

## **OVERVIEW ON SOME POLITICAL AND ECONOMIC ASPECTS FOR BULGARIA IN THE CONTEXT OF THE NEW EURASIAN ECONOMIC CORRIDORS**

Boyan Mednikarov, Flotilla Admiral, Prof. Dr., Rector

Siyana Lutzkanova, Dr., Chief Assistant Professor

Ivo Yotsov, Dr., Chief Assistant Professor

Nikola Vaptsarov Naval Academy, Varna, Bulgaria

e-mail: s.lutzkanova@abv.bg

**Abstract:** The article examines the geopolitical and geoeconomical aspects of the new eurasian economic corridors and their implications for Bulgaria. While establishing longterm energy-and commercial projects and continous debates in Europe, influenced by the changing regional and international political and economic environment, and after the second forum in May 2017 the process of developing the most global project in the China' s history One belt, one road (OBOR) continues. The major initiative will result in expansion of the chinese economic influence in Europe. The related geostrategic and political opportunities for Bulgaria should be viewed and might be realised in union's context and by participation in the commercial and energy EU politics according to the main european political principles, for example diversification, anti-monopol politics etc. Currently there is no official EU political statement on the project. Of European and Bulgarian interest are the North and Central Trans-Eurasian economic corridors, as well as the South-Caucasian perspective and the Trans-Caspian transport corridor, including the Black Sea on the route China-Azerbaijan-Georgia-Black Sea. Whether the transport corridors reaching Azerbaijan and Georgia could reach Bulgarian coasts is a question which response requires a conceptual reconsideration of the country's economic priorities in the contemporary political environment. If such a scenario could be realized in the long run, then this possibility should be strategically and politically considered.

**Key words:** The New Silk Road, North- and Central Trans-Eurasian corridors, transport routes to Black sea, Bulgarian perspectives in OBOR.

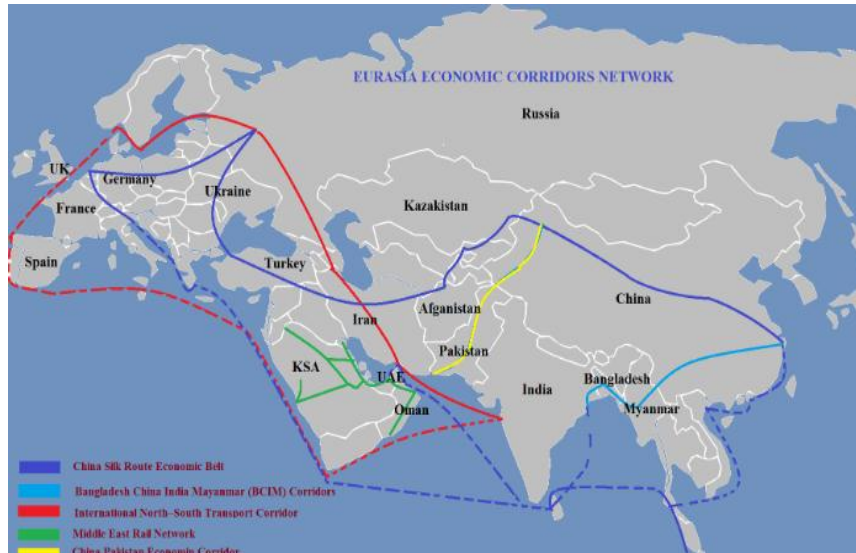
## Introduction

Following the geopolitical and economic changes in Central and Eastern Europe, Bulgaria has been increasing the importance of its geographic position. This indisputable fact, along with points like "transport energy corridors", "geostrategic status" have a magical power in all political and economic fora, defining guidelines at national, regional and global level. At the same time, in the Eurasian space, the geostrategic puzzle began to change sharply, including new key players such as China, India and Iran along with the traditional actors EU, Russia, the United States, and Turkey.

## Economic Transport Corridors in Eurasia

Economic corridors integrate infrastructure of roads, railways, ports, energy, telecommunication facilities, and oil and gas pipelines.

The Eurasian map of the 21st century features **five economic routes** that have the potential to connect new markets to over 65 countries in Asia, Africa and Europe (Fig.1). Two of them are of strategic importance: China's OBOR and the North-South Transport Corridor. The other three, such as the Pakistan-China Economic Corridor, the Gulf Cooperation Council Railway and Bangladesh-China-India-Myanmar Corridor (BCIM Corridor) are important linkages, however have a lesser meaning for the objectives of this article.



**Fig.1 Economic and trade routes, connecting Asia, Africa and Europe.**

Source: <https://www.linkedin.com/pulse/connected-eurasia-emerging-opportunities-expanding-corridors-masood>.

The "New Silk Road" – the initiative OBOR is one of China's most unprecedented economic and political indicators. From \$ 40 billion in 2014, the amount of investment rises to \$ 1 trillion. Dollars and plans for another 2 trillion dollars in the coming years. The

country's intentions to expand its geopolitical and economic influence from Pakistan to Serbia are impressive.

The ambitious idea is to build a large-scale transport infrastructure - motorways, power pipelines, airports, ports, high-speed rail infrastructure and telecommunication networks to boost trade, economic, financial and cultural cooperation between the Eurasian countries.

The initiative includes three Trans-Eurasian economic corridors - North (China - Central Asia - Russia - Europe), central (China - Central Asia - West Asia - Persian Gulf and Mediterranean) and South (China - Southeast Asia - South Asia - Indian Ocean).

The sea routes connect China, Indo-China, India, East Africa, the Middle East and Europe (Fig.2).



**Fig.2 The New Silk Road – the OBOR initiative and its maritime dimension.**

Source: <http://www.eurasiareview.com/13042016-one-belt-one-road-one-singapore-analysis/>

The OBOR initiative is primarily a Chinese national project aimed at expanding and even imposing the country's economic influence in Eurasia. So it is obvious that other regional Asian powers such as India, which definitely do not tolerate China's disputes with Pakistan about controversial areas are not present in the project.

China's efforts to attract European economic and political support for the project are in the main scope of the current research. Important is that Europe, in particular the EU, has no policy on the mega project. For China, the 500 mill. European markets, the richest at present, is a long-term goal that it tries to influence through economic instruments.<sup>1</sup> Since there is currently no EU political support at the Beijing summit, China has called for "more cooperation on concrete EU projects", to which Vice President of the European Commission, Mr. Katyanen, responded very cautiously. The European position is that every project between Asia and Europe must adhere strictly to a number of principles, rules and imposed

<sup>1</sup>The effects of Brexit and 65 millions market withdrawal are to be followed. – author's note.

international standards and policies of the market economy. Europe did not support the request for "economic status" under the provisions of the World Trade Organization. This status would reduce the level of sanctions in cases of price dumping. The situation is delicate - the huge flood of Chinese goods threatens the "healthy industrial base" that the EC considers to be key to economic growth, the working environment and competitiveness. In this sense, at the EU level, Bulgaria could be involved in proposing the introduction of a clearing system instead of policy of isolation.<sup>2</sup>

Along with efforts for the desired "economic status", China has increased its presence in Central and Eastern Europe. The change is that economic ties between China and Europe are no longer just a privilege for the big Western economies - Germany and the UK. In 2012, the "16 + 1" mechanism was set up, and the Chinese Prime Minister met the political leaderships of 16 countries once a year, EU members such as Poland, Hungary, Bulgaria, Slovenia and the Baltic and non-EU countries such as Serbia, Albania and Montenegro. The European Commission is admitted as an observer in the 16 + 1 group. Specific projects start without hindrance. The loans that Beijing gives to non-EU countries are not an appropriate option for countries with access to European funds. Moreover, such loans can often run counter to existing EU procurement rules, as is the case with the promised investment in a railway line across Hungary. A preliminary infringement procedure has begun against it launched by the European Commission.<sup>3</sup>

Another major infrastructure project in the EU is the port of Athens, Piraeus. Since 2016, it has been managed by the China Ocean Shipping Company (Cosco), holding a 51% stake, with an option to acquire another 16% by 2021 following large-scale investments. The idea is to turn Port of Piraeus into a starting point for Chinese goods and the base of many Chinese trading companies. Through the "Silk Road" and the expansion of the Suez Canal, China reaches the Mediterranean Sea. Cosco plans to turn Piraeus into one of the largest container transit ports. The overall idea implies the construction of the already mentioned

---

<sup>2</sup>[http://www.capital.bg/biznes/pazari/2015/11/24/2656012\\_investitorite\\_i\\_kompaniite\\_shte\\_specheliat\\_ot\\_obshta/](http://www.capital.bg/biznes/pazari/2015/11/24/2656012_investitorite_i_kompaniite_shte_specheliat_ot_obshta/)

<sup>3</sup> James Kynge, Arthur Beesley, Andrew Byrne, EU sets collision course with China over „Silk Road” rail project, 20 Feb 2017, <https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608?mhq5j=e3>. This is the planned high-speed route from Belgrade to Budapest. Brussels checks the economic feasibility of the 350 km long route worth almost 2.9 billion euros. The planned line should cut the trip between the two capitals from 8 am to 3 hours. It is considered a key element of the express link of Central Europe with Piraeus port in Athens, which is owned by a Chinese company. It will enable the travel to the West through Greece, Macedonia and Serbia. Without this railway line, Chinese companies will find it difficult to import goods into some rich EU countries and to export products to their EU businesses to Africa. Bartosz Kowalski, "China's foreign policy towards Central and Eastern Europe: The '16+1' format in the South cooperation perspective. Cases of the Czech Republic and Hungary," Cambridge Journal of Eurasian Studies, 2017, 1: #7R65ZH, <https://doi.org/10.22261/7R65ZH>, pp. 13-14.

high-capacity link between the Greek port of Piraeus and Budapest, from where cargo can continue in all directions.

Despite the increase in Chinese investment in Europe in 2016 by 77% over the previous year, it is worth noting the lack of reciprocity both in China's political and economic relations. There is no bilateral agreement at political level. Neither the EU Chamber of Commerce nor the US Chamber of Commerce in China has been able to influence the difficult access of European or American companies to the Chinese market. There is practically no good business climate for them. The lack of reciprocity in trade relations between China and the West is a major obstacle. Another problem is the huge trade deficits between a number of countries in Central and Eastern Europe and China.

A specially important role in the implementation of the OBOR is Iran. For centuries, the country has been a key transport link between the East and the West. In the context of the project, the importance of Iran will continue to grow.<sup>4</sup> In this context, different sites of the Chinese infrastructure network are being built in the country. Links between China and Iran are traditional, and they have developed particularly during the international isolation imposed on Iran for its nuclear program. Iran seeks to realize its geopolitical advantages and redirect as much route as possible over its territory, bypassing routes through Russia. Iranian leaders hope that the country's participation in the project will allow them to take advantage of China's big economic ambitions for its own prosperity.

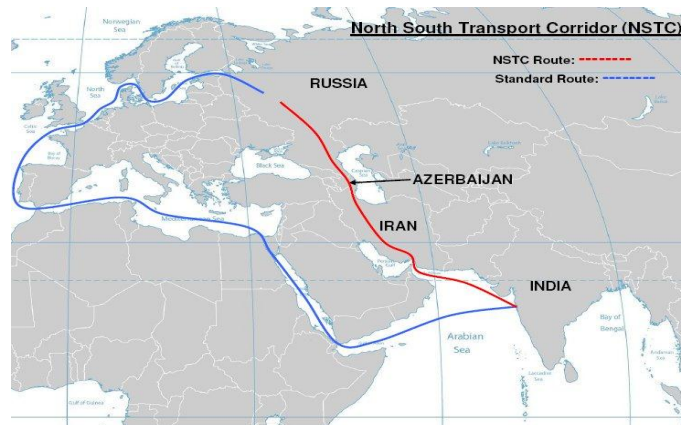
**The North-South Transport Corridor** covers land, rail and sea freight routes between India, Russia, Iran, Europe and Central Asia (Fig.3).

The route from Russia to Iran via Azerbaijan is an important part of the South-South transport corridor that should connect Russia with India. Its purpose is to ensure the transport of goods from India, Iran and the rest of the Gulf to Russian territory and from there to North and Western Europe. The project is of huge importance to India, as the traditional Suez Canal channel takes more time and costs.

---

<sup>4</sup> According Thomas Erdbrink in his New York Times article „On the global ambitions of China” Iran is in the centre of all.,

[http://www.dnevnik.bg/sviat/2017/07/26/3012895\\_za\\_globalnite\\_ambicii\\_na\\_kitai\\_iran\\_e\\_v\\_centura\\_na/\\_centura\\_na/](http://www.dnevnik.bg/sviat/2017/07/26/3012895_za_globalnite_ambicii_na_kitai_iran_e_v_centura_na/_centura_na/).



**Fig.3 North-South Transport Corridor**

Source: <http://www.clearias.com/international-north-south-transport-corridor-instc/>.

Maritime traffic from the three transport corridors OBOR, North-South and China-Pakistan passes through **the Strait of Hormuz** to Iran and the United Arab Emirates. Strategically and economically, Hormuz's significance will reach an unprecedented importance after the sea flow from the corridors begins to pass through. Moreover, any political tensions in the region will have long-term economic effects on "key players" in China, India and Russia.

#### **Bulgaria in the context of the Transeurasian transport corridors**

Participation of Southeast and Central Europe countries incl. Bulgaria, in the OBOR economic project depends on their activities and the ability to combine the restrictions related to EU membership with the protection of their national interests. Unfortunately, Bulgaria has not secured its presence in any direction in the restoration of the Silk Road. However, the analysis of the situation in the Eurasian space and the potential of the aforementioned projects reveal certain opportunities for benefiting our country.

The realistic prospects for Bulgaria concern above all the interconnection of the Eurasian transport corridors in the Caspian Sea (Azerbaijan - Georgia) - the Black Sea.

It should be emphasized that in the context of the two major transport corridors OBOR and North-South the Caspian-Black Sea region, in particular Azerbaijan and Georgia, are becoming strategically important.

#### **Azerbaijan**

Azerbaijan invested \$ 520 million in the construction of a port and free trade zone of Alat (Fig.4). The new port complex will have a capacity of 10 million tonnes of freight per year and 40 thousand TEUs in the first stage, up to 17 million tonnes and 150 thousand TEUs in the second stage and 25 million tonnes and 1 million TEUs in the final third stage. The first

phase of three and a half years involves the construction of an international logistics center with an area of 109 hectares.<sup>5</sup>



**Fig.4 Port and FIZ Alat in Azerbaijan in OBOR and North-South.**

Source:

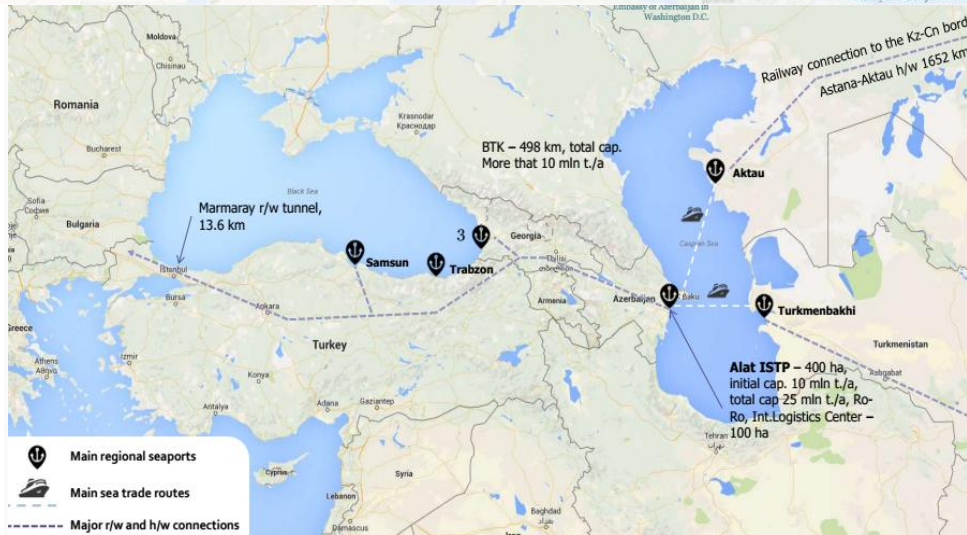
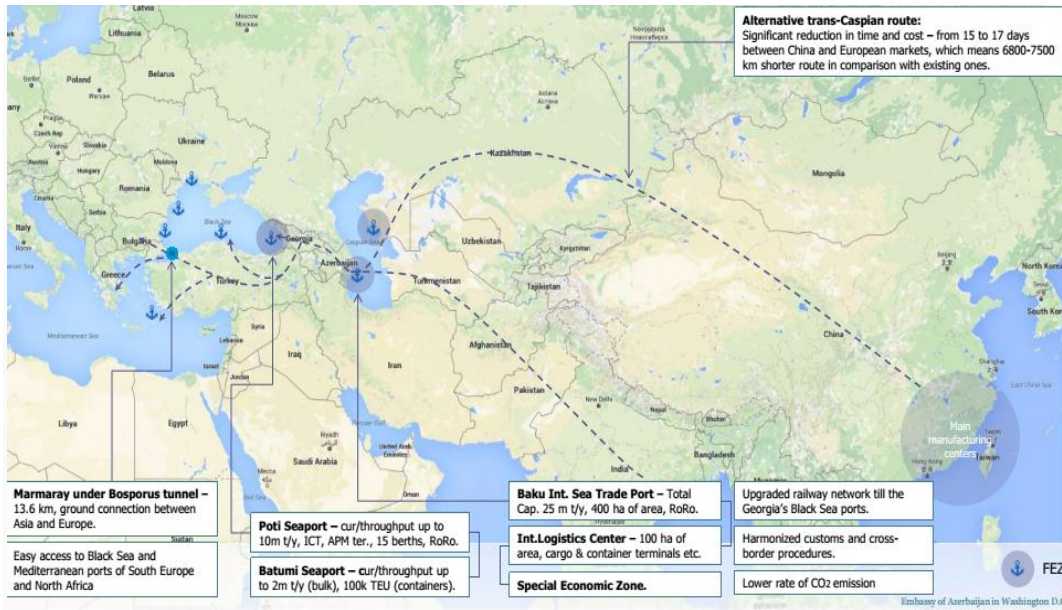
[http://azertag.az/en/xeber/Azerbaijan\\_is\\_a\\_transport\\_bridge\\_connecting\\_Europe\\_with\\_Asia-924814](http://azertag.az/en/xeber/Azerbaijan_is_a_transport_bridge_connecting_Europe_with_Asia-924814)

From a geopolitical point of view, Azerbaijan can act as a regional unifier or divider at the same time (Fig.5 and 6). The transport corridor from the port of Alat through Georgia to Eastern Europe is an alternative to the one-way route once through the land territory of Turkey, a route which, on the one hand, has a short length, and on the other hand it passes through areas with potential security problems. From this point of view, an alternative route through Georgia would definitely be of interest to Europe.

Additionally, such an alternative route could be part of the competing OBOR and North-South projects, with competition between the great Chinese, Russian, Turkish and Azerbaijani national interests.

In this context, Georgia has a strategically important geographic location as it serves as a gateway to the Caucasus and Central Asia and a link between transport systems in Europe and Asia.

<sup>5</sup>Dr. Vugar Bayramov, Christina Juan Carrion, The Silk Road EconomicBelt: Implications For Azerbaijan, CESD, [http://cesd.az/new/wp-content/uploads/2017/05/CESD\\_Presentation\\_the-Silk-Road-Economic-Belt\\_Implications-for-Azerbaijan.pdf](http://cesd.az/new/wp-content/uploads/2017/05/CESD_Presentation_the-Silk-Road-Economic-Belt_Implications-for-Azerbaijan.pdf).



**Fig.5 and 6 Azerbaijan in OBOR**

Source: TheRoleofAzerbaijanontheSilkRoad.pdf

## Georgia

Georgia's governments since 2004 have followed an extremely active policy in the transport sector. On May 14, 2017, Georgia and China signed a bilateral free trade agreement. Together with the Deep and Comprehensive Free Trade Agreement (DCFTA) of 2016, Georgia has a real chance to become a transport and logistics hub connecting China and Europe. In fact, Georgia is the only country in the region with free trade agreements with the EU, China, Turkey and the CIS. Moreover, the pro-European orientation of the country helps facilitate dialogue with the Black Sea countries, members of the EU. By attracting American and European economic interests, Georgia hopes to receive security guarantees in view of the Russian-Georgian events of 2008.



Along with very active political activities in Georgia, large-scale infrastructure projects are being built. It is planned to build a new modern intermodal port complex worth \$ 2.5 billion near Anaklia - a small resort town in the northern part of the Georgian Black Sea coast. It is planned to be implemented with US funding by Conti International, which will receive a concession for 52 years. This will be Georgia's largest deep-sea port with a capacity of 900,000 TEUs per year during the first construction phase starting in 2020, which is 50% more than the capacity of Poti harbor with a capacity of 600,000 TEU but actually realized 385 - 400 thousand TEU per year.

The first stage of construction of the port complex envisages a capacity of 7 million tons/year capable of handling Post-Panamax size vessels.<sup>6</sup> A growth of up to 100 million tons/year is expected, handling capacities up to 10,000 TEU and Panamax, Handymax, Aframax. Along with that, it is planned to build a Free Industrial Zone, open for production and trade, free of taxes for companies around the world.

Although Poti will remain a much smaller port center, Georgia does not underestimate it. In January 2017, China's "China Energy Company Limited" acquired 75% of Poti's Free Industrial Zone. This is an area of 300 hectares, opened in 2011, with a number of companies with a very wide range of activities - from wood production to IT services. The company plans to invest and expand the area in Poti.

Along with the development of the port infrastructure, rail and road transport networks are also developing. The Baku - Tbilisi - Kars railway project with a capacity of 15 million t / year was completed linking the Georgia and Azerbaijan railway infrastructure with the Turkish railway system. The construction of the motorway from Tbilisi to Poti and Batumi - E70 - is on go. To date, over 60% of it is built, with construction running parallel to different sections. The diversion of traffic from coastal resorts has been completed - a project involving the reconstruction, modernization and construction of new roads and bridges with a length of 33.6 km, financed by the Asian Development Bank (ADB).

### **Kazakhstan and Turkmenistan**

The development of transport infrastructure in the Caucasus region is directly linked to the infrastructure projects in Kazakhstan and Turkmenistan. The Aktau port (Kazakhstan) is also located along the Europe-Asia axis. It was built in 1963 and is the only international harbor for dry cargo, crude oil and petroleum products in Kazakhstan. It is located on two important transport corridors - TRACECA and the North-South corridor. In the context of the

---

<sup>6</sup><http://www.anakliadevelopment.com/projects/anaklia-port>.

Silk Road Restoration project, a high-speed rail line was completed in the summer of 2014 to allow the development of the transport and logistics system in Kazakhstan and the expansion of transit capacity. The port itself is expanding as part of the Transcaspian Corridor. The completion of two dry cargo terminals with a capacity of 1.5 million tons/year was completed, and another one for grain with a capacity of 1 million tons / year. It is planned to increase the capacity of the port to 18 million tons per year by 2020.

The efforts of Turkmenistan's political leadership to develop transport infrastructure are impressive. In 2016, at the 96th Maritime Safety Committee meeting of the International Maritime Organization (IMO) in London, the Turkmen delegation presented the Transnational Transit and Transport Corridors initiative.<sup>7</sup> Along with the active political activity, large-scale infrastructure projects are also being developed related to the construction of railways, motorways, bridges, the Turkish port in Turkmenbashi and the reconstruction of airports.<sup>8</sup> The railway line Gazochak - Shahsenem - Dashoguz and Ekerem - Madau are currently under construction. The construction of the railway link between Turkmenistan and Afghanistan's rail networks - Atamyrat-Imamnazar (Turkmenistan) - Akina (Afghanistan) was completed in 2016. On Aug. 15, 2013, Turkmenbashi began construction by the Turkish company GAP İnşaatna, a new \$ 2 billion US port. The project envisages the construction of a ferry, passenger and freight terminals shipyard on a total area of 1 200 000 m<sup>2</sup>.

### **Romania**

For the political decision-makers in Bulgaria, a special interest should be the policy of Romania related to the OBOR. Our northern neighbor founded in 2012 the Silk Road Association to coordinate institutional and private sector contacts with the Eurasian countries that are part of the project and to organize and institutionalize Romania's participation in Transeurasian transport corridors.

Romania is now presenting a project to institutionalize a transport corridor Romania - Georgia - Azerbaijan - Kazakhstan - Turkmenistan - Uzbekistan - China.<sup>9</sup>

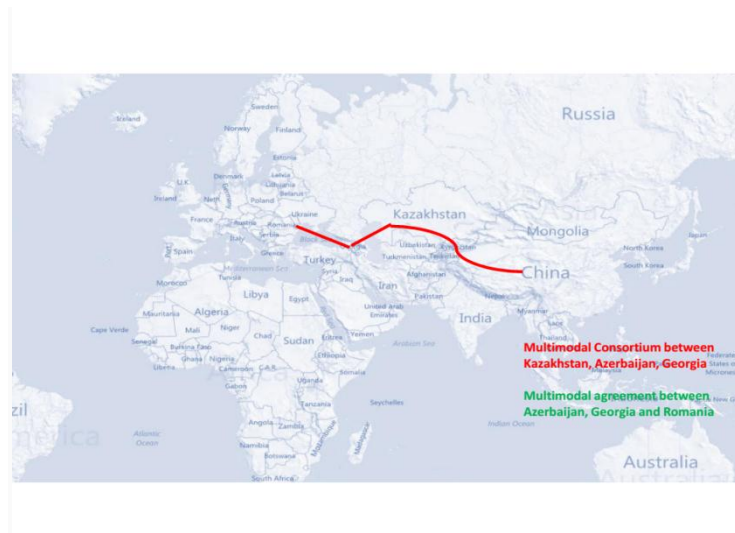
After adopting a new development strategy for the port of Constanta, it has become the largest transport hub for grain cargo (Fig.7). The new Master plan for its development was adopted in 2016 and includes an increase in the port infrastructure in the energy sector under the strategic project AGRI LNG (Azerbaijan - Georgia - Romania interconnector).

---

<sup>7</sup><https://akipress.com/news:577262/>

<sup>8</sup><https://uk.tnembassy.gov.tn/en/sustainable-transport/sustainable-transport>

<sup>9</sup>Andree Nistor (vicePresident), Silk Road Association, The Port of Constanta- Major Hub on the Silk Road, 5 Apr 2017, <https://www.google.bg/#q=project+for+strategic+transport+corridor+Romania-Georgia>.



***Fig.7 Port of Constanta in the OBOR.  
Source: Silk Road Association of Romania.***

There are new development plans in the Rhine - Main - Danube direction. They envisage the construction of private LNG terminals in Constanta, Galati, to the ports of Komarno, Slovakia and Meinheim, Germany. China joined the energy market in Romania after successfully concluding negotiations with CEO China Energy Company Limited with KazMunayGas to acquire 51% of former ROMPETROL.

The agreements between the port of Constanta and the ports in Kazakhstan, Turkmenistan, Georgia and China, which have been signed over the past few years, mark undoubtedly a unified consistent political line of interest to increase the flow to the Romanian port. At present, the Association is working on the establishment and institutionalization of a transport corridor on the route Romania - Georgia - Azerbaijan - Kazakhstan - Turkmenistan - Uzbekistan - China. There is a current analysis of the potential of Romanian and Georgian ports to increase the volume of cargoes.

### **Conclusion**

As already noted, Bulgaria's realistic opportunities in the context of the Trans-Eurasian transport corridors should be linked to the possible redirection of some routes from the OBOR route to the Caspian Sea (Azerbaijan - Georgia) - the Black Sea. Obviously, with such a project development, the major bulk of traffic will be directed to Georgia (Anaclia, Poti) - Romania (Constanta). But it will also create real conditions for increasing cargo traffic to the Bulgarian ports of Varna and Bourgas, which make it easier to reach destinations in the Western and Southern Balkans and the Adriatic.

What recommendations can be made to the state elite of Bulgaria in connection with the OBOR project:

Firstly, it is necessary to start some political dialogue and initiate more consultation on the development of the Eurasian transport system.

Secondly, it is important to start construction of intermodal transport hubs. Considering the difficulties and the controversial experience of our country with energy projects, there is a real concern that Bulgaria will be surrounded by this unique transport project again. It is necessary to look for opportunities at a European level to introduce a clearing system, which could be a prerequisite for easier access to markets.

In conclusion, it should be emphasized that the Republic of Bulgaria has many advantages for more active participation in the OBOR project. They are associated not only with its unique geographic location, but also due to the opportunities for connection with European markets as well as a balanced foreign policy contributing to security and stability in the region. It is necessary to increase the state's lobbying activity for these advantages in order to institutionalize the participation of our country in future transport routes.

#### **References:**

BAYRAMOV, Vugar, Christina Juan Carrion, The Silk Road Economic Belt: Implications For Azerbaijan, CESD, available from [http://cesd.az/new/wp-content/uploads/2017/05/CESD\\_Presentation\\_the-Silk-Road-Economic-Belt\\_Implications-for-Azerbaijan.pdf](http://cesd.az/new/wp-content/uploads/2017/05/CESD_Presentation_the-Silk-Road-Economic-Belt_Implications-for-Azerbaijan.pdf), accessed 17.05.17.

[http://azertag.az/en/xeber/Azerbaijan\\_is\\_a\\_transport\\_bridge\\_connecting\\_Europe\\_with\\_Asia-924814](http://azertag.az/en/xeber/Azerbaijan_is_a_transport_bridge_connecting_Europe_with_Asia-924814), accessed 12.06.17.

<http://www.anakliadevelopment.com/projects/anaklia-port>, accessed 17.05.17.

[http://www.capital.bg/biznes/pazari/2015/11/24/2656012\\_investitorite\\_i\\_kompaniite\\_shte\\_sp\\_echeliat\\_ot\\_obshta](http://www.capital.bg/biznes/pazari/2015/11/24/2656012_investitorite_i_kompaniite_shte_sp_echeliat_ot_obshta), accessed 5.04.17.

<http://www.clearias.com/international-north-south-transport-corridor-instc/>, accessed 21.05.17.

[http://www.dnevnik.bg/sviat/2017/07/26/3012895\\_za\\_globalnite\\_ambicii\\_na\\_kitai\\_iran\\_e\\_v\\_centura\\_na/](http://www.dnevnik.bg/sviat/2017/07/26/3012895_za_globalnite_ambicii_na_kitai_iran_e_v_centura_na/), accessed 28.07.17.

<http://www.eurasiareview.com/13042016-one-belt-one-road-one-singapore-analysis/>, accessed 12.05.17.

<https://akipress.com/news:577262/>, accessed 12.05.17.

<https://uk.tmembbassy.gov.tm/en/sustainable-transport/sustainable-transport>, accessed 2.05.17.

<https://www.linkedin.com/pulse/connected-eurasia-emerging-oppurtunities-expanding-corridors-masood>, accessed 19.06.17.

KOWALSKI, Bartosz, "China's foreign policy towards Central and Eastern Europe: The '16+1' format in the South cooperation perspective. Cases of the Czech Republic and Hungary," *Cambridge Journal of Eurasian Studies*, 2017, 1: #7R65ZH, available from <https://doi.org/10.22261/7R65ZH>, 13-14, accessed 13.06.17.

KYNGE James, Arthur Beesley, Andrew Byrne, EU sets collision course with China over „SilkRoad” rail project, 20 Feb 2017, available from <https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608?mhq5j=e3>, accessed 3.06.17.

LUFT, Gal, China's Infrastructure Play, in: *Foreign Affairs*, Sept-Oct 2016, 68-75.

NISTOR, Andree (vice President), Silk Road Association, The Port of Constanta- Major Hub on the Silk Road, 5 Apr 2017, available from <https://www.google.bg/#q=project+for+strategic+transport+corridor+Romania-Georgia>, accessed 18.06.17.

RADTKE, Kurt W. China nad the Greater Middle East: Globalization No longer equals Westernization, in: *Perspectives on Global development and technology*, 6(2007), 389-416.