link Central Europe

39 Iulia Monica Oehler-Șincai, Costin Lianu, Cristina Ilie, and Irina Rădulescu, "Romanian Attitudes and Perceptions towards the 16+1 Cooperation Platform," *China-CEE Institute,* December 2017.

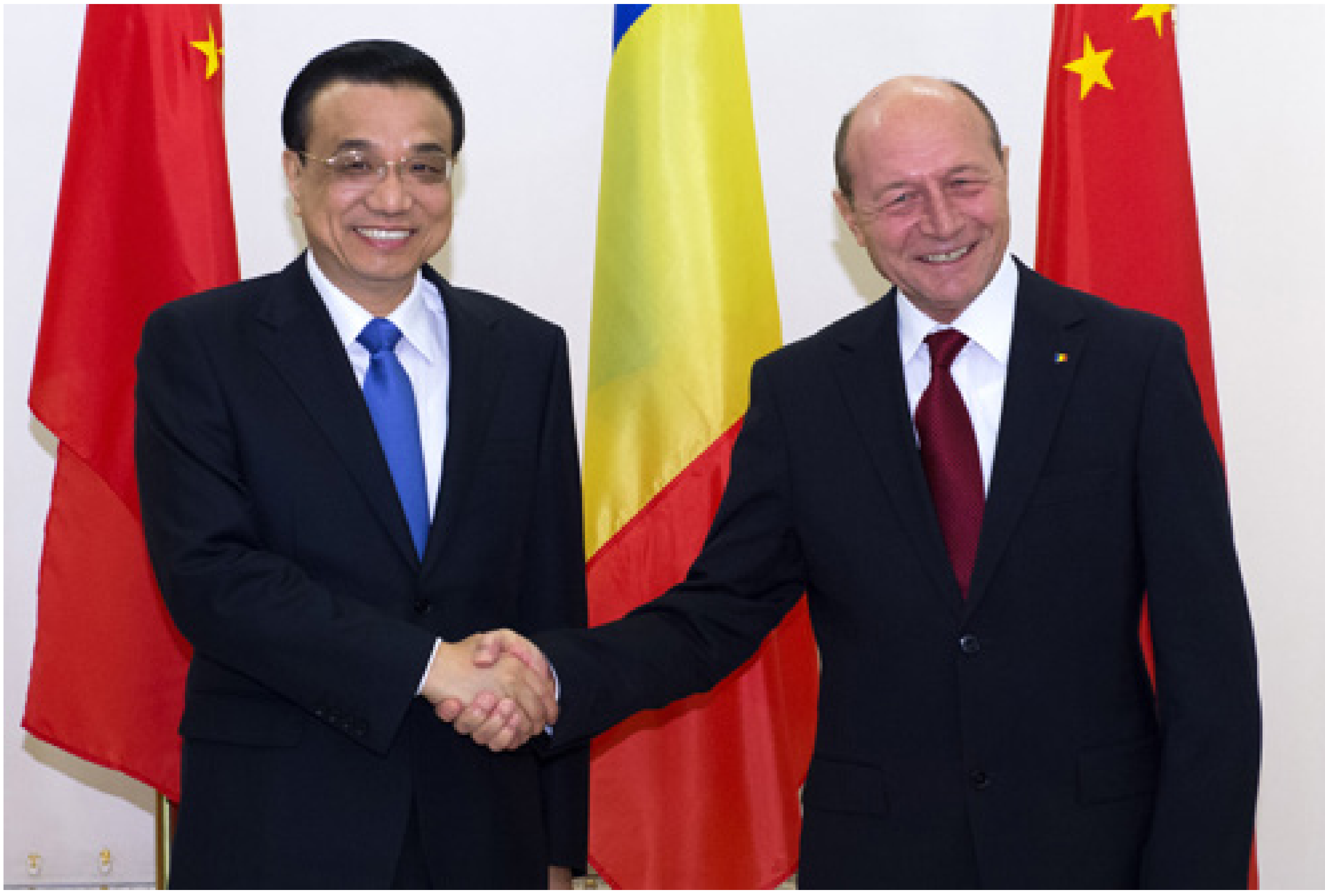
40 Huang Ping and Liu Zuokui, "The Cooperation Between China and Central & Eastern European Countries (16+1): 2012-2017," p. 69.

41 Ibid.

42 Ionut Brigle, "Rovinari Power Plant Put on Ice," *CEE Bankwatch Network,* October 15, 2014. Accessed November 28, 2018, https://bankwatch.org/blog/campaign-update-rovinari-power-plant-put-on-ice.

43 Raluca Besliu, "China is Using the Balkans as a Testing Ground to Expand its Nuclear Industry," *Balkanist,* March 30, 2017. Accessed November 28, 2018, http://balkanist.net/china-is-using-the-balkans-as-a-testing-ground-to-expand-its-nuclear-industry/.

44 "Goals set for Nuclear Energy Development in Next Five Years," *China Daily,* January 18, 2017. Accessed November 28, 2018, http://www.chinadaily.com.cn/business/2017-01/18/content_27988526.htm.



Premier Li Keqiang Meets with President Traian Basescu of Romania in 2013. Source: om.chineseembassy.org

with the Black Sea and Caspian Sea, with the crown jewel being a Danube-Oder-Elbe "Y"-shaped canal.[45] Under such a plan, Caspian and Central Asian hydrocarbons, Chinese goods, and some local products would be delivered to Germany and the Czech Republic via the Romanian port of Constanta. Chinese construction of a Danube-Aegean canal has also been proposed since at least 2008, [46] but all these plans are incredibly costly, pose a major threat to an already precarious Danube ecosystem, and clash with the EU's own Strategy for the Danube Region, which envisions several more modest canal projects to boost shipping.

Despite high-level visits, Sino-Romanian relations lack the depth of ties between Beijing and Budapest or with Serbia, which enjoy strong political backing by their respective leaders. Since 2015, Romania's exports to China have increased by 17.31%, but they still account for only $682 million, failing to make even the top 10 of Romania's export destinations. Chinese academics working on Romania openly state that Sino-Romanian relations are unlikely to ever reach the level of ties with other Central and Eastern European states due to the staunch pro-EU and pro-U.S. stances of Romanian

45 "China's President Xi Jinping in Prague: the Danube-Oder-Elbe Canal Coming Soon," *Visegradpost,* March 31, 2018. Accessed November 28, 2018, https://visegradpost.com/en/2016/03/31/chinas-president-xi-jinping-in-prague-the-danube-oder-elbe-canal-coming-soon/.

46 Jeanette (珍妮特), "China Hesitates to Invest in Building the Mediterranean-Danube Canal [中國躊躇投資興建連接地中海多瑙河運河]," *RFI*, August 30, 2017. Accessed November 28, 201, http://trad.cn.rfi.fr/中國/20170830–中國躊躇投資興建連接地中海多瑙河運河.

political leaders.[47] Li Keqiang's 2013 visit to Romania was also somewhat marred by his refusal to give a speech before the Romanian Parliament if the EU flags were present in the background.[48] Such behind-the-scenes intimidation tactics show that Chinese investment and loans have attached strings of their own.

Sino-Bulgarian Ties

Unlike Romania, the Bulgarian political establishment has had fewer reservations about deepening ties with Beijing. Sofia hosted a 16+1 summit earlier this year, and President Rumen Radev has offered high praise for the 16+1 initiative and Sino-Bulgarian cooperation in general.[49] Bulgaria's Foreign Minister, Ekaterina Zaharieva, commented: "The '16+1' cooperation does not affect EU-China cooperation. As a good friend of China, Bulgaria supports the development of the '16+1' cooperation and EU-China relations, and is willing to continue to play an active role in this regard."[50] In similar fashion, Chinese officials have also promised that next year's 70th anniversary of establishing diplomatic ties between Bulgaria and the People's Republic will see extensive commemorations and more BRI projects. Despite the desire by the Bulgarian government to meet China more than halfway, actual cooperation has proven to be a bumpy process.

China's most high-profile venture in Bulgaria was the joint consortium between Litex Motors and Great Wall Motors (GWM). Opened in 2012, the assembling plant was billed to produce up to 50,000 cars per year, almost twice the size of Bulgaria's domestic car market.[51] In 2017, Litex filed for bankruptcy: it had managed to produce a little over 2,000 cars and vans in 2014, and only 450 in 2015 before halting production altogether the following year.[52] Going from bad to worse, the company was forced to defend itself from allegations that the cars failed to meet EU safety standards. The failure came in spite of Litex-GWM having the full endorsement of Bulgarian officials who even purchased their vehicles for official use.[53] As for GWM, the company wanted a

47 Andrea Chiriu and Liu Zuokui (刘作奎), "Sino-Romanian Relations," *China-CEE Think Tanks Network*, January 11, 2016. Accessed November 28, 2018, http://16plus1-thinktank.com/1/20160111/1094.html.

48 Vlad Costea, "Sino-Romanian Relations- From 1949 to the Present," *The Political Science Club*, March 13, 2014. Accessed November 28, 2018, http://thepoliticalscienceclub.com/sino-romanian-relations-from-1949-to-the-present/.

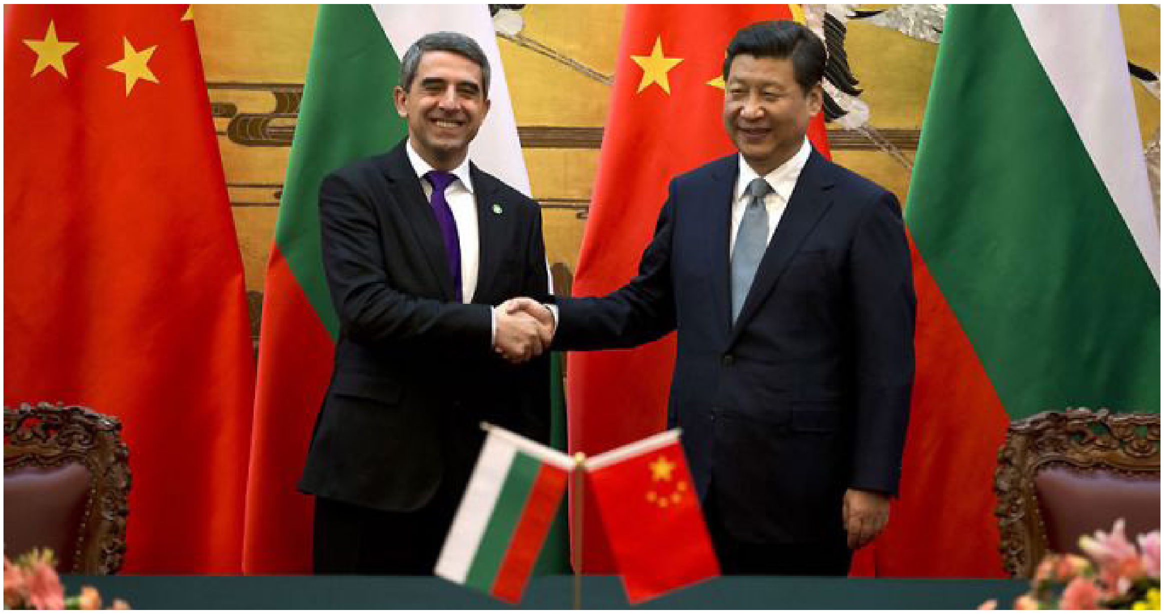
49 "Relations Between Bulgaria and China Should Develop Simultaneously in all Spheres," *Radio Bulgaria,* January 10, 2018. Accessed November 28, 2018, http://bnr.bg/en/post/100918577/relations-between-bulgaria-and-china-should-develop-simultaneously-in-all-spheres.

50 "China, Bulgaria Agree to Enhance Cooperation Through Belt and Road, 16+1," *China-CEEC,* May 24, 2018. Accessed November 28, 2018, http://www.china-ceec.org/eng/sbhz_1/t1562032.htm.

51 "China's Great Wall Motor Opens First European Plant," *BBC*, February 21, 2012. Accessed November 28, 2018, https://www.bbc.com/news/business-17119797.

52 "Bulgaria's Litex Motors Files for Bankruptcy," *The Economist Intelligence Unit,* April 1, 2017. Accessed November 28, 2018, http://www.eiu.com/industry/article/895310473/bulgarias-litex-motors-files-for-bankruptcy/2017-04-01.

53 Milena Daynova, "The fall of the "Great Wall of China" in Bulgaria – a lesson to foreign investors," *Radio Bulgaria,* May 4, 2017. Accessed November 28, 2018. http://bnr.bg/en/post/100816551/the-fall-of-the-great-wall-of-china-in-bulgaria-a-lesson-to-foreign-investors



Bulgarian President Rossen Plevneliev visits China in 2014. (Source: BAT)

foothold in the European car market, and, once this arrangement failed to materialize, interest in the venture waned.

Although there is room for growth in Sino-Bulgarian relations, Bulgarian scholars are skeptical that China can displace Bulgaria's traditional economic partners.[54] For one, EU development funds are perceived to be more advantageous than Chinese loans. And while the Bulgarian private sector, especially agribusiness, is growing more interested in China, there has been a struggle to market products outside of ores (copper). On the investment side, the Bulgarian government is continuing its efforts to court Chinese capital, but the results so far have been disappointing. In July 2018, what was supposed to be a 35-year agreement between Plovdiv Airport and the Hainan Group to modernize the airport and turn it into a transport hub was rejected by the Chinese side at the last minute.[55]

Chinese interest in Bulgaria goes beyond just trade relations however. Bulgarian journalists, students, and business and political leaders have all been a major fixture at the various 16+1-related events organized in China. In addition to people-to-people contacts intended to increase CCP influence in the region, there is reported interest in buying the Central European Media Enterprises (CME), a publicly traded media conglomerate operating in Bulgaria and other Central-Eastern European EU states.[56] This would follow a larger pattern of Chinese business leaders with close ties to the CCP acquiring important regional media outlets throughout the world to subtly influence China-related reporting and narratives.

54 Paskal Zhelev, "Bulgarian-Chinese economic relations in the context of 16+1 Cooperation," China-CEE Institute, June 22 2018.

55 Ivaylo Mihaylov, "China's HNA Withdraws from Bulgaria's Plovdiv Airport Concession Deal – Report," *SeeNews,* July 19, 2018. Accessed November 28, 2018, https://seenews.com/news/chinas-hna-withdraws-from-bulgarias-plovdiv-airport-concession-deal-report-620618.

56 Thorsten Benner, Jan Gaspers, Mareike Ohlberg, Lucrezia Poggetti, Kristin Shi-Kupfer, "Authoritarian Advance: Responding to China's Growing Political Influence in Europe," *GPPi,* February 2018, p. 23.

Sino-Georgian Ties

In Georgia, which has a free trade agreement with China, political leaders have also touted the deepening relationship with Beijing. Georgia's President Giorgi Margvelashvili characterized China's growing global aspirations as unequivocally positive for Georgia, telling Xinhua News: "We look at China's development as a rare and great opportunity, instead of a challenge, for the world."[57] He also commented that the bilateral relationship is not just about economic cooperation and that there is mutual political support as well, although he failed to give concrete examples. Vice Prime Minister and Minister of Regional Development and Infrastructure Maya Tskitishvili has also spoken favorably about Georgia's potential within the BRI and has taken part in several BRI-related events both in Georgia and China.

China has shown interest in Georgian infrastructure, particularly as a corridor to connect the Caspian region with both Europe and China using Chinese owned infrastructure. Unlike many BRI projects, Beijing has actually taken some concrete steps to at least test the feasibility of such a link. In 2015, rail cargo was sent for the first time from Xinjiang to the Georgian port of Poti via Central Asia and Azerbaijan. Taking 10 days, the trial run was portrayed as a success in Chinese state media.[58] Since then, some Western outlets have hailed similar trials as a new transport corridor bypassing Russia.[59] In reality, just like the Trans-Siberian route, cross-border administrative delays and the slow speed of rolling stock currently make the South Caucasus route economically unviable.

In Georgia, there is hope that Georgia's strategic location will be enough to entice more Chinese-investment. Georgian analysts point to the completion of the Baku-Tbilisi-Kars railroad, improvement of Georgian roads, and hopes for a new deep-water port in Anaklia[60] as concrete steps that boost the attractiveness of Georgia for more Chinese investment. As part of China's larger strategy to buy-up European ports, CEFC China Energy Company Limited, a Chinese firm, already owns 75% of Poti's Free Industrial Zone, and there is interest in the Anaklia port project as well.[61] Nevertheless, the level of Georgia-related financing overall is still much more modest than that in Azerbaijan or Central Asia.

As in Ukraine, Russia figures prominently in the conversation on Chinese investments. Georgian scholars favorably compare the BRI to Russia's regional economic integration initiatives such as the Eurasian Economic Union—seeing the former as innovative

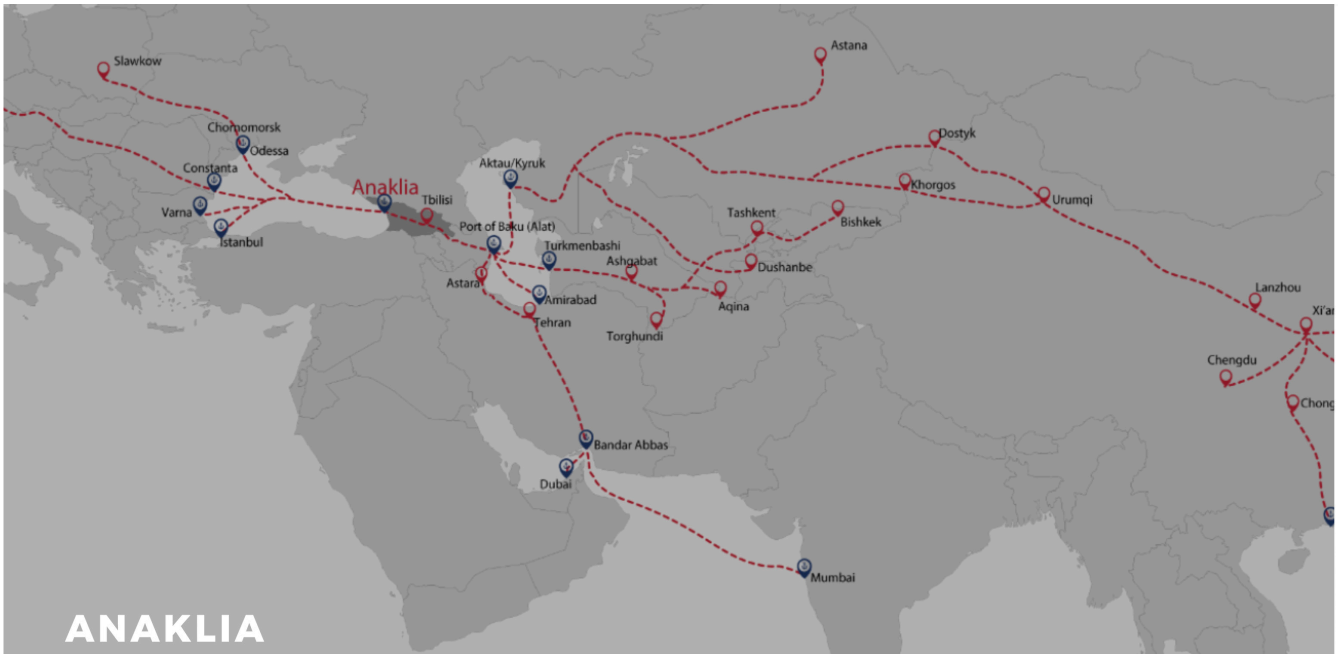
57 "Interview: China's Development Constitutes Great Opportunity for the World -- Georgian President," *Xinhua News,* June 11, 2018. Accessed November 28, 2018, http://www.xinhuanet.com/english/2018-06/11/c_137246612.htm.

58 "First Xinjiang-Georgia International Freight Train Arrives in Tbilisi [首趟中国新疆－格鲁吉亚国际货运列车抵达第比利斯]," *Xinhua News,* February 10, 2015. Accessed November 28, 2018, http://www.xinhuanet.com/world/2015-02/10/c_127481051.htm.

59 Raoul Lowery Contreras, "With New Railroad, the World Shrinks and Russia Gets Choked," *The Hill,* November 13, 2017. Accessed November 28, 2018, https://thehill.com/opinion/international/360050-with-new-railroad-the-world-shrinks-and-russia-gets-choked.

60 It should be noted that Anaklia is located perilously close to the breakaway region of Abkhazia.

61 After a meteoric rise that witnessed its founder Ye Jianming become an appointed economic advisor to the Czech President Miloš Zeman, CEFC is on the verge of bankruptcy following state takeover and criminal investigation of Ye. "Chinese Corporation to Purchase 75% of Poti Free Industrial Zone Shares," *Agenda.Ge*, January 16, 2017. Accessed November 28, 2018, http://agenda.ge/en/news/2017/91.



(Source: anakliadevelopment.com)

and the latter as imperial or rent-seeking.[62] There is hope in Tbilisi that more Chinese involvement in Georgia will reduce Moscow's economic clout and improve Georgia's overall security. These views are well known in China among the expert community; several China-related articles written by Georgian scholars have been translated and republished in top IR journals read by Chinese policymakers.

Economically, although Georgia currently still trades less with China than Russia, the EU, or Turkey, the case can be made that China is already an economic heavyweight in the South Caucasus. More is exported to China ($171 million) than to neighboring Azerbaijan, while imports from China ($580 million) are slowly catching up to those from Russia.[63] But China's growing heft does not extend to the security realm. Publicly, China continues to look at BRI-related security through a very narrow counter-terrorism lens: this has won Beijing friends in Central Asia and somewhat allays Moscow's private misgivings about China's investments in the post-Soviet space, but is of little use to the Georgians.

Facing frequent provocations from the two Russian-backed breakaway states of Abkhazia and South Ossetia, Georgia needs third party support to have more leverage in dealings with Moscow. Such support is unlikely to come from Beijing, which opposes getting embroiled in internal disputes both out of doctrinal and pragmatic considerations. Moreover, privately, many Chinese scholars working on the post-Soviet space believe that Russia's historical interests in the South Caucasus and elsewhere have to be acknowledged. Chinese leadership was infuriated in 2008 that the August War briefly distracted international attention from the Beijing Olympics, but in the Xi Jinping era, China has learned to live with Moscow's coarse language and bellicosity, particularly as relations with Washington have gotten more fraught.

62 Eldar Ismailov and Vladimer Papava, "Caucasian Tandem and the Belt and Road Initiative," *Central Asia and the Caucasus,* Volume 19, Issue 2, 2018.

63 Trade statistics from MIT's Observatory of Economic Complexity. See, https://atlas.media.mit.edu/en/profile/country/geo/.

How Should Europe and the Black Sea Handle China?

If Mr. Hrynevetsky wanted to impress his Chinese hosts with a historical exemplum, he could have done better because the 1871 voyage from Odesa to Shanghai proved to be a bust. One of Russia's then-biggest newspapers, Moskovskiye Vedomosti, complained that due to the poor state of Russian railroads and dysfunctional management of the merchant marine fleet, tea in Moscow imported via Odesa was far costlier than buying from London, despite the shorter route.[64] Adding insult to injury, Russian merchants preferred to transport Chinese tea via Trieste because even that was cheaper than Odesa.

One-hundred fifty years later, it is now Chinese firms who play the starring role, but similar challenges remain for those hoping to open new trade routes from Asia to Europe. China's growing geopolitical ambitions combined with slower domestic economic growth have pushed Chinese firms into new markets far beyond Northeast Asia. One such region is the Black Sea. Following in the footsteps of the business industry, the CCP has markedly increased its political activity in the region, seeking to gain more access for Chinese firms, establish long-term relationships with local elites, and secure strategic resources such as foodstuffs while opening new trade routes.

Considering Chinese activity in the region and major initiatives such as the BRI or the 16+1, China's role has been more confrontational than complementary. China may not have an explicit divide-and-rule strategy towards the EU, but there is a clear preference for targeting receptive countries in Central-Eastern Europe to gain leverage in Europe as a whole. These efforts go far beyond just building roads and bridges, with growing political courtship.

Despite a flurry of BRI and 16+1 publicity, most of the growing trade turnover reflects the natural economic advantages of many Chinese goods and services and not any specific BRI-related policy to capture strategic heights. Even more, the top-down projects in the region initiated by China have usually failed. Too often, the heavily publicized BRI infrastructure projects are economically unviable and remain unfunded. That said, there is a clear need by many countries in the region for more infrastructure spending. If the EU is unable or unwilling to finance such projects, countries will have no choice but to turn elsewhere. If Brussels is serious about prioritizing the Black Sea region, it must offer lending alternatives and compete more with Chinese SOEs.

Moving forward, the EU needs a coherent and realistic strategy to deal with China's growing presence in the Black Sea region and Southern Europe. Where interests overlap, such as promoting tourism and green technologies, the EU could actually do more to boost Chinese investment. In addition, Chinese innovation in specific sectors such as the digital economy should be recognized with firms encouraged to come to Europe, particularly to Central-Eastern Europe, where new technologies can provide both jobs and a remedy for inadequate existing services.

64 Vladimir G. Datsishen, "Odessan route for the Tea Trade (XIX-early XXth centuries) [Одесское направление китайской чайной торговли (XIX – нач. XX вв.)]," *Kyiv, Institute of Oriental Studies*, 2012.

EU-China Summit, June 2017. (Source: European Commission)

The EU should also not give up on trying to work with China to crack down on dangerous and counterfeit products entering Europe from China and elsewhere in Asia. Indeed, as China continues to acquire more EU port infrastructure, effective law enforcement cooperation must be a condition for any further expansion.

At the same time, there is an acute need for greater vigilance and understanding of CCP influence operations in the Black Sea region and Europe as a whole. The EU Commission, journalists, watchdog groups, and individual governments all need to pay more attention to the risks of espionage, corruption, and overall CCP exploitation of business ties for political gain.

The EU has begun to review its policies towards China: the best place to start is making the EU's "One Europe" principle the cornerstone for any high-level dealings with China. For Black Sea countries not in the EU, internal discussions about interacting with China as a bloc and not competing with each other could also be productive. Such action would send a clear message to Beijing that efforts to undermine European unity are unwelcome and will be met with a real rebuke.

Most importantly, when it comes to Sino-EU relations, there needs to be a more strategic mindset in Brussels. The EU has to be more realistic about medium- and long-term consequences of China's current policies towards Europe. If China is to succeed in building both political and infrastructure links between Beijing and the Black Sea states, sheer inertia and economies of scale may lock the region into a decades-long dependence on China, which could result in the eventual reorientation away from Brussels and the West towards Beijing.

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