

# CHINA IN THE BROADER BLACK SEA REGION







## **CHINA IN THE BROADER BLACK SEA REGION**

The broader Black Sea region is the scene of increasing tensions amid renewed great power competition and conflicting geopolitical and geo-economic interests. The rise of China and its solidifying regional footprint requires a better understanding of how this influence is capitalized at national and regional level, what type of challenges it creates for respective countries, and what choices decision-makers have at their disposal in this new complex and complicated geopolitical setting.

A report coordinated by

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## 3. THE SINO-TURKISH RELATIONSHIP

Selçuk Çolakoğlu

### CHINA'S BELT ROAD INITIATIVE

China's BRI, introduced by Chinese President Xi Jinping in 2013, has resonated with both the overland and the maritime Silk Roads. In addition, both in terms of its financing and the geographical area that it covers, this initiative has increasingly become the object of intense discussion.

First, China's initiative spans a much wider geographic area than other countries' Silk Road initiatives. The BRI encompasses two major geographical expanses: the first follows the historical overland Silk Road through Central Asia, then north to Russia, and eventually to Europe. The other passes through Iran and Turkey to the south. China's overland Silk Road is called the Silk Road Economic Belt (SREB).<sup>1</sup> The BRI also includes the 21st Century Maritime Silk Road (MSR), covering Southeast Asia, South Asia, East Africa, and Europe. The route of the MSR begins in the South China Sea, passing through the Malacca Strait, the Indian Ocean, and the Red Sea before extending into the Mediterranean Sea.<sup>2</sup>

Second, the BRI foresees the installment of wide-ranging cooperative efforts, from infrastructure to developmental aid like the China-Pakistan Economic Corridor. This context is quite significant when considering that the Silk Road initiatives put forward by other countries have just been satisfied with developing their targeted country's transportation infrastructures and integration into the world market by way of trade liberalization.<sup>3</sup>

China also brings a generous budget to the table. Beijing initially committed to allocate \$40 billion of resources to the BRI from its Silk Road Fund. Furthermore, in 2015 the China-led Asia Infrastructure and Investment Bank (AIIB) was established, and China plans to use the Bank's \$50 billion fund primarily for Silk Road projects. The possibility that the AIIB's funds can be used in such a way seems quite likely, especially when taking into consideration that the initiative covers nearly the entirety of the Asian continent. A third source of revenue for the initiative will be a total sum of \$62 billion that Beijing is considering transferring to the coffers of the BRI from the China Development Bank, China Exim Bank, and the Agricultural Development Bank of China. Taken in total these contributions amount to around \$152 billion for the initial stage, thus making the sheer size of the BRI's budget an object of greater attention than the content of the initiative itself.<sup>4</sup>

The BRI has also received the support of countries throughout the region. Countries like Myanmar, Cambodia, Sri Lanka, Bangladesh, and Pakistan, who have faced development challenges in integrating into foreign markets, have expressed their interest in the BRI. Likewise, developed countries including EU members like Italy, Greece, and Poland see the BRI as a new opportunity to revive their own economies and to provide for new initiatives.

It is obvious that if the BRI becomes successful, the Chinese economy will be the first to benefit. It provides an opportunity for Chinese companies to enter these regional markets. In addition, China wants to upgrade its low value-added exports to high value-added exports in third countries by investing in sophisticated technologies such as high-speed trains and nuclear power plants. Beijing also wants to use Yuan as the circulation currency of the BRI, supporting its use in exchange reserves for the initiative. If the BRI is implemented successfully, then not only the economic but also the political power of China will increase. Thus, Beijing will become a more decisive power in the future in a wide geography extending from Asia through Africa to Europe.

However, the BRI is mostly in the planning stage at the moment, and it is not yet clear what resources will be allocated in the projects and which investments that will fall under the initiative. It is also not clear whether the BRI is totally different from China's ongoing bilateral economic cooperation with other countries. Is the BRI just the renaming of China's all economic engagements in Asia, Africa, and Europe? Therefore, the countries included in the BRI continue to wonder how the funds allocated to the initiative will be used, and more importantly, what will be their share. The greatest risk facing Beijing at this point is its potential inability to live up to the high expectations revolving around the initiative.

### TURKEY'S MIDDLE CORRIDOR

Turkey put forward a new Silk Road initiative named the Middle Corridor, or MC in the 2010s. Turkey's main objectives in launching this initiative are to create a belt of prosperity in the region, to encourage people to people contacts, to reinforce the sense of regional ownership, and to connect Europe to Asia, notably the Caucasus, Central Asia, East Asia, and South Asia. The secondary objectives

1 Cui Hongjian, "The Belt and Road Initiative and Its Impact on Asia-Europe Connectivity", China Institute of International Studies, July 21, 2016.

2 Chris Alden and Elizabeth Sidiropoulos, "Silk, Cinnamon and Cotton: Emerging Power Strategies for the Indian Ocean and the Implications for Africa", *Policy Insights*, No.18, June 2015.

3 "Action plan on the Belt and Road Initiative", The State Council of the People's Republic of China, March 30, 2015.

4 Ariella Viehe, "U.S. and China Silk Road Visions: Collaboration, not Competition", in *Exploring Avenues for China-U.S. Cooperation on the Middle East*, Rudy deLeon and Jiemian Yang (eds.), Washington, DC: Center for American Progress, 2015, pp.34-44.

include expanding markets and creating economies of scale, and providing a significant contribution to the development of regional cooperation in Eurasia.<sup>5</sup>

While representing Turkey's own version of a Silk Road initiative, the MC is essentially based on the idea of establishing a region-wide railroad network. Its core aim is to extend the railway line that originates from Turkish territory to Central Asia (Kazakhstan, Turkmenistan, and others) via Transcaucasia (Georgia and Azerbaijan).<sup>6</sup>

The Baku-Tbilisi-Kars railway (BTK), which became operational on October 29, 2017 and the subsequent modernization of all the railway systems in Turkey to allow for high-speed freight transit is a prerequisite for the realization of the entire initiative. According to estimates, the BTK is expected to transport 3 million passengers and 17 million tons of goods per year. In 20 years, the railway will attain sufficient capacity that would allow it to haul 30 million tons of goods per year in near future.<sup>7</sup>

The MC (see Map 1) from the East-West corridor crosses China and then Kazakhstan to reach the Caspian port of Aktau or Turkmenistan port of Turkmenbashi. Using a sea connection, the MC reaches the Azerbaijani port of Alat. It then passes through the Southern Caucasus and reaches to Turkey and Europe.

The MC has several advantages. It brings a complementary route to the Northern (Russian) and Southern (Iranian) corridors with significant market potential, due to the sizeable population around it. The MC is shorter by around 2,000 km than the Northern Corridor with favorable climatic conditions during winters. It provides a connection between the North-South Corridor and East-West Corridor and will provide a faster and shorter connection to the Western and Northern Europe through Aktau/Turkmenbashi-Baku/Alat-Baku-Tbilisi-Kars-Marmaray link.<sup>8</sup>

The East-West High-Speed Railway Project that is to be undertaken by Turkey, will link the easternmost Turkish city of Kars with the country's westernmost city of Edirne. The railway line within Turkey's borders will reach approximately 2,600 km and cost around \$30 billion in total.<sup>9</sup>

The BTK railway also has a connection to the Lapis Lazuli Corridor to increase connectivity between Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey. The Lapis Lazuli Agreement was signed within the margins of the Ministerial Conference of the Regional Economic

Cooperation Conference on Afghanistan (RECCA) that took place in November 2017 in Ashgabat.<sup>10</sup> The corridor's opening ceremony took place in Herat, Afghanistan on December 13, 2018 and a test run involving nine heavy vehicles was launched, which reached Turkey in 15 days. The simplification and facilitation of customs procedures along the Lapis-Lazuli Corridor will increase traffic at the ports along the route.<sup>11</sup> China has been rather low key in this routing, as it builds upon and upgrades routes built by the United States, with Turkish and other regional government assistance, to act as a supply chain for U.S. military actions in Afghanistan.<sup>12</sup>

“

**‘Over the past five years, Beijing has remarkably increased its investment in Turkey for the implementation of the BRI, particularly in mining, energy, telecommunication, and transportation infrastructure sectors, and the financial and banking sectors since 2015’**

## ARE THE BELT ROAD INITIATIVE AND THE MIDDLE CORRIDOR COMPETING PROJECTS?

Looking at the various initiatives that have been fleshed out to date as part of the SREB and the MC, three routes appear to be the most promising in terms of facilitating the trans-continental integration of railway networks. The first route envisions connecting China to the Trans-Siberian Railway (TSR) through Russia via the Northern Corridor. However, this route would need to cover a huge distance to reach Turkey, hence rendering the MC rather unattractive and reducing its status to that of a peripheral, time-consuming alternative. Moreover, harsh winter conditions and political problems between Russia and Georgia would undermine the Northern Corridor's feasibility for Turkey as an alternative route to reach China and East Asia.

A second alternative would be using the Southern Corridor to establish a link between the Turkish and Chinese Silk Road initiatives. This route would connect Trans-China Railway (TCR) to Kazakhstan. Under this scenario, the route would go through Kyrgyzstan, Uzbekistan, Turkmenistan, and Iran, before reaching Turkey. China's initial vision on

5 Selçuk Çolakoğlu, "Turkey's Perspective on Enhancing Connectivity in Eurasia: Searching for Compatibility between Turkey's Middle Corridor and Korea's Eurasia Initiative," in *Studies in Comprehensive Regional Strategies Collected Papers*. International Edition, Jung-Taik Hyun (ed.), Sejong: KIEP Publishing, 2016.

6 Lintao Yu, "How the Belt and Road Initiative will help Turkey become the ultimate Eurasian playmaker," *Beijing Review*, May 13, 2017.

7 Leman Mammadova, "Development issues of Trans-Caspian int'l transport route discussed in Baku," *Azernews*, January 18, 2019.

8 A. Zafer Acar, Zbigniew Bentyn, and Batuhan Kocaoğlu, "Turkey as a Regional Logistic Hub in Promotion of Reviving Ancient Silk Route between Europe and Asia," *Journal of Management, Marketing and Logistics*, Vol. 2, No. 22, 2015, pp. 94-109.

9 "Turkey's Multilateral Transportation Policy", Turkish Ministry of Foreign Affairs. [http://www.mfa.gov.tr/turkey\\_s-multilateral-transportation-policy.en.mfa](http://www.mfa.gov.tr/turkey_s-multilateral-transportation-policy.en.mfa)

10 "Turkey's Multilateral Transportation Policy", Turkish Ministry of Foreign Affairs. [http://www.mfa.gov.tr/turkey\\_s-multilateral-transportation-policy.en.mfa](http://www.mfa.gov.tr/turkey_s-multilateral-transportation-policy.en.mfa)

11 Shadi Khan Saif, "Trade corridor from Afghanistan to Turkey inaugurated", *Anadolu Agency*, December 13, 2018.

12 Chris Devonshire-Ellis, "China's Silk Road sews up with Turkey's Middle Corridor, then into Central Asia and the Middle East", *The New Silk Road Project*, June 19, 2018.



the SREB tends to use the Southern Corridor for main transportation and logistics links rather than the Southern Caucasus. If the SREB uses the Southern Corridor, it means bypassing of the MC. However, the reinstatement of U.S. sanctions on Iran in November 2018 under the Trump Administration has become an obstacle for China to use the Southern Corridor to realize its regional integration vision.<sup>13</sup> It remains unclear whether the Biden Administration will be able to restore the 2015 Iranian nuclear deal again. If the nuclear deal is reinstated or at least there is a possible U.S.-Iran normalization under the Biden Administration, the Southern corridor may become attractive again for Chinese BRI investments.

Ankara does not want to completely rely on Moscow or Tehran when it comes to strategic transport corridors that would serve as a gateway to the entire Asian continent. Approximately 30,000 Turkish trucks annually use the Iranian route, while another 9,000 Turkish trucks traverse Russia to reach Central Asia. As a matter of fact, both Iran and Russia have played an inhibiting rather than facilitating role as far as Turkey's opening to Central Asia in the post-Cold War period is concerned. As a recent example in 2014, Iran and Turkey were embroiled in a transit fee dispute. In 2015, after the downing of a Russian jet by Turkey near the Syrian border, Turkish trucks faced additional hurdles due to intensified Russian customs checks.<sup>14</sup>

Yet a third alternative would be connecting the SREB with the MC through Central Asia and the Caspian Sea. The TCR can be integrated into Kazakhstan's railway network and from there extend to Azerbaijan through a trans-Caspian roll-on/roll-off (Ro-Ro) link. The BTK railway then connects this route to Turkey. A link between the SREB and the MC would be shorter and less costly than any alternative involving the Northern and Southern corridors. The MC's connectivity to the SREB helps Beijing's ambitions pertaining to the reinvigoration of the ancient Silk Road via an integrated railroad link between China and the Middle Eastern and European markets through Central Asia.

Within this framework, the agreement on creation of the Trans-Caspian International Transport Route (TITR) was signed in April 2016 in Baku by the railway authorities of Azerbaijan, Georgia, and Kazakhstan. TITR is a project initiated to improve transit potential and development of the countries of the Caspian region. This route runs from China through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Turkey and further to Europe. The Turkish railway authority-TCDD and Ukraine's Ukrzaliznytsia joined the TITR after 2018. China's Lianyungang is an associate

member of the TITR, along with the railway of Poland.<sup>15</sup>

With Eastern Europe, the Caucasus and now Turkey on board, Beijing is aiming for China-Europe trade to reach 300,000 shipping containers annually via the Trans-Caspian Route. Fifteen thousand shipping containers per year is the agreed target for China-Turkey container traffic in 2018, with the cost of one container from Lianyungang to Istanbul by block train \$6,300. The TITR tariff rates were approved at the meeting in February 2018.<sup>16</sup>

At this juncture, Ankara is concerned that Turkey may be bypassed by the two Black Sea ports — Anaklia in Georgia and Constanta in Romania — from the SREB.<sup>17</sup> Furthermore, Grampet - Grup Feroviar Roman (Romania), GR Logistics and Terminals LLC (Georgia), and ASCO Logistic CJSC (Azerbaijan) agreed to establish a consortium in October 2019 that would operate regular shipping between the Black Sea ports of Constanta (Romania) and Batumi/Poti (Georgia).<sup>18</sup>

The modernization of Turkey's existing railroads includes plans by the TCDD and the Chinese Ministry of Transport to jointly construct a high-speed rail line between Edirne and Kars in Turkey. However, Ankara and Beijing have been unable to reach an agreement on the project so far. Ankara has demanded full funding by China without offering the whole high-speed tender in Turkey to a Chinese-led consortium while Beijing has insisted that, if it covers construction costs, the complete tenders should be offered to Chinese companies.

In September 2018, Turkey reached a \$40 billion deal with Germany to modernize the Turkish rail network. A consortium led by Siemens is to build new railway lines, electrify old ones and install modern signaling technology throughout the country.<sup>19</sup> This project is exactly the kind Beijing would like Chinese companies to undertake.

In 2018, new freight services have also been launched, such as the lines linking Venlo in the Netherlands to Istanbul; Łódź in Poland to Istanbul; and Istanbul to the Chinese port of Lianyungang. In April 2019, a regular feeder service from Lianyungang to Aktau in Kazakhstan and from there to Baku was established.<sup>20</sup>

The first China Railway Express freight train traveled from China to Europe in November 2019 within 12 days through the BTK railway, and the trans-Bosporus undersea tunnel (Marmaray). The 820-meter-long train with 40 carriages departed from the northwestern Chinese city of Xian and traveled 11,500 km to Prague, capital of the Czech

13 Kimberly Dozier and John Walcott, "Trump's Iran Gamble: Will 'Maximum Pressure' and COVID-19 Bring Tehran to the Bargaining Table?", *Time*, March 27, 2020.

14 Cavid Veliyev, "COVID-19 Increases Importance of Middle Corridor", *Eurasia Daily Monitor*, Vol. 17, No. 57, April 27, 2020.

15 Tristan Kenderdine, "Caucasus Trans-Caspian trade route to open China import markets", *East Asia Forum*, February 23, 2018.

16 Kamila Aliyeva, "Up to 4 million tonnes of cargo to be transported along TITR", *Azernews*, February 19, 2018.

17 Rıza Kadılar and Erkin Ergüney, "One Belt One Road: Perks and challenges for Turkey", *Hürriyet Daily News*, October 9, 2017.

18 "Grampet partners with ASCO to open Constanta - Batumi shipping route," [Ship-technology.com](http://Ship-technology.com), October 24, 2019.

19 "Economic relations with Turkey vital for Germany, says envoy ahead of key delegation visit," *Hürriyet Daily News*, October 23, 2018.

20 Majorie van Leijen, "New railway line Turkey-China now regular service," [RailFreight.com](http://RailFreight.com), November 12, 2018.

Republic, as part of the BRI via Kazakhstan, Azerbaijan, Georgia, Turkey, Bulgaria, Serbia, Hungary, and Slovakia.<sup>21</sup> This was the symbolic realization of connectivity between the BRI and the MC as a Beijing's gesture to Ankara. Another cargo train consisting of 43 cars from China headed to Istanbul on June 20, 2020, passing through Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia.<sup>22</sup> The facilitation of the BTK railway among regional countries was on the agenda at Extraordinary Virtual Summit of the Turkic Council on April 10, 2020. The leaders of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, and Uzbekistan discussed the preservation of economic ties amid border closures in the coronavirus pandemic, especially the implementation of cargo transportation through transit lines for providing food and other products. The leaders discussed for BTK to transport an additional 3,500 tons of cargo per day. To achieve this goal, member countries of the Turkic Council may have to simplify some issues such as drivers' visas, reduction of duties in Ro-Ro lines, submission of necessary additional documents.<sup>23</sup>

The Turkish Ministry of Infrastructure and Transport aims to increase the amount of freight transported by rail annually from 30 million tons at the moment to 45 million tons by 2023 and 150 million tons by 2028. The state hopes to invest in the Divriği-Kars line, which is one of the main parts of the BTK railway. There is also a plan for a line that will cross from Turkey to Azerbaijan's enclave Nakhichevan.<sup>24</sup>

There are also four main existing routes for highway transportation between Asia and Europe through Turkey:

1. Turkey-Iran-Turkmenistan-Uzbekistan-Tajikistan-Kyrgyzstan route,
2. Turkey-Georgia-Azerbaijan-Caspian Sea (Ro-Ro)-Turkmenistan/Kazakhstan route,
3. Turkey- Georgia-Russia-Kazakhstan route,
4. Turkey-Iran-Pakistan route.

Turkey has been developing links between the Silk Road and Turkish seaports during the past decade. Around 30 international Ro-Ro lines were launched during this time period from the Turkish ports in the Black Sea to the Mediterranean. Majority of these Ro-Ro lines are still active despite ceasing some of them due to political or financial reasons.

**Turkish international Ro-Ro lines in the Black Sea:** Samsun-Kavkaz (Russia), Samsun-Tuapse (Russia), Samsun- Gelendzhik (Russia), Samsun-Novorossiysk (Russia), Zonguldak-Yevpatoria (Ukraine), Zonguldak-

Sevastapol (Ukraine), Zonguldak-Chornomorsk (Ukraine), K.Ereğli-Ilyichevsky (Ukraine), Istanbul-Ilyichevsky (Ukraine), Haydarpaşa-Chornomorsk (Ukraine), Tuzla-Constanța (Romania), and Derince-Poti (Georgia).

**Turkish international Ro-Ro lines in the Mediterranean:**

Ambarlı-Toulon (France), Ambarlı-Trieste (Italy), Pendik-Trieste (Italy), Pendik-Toulon (France), Yalova-Lavrio (Greece)-Trieste (Italy), Yalova- Sète (France), Çeşme-Trieste (Italy), Çeşme- Sète (France), Mersin-Alexandria (Egypt), Mersin-Damietta (Egypt), Mersin-Trieste (Italy), Taşucu-Tripoli (Libya), Taşucu-Tartous (Syria), Taşucu-Latakia (Syria), Taşucu-Girne (Cyprus), Mersin- Gazimağusa (Cyprus), İskenderun-Port Said (Egypt), İskenderun-Haifa (Israel), and İskenderun-Duba (Saudi Arabia).

There are also several other ongoing major port investments in Turkey. The first, the Mersin Port (on the Eastern Mediterranean coast), will have 11 million ton/year (TEU) cargo processing capacity, with an estimated construction cost of \$3.8 billion. The second, the Filyos Port (on the Western Black Sea coast), will have 700,000 TEU capacity, at a cost of \$0.87 billion and is expected to be completed in 2021. This port in Zonguldak's Filyos district will be accompanied by an industrial zone, and it will be the third-largest port in Turkey. The third major investment, the Çandarlı Port at Izmir (on the Aegean coast) will have 12 million TEU capacity, with the cost estimated at \$1.24 billion. Turkey expects that the Çandarlı Port would play a crucial role in the development of the MC to increase Turkey's cargo handling capacity after taking into service in 2021.<sup>25</sup>

So far, the initial projects developed under China's MSR use the Greek port of Piraeus. Chinese President Xi Jinping and Greek Prime Minister Kyriakos Mitsotakis agreed on November 11, 2019 to push ahead with a €600 million investment by COSCO Shipping into Greece's largest port, Piraeus, as part of efforts to boost its role as a hub in rapidly growing trade between Asia and Europe.<sup>26</sup> However, Athens's delicate balancing policy between economically important Beijing and politically important Washington changed in favor of the United States after U.S. Secretary of State Mike Pompeo's visit to Greece in September 2020.<sup>27</sup> As a sign of this trend, the Greek government declared that Greece was considering excluding Huawei equipment from its fifth-generation wireless broadband networks. In return, the Greeks hope Washington will expand its military and diplomatic ties with Greece, an unobvious warning to neighboring Turkey, which is taking on what U.S. officials see as a more combative role in the eastern Mediterranean and Middle East.

21 "Turkey welcomes first freight train travelling from China to Europe", *Xinhua*, November 7, 2019.

22 Bahruz Babayev, "Chinese investment in Azerbaijan is a win-win for both countries", *South China Morning Post*, August 27, 2020.

23 Aynur Bayramova, "Conditions for increase of freightage via BTK announced", Report, April 24, 2020.

24 "Turkey to boost railway investments, directly connecting industrial zones to port cities", *Daily Sabah*, November 12, 2020.

25 "Turkey's Multilateral Transportation Policy", Turkish Ministry of Foreign Affairs. [http://www.mfa.gov.tr/turkey\\_s-multilateral-transportation-policy.en.mfa](http://www.mfa.gov.tr/turkey_s-multilateral-transportation-policy.en.mfa)

26 George Georgiopoulos, Angeliki Koutantou and Renee Maltezou, "China, Greece agree to push ahead with COSCO's Piraeus Port investment", *Reuters*, November 11, 2019.

27 Joel Gehrke, "US revises defense deal to blunt China's influence in Greece", *Washington Examiner*, September 29, 2020.

In 2015, a consortium of COSCO, China Merchants Holdings International and China Investment Corporation spent \$920 million to buy a 65% stake at the Kumport terminal in Istanbul.<sup>28</sup> It seems that the Chinese consortium has made this investment with the aim of using Kumport as a gateway to the Turkish market rather than using it as a regional hub. It is unlikely that Beijing considers Turkey part of the MSR, though Ankara has sought Turkey's inclusion.

At this juncture, Ankara might put forth several alternatives to integrate the SREB to the MSR via the MC using Turkish ports. The port of Mersin might play a role for shipment of cargos from the SREB to the North African countries (Egypt, Tunisia, Libya, Algeria, and Morocco). The Port of Çandarlı / Izmir may be used to send cargos to the Euro-Med countries (Greece, Italy, France, Spain, Albania, Montenegro, Croatia, and Slovenia). The Port of Filyos / Zonguldak might be considered as logistics hubs to deliver cargos from China to the Broader Black Sea region (Ukraine, Bulgaria, Romania, Moldova, and others).<sup>29</sup>

While the MC is one of six official corridors of the BRI, neither Chinese finance nor Chinese companies are involved sufficiently. Beijing has also been largely absent from port developments around the Caspian Sea. A lack of infrastructure and multiple border crossings mean the MC cannot compete with the Northern Corridor, which may be the shortest route between Europe and China. And the MC involves crossing five borders and transiting one or two seas, depending on where the cargo's heading. MC's bottleneck is the lack of an entire transport-oriented business ecosystem appearing in the Caspian and Black Sea countries, with major logistics and manufacturing parks popping up in places like Baku, Batumi, Anaklia, and Kars.<sup>30</sup> The MC remains a firmly regional initiative and faces serious obstacles to becoming an alternative China-Europe route. The MC's main appeal is that it bypasses Russia. Despite friendly Sino-Russian relations, Beijing likes to build redundancies into global trade networks. The MC provides a good alternative route to Europe should problems arise along the Northern Corridor.<sup>31</sup> Furthermore, in terms of China's geo-political and economic aims, the Black Sea region is far less significant than Southeast Asia, South Asia, or the Middle East. China has only given importance to its individual relations with Russia and Turkey without referring to the Black Sea regional context.<sup>32</sup>

## CHINA'S BRI INVESTMENTS IN TURKEY

Over the past five years, Beijing has remarkably increased its investment in Turkey for the implementation of the BRI, particularly in mining, energy, telecommunication, and transportation infrastructure sectors, and the financial and banking sectors since 2015.

The Industrial and Commercial Bank of China (ICBC) acquired Turkish Tekstilbank in May 2015. The Turkish banking watchdog-BDDK gave the operational rights in Turkey to the Bank of China and the ICBC in 2017.<sup>33</sup> The Bank of China became operational in Turkey with a capital of \$300 million. Turkey's Akbank, İşbank, and Garanti BBVA also have branches in China. The ICBC brokered an agreement in 2017 between the Turkish and Chinese central banks to use Turkish lira and Chinese yuan instead of dollars and euros. 450 million Turkish lira worth of currency swaps were initially exchanged in December 2016.

The ICBC approved a loan amount of \$ 1.2 billion to increase the capacities of Silivri and Tuz Gölü natural gas storage facilities, which will store 20 percent of Turkey's natural gas on a yearly basis consumption. ICBC and the Turkish Petroleum Pipeline Corporation (BOTAŞ) also reached an agreement on providing the credit, which will have a maturity term of 15 years with a grace period of 5 years, according to the memorandum of understanding signed in July 2018.<sup>34</sup>

China-led AIIB allocated a \$600 million loan to Turkey in July 2018 to increase security of Turkish gas supply. Turkey's state lender Ziraat Bank also signed a \$600 million credit agreement with China Development Bank in December 2017.<sup>35</sup> In January 2020, the Export-Import Bank of China (China Exim) signed a three-year loan worth \$300 million to Garanti BBVA that will provide financing to Turkish companies for Chinese imports.<sup>36</sup>

The cooperation on telecommunication has intensified since 2016. Chinese smartphone giant ZTE bought 48.8% of Turkish Telekom in December 2016.<sup>37</sup> Chinese tech companies are also the biggest candidates for Turkey's 5G tender expected to deliver in 2021. Turkey's leading GSM operator, Turkcell, signed an agreement in December 2019 for an eight-year loan worth €500 (\$539) million with the China Development Bank. The new loan will be used to finance the procurement of hardware and equipment from Chinese vendors.

28 Gavin van Marle, "China consortium moves into Turkish port market with control of terminal Kumport," *The Load Star*, September 21, 2015.

29 Selçuk Çolakoğlu, "China's Belt and Road Initiative and Turkey's Middle Corridor: A Question of Compatibility," *Middle East Institute*, January 29, 2019.

30 Wade Shepard, "Non-Stop from Baku To Europe - A New Silk Road Corridor Emerges," *Forbes*, November 14, 2019.

31 Jacob Mardell, "On the Middle Corridor, China Is Largely Absent," *Berlin Policy Journal*, October 15, 2019.

32 Jean-Marc F. Blanchard, "Keeping Current on the BRI in the Black Sea: Small Ripples, but no Big Waves", in *A Sea Change?: China's Role in the Black Sea*, Middle East Institute, November 2020.

33 "Turkish regulator approves license for Bank of China to operate in Turkey", *Hürriyet Daily News*, December 1, 2017.

34 Matt Clinch, "China backs Turkey to overcome its economic crisis," *CNBC News*, August 17, 2018.

35 "Turkey sees China as 'strategic partner'", *Anadolu Agency*, December 15, 2017.

36 Felix Thompson, "China Exim renews US\$300mn loan agreement to boost exports to Turkey", *Global Trade Review*, January 15, 2020.

37 "Turkish regulator approves license for Bank of China to operate in Turkey", *Hürriyet Daily News*, December 1, 2017.

China's central bank transferred \$1 billion worth of funds to Turkey in June 2019, Beijing's biggest support package ever for the Turkish government. This package was delivered at a critical time just before the Istanbul elections on June 24. The inflow marks the first time Turkey received such a substantial amount under the lira-yuan swap agreement with Beijing that dates back to 2012.<sup>38</sup> In return, a Turkish parliament investigation bill for the mass detention of the Uyghurs in Xinjiang supported by opposition parties- the Iyi Party, the Republican People's Party (CHP), and the Peoples' Democratic Party (HDP) - was rejected by the ruling Justice and Development Party (AKP) on June 20, 2019. AKP's coalition partner the Nationalist Movement Party, or MHP abstained during the voting in the parliament.<sup>39</sup> This was an important gesture from the AKP-MHP government to the Communist Party of China (CPC).

After the Akkuyu nuclear power plant was built by the Russians and the Sinop nuclear power plant was built by a Japanese-French consortium, Turkey was hoping to hand over the tender for a third nuclear power plant, possibly in the northwestern province of Kırklareli, to a Chinese company. To this end, Ankara initiated negotiations in August 2018 with Chinese state-owned companies the State Power Investment Corporation (SPIC) and the State Nuclear Power Technology Corporation (SNPTC). Beijing was not eager to start talks on the plant NPP under the conditions Ankara offered.<sup>40</sup> Furthermore, the Japanese Mitsubishi and French Areva consortium was set to abandon the Sinop power plant in December 2018, because construction costs ballooned to around \$44 billion.<sup>41</sup> After this cancellation, Ankara has begun to offer to Beijing to take over the Sinop plant, but the Chinese side is reluctant to get involved.

The Turkey Wealth Fund (TVF) said in October 2019 that it planned to partner on energy, petrochemical, mining, and logistics projects in Turkey with the Chinese, and inked a \$5 billion agreement with China Export and Credit Insurance Corporation (Sinasure) to promote bilateral trade and investment as part of the BRI.<sup>42</sup> The Chinese export credit agency would also recommend Chinese investors, contractors and financial institutions to the Turkish fund for projects focused in the energy, petrochemicals and mining sectors. Sinasure will provide financing, guaranteed loans and export insurance for Chinese investors. Turkey has the world's largest reserves of boron and is the mineral's biggest exporter. Meanwhile, China is its biggest importer.

Eti Maden, the Turkish public company that produces boron, is controlled by the TVF.<sup>43</sup>

Chinese banks and companies have recently involved in the current transportation infrastructure projects. The operator of the new Istanbul Airport was in talks in February 2020 with a Chinese banks to refinance €5.7 billion (\$6.2 billion) of existing loans. Around half of the new borrowing could come from Chinese banks led by the ICBC, while some banks on the original loans may also participate.<sup>44</sup>

Five Chinese highway companies (Anhui Expressway, China Merchants Expressway, Zhejiang Expressway, Jiangsu Expressway, and Sichuan Expressway) have formed a consortium to buy 51% shares of three investments in Istanbul (the Third Bosphorus / Yavuz Sultan Selim Bridge, North Marmara Motorway, and Eurasia Highway) and injected \$688.5 million capital into the partnership in December 2019.<sup>45</sup>

In January 2020, the AKP-MHP government approved a 45km long Kanal Istanbul tender, running parallel to the Bosphorus strait between the Black Sea to the Marmara. Chinese companies have previously expressed interest in building a shipping canal in Istanbul.<sup>46</sup> If China decides to construct the \$25 billion Kanal Istanbul, in return getting privileges of operating some ports, airports, and highways, there will be a tremendous increase of Chinese economic influence over Turkey and the implementation of the BRI will become more concrete.

The Turkish Ministry of Transport and Infrastructure purchased 176 metro vehicles from China's CRRC Zhuzhou Locomotive for the Istanbul Airport metro line in April 2020. Delivery of all metro vehicles will be completed by the end of 2022 and a total of 1.6 billion Turkish lira will be paid for metro vehicles.<sup>47</sup> Chinese Ambassador to Ankara, Deng Li, said on March 28, 2019 that China was looking to double its investments in Turkey from \$2.8 billion to \$6 billion by 2021.<sup>48</sup>

38 Kerim Karakaya and Aslı Kandemir, "Turkey Got a \$1 Billion Foreign Cash Boost from China in June", *Bloomberg*, August 9, 2019.

39 "Uygur Türklerine yönelik baskının araştırılmasını isteyen önerge reddedildi (The Draft Resolution aiming to investigate atrocities against the Uyghur Turks was rejected)", *Euronews Türkçe*, June 21, 2019.

40 Gou Yawen, "China's nuclear power technology assists Turkey in developing clean energy", *People's Daily*, December 17, 2019.

41 Takashi Tsuji, "Japan to scrap Turkey nuclear project," *Nikkei Asian Review*, December 4, 2018.

42 Maddy White, "Turkey inks US\$5bn BRI agreement with Sinasure", *Global Trade Review*, March 31, 2020.

43 Zülfiyar Doğan, "Sino-Turkish deal, coronavirus could open the way for Chinese takeovers", *Ahval*, April 8, 2020.

44 Kerim Karakaya, Ercan Ersoy, and Çağan Koç, "China's ICBC, Turkey's Largest Airport in Talks for Refinancing", *Bloomberg*, February 10, 2020.

45 "Yavuz Sultan Selim Bridge Sold to Chinese for 688 Million Dollars", *Railly News*, December 29, 2019.

46 "Tender for Kanal Istanbul expected this year: Minister", *Hürriyet Daily News*, February 4, 2020.

47 "Ministry of Transport bought 176 metro vehicles from China for Istanbul Airport: 1 billion 545 million 280 thousand TL will be paid", *MBC News*, April 27, 2020.

48 Sinan Tavşan, "Turkey seeks Asian investment as Western ties fray", *Nikkei Asian Review*, June 23, 2019.



## DO THE BELT ROAD INITIATIVE AND THE MIDDLE CORRIDOR CAUSE FRICTIONS IN THE REGION?

Turkey and China are very eager to develop Silk Road cooperation. However, there are some uncertainties and challenges to increase the connectivity of the BRI and the MC.<sup>49</sup>

First, Turkey's domestic political climate and debate on foreign policy orientation create some ambiguities for Silk Road cooperation with China. The Islamist AKP and ultranationalist MHP government with the support of a marginal Eurasianist association- Vatan Party- have adopted an anti-West stance in Turkey's foreign policy in the post-2016 coup attempt period. The AKP-MHP government's anti-West foreign policy does not necessarily mean that Turkey has been developing an alliance with Russia and/or China.<sup>50</sup> Ankara has tried to use Moscow and Beijing as balancers against NATO and the EU to get some benefits on its differences. On the other hand, Turkey still has bitter differences with China on the Uyghur cause and with Russia on Syria, Libya, and the Nagorno-Karabakh dispute between Azerbaijan and Armenia. The AKP-MHP government has also tried to use the BRI cooperation with China as a bargaining chip to get more investments and financial flows from Western countries and financial institutions.

As a sign of this trend, despite a very welcoming discourse of Ankara and Beijing on Silk Road cooperation, it is difficult to say whether there is a road map to integrate the plans of the BRI and the MC. Ankara is demanding more Chinese investments in Turkish transportation, energy, and mining infrastructure and a flow of Chinese financial assets to Turkey without offering lucrative tenders to Beijing. Meanwhile, Beijing has not made clear its BRI vision to Turkey. Ankara's NATO membership and economic integration with the EU and the OECD makes Beijing hesitant to reveal its so-called grand strategy to Turkey. China's bitter experiences with the Sinop nuclear power plant tender in 2013 and the air defense system tender in 2015 have also fed Beijing's hesitation to become involved in strategic projects in Turkey.

Furthermore, the challenge for the MC is also competing interests of regional and global players. In this regard, the build out of Eurasian rail transport corridors has also given rise to a complex competitor-partner relationship between the EU and China. The EU plans to invest as much as €2 billion as part of its plan to extend the Trans-European Transport Network (TEN-T) to the Eastern Partnership countries, which include Azerbaijan and Georgia. The EU

recently branded Beijing a "systemic rival," and European officials have expressed reservations about the BRI. Nevertheless, recent EU official documents declaring infrastructure connectivity as a priority, clearly state that it is a basis for EU-China cooperation and development.<sup>51</sup>

NATO also takes a less benign view of China's increasing economic and military power. Railways are notably able to function in both Chinese and European economic and military contexts. During the London summit in December 2019, NATO leaders discussed "the implications of the rise of China".<sup>52</sup> The MC, which is supported by the United States and the EU, also encourages greater integration of the regional countries as well as the development of trade relations between landlocked countries, such as Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, and Afghanistan to the global market. Its development aligns with several American foreign policy objectives, as it promises to boost European economic growth, provide options for two major non-NATO partners (Georgia and Azerbaijan), and support the sanctions regimes against Iran and Russia.<sup>53</sup> These developments indicate that reaching the full compatibility between the MC and the BRI may not be easy.

Moreover, it seems that trends in global politics such as the U.S.-China trade war, the tumultuous U.S.-Russia relations, the reinstatement of U.S. sanctions against Iran, and the ongoing process to reach a final peace settlement in Syria have made the prospect of further Sino-Turkish cooperation in general even more unclear. In the absence of concrete offers by Ankara for projects of Silk Road cooperation, Beijing appears to pursue a wait-and-see policy to avoid the political uncertainties associated with any Turkey-related initiative.

Second, the lack of a developed institutional design behind the BRI and the absence of norms that would bind all participants together are the most conspicuous features of the BRI. China has referred merely to general international norms such as the five principles of peaceful coexistence (mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence), international market rules, win-win cooperation, and reciprocity.<sup>54</sup> The BRI has been criticised for creating debt traps by offering loans to fiscally weak countries in the Global South for infrastructure projects that they are unable to pay back. Beijing has since dismissed accusations of BRI debt traps, citing Pakistan, a country that turned to the IMF in July 2019 for a \$6 billion bailout, as an example. Debt incurred from China-Pakistan Economic Corridor (CPEC) stands at \$4.9 billion, less than

49 Zan Tao, "Turkey Dream and the China-Turkish Cooperation under One Belt and One Road Initiative", *Journal of Middle Eastern and Islamic Studies (in Asia)*, Vol. 10, No. 3, 2016, pp.63-65.

50 Selçuk Çolakoğlu, "The Rise of Eurasianism in Turkish Foreign Policy: Can Turkey Change its pro-Western Orientation?", *Middle East Institute*, April 16, 2019.

51 "Explaining the European Union's approach to connecting Europe and Asia," *European Commission Fact Sheet*, September 19, 2018.

52 John C. K. Daly, "Chinese Use of Marmaray Subsea Tunnel Another First for Belt and Road Initiative", *Modern Tokyo Times*, December 3, 2019.

53 John Calabrese, "Setting the Middle Corridor on track", *Middle East Institute*, November 18, 2019.

54 Marcin Kaczmarek, "Russia-China Relations in Central Asia: Why Is There a Surprising Absence of Rivalry?", *The ASAN Forum*, 19 August 2019.

one-tenth of Islamabad's total debt.<sup>55</sup>

There is also an increasing concern in Ankara that China would become a next hegemonic power over Turkey. Chinese companies are likely to prove the biggest competitors to Turkish firms in the construction sector, which are saddled with large dollar and euro-denominated debts they are struggling to repay after sharp falls in the lira from 2018 onwards. As a result of the coronavirus pandemic, the share values of many Turkish companies have hit rock bottom. Sinosure's agreement with the TVF is likely to boost Chinese stakes in embattled Turkish companies and lead to a possible string of takeovers.<sup>56</sup> Within this framework, there is an increasing criticism to the BRI which is allegedly covering up China's new imperial policies.

Third, no one knows how coronavirus pandemic will affect global economy and politics. Economically, China like every country has faced a huge cost to bring the pandemic under control and an immense fund has been allocated for the national health budget. Furthermore, China's draconian lockdown measures because of the pandemic caused a GDP fall at least for 2020, and the spread of the pandemic is having a direct impact on BRI projects in other countries. In the aftermath of the virus, the fact that Chinese workers cannot travel and the fact that China is not likely to send workers for BRI projects, means that other countries will not be in a position to focus on BRI-related projects at least for some time.<sup>57</sup> The China Development Bank recently announced that it would provide low-cost loans to affected BRI related companies, though presumably these would go mainly to Chinese firms.<sup>58</sup> Beijing is likely considering delaying some tenders under the BRI due to the pandemic.

The pandemic has also deteriorated trust and fueled that war of words between Beijing and the Western capitals because China has been accused of covering up human-to-human transmission of coronavirus at an earlier stage and cost other countries precious time to take measures.<sup>59</sup> U.S. President Donald Trump called the coronavirus as "China" or "Wuhan" virus and the World Health Organization (WHO) has become a battle ground between Washington and Beijing.<sup>60</sup> Beijing has been denying these allegations as baseless and anti-China. It is not clear whether the Biden Administration will continue the Trump Administration's tough stance on trade issues. It is highly likely that President Biden will become more critical of China's human right violations in Xinjiang and Hong Kong. If the relationship continues to be tense, there will be negative implications for China's BRI cooperation with the countries in the Broader Black Sea region. If

the Biden Administration continues U.S. objections over Chinese tech companies' taking 5G tenders in allied countries, Beijing will face more challenges to implement its BRI projects in the region.

The pandemic has revealed that personal protective equipment, medicines, and agricultural products are strategic and must be produced in country to combat natural and health disasters properly. Many developed countries transferred labor intensive production to the countries in the Global South including China to maximize profits, but they may call some operations back particularly pharmaceutical and health equipment production. Western countries may consider more regional and diversified supply chains to mitigate China's dominance over global supply chain.<sup>61</sup> The countries in the Broader Black Sea region are potential production bases for the EU market instead of China. Beijing may consider making downward revisions to the BRI under these new global developments.

## CONCLUSION

Despite rhetoric ridden statements regarding cooperation between Turkish and Chinese officials, China's current involvement in the MC is not at the significant level. There are no significant Chinese investments in the ports, railroads, and motorways in the Broader Black Sea region. Although some Chinese cargos were transferred to Europe through the MC in the past year, sea routes and then the Northern (Russian) Corridor are still the backbone of China-Europe trade. The United States and the EU are also not eager to see China's heavy involvement in the MC. The United States and the EU likely support the MC, for the purpose of building an integrated market in the Broader Black Sea region rather than reaching to China.

Russia is not also happy to be sidelined from the MC which has mainly been developed by Turkey. Russia's unexpected neutral stance during the last Nagorno-Karabakh war between Azerbaijan and Armenia during October and November 2020 is a reflection that Moscow wants to keep a good relationship with Baku, even at the expense of resentment of Yerevan. Russia's creating "frozen disputes" strategy in Nagorno-Karabakh, Abkhazia, South Ossetia, Transdnestrria, and finally in Eastern Ukraine in the post-Soviet era has delivered some strategic and territorial benefits to Moscow. On the other hand, Russia may totally lose Azerbaijan, Georgia, Ukraine, and Moldova in its "Near Abroad". On the contrary, Ankara has got the trust of Baku, Tbilisi, Kiev, and Kishinev, delivering unconditional support to those countries' territorial integrity. For example, Turkey did not give support to regional leader

55 Maddy White, "Turkey inks US\$5bn BRI agreement with Sinosure", *Global Trade Review*, March 31, 2020.

56 Zülfiyar Doğan, "Sino-Turkish deal, coronavirus could open the way for Chinese takeovers", *Ahval*, April 8, 2020.

57 Mordechai Chaziza, "The Impact of the Coronavirus Pandemic on China's Belt and Road Initiative in the Middle East", *Middle East Institute*, 28 April 2020.

58 Daniel Russel, "The coronavirus will not be fatal for China's Belt and Road Initiative but it will strike a heavy blow," *South China Morning Post*, March 19, 2020.

59 Zachary Evans, "Sweden Closes Its Last Remaining 'Confucius Institute' amid Strained Relations with China", *National Review*, April 23, 2020.

60 Jeff Mason and Matt Spetalnick, "Trump warns China could face consequences for virus outbreak", *Reuters*, April 19, 2020.

61 Zhang Jun, "Why the coronavirus crisis won't weaken China's position in the global supply chain", *South China Morning Post*, April 9, 2020.



Aslan Abashidze during the 2004 Adjara crisis while the Adjara Autonomous Republic, historically dominated by the “Muslim Georgians” on the Turkish border, was seeking Ankara’s support against Tbilisi. However, Russia declared war on Georgia during the 2008 South Ossetia crisis and then recognized self-declared independence of Abkhazia and South Ossetia.

Thus, playing a fair peace-maker role in the Nagorno-Karabakh conflict has now become particularly important for Russia, so as not to lose Azerbaijan to the West, like Georgia and Ukraine. Russia has the opportunity to deploy peacekeeping forces in Nagorno-Karabakh, controlling the Lachin corridor between Karabakh and Armenia. More importantly, Russia will build and control a corridor between the Azerbaijani enclave-Nakhichevan and mainland Azerbaijan. Baku has become more dependent on Moscow for the sustainability of the Karabakh peace deal and the Nakhichevan corridor. Depending on changing balances in the last three decades, Russia respects Azerbaijan’s demands and restricts Armenia’s maximalist claims, which include annexing seven Azerbaijani provinces of Nagorno-Karabakh. It is not clear yet that the Russian-brokered peace deal will pave the way of normalizations between Baku and Yerevan, and between Ankara and Yerevan. If there is a normalization, Turkey and Azerbaijan may end their three-decade old land blockade of Armenia and Yerevan may join regional integration projects under the framework of the MC.

The conflicting interest of the West and Russia in the Broader Black Sea region may make China hesitant to take a decisive role in the MC. The increasing Chinese economic dominance over Central Asia has already disturbed Russia. China’s strategic investments to the critical infrastructures in Georgia and Ukraine may anger Russia more. Under these circumstances, there is a long way to go for reaching an ultimate integration between the BRI and the MC. If Beijing and Ankara can address these difficulties, the Sino-Turkish Silk Road cooperation will enter to next stage.