

Panel IV Economic and Political Potentials Of the One Belt One Road

ELKE FIMMEN

How Eastern & Southeastern Europe Can Join in Making a Global Economic Miracle

Elke Fimmen of the Schiller Institute (Germany) spoke on Panel IV of the Schiller Institute conference, on July 1, 2018.

It is obvious, that the so-called leading nations of Western Europe finally have to do their homework and realize that only by cooperating with China's Silk Road Project, with Russia, and with the Eurasian Economic Union, can long-term prosperity, stability and peace, as we have discussed at this conference, be achieved. Peace through development is the North Star to follow—otherwise, with the old methods, Europe will blow up—and that cannot be an option.

To even propose to still extremely poor nations such as Albania and Macedonia that they set up refugee centers in exchange for EU-membership, is no policy but just mindless—and dangerous—lunacy.

Do we really want to again destabilize the still-fragile Balkan countries, after what they went through with the geopolitically motivated wars and the so-called “transformation” in the 1990s and 2000s, by insisting on old geopolitical power games and denying these nations their long-overdue economic development?

Is it not much more preferable to instead support plans such as that of Albanian President Edi Rama, who has drafted a 15-year plan for national development, including modernizing infrastructure and connecting with China's new Silk Road? And why would the EU oppose and put pressure against the project to build the long-overdue Peljesac Bridge in Croatia? Or against



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the construction of the Belgrade-Budapest high-speed railway, as a crucial component in the connection of Piraeus port in Greece through Macedonia, Serbia and Hungary with Central and Western Europe?

Will this EU-blockade and the insistence on austerity policies, such as not accepting Chinese loans for projects, contribute in *any way* to overcoming the wounds of the past and create a common future perspective for all of the populations of these countries?

Albanians still remember with horror—and we should as well—the desperation and chaos of the 1990s,

when after the collapse of the communist system, 25,000 Albanians fled to Italy on boats; then after 5 years of so-called “western market reforms,” the horrendous speculative pyramid-scheme collapsed, which cost most of the population its miniscule savings, and which led to countrywide breakdown of the social and state order, plundering by desperate people, and the deaths of more than one thousand. Finally the Organization for Security and Cooperation in Europe intervened and international peace troops from Greece, Italy, Spain, France, Turkey and Romania restored order and the basic functions of the state. In 1999, 300,000 Kosovarians fled to Albania, a country of 2.8 million with an average age of about 33 years, which posed again huge challenges to that country.

Now there is talk about a new “Albanian” Balkan route for refugees, because many refugees try to come from Greece via Albania, Montenegro, Bosnia, and then through Croatia and Slovenia, to Western Europe. Many already in Serbia—where the borders are closed

to Hungary and Croatia—are now entering Bosnia, which has a 1,000 km border with Croatia. This creates new tensions among these neighboring countries, including a new crisis coming up in Bosnia. No new camps anywhere will stop this dynamic, only real global economic development can!

In this situation, the upcoming 16+1 Central and Eastern European leaders' meeting in Sofia, Bulgaria next weekend, which will be addressed by Chinese Prime Minister Li Keqiang, provides an excellent opportunity for Western European nations to team up and support the initiatives for growth and progress, which will be discussed there, instead of continuing to stall and blackmail nations for cooperating with China.

China's successful policy reflects proven principles of economic science, which have long been neglected in the West, despite the fact that these same methods were essential for the establishment of the USA, Germany, France, Japan, and others nations, as industrial nations.

Physical economics prioritizes the *planting of productive powers of nations*, as German-American economist Friedrich List called it, as opposed to the British Empire's global financial looting and so-called "free trade."

On the contrary, in physical economy, large infrastructure projects and a focus on science and technology are key for increasing the productivity of nations. The true wealth of nations is indeed the development of the *creativity of its population*.

China's New Silk Road, or BRI, is generating a whole new Eurasian network of cross-continent infrastructure and trade ties. It has also opened up the long-overdue opportunity for Central, Eastern and South Eastern European countries, to re-industrialize their national economies and to fulfill their productive potential, in agriculture, machine-building, high technology and research (e.g., in the nuclear sector) and to finally overcome the disastrous effects of neoliberal "shock therapy" and the social and economic destruction wrought by the geopolitically instigated series of Balkan wars of the 1990s.

Docking the Belt and Road with Europe

After the crash of 2007/2008, many Eastern European countries looked for new strategic opportunities to restart their economies. While the EU imposed vicious austerity and only saved the bankrupt banks, China initiated the format 16+1 with Central and Eastern European



Xinhua/Szilard Voros

Defense officials of six Central European nations and Poland, agreed to better protect the borders of Schengen zone, Budapest, March 28, 2018.

Countries (CEECs) and started annual leaders' meetings, the first one in Warsaw, Poland (2012), with the next one to take place this coming weekend in Sofia, Bulgaria.

The 16 CEE countries, diverse as they are, are a crucial bridge, due to their geographical location, for making the infrastructural and economic development of Eurasia through the New Silk Road/BRI infrastructure projects work. They span Europe from north to south, between the huge Russian market and Western Europe.

In his speech at the last 16+1 Leaders' Summit in November 2017 in Budapest, Chinese Premier Li Kexiang spoke about presenting "a new blueprint for the future." He presented an ambitious program for increased China-CEEC cooperation by "docking" the Belt and Road Initiative with the development strategies of the CEECs. China, he said, is aiming for a "prospering Europe." Closer ties with the 16 countries, which include 11 European Union members, would "usefully complement" EU-China relations.

He pointed out, that the 19th Party Congress developed new guidelines and perspectives for a more open and prosperous China, thus opening more and greater opportunities to all countries in the world. The Prime Minister estimated China's imports over the next five years should total \$8 trillion, as it has moved from a phase of high-speed growth to high-quality growth.

Besides calling for accelerating key connectivity projects such as the Hungary-Serbia high-speed railway, Prime Minister Li proposed expansion of production capacity building, through economic and trade cooperation zones and by creating an industrial, value and logistics chain. He also called for the promotion of cooperation between small and medium-sized enterprises (SMEs), a sub-

ject extremely important for all CEE nations, which urgently want to develop their own high-technology industry *Mittelstand* and other productive facilities.

This approach of facilitating real growth and development through infrastructural, scientific and other productive investments, has created a new optimistic impetus in Eastern Europe and the Balkan countries, which is long overdue.

While European transport corridors were defined by the 1994 European Transport Ministers Crete conference, these projects did not get off the ground or only to an insignificant degree. Only with EU-expansion of Eastern countries after 2004, did things slowly start to move. But even today, the trans-European transport network can be best described as patchwork, with present EU-funding not providing for an integrated, high-priority approach. While real needs to bring the existing Trans-European Transport Network up to speed are today in the range of a minimum 500 billion euros between 2021 and 2030, as demanded in the recent Ljubljana Declaration by transport and related sector representatives, the budget now for the Connecting Europe Facility for Transport subsidy program will be only 30.5 billion euro. The budget for 2014-2020 is even less, at 21.3 billion euro.

On the contrary, in CEEC-China cooperation, transnational and Eurasian transport and logistics are a key feature. In May 2016, the 16+1 Secretariat for Logistical Cooperation was inaugurated in Riga, the capital of the Baltic state of Latvia; and in October 2017, the Warsaw Secretariat for Maritime Cooperation was opened. The “[Riga Declaration](#)” identifies “Adriatic-Baltic-Black Sea Seaport Cooperation” as a central issue, which should focus on the development of—

... transportation hubs involving ports and industrial parks in the coastal areas of the Adriatic, Baltic and Black Sea and along the inland waterways, working together to build industrial clusters in ports and establishing modern road, rail and river corridors to connect them. ...”

This would serve “.. the development needs of all 17 countries, and would thereby contribute to closer EU-China relations, by synergizing their specific demands and advantages for infrastructure development and industrial upgrad-



Xinhua

Chinese Premier Li Keqiang speaks to the Meeting of Heads of Government of Central and Eastern European Countries and China, in Riga, Latvia, Nov 5, 2016.

ing,... with a view to facilitating economic growth of each country and across the region ...

China will provide another \$1 billion for the second phase of capitalization of the China-Central and Eastern Europe Investment Cooperation Fund. The fund plans to invest 10 billion euro in the CEEC-region. Poland and Hungary are full members of the Asian Infrastructure Investment Bank, and Romania was accepted as a prospective member in May 2017.

These are just a few examples of such cooperation and its potential—about which you can read much more in the Schiller Institute’s just published work, *The New Silk Road Becomes the World Land-Bridge, Volume II*, on the progress of the World Land-Bridge.

Conclusion

With the global shift toward a new paradigm of “peace through economic development,” which we have been discussing during this conference, Central, Eastern and Southeastern European nations finally will be able to concentrate on the real development of their nations, instead of being abused as a geostrategic “cordon sanitaire” or military staging areas against Russia. China’s initiative for the New Silk Road has created, along with Russia and the Eurasian Economic Union, the potential for a durable peace strategy for all of Europe, Eurasia, Africa and beyond. This second chance after 1989, cannot and must not be missed by the European nations.

Let us now create a true humanist renaissance in Europe, for the benefit of the world and mankind. Thank you!

PROFESSOR DR. IVO CHRISTOV

The New Paradigm from the View of the Balkans

Professor Dr. Ivo Christov is a Member of the Bulgarian Parliament. He spoke on Panel IV of the Schiller Institute Conference, on July 1, 2018.

Thank you very much! Let me begin by thanking the Schiller Institute for inviting me to be here and to share some ideas and thoughts concerning this topic of our conference. I think that it will be a fruitful conference, not only in ideas, but also in practical activities.

The topic of my presentation today is “The New Paradigm from the View of the Balkans.” As a scholar, I want to start from a top-down strategy, especially from the whole picture of the geopolitical present now, to our topic the Balkans and the new Chinese initiatives. There is the saying attributed to Napoleon, shared by the famous French historian, Fernand Braudel, that “geography is destiny.”

World Power Centers

If we look at a geographical map, and look at the main industrial, economic power centers in the world now, we get an important perspective. From an historical standpoint, the first industrial circle is the Western center of the power—economic, military, and so on. It’s situated in the south of Britain in England, and after that in the Ruhr region in the western part of Germany and the northeast part of France. It’s a process that has been continuous for 200 years in the era of the so-called Industrial Revolution.

The result of this is that western countries, especially Great Britain, and after that of course France, and after that Germany and the United States, have very strong power not only in terms of their militaries, but in terms of their economies and especially in their cultural



Ivo Christov

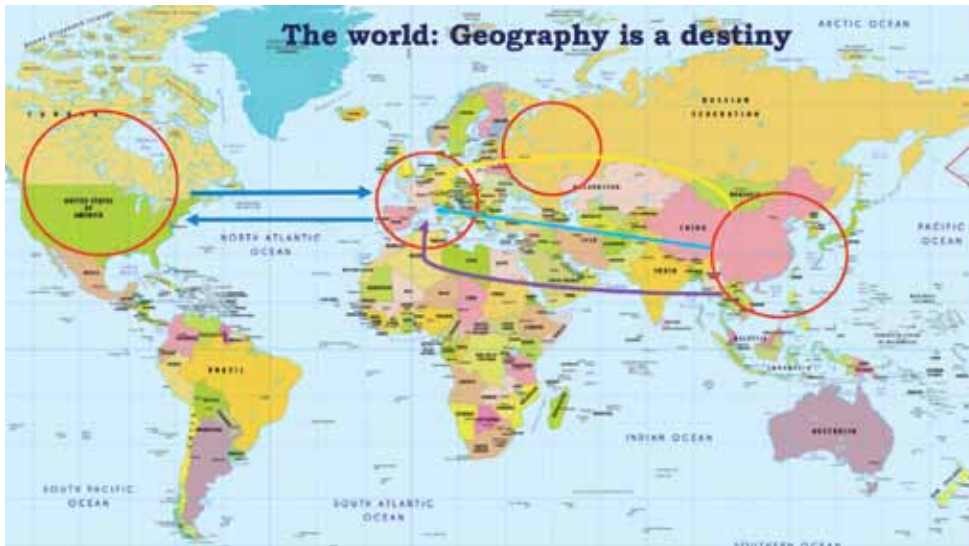
views. It’s very obvious that this is a western-centered world, because the center of power—especially military, economic, and technological—is concentrated here. Their predominance obviously derives from their military forces, their military power, by sea especially.

After that, at the very end of the Industrial Revolution, the next center of political and military power is North America, concentrated especially in the eastern part of the United States—the New England region. And after that, the center moved slowly, after the American Civil War, to the very center of the Great Plains in Chicago, and after that to the West Coast of the United States today. That transformed a very powerful center of military might and economy; it’s the strongest center, because it is obvious that Canada and Mexico are countries which are very dependent on the American power. Between the Western European center and the American center, there are very intensive flows of goods, finance and so on.

After the Second World War, America became the major player in this game. Western Europe, and after 1989 Eastern Europe, became dependent on American power. Another center of economy and military power, is of course Russian. The Russians came into power after the reforms of Peter the Great, and especially after the establishment of the Soviet Union. During the Stalin period, the Soviet Union became the strongest power in the world in the military fields after the United States.

The fourth center of power—economic, military, trade, and so on—is the eastern part of Eurasia. First of all, historically, has been Japan, and after that Korea, and China.

What is typical for this center of economic and cul-



tural influences? This is a very specific model of the establishment of modern culture, especially in the modern state of economy. This economy was created top down by the state, by a very strong state. This is nothing like the free market; all of its economy is a fruit of active state policy. It's typical for Japan at the beginning of the 20th Century. After that, during the reforms in China, after the 1980s, it is seen in China. This is a very specific collaboration between a strong state, on the one hand, and the creation of new economic fields and agents, on the other. In China's case, China's state creates the new economic champions on the market level in the world plain.

The Pursuit of Trade and Resources

Between the Western European core of Western power and the North American core of Western power, there is very intensive development of trade and other economic activities. What is very interesting is that their economic and political power is based on resources. Especially oil and gas resources, which are situated outside these regions with the exception of Russia. For example, for America, this is the oil and gas resources in the Mexican Gulf and Mexico, and of course in Canada and Alaska. On the other hand, in Europe, countries get their resources especially from the Gulf States in the Middle East, North Africa, and Africa as a whole. It is very interesting that for the Far East region economic model, it's very important to have a very strong linkage with the Middle Eastern countries and North African

countries for energy resources.

So, what is principally new in our situation now? The principal situation is that China wants to develop its own activities and its own political and economic role in the world—not engaging in a zero-sum strategy, but from a strategy of win-win: “We win and you win in our collaborations and trade and political relationships.” The dependency of China on resources, especially from

this region, is an advantage for China, but there are some opportunities, especially from the North American countries, to block and stop China's development into becoming the leadership in the modern world.

Maritime Chokepoints

How? Because America for now controls, for example, the very important point, the Strait of Malacca, for example. The Strait of Malacca is absolutely important because through it goes 40% of world trade and exchange of goods, especially trade from China, from Japan, from Korea, from other so-called Asian tigers.

Another point for stopping China, is the Strait of Hormuz, between Iran and Oman, because this is the focal point for reaching the oil fields of the Middle East.

Another chokepoint, is the strait between the Arabian Peninsula and Africa, between Yemen and Djibouti—it is very interesting in regard to the lecture yesterday about this topic—and Djibouti, Somalia, and Ethiopia. Shipping between the Indian Ocean and the Mediterranean Sea must pass through Bab-el-Mandeb and the Suez Canal. In this point of view, it's very interesting to see China's strategy of developing new belts of international trade and cooperation, not only via oceans, but inland inside of Eurasia, especially from the western part of China via central Asia, Iran, and after that Turkey, to the center of Europe.

Europe, especially Germany, France, and the core



sula and the Balkan Peninsula are the two points for entering into Europe from Africa on the one side, and from the Middle East on the other.

This specific region is therefore very important. Why? First of all, there are two main directions of trade—goods and people and so on—from East to West via Turkey, Istanbul, Bulgaria, Serbia, and others to Central Europe; especially Germany. Another road is from North Africa, especially Egypt, via Greece, Macedonia, Serbia, and Croatia or Hungary directly also to Germany. This is very important for the blockage of

these trade flows from the Balkans to Central Europe. Another important thing is that here, in this small peninsula, there is so much history, so many contradictions, and so many histories of bloody conflict. Why? Here, three civilizations live together—Muslims especially. This is part of the past history of the Ottoman Empire—Turks or Muslims in Bosnia or Albania. Another is the Orthodox civilization—the Greeks, Bulgarians, Serbians and Romanians are Orthodox. And of course, there is the Catholic civilization—concentrated in the northwest of the peninsula, especially in Croatia, the Croatian parts of Bosnia, and Slovenia. So, in this very small part of Europe is the battlefield of four major powers: the United States,

Russia, Turkey, and China.

of Europe, is the biggest market now in the world. On the other hand, there is another option from Beijing via the southern part of Russia or the northern part of Kazakhstan directly to the Baltic ports and Germany. Another option is the southern route, from southern China via Thailand; or another option is from western China directly via Pakistan to the Pakistani Baluchistan province; this provides a direct linkage to the oil fields of the Middle East and the Gulf.

Many Roads Lead Through the Balkans

So, what is important here? Why do I speak about this if my topic is the Balkans? It's very interesting in historical, military, economic, and other dimensions to understand the situation here. Why are the Balkans so important? Not because I am from this region; I am from Kiev and I live in Bulgaria. The Iberian Penin-

Will the Roads Be Open or Blocked?

What's interesting for China? China wants to enter into this very important area. China, in cooperation with Turkey, for example, completed a railway from Turkey via Istanbul and maybe to Bulgaria—but maybe only. Another railway project is from the Greek port of Piraeus directly to Thessaloniki, Macedonia, Serbia, and going to the very center of Germany. Let us talk about Bondsteel. It is the biggest American military camp in Europe, situated in Kosovo. From here, the United States has blocked every effort to enter into the Balkan Peninsula from any direction.

In the future, the project of the New Silk Road will be very difficult in practice. Why? There are so many

obstacles, especially from the American strategy to stop China from engaging here, and to stop any activities in oil or gas initiatives by Russia to build new pipelines from Russia, via Bulgaria for example, to Serbia and Central Europe.

What should we do? Why is it so important for

Europe to change the geopolitics in this region? If the Balkans remain nothing but a black hole to Europe, this geopolitics will interfere, if not stop, all the initiatives for entering and changing the geopolitical situation not only in Europe, but in the world. Thank you very much.

FOLKER HELLMMEYER

Options for Integration of the Eurasian Economic Union and China's OBOR

Folker Hellmeyer is a German economist. This is an edited report based on his prepared text. He spoke on Panel IV of the Schiller Institute conference, on July 1, 2018.

The tremendous rise of Asian nations, which we have experienced for decades, is unparalleled in economic history. It's not just about China or India. The entire continent no longer accepts the supremacy of the old industrial nations. While our western world is struggling with aging, political fatigue, and debt, most Asian countries are characterized by growth and a young population capable of learning, which perseveres and is efficient. The emancipation of the emerging countries is reflected in the setting up of their own structures, be it the Asian Infrastructure Investment Bank as an alternative to the World Bank, or the New Development Bank as an alternative to the IMF, or CIPS [the Cross-Border Interbank Payment System] as a counterpart to SWIFT. The One Belt One Road (OBOR) project is the response of emerging countries to the disregard for their interests and to the shift in the financial economic power axis in favor of the emerging countries, whose share has risen from around 20% of world GDP to more than 66%.

Consequences

1. The massive shift of the financial-economic power axis renders a shift in the political power axis



Folker Hellmeyer

inevitable. The path leads from unilateralism to multilateralism.

2. In the context of the global power struggle, new options and potentially new or redefined blocs have arisen.

3. The OBOR project is both an economic structural measure and an expression of the implicit claim to power of China and the emerging countries.

The Eurasian Economic Union (EAEU) is an association of five countries in the North East of Eurasia that have formed an internal market with a customs union. The economic union emerged from the

Eurasian Economic Community, which came into effect on January 1, 2015.

The founding agreement was signed on May 29, 2014 by Kazakhstan, Russia and Belarus. An accession agreement was signed with Armenia on October 10, 2014. Kyrgyzstan joined the Union on August 12, 2015. The aim of the Eurasian Economic Union is to facilitate the exchange of goods, capital, services and labor. In addition, five additional countries wish to coordinate parts of their economic policies on the model of the European Union: Tajikistan is now a Candidate country, and Uzbekistan, Mongolia, Azerbaijan, and Syria are now potential candidates.

Aims of the EAEU

The EAEU follows the model of the European Union. Its aims include: abolition of customs duties

and customs controls (customs union); single economic space (2007); free movement of persons, goods and services, and capital flows (January 1, 2015); common market for pharmaceutical goods and medical devices (January 1, 2016); the beginning of a common energy market and a common electricity market (2019); a common oil market (2024); a common gas market (2025); creating the conditions for a single financial market, a common currency (by 2025).

Economic and Structural Data

RUSSIA

GDP growth for 2018: About 2%.

Consumer prices currently: 2.4% year on year.

Foreign trade: Surplus of about \$10 billion per month.

Real wage increase: Currently ca. 7% year on year.

Public budget: Deficit of 0% of the GDP for 2018, according to IMF forecast.

Public debt: 18.7% of the GDP, according to IMF forecast.

BELARUS

Economic development: Turnaround carried out.

Investment: Moderate rise expected.

Consumption: Private consumption could rise by 3% in 2018.

Foreign trade: Strong growth of German exports in 2017.

Economic growth in 2017 mainly supported industry, which was able to increase its output in real terms by 6.3% in the first eleven months. Belarus profited from the economic recovery in Russia as its most important export market, and from the rise in raw material prices. After the declines of previous years, exports rose sharply in 2017. After settling the dispute with Russia over oil and gas supplies in April, deliveries of oil and gas and thus production in the highly important petrochemical industry of Belarus picked up again. Further impulses came from the service sector and agriculture. In contrast, the construction industry remained negative.

KAZAKHSTAN

Investment: Strong growth in the coming years is expected.

Investment will continue to be strong. From 2018 to 2022, the government expects gross investment to grow

an average of 7.2% per year; the 2017 growth is expected to come in at 4.7%. Government spending on industrial and infrastructure projects, as well as increased investments from the People's Republic of China, account for most of the investment.

ARMENIA

Economic development: Good chances for strong growth in 2018.

Investment: Long-expected turnaround in sight.

Consumption: Consumer spending is again on the rise.

Foreign trade: Good perspectives for further significant growth.

The national debt is increasing. Government-owned foreign debt is expected to reach 60% of GDP by the end of 2018, compared with 55.1% in 2017 (estimate) and 44.2% in 2015. The country's poverty rate is nearly 30%. Forced and sustainable economic development, and above all, the efficient integration of Armenia into international cooperation, is considerably hampered by the closed borders with its neighbors, Azerbaijan and Turkey, as a result of the unresolved geopolitical conflict over the Nagorno-Karabakh region.

KIRGYZSTAN

Economic development: The pace slowed down due to a decline in gold mining.

Investment: International donors and Chinese investors are decisive.

Consumption: Income development looks good.

Foreign trade: Imports growing strongly.

The GDP of Kirgystan rose by 1.3% between January and April 2018, much slower than one year earlier. The main reason is the decline in gold mining in the Kumtor Mine, the country's economic heavyweight. Otherwise, the economic engine was not running smoothly everywhere. Excluding Kumtor, GDP growth remained modest at 2.5% during the reporting period.

However, the prospects are good. After a plus of 4.6% in the previous year, the GDP could even increase by 4.2% in 2018 according to the World Bank.

From January to April 2018, construction, services and agriculture contributed positively to GDP growth. In addition, the Kyrgyz economy will benefit not only from the fast-paced development in China, but also from the economic recovery in two other important partner countries, Russia and Kazakhstan.

New Silk Road: Achievements & Prospects Of Serbia-China Economic Cooperation

Duško Dimitrijević, PhD, is a Professorial Fellow, Institute of International Politics and Economics, Serbia. He spoke on Panel IV of the Schiller Institute conference on July 1, 2018. This is an edited transcript of his presentation.

Ladies and Gentlemen, *guten Tag, bonjour, dobry dan* [Russian], *ni hao* [Chinese]. [laughter]

You Excellencies, ladies and gentlemen, distinguished organizers, it's my special honor and pleasure to greet you and to thank you for your kind invitation to participate in this conference for a world order of peace based on the development of nations, prepared by the distinguished Schiller Institute. I wish to express special gratitude to Mr. Lyndon LaRouche and Mrs. Helga Zepp-LaRouche, founder and president of this famous temple of wisdom; as well as to my colleagues Mrs. Elke Fimmen and Mr. Klaus Fimmen. Today's lecture, which I prepared for this occasion, deals with a very interesting topic on the achievements and prospects of the economic cooperation between China and Serbia, in the context of One Belt, One Road. As the old Romans said, *scripta manent* [spoken words fly away, written words remain]. I prepared something and I will read it for you.

China's Development Strategy

China's development strategy of the New Silk Road, with the two framework initiatives known as One Belt, One Road, *Yi Dai Yi Lu*, which was announced by the Chinese President Xi Jinping in 2013, provides for long-term improvement of relations especially with the countries of Asia, Europe, and Africa. This strategy represents an ideological concept of the Chinese foreign policy that aims to uphold world peace and to promote common and harmonious development of the whole world. In contrast to the geopolitical strategies of the



Duško Dimitrijević

great powers that is mainly based on the divisive approaches, the Chinese New Silk Road focusses on common interests and cooperation in order to achieve mutual benefits.

With an open-door policy applied for more than three decades, China is trying to strengthen its position in international politics, and to contribute to an active participation in the globalization process, in order to achieve these goals which are formulated through the motto, "Chinese dream." China is constantly changing on the social plane, repeatedly carrying out economic reforms and building a new vision of interna-

tional relations based on the promotion of political, economic, and cultural cooperation and social progress between different nations and different states, building a so-called "community of common interests, destiny and responsibility" or, in other words, "a community of shared future for mankind."

Hence, despite significant geopolitical changes after the Cold War, a strong political influence in the international process, and expressed opportunism in international relations, China has continued to act as an abiding factor in solving major international problems, using as a model the [Five Principles of Peaceful Coexistence](#), the Panchsheel Principles, which is in line with the purposes and principles of the United Nations Charter.

As the world's second largest economy with nearly one-fifth of the world's population, China has committed herself to expanding good relations with other countries, especially with the developing countries, such as Serbia.

Serbia-China Relations

In geopolitical terms, Serbia is located in Southeast Europe at the crossroads linking the Black Sea and the North Sea, and Southeastern Europe to Central and

Western Europe. Its territory is small and landlocked, with limited political, economic, social and demographic capacity. Serbia is a militarily neutral and defense-oriented state. As one of the successor states to the former Yugoslavia, Serbia has a mixed national identity, and a mixed cultural and historical heritage, which in international relations makes it a much more open and accountable partner.

Traditionally, Serbia has had good relations with the main actors in international politics. As a member of the United Nations and other major international organizations, Serbia is trying to build good relations with other countries and to promote peace, stability, equality and mutual trust. In Serbia's actual foreign policy strategy, the People's Republic of China occupies an important place. Serbia's strategy is expressed by its four pillars of foreign policy.

The first pillar is the European Union, whose member Serbia would like to become; second pillar is Russia, as a world political rising power, and historical partner of Serbia; the third pillar is the United States, as a great power, with whom Serbia has had fluctuating relations in the past, but whose importance and influence in international relations Serbia has accepted as a reality; and the fourth important pillar of Serbian foreign policy strategy is China, as a global economic power and traditionally a good friend of Serbia in international relations.

Relations between Serbia and China have followed the continuity of relations between Yugoslavia and the People's Republic of China that commenced with its recognition of China on October 1, 1949. China's foreign policy and security concept is based on principles of sovereignty and territorial integrity of states, advocating cooperation of equality and mutual benefit, and non-interference in the national affairs of other countries. Since the two countries encourage friendly relations with each other and actively participate in development through various forms of bilateral and multilateral cooperation, at the regional, sub-regional, and global level, it can be said that these relations have become of prime and strategic importance.



Xinhua/Li Tao

Chinese President Xi Jinping (L) and Serbian President Tomislav Nikolić attend a signing ceremony of a joint statement to lift bilateral relationship of China and Serbia to comprehensive strategic partnership, Serbia, June 18, 2016.

How China Views South and East Europe

Today, it is much clearer than yesterday, that China is a very important Asian economic partner of Serbia, and one of the major pillars of Serbia's foreign policy. On the other hand, Serbia is one of the key Chinese partners in the region of South and East Europe. China primarily sees South and East Europe in terms of economic integration with the European Union, as a common market of high purchasing power, and therefore an ideal space for the placement of its own products. In this regard, it is important to note that China supports Serbia's aspiration for full accession to the EU without prejudice to its vital national interests.

At this point, it is worth mentioning that Serbia was granted candidate status for membership in the EU on March 1, 2012. With this new status, Serbia has taken a significant step towards the European common market, with the prospect for achieving real economic growth and social development.

For economic and social transformation of Serbia, China could also play a decisive role, because it does not pursue geostrategic redesigning of the European area, but seeks to maintain the stability of the existing order. This is the best thing through China's seat on the

UN Security Council, where it's committed to preservation of the territorial integrity of Serbia. On the other hand, Serbia supports the territorial integrity of China, its sovereignty and its right to regulate its relations with the former separate parts of its territory through the Chinese foreign policy, its One China policy.

Cooperation between the two countries is now at the highest level since the establishment of diplomatic relations in 1955, and each day is expanding with new positive content. In view of this affirmation, Serbia's position toward China and its role in Chinese development strategy, the New Silk Road, are determined by many factors.

As is well known, Sino-Serbian relations are characterized by the strategic partnership established in August 2009, with the joint statement of then President Boris Tadić and Hu Jintao. This strategic partnership was expanded to a comprehensive strategic partnership through the joint statement of Serbian and Chinese Presidents Tomislav Nikolić and Xi Jinping, signed in August 2013, and in June 2016. In view of these facts, a series of framework agreements on political and economic cooperation has been concluded. For example, the agreement on economic and technical cooperation in the field of infrastructure, signed in August 2009, paved the way for the many other joint projects in the fields of energy sectors, transport, agriculture, telecommunication, finance and cultural exchange.

The 16+1 Mechanism

The importance of these projects and their profitability can only be understood in the context of implementation of the Chinese development strategy, which includes the objective of previously formulated global strategy which China has encouraged its companies to exploit in the world markets. Hence, the Serbian position towards China's development strategy depends on the understanding of global processes in the world, and geo-economic interests of China that are channeled through the mechanism 16+1, which represents a political platform for cooperation between China and the countries of Central and Eastern Europe. Because the cooperation mechanism 16+1 is in line with the Chinese objective of being a partner for growth with the EU, its relationship with the Central and Eastern European countries may be a growth driver within the framework of China-EU relations.

China believes that by enhancing the overall level of its relations with the Central and Eastern European

countries it will be in a position to promote a more stable and healthy China-Europe relationship as well. Such an approach presupposes harmonization of both the Central and Eastern European countries and their national development strategies, respecting their legal frameworks; and then, also respecting the authority, rules and standards of the EU, as well as complying with the obligations agreed to in the strategic documents such as Agenda 2020, whose implementation could be of crucial importance for the sustainable success of cooperation with the framework of the 16+1 mechanisms.

As Serbia is an active participant in the cooperation mechanism 16+1, it could also be a good partner in the realization of the Chinese development strategy and it's One Belt, One Road initiative, which promotes cooperation between different countries and peoples of different regions and from different continents. This can best be demonstrated through the analysis of Sino-Serbian economic achievement.

Although Serbia views China as its most important strategic partner in Asia, its economic relations with China are characterized by mutual asymmetry in all economic parameters. But regarding these parameters, it does not mean that there are no real possibilities for their further growth and development. China sees Serbia as a key partner in the region of Southeast Europe, as well as an active actor in the way of connecting with the European Union, whose common market, with high purchasing power, can be an ideal place for investment and the placement of products. In this sense, China supports Serbia's aspiration, as I said, for full membership in this organization.

Good political relations with China provide Serbia with the opportunity to develop good economic relations with her in different ways and in different fields. Currently, economic cooperation on its [inaudible] value and structure, unfortunately makes up only a small part of the economic exchange with the world in both countries. This state of affairs is primarily conditioned by the Chinese economic strategy, whose constants are global geo-economic positioning; growing expansion of exports; acquisition of energy and mining resources for the purpose of maintaining economic growth; and significant logistical and financial support of state structures and state banks for companies operating abroad.

In those pursuits, China is emerging as a major investor worldwide; it is therefore clear that economic coop-

eration with China is a major economic challenge and incentive for Serbia. However, the two countries have a clear will to improve their economic relations, which is best reflected through the Chinese foreign direct investments (FDI) in Serbian transport, infrastructure, energy, and ICT [information and communication technology] sectors. According to official data, the main Chinese project investments in Serbia's economy have reached a level of around \$6 billion.

Serbia Seeks a Role in Global Value Chains

Hence, economic cooperation with China represents a huge opportunity for development, and also provides good evidence of successful conduct of foreign policy, which promotes co-operation on the global level and contributes to the constructive meeting of East and West. However, if Serbia wants to increase its influence and importance in international relations based on economic co-operation with China, its business with China must be based not only on past success and achievements, but also on improving its real economic capacity, through the various types of investments. In industry infrastructure, in this sense, Serbia will have to successfully involve itself in international production through the global value chains which derive not only from proprietary invest-



Zhang Dejiang, chairman of the Standing Committee of China's National People's Congress (NPC), visits a steel mill during his official visit to Serbia, July 17, 2017.

Xinhua/Ju Peng

ments, but also from portfolio investments.

Serbia can be included in this chain in two ways: First, through foreign direct investments, by which the Chinese party acquires ownership rights but also control over Serbian companies. For example, through the establishment of a brand new company through greenfield investments; or through investments in the realization of capacity of existing ones through brownfield investments; or through joint ventures and international mergers and acquisitions, where companies from China and Serbia establish new companies; or by Chinese purchase of Serbian companies in order to acquire property and business connections. Second, through indirect investments that represent the purchase of securities by the Chinese party for the purpose of investing capital in Serbian companies, without the intention of directly influencing their business policy.

In these ways, the Serbian economy could be included in the global value chains through Chinese investment capital, and Serbian companies could realize long-term benefits from the export of products and services that would be owned by Chinese and Chinese-Serbian companies.

It is quite certain that were the Serbian economy to be included in the global value



Zhang Dejiang, chairman of the Standing Committee of China's National People's Congress (NPC), visits a power station during his visit to Serbia, July 17, 2017.

Xinhua/Ju Peng

chain through Chinese investment capital, Serbian companies could realize a prosperous export benefit whose carriers were Chinese or mixed Chinese-Serbian firms. This could lead to the further expansion of mutual economic cooperation, but also to the linking of a number of countries from the Central and Eastern European region to the Chinese-Serbian investment project.

That these possibilities are realistic is also due to the fact that Serbia has adopted appropriate economic policy measures and has provided a solid legal framework as guarantee for the Chinese foreign investments. In this regard, it is important that Serbia has continuously renewed and developed its bilateral investment arrangements with China. Such a good example is the case which happened during the visit of Chinese President Xi Jinping to Serbia in June 2016. The two sides signed a new agreement of economic and technical cooperation with 20 other agreements and legal instruments of cooperation in different fields.

A Stable, Legally Transparent Business Arena

The need for permanent legal security of foreign investors in Serbia has led Serbia to adopt model investment goals, which guarantee equal legal status for domestic and foreign investors. Regardless of the form of foreign investments, or acquisition of shares in existing enterprises, the establishment of new companies, franchises, BOT [build, operate, transfer] arrangements, concessions and other business transactions, Serbian law as from 2015 guarantees freedom of investments, national treatment, legal certainty, and the ability to transfer profits abroad.

The further development of economic cooperation between Serbia and China, entailed the examination of comparative advantages that Serbia has and can contribute, to increase the structure and scope of Chinese investments. These benefits include some of the following factors: a clear foreign policy goal, relative macro-economic stability; a highly-qualified and relatively cheap labor force; regionally competitive financial risk; a privatized banking sector; rapid development of capital markets; development of telecommunications infrastructure; a liberalized system of tariffs and tax legislation; the rapid development of the private sector; a significant level of income; fiscal regulatory and financial measures; the existence of free trade agreements with the European Union, CEFTA, AFTA, Russia, Belarus, Turkey, Kazakhstan and other countries; the adoption of a national strategy for promotion and de-

velopment of foreign investments; and full visa liberalization between China and Serbia.

Conclusion

So, let me conclude: As history shows, each country must follow world trends in order to achieve its prosperity; otherwise it will be out of the world. The question is then, “What are the current trends?” For China, this is definitely peace, development, cooperation, and mutual progress. China does not accept the models of international relations based on imperialism, neocolonialism, and hegemony.

As I mentioned earlier, one of our presenters said China stands for multilateralism in international relations and for a multipolar world order in which peaceful development has no alternative. Therefore, it’s understandable why China’s new development strategy of the New Silk Road emphasizes the full historical momentum for the progressive development of the whole of humanity, and why China promotes the open-minded ideas of the new normal, which deepens the earlier ideological concept of global economic development and reform of international society into the community of common interests, destiny and peaceful stability.

Hence, in my opinion, it’s indeed a prophetic statement from the esteemed Mrs. Helga Zepp-LaRouche, that the New Silk Road—which becomes the World Land-Bridge and is the basis for the peace order for the 21st Century—requires a New Paradigm of thinking. This New Paradigm can only be one that proceeds from the common aims of mankind. These aims of mankind can be achieved exclusively through the dialogue between different civilizations. In this regard, I repeat the words of the Chinese President, Xi Jinping:

Countries may have differences and even encounter problems with each other, which is to be expected. But we should not forget that we all live under the same sky, share one and the same home planet, and belong to one and the same family. People across the world should be guided by the vision that all the people under Heaven are of one family, embrace each other with open arms, enhance mutual understanding, and seek common ground while setting aside differences. Together we should endeavor to build a community with a shared future of mankind.

Thank you very much.

Necessary Regulatory Framework for Investments of German/European SME Economy Along the New Silk Road

Hans von Helldorff is the Spokesman for the Federal Association of the German Silk Road Initiative (BVDSI). This is an edited version of his prepared text. He spoke on Panel IV of the Schiller Institute conference, on July 1, 2018.

China's One Belt, One Road (OBOR) initiative can unquestionably be described as the greatest global investment program ever, so far. Projects worth \$900 billion which are now under construction, as well as other planned projects with a volume of close to \$4 trillion, leave no doubt as to how serious China's intention is, to become the leading economic power on Earth.

Of course, one can discuss whether China intends to pursue hegemonic goals, or whether it is only seeking to give an unprecedented dynamic to global development for the benefit of many. What is sure, is that China is not just giving anything away, and, yes, China, too, is acting primarily in its own interest.

The longstanding stable growth of the Chinese economy has led to a change in the role and the self-conception of China's economic and foreign policy. A closer look shows that the shift from the role of a workbench to a leading technological power is not surprising.

Although initial successes in terms of know-how transfer to high technology qualifications were still based in the early days on joint ventures or partly also on the unauthorized adaptation of intellectual property of western companies, since the middle of the 1980s, China has consistently and outstandingly invested in training, research and technology. Tens of thousands of students have been sent to prestigious universities around the world and, after successful studies, have



Hans von Helldorff

been given good positions in their own economy.

Together with massive support for industry and a successful monetary and financial policy, this strategy has paid off. China's massive foreign exchange reserves have not only allowed it to become the largest creditor of the United States, but also to become the foundation of an unstoppable, highly expansive international economic policy. The greatest manifestation of that currently is the OBOR initiative.

From the perspective of our association, One Belt One Road is the strategic gateway to a new, more just world economic order. But it is also an opportunity and an offer for the German economy to bring to bear its enormous capabilities and its excellent reputation. Unfortunately, this point of view is scarcely to be found in German and EU politics. Instead, the skeptics dominate. With a strange mixture of arguments, they claim the authority to interpret and assess Chinese intentions and omissions. This attitude has led to much irritation in Asian countries, in Russia and certain EU member countries, such as Hungary, Greece and the Czech Republic, just to name a few.

Germany a Tolerated Onlooker?

The premises of German foreign and economic policy are based more on ideal and moral values, such as human rights and more democracy. In other words, Germany's interests, as the strongest exporting nation in the world, come last. That leads to a decoupling of political speed from economic speed. Germany thus runs the risk within a short time of jeopardizing its position as a leading economic nation and being reduced to playing the role of a tolerated onlooker. This unilateral orientation to values and to the West has not produced

any sensible results in the recent past.

To take just one example, Germany and the EU approved the extension of sanctions against Russia. Russia has enough options on its own or in partnerships to handle these sanctions. But the alternatives of the German economy, on the contrary, are clear. Trade of goods and services with Russia has noticeably decreased. Even if we ignore that, the problem remains of the difficult rebuilding of trust between the EU and Russia.

The point I want to make is the following: The game of economic policy forces is now very dynamic and requires a constant adjustment of one's own doctrine and foreign trade objectives, for example. These demands, however, require a government that has a clear view of necessities. In addition, these demands require a government that is able to formulate policies clearly and precisely, and if necessary, with a vision. Unfortunately, these skills have been steadily declining in Germany since 1983.

Dealing with problems so detailed that they do not belong in the Bundestag, has led to a loss in credibility of Germany's major parties. If we translate this situation and its results onto the challenges that face us in Europe, doubts will quickly arise as to whether and how German policy will manage to address the OBOR project on an equal footing. What's more, how should German small and medium-sized business (SMEs) have confidence that the necessary regulatory framework will be found, or perhaps created, with the help and active support of the countries along the Silk Road. In the economies along the traditional Silk Road alone, there is an enormous demand, for example, for infrastructure projects, energy projects, the development of medium-sized industrial clusters, training projects, health projects, etc.

The opportunities for the German economy are enormous. We in the BVDSI, in the many conversations we have with the ambassadors of these countries, have all found that the desire for German participation in the framework of China's OBOR investments is constantly growing. It is driven by confidence in German technology, in German management methods, in our cooperative business culture and innovative ability.

SMEs' Need to Navigate Safe Waters on OBOR

But to come back to the core challenges for the German Mittelstand economy. As you probably know, Germany has a very strong medium-sized economy, which is also largely made up of family businesses.

This strong nucleus of the German economy has produced an enormous amount of "hidden champions" in almost all branches of the world market. This middle-sized economy is the secret of our country's export success and its innovation and investment capabilities. The major DAX [Frankfurt Stock Exchange Index] companies are not the ones that absolutely need political support. They are well represented everywhere and can assert their interests all by themselves.

No, it is the medium-sized family businesses that need political support. These family-owned companies need to navigate, from a regulatory standpoint, in relatively safe waters. That includes bi- or multinational agreements on the protection of investments and the protection of intellectual property. This includes clear, understandable measures against corruption and state arbitrariness. It also includes guarantees for the free movement of goods and capital. Last but not least, regulations must be established to guarantee safety in terms of claims settlement and compensation. Special export and project financing is another area of support services that must be put in place for OBOR.

Fortunately, there are already examples of the creation of an important regulatory framework. Kazakhstan has created an impressive legal landscape, which corresponds in many areas to German legislation. Russia has created extensive guarantee packages and arbitration boards with which the German businessmen active in Russia feel to a great extent comfortable.

However, there remains a lot to do, especially in the areas of corruption and arbitrariness of public authorities. The EU and Germany have vast experience in developing, contracting and codifying such regulations and procedures. They come from the accession agreements to the EU as well as from bilateral agreements. So it's not because of a lack of know-how that the necessary political dynamic is not yet recognizable. Here, a new spirit is urgently needed.

In all agreements to be made with the countries of the Silk Road, in all dignified interests of the parties, one thing must be clear for Germany and for the EU: it is not about demarcation or confrontation with the OBOR initiative. Only a cooperative approach ensures perspectives. It's about participation, prosperity and partnership.

Germany has the duty, both internally and externally, to take up new global initiatives. Otherwise, we will lose our opportunity in Europe to participate in shaping a new world economic order.

The Eurasian Canal and the New Silk Road

Professor Nuraly Bekturganov is the Vice President of the National Academy of Natural Sciences of the Republic of Kazakhstan. This is an edited transcript of the English translation of his presentation, by video, on Panel IV of the Schiller Institute conference, on July 1, 2018.

I am Nuraly Sultanovich Bekturganov, representing the National Academy of Natural Sciences of the Republic of Kazakhstan. We are a community of scientists in Kazakhstan.

Together with scientists from Russia and China, we have conducted a series of investigations to assist in pushing forward the construction of a canal and hydroelectric station. The completion of the canal was halted in 1941, due to the start of World War II. In total, approximately 396 km of earth was dug, out of the 750 km needed for the entire canal.

The idea of constructing such a canal connecting the Caspian and Black seas has a very long history, which had been largely associated with political and military applications. Originating in the last century, it was called the Manych Waterway and was designed in the second half of the 1930s. The Ust-Manych hydroelectric complex was built in 1936. In 1941, the Veselovsky and Proletarskiy hydro-schemes were developed, which were aligned with the same reservoirs. However, further design and construction work on the canal was abruptly interrupted by the Second World War.

About 15,000 years ago, during the last Ice Age, that is, when the ice caps started to melt, the water level of the Caspian Sea was about 100 meters higher than it is now. By way of this Manych Waterway, water has traditionally flowed from the Caspian into the Black Sea. But after all these years, the situation has changed somewhat dramatically. Now, the water level of the Caspian is much lower than that of the Black Sea, about 27 meters lower. That is, over a distance of about 750 km between the Caspian and the Black Sea, the water level drops



Professor Nuraly Bekturganov

about 27 meters. Only about six locks would be necessary in order for cargo ships to speed through a canal between the two seas.

Nazarbayev and Putin Support the Canal

Such a canal itself would traverse the Kalmykia region of Russia, to the Rostov region of Russia. Construction of such a canal has been discussed numerous times, by both the Presidents of Kazakhstan and Russia. Here's what President Nazarbayev, one of the initiators of the Eurasian canal commission, had to say about it:

We are in need of different routes: Naturally these goods (oil and gas) would go along those routes which prove to be more economically viable for us. A major project along these lines could be the construction of the new—Eurasian—shipping canal which stretches from the Caspian to the Black Sea.

And here's President of the Russian Federation Vladimir Vladimirovich Putin:

The emergence of a new canal will not only give the states in the Caspian region access to the Black and Mediterranean Seas, that is, to the world's oceans, but will also change for the better their geopolitical positions, allowing them to become maritime powers.

Of course, we have seen an initiative coming from the leader of the People's Republic of China, Xi Jinping. Since 2013 he's been actively pushing what the Chinese are calling the One Belt, One Road. The Eurasian Silk Road Canal is also an initiative. The Eurasian Canal is shorthand for the Nurly Zhol project, a Russian strategic transportation project. When combined, these projects will create a multimodal transit corridor run-



ning through the territory of China, Kazakhstan, and Russia, along the routes following the Lianyungang Port (China), Korgan and Dostyk, Aktau Port (Kazakhstan), through the Eurasian Canal and into the Azov-Black Sea Basin (Russia).

The distance along the Chinese portion comes to about 3,300 km; in Kazakhstan, it's about 2,200 km; and in Russia, it's about 1,800 km. These distances compare with other routes along the Eurasian Silk Road Canal from China, Kazakhstan, and Russia. More than one million people live in the local communities in and around the canal corridors in Central Asia and the Far East. All these people, and their families, will benefit through employment and other services brought to the region by way of this project.

Survey Data Supports Construction

The realization of the Eurasian Silk Road Canal project is also oriented to the current delivery of goods for Kazakhstan by way of this transport canal. We reviewed the amount of goods being transported from China to Europe and found that its implementation will entail redirecting a significant part of the ocean trade turnover between Europe and China, which today passes through the Suez Canal. According to calculations provided by the Sinohydro Corporation, a Chinese company, upon implementing the Silk Road via the Eurasian Canal project, by 2030, some 20-25 mil-

lion tons of Chinese exports now delivered via the Suez Canal route could be delivered along the Eurasian Canal route; and by 2050, close to about 34-44 million tons of Chinese goods could be delivered this way.

The transportation infrastructure of the People's Republic of China is already ready to transport this quantity of cargo via "the Silk Road via the Eurasian Canal," in line with affordable tariffs for EU member states.

After considering these data, as well as data collected by specialists in and around the Caspian regions, we also calculated that upon comple-

tion of the Eurasian Canal, by the year 2050, cargo of about 120 million tons per year could be delivered along this route. This number is already comparable to the amount of goods being delivered via the Panama Canal.

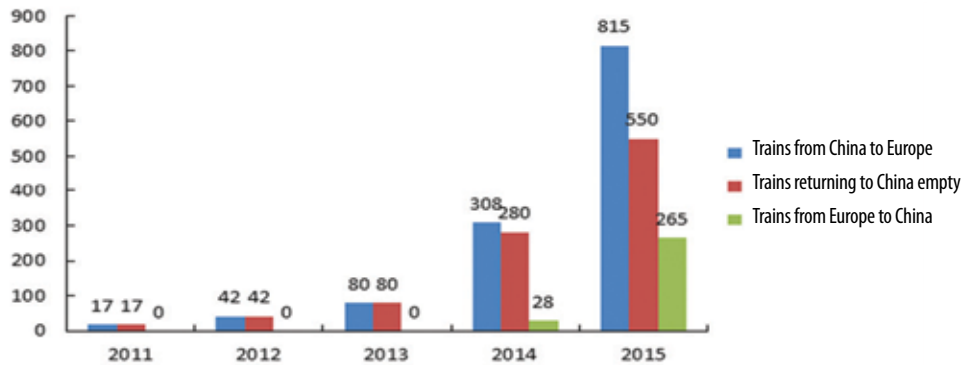
Arguments Against Construction Refuted

In 2008-2010, we conducted a comparative assessment of the technical and economic characteristics of construction projects of a new navigable canal linking the Caspian and Black seas. In the process, we reviewed a few arguments against its building. The main argument we encountered was based on an absence of an economically viable cargo flow, basing their assumptions on a comparison with the Volga-Don2 canal, in which the cargo load was calculated at only 3.5 million tons—10 times less than our calculations! We concluded that this argument could really no longer be used.

We also looked at the number of freight trains travelling between China and Europe and the volume of cargo carried in each direction. To this day, interestingly, no one but us has really ever considered discussing this as applied to the Eurasian Canal!

Up until 2014, that is, prior to the launch of the One Belt, One Road initiative, container cargo from Europe to China was practically nonexistent, but by 2014, 28 trains returned to China, loaded with goods, and in

Return Cargo Flow Through the Eurasia Channel



2015, out of 815 trains sent west from China, 265 returned loaded with cargo, an increase of 10 fold. And if we consider 2016, the amount of cargo coming into China doubled, coming to about 52,000 containers a year. The problem of under-loaded containers coming from Europe to China by land becomes less severe than by sea. According to the latest data, every second container is filled from Europe to China, travelling by land, and every third container is filled, travelling by sea. This is, of course, already a very good reason for building the Eurasian Canal.

We encountered a second argument against building the Eurasian Canal: In April 2015, the leader of the People's Republic of China, President Xi Jinping, signed an investment agreement in Pakistan, to invest \$46 billion towards the construction of the "Kashgar-Gwadar" transportation corridor. Completion of this project will provide the western and central regions of the People's Republic of China with a cheap multimodal outlet to the world's oceans.

Eurasian transit through the territory of Kazakhstan and Russia must be competitive with this K-G corridor, possible only with the construction of the Eurasian Canal. Otherwise, after completion of the Kashgar-Gwadar project, Russia and Kazakhstan lose, even in terms of today's cargo volume. This is one more reason why it's necessary to speed up the process of building the Eurasian Canal.

The Canal Benefits All Countries En Route

Question: "How would constructing the Eurasian Canal benefit Kazakhstan?" According to recent fig-

ures, Kazakhstan would gain significant revenues from the transit of goods through its territory. Today, with the transportation of 18 million tons of cargo, Kazakhstan earns more than \$1 billion. Completion of the Eurasian Silk Road Canal, as I already mentioned, will attract another 20-25 million tons of Chinese export cargo by 2030, and another 34-44 mil-

lion tons by 2050, which would provide an additional annual income of \$1.9 billion by 2030, and \$2.4 billion by 2050.

The best argument for the construction, or the completion, of the Eurasian Canal, I believe, is this: transport of offshore oil from the Caspian Sea. Over the last four years, the largest oil deposits in the world have been discovered in what's called the offshore Kashagan oil deposit, located in the north end of the Caspian Sea, an area which belongs to Kazakhstan. Over the last 13 years, some of the world's biggest oil corporations have been actively investing—companies such as Total, ENI, ExxonMobil, Chinese national oil companies, Kazakh national oil companies. After a colossal amount of money spent on the opening of this offshore site, it is now ready to start production.

But there's the question of how to deliver the crude to consumers. Of course, the idea of using pipelines is very attractive. However, if the Eurasian Canal is com-



Kashagan off-shore oil field.



pleted, ships could deliver the crude to consumers by way of the ocean. The production of crude oil from Kashagan would bring a huge benefit, especially when you consider that the greatest peak of oil extraction from this offshore site could amount to about 75 million tons of oil in the near future. That is, in addition to the 25 million tons of goods flowing through the Eurasian Canal, we would also have cargo of an initial 75 million tons of oil extracted through the Kashagan offshore facility. So this is a very serious argument in favor of the construction of the Eurasian Canal.

In order to start up the canal project again, we conducted a few investigations on the integrated technical and economic indicators surrounding its construction and operation. In accordance with Russian standards, we studied the geographical conditions, the terrain surrounding the canal that would go through Russian territory. We also studied the route it would take in Kazakhstan, gathering reliable data on the physiographical, engineering-geological, and seismic-tectonic conditions. We produced a collection of maps, covering the main aspects of the natural environment (terrain, geo-technical conditions, climate, water resources, soils, vegetation) in ArcGIS 10. We compiled maps over the buffer zone, defined by increments of 25 km. Numerical models of the terrain along the routes have also been constructed. All these various factors we published in our book, which I'll be glad to present you at the end of my presentation.

Traffic and Cargo Analysis

Chinese specialists from the Sinohydro company also conducted a number of experiments on a complex number of physical factors surrounding the canal, along

the Chinese route from Lianyungang to Khorgos.

All of this has been prepared in order to assist in speeding up the re-starting of construction. Over the last three years, many scientists in Kazakhstan, Russia and China have conducted a lot of additional scientific investigations into the construction of the Eurasian Canal. In addition, numerous analyses were conducted on the cargo that would be transported through it, for example oil, as well as all the Chinese goods. By 2050, calculations show, the cargo load could amount to 120 million

tons, and with the Kashagan oil, that could bring the load up to 200 million tons a year. This means that the cargo that would flow through the canal would be massive.

It was suggested to us to dig a parallel canal alongside the 1941 hydro-station canal, which is only about 5-6 meters deep, and basically considered to be able to handle no more than 10,000 tons of cargo. We suggested deepening the canal to about 11.5 meters. If built to a depth of about 8 meters, the amount of cargo that would be able to flow through would be more 50,000 tons. But if we deepen to about 10-11 meters, then the ships would be able to carry more than 100,000 tons.

Our most important suggestion, however, was to line the canal with concrete. This would make it easier to control the water through the canal, as well as resolve any issues surrounding the local eco-system, as the 1941 canal has caused. The new technology we have today could be used to monitor and minimize water usage, therefore answering another criticism of the canal by some ecologists who say that the canal would degrade and disrupt the local eco-system.

Construction of the Eurasian Canal would elevate the standing of the regions of the Caspian where approximately 1 million people live, and would allow them to take part in the world's waterway transportation systems.

Conclusion

To conclude, "the Silk Road via the Eurasian Canal" is well-timed, of immediate interest to the global community, and has tremendous prospect of practical implementation in the near future.

All of our recent findings are published in a book

written about the Eurasian Silk Road Canal project, under the general editorship of the President of the National Academy of Sciences, Nurtai Abykayevich Abykayev. All of our findings are printed in that publication.

Allow me to thank, of course, Dean Andromidas, who, in his [article](#) on the Eurasian Canal, was the only one who finally made note of our [article](#) titled, “The

Eurasian Canal As a Factor of Economic Prosperity for the Caspian Region.” This is one of ten different publications that we have on the Eurasian Canal. Thanks to Dean, we also met Michael and Meghan, and Jason and Alicia, all of whom enabled us to voice the findings we gathered with the assistance of the scientific communities in Kazakhstan, Russia and China.

Thank you very much for your attention.

AMBASSADOR LEONIDAS CHRYSANTHOPOULOS

The Integration of the Eurasian Continent

Leonidas Chrysanthopoulos is a former Greek Ambassador and was the Secretary General of the Black Sea Economic Cooperation Organization. This is an edited version of his prepared text. He spoke on Panel IV of the Schiller Institute Conference, on July 1, 2018.

I would like to start by quoting my conclusion from the paper I submitted to last year’s International Scientific Conference that was held in Belgrade on the initiatives of the New Silk Road.



Leonidas Chrysanthopoulos

East, while the perspectives that open for humanity—scientific, cultural, philosophical, and spiritual—with global peace prevailing, are immense. This is why the Belt and Road Initiative must succeed.

The successful implementation of the Belt and Road Initiative could, in the long run, unite the overlapping regional organizations and initiatives in Asia, in one major organization that would have as its epicenter, the Belt and Road.

In conclusion, if this project that is of paramount importance to humanity is to succeed, peace and stability must prevail. However, the existence and promotion of this project can also facilitate successful peace initiatives if the parties in conflict are able to understand that their benefits from their participation in the Belt and Road Initiative greatly surpass ambiguous benefits from prevailing in a conflict. Such was the experience with the Black Sea Ring Highway, where differences between some BSEC [Black Sea Economic Cooperation] member states were able to be softened to the extent that the highway was allowed to pass through zones of frozen conflicts.

Consequently, a successful Belt and Road Initiative is by itself an incentive for pacification. One can only imagine how Asia would be with peace in Afghanistan and in the Middle

Problems the BRI Has To Overcome

I will expand a little on the problems that the BRI has to face in order to succeed. I will start first with the EU, an organization that no longer has any contact with the people of Europe, an organization that has done away with democratic procedures, an organization that is destroying its members. The EU does not like this initiative at all, which ends within its territory, and is to its benefit.

In April the EU ambassadors in Beijing issued a report that criticized the BRI, since it runs counter to the EU agenda for liberalizing trade and pushes the balance of power in favor of Chinese-subsidized companies. Only Hungary did not agree to the contents of the report. China has been involved in infrastructure projects in central Europe such as the Hungary-Serbia high-speed railway. Although Hungary allowed China to start the project, the EU stopped it, because Budapest allegedly did not publish a call for public tenders and instead relied on bilateral agreements with China. This

also shows the political concern of Brussels and the European business sector.

Another problem created by the EU is that it does not trust state-owned enterprises, which of course occupy a large portion of China's foreign investment within the BRI, and everything possible is being done to prevent China's involvement. Of course this EU policy is highly hypocritical if we take into consideration that Greece was obliged to privatize its airports by selling them to the German state-owned FRAPORT. One wonders today what the definition of "privatization" is. European protectionism is increasing while Chinese companies are not yet fully prepared to obey the complicated regulations of the EU. If the BRI is to succeed, a closer bilateral cooperation between the EU and China is needed, so Europe once again becomes the destination of the Silk Road.

It has been said that a potential risk for the BRI would be the eventual disintegration of the EU, since EU funds would no longer be available. I would say the exact opposite: that the eventual dissolution of the EU would actually be a blessing.

Funds would be found on a bilateral basis with European countries and the strict EU rules would no longer exist to hinder investments in European countries by state-owned companies. Furthermore, sanctions of the EU on Russia and China will cease, thus making bilateral cooperation between the European countries with Russia and China more effective. For example, the Russian countermeasures against the EU do not allow agricultural products from Poland to be delivered to China by the China Railway Express through the Eurasian Land-Bridge. Regardless, if the sanctions remain, the construction of the BRI might have to face the risks of poor connectivity. However, after the last G-7 meeting, which isolated the U.S.A., the EU might take a slightly more open attitude towards the BRI, within the framework of its reactions to the tariff war started by Washington.

The United States, India and the BRI

The position of the United States is important as far as BRI is concerned. For the moment, the U.S. position is negatively ambiguous, particularly after it withdrew last year from the Trans-Pacific Partnership trade agreement. It is, however, supporting and participating in the Asia-Africa Growth Corridor, an initiative instigated by Australia, India and Japan and being (unsuccessfully) presented as an alternative to the BRI. Of course the U.S.A. sees China as an antagonist in the race towards global domination. And as long as it continues on that

path it will be against the BRI, in spite of the fact that it has much to gain from it. But, as long as the U.S.A. does not physically undermine the project, it is all right. It might even strengthen the cooperation between the participating countries, as a reaction to the U.S. position. India is negative toward the BRI because of the territorial issue that it has with Pakistan concerning Kashmir. India calls the BRI an act of Chinese colonialism. The China-Pakistan Economic Corridor goes through Pakistani occupied Kashmir. India, however, is promoting the India-Myanmar-Thailand highway project (3,200 km) that will link India to the ASEAN countries.

As I mentioned at the outset, economic benefits from a project may overcome political hesitations on conflict-solving. We had two cases of positive outcomes when dealing with the projected route of the Black Sea Ring Highway, a 7,500 km highway that would unite the members of Black Sea Economic Cooperation organization and would facilitate road transport from the Black Sea countries to Europe and Asia.

Problems Overcome

One issue was in Moldova, where the highway was to pass from the self-proclaimed Republic of Transnistria, following the old Soviet highway. The Moldovan authorities were reluctant to have the highway pass through Terespol. At that time, negotiations were being held between the two sides for a possible rapprochement, and the stumbling block was the issue of the identity cards of Terespol. So we told Kisinau to tell the other side that if they accept the Moldovan identity cards and other issues, then the highway would pass through, which is what happened.

The other issue was between Russia and Georgia. The highway was to enter Georgia through Abkhazia, but after the August 2008 war between Russia and Georgia, the latter refused to allow the highway to enter Georgia through Abkhazia. After presenting to the Georgian side in detail the economic benefits that it would have from allowing the highway to go through its territory from Russia, we were finally able to convince Tbilisi to allow the highway to enter through the Roki Tunnel in South Ossetia. The negative position of the United States is the most important element that could hinder progress of the BRI. Bilateral, multilateral or other types of efforts should be undertaken by the participants in order to convince Washington of the benefits that it would have by participating in this project. It is almost a "mission impossible," but at least it should be attempted on a permanent basis, in order to

avoid physical hindrance of the BRI. In this sense, closer contacts with Japan, Australia, and India are in order, to examine how the Asia-Africa Growth Corridor could be incorporated within the BRI project. With the EU, there is nothing much that can be done at the present but follow EU rules concerning tenders and financing of projects, so that EU funds can be used by the Central and East European States to partially finance their infrastructure projects.

Culture, Philosophy, Humanism, Spirituality

In a world in which armed conflicts and violence are prevailing and international law has ceased to exist, it is important to stress the role of culture, philosophy, humanism, and spirituality. These intangibles must also

be transported through the Silk Road in the form of exchange of ideas and culture between the East and the West. The Schiller Institute, through the active participation of Helga LaRouche in many international fora, is playing a very positive role in this respect. It is in this sense also that Greece held in April of 2017 the first meeting of the Ancient Civilizations Forum with China participating. Follow-up meetings have been held. In conclusion, the successful implementation of the BRI can play an instrumental role in the humanization of international relations, in the economic and cultural development of the people of the participant states, and, in this way, create the conditions for global peace. It might sound like Utopia. But if we do not believe in Utopia, then it will never happen.

SELECTED DISCUSSION AFTER PANEL IV

Uniting Europe on a Higher Level: Italy, Greece, Germany and the European Union

This is an edited transcript of discussion among Claudio Celani, Folker Hellmeyer, Leonidas Chrysanthopoulos, and Helga Zepp-LaRouche, which followed the presentations of Panel IV of the Schiller Institute Conference, on July 1, 2018.

Claudio Celani: I have a question and some comments for Mr. Hellmeyer, concerning his presentation today. As I said yesterday, I admired your recent interview, Mr. Hellmeyer, in which you spoke about Italy and addressed correctly, as do very few people in Germany, the issue of debt, saying, when we consider debt, we have to look at overall debt—public debt and private debt. Looking at this aggregate figure, the problem becomes different, Italy as at the average or even below average level of debt. But where I cannot follow you, is the other part, the part of the structural reforms, the *Aufgaben* [Tasks], in what you said today.

It's a pity that Mr. Zanni, [Member of the European Parliament (MEP) from Italy] is not here—he had to catch a flight. I will try to be an advocate, not for him, but for his reasons, being myself an Italian, who has lived for many decades in Germany, and being a member of the Schiller Institute, I look forward to a

well-reasoned argument.

Mr. Zanni showed in his presentation on Panel III that there has been a political response in Italy, as in other countries, to the simple fact that these structural reforms don't work, have not worked: They have not worked in Greece, they have not worked in Italy, but they have not worked in Germany, either. If we look at Germany, what happened with the structural reforms, cost-cutting, and labor reforms? Where are the capital investments in Germany? Where are the investments in infrastructure? You would agree with me that there was a collapse of investment in infrastructure, in capital formation, in all countries in the Eurozone, because of this policy of cutting costs.

Now, concerning Italy—Italy accepted and implemented the *Aufgaben*, since the start of the convergence period in order to join the euro. So, these policies began in 1992. Italy has experienced the greatest level privatization in the West; Italy drastically cut its budget. I think in budget discipline, Italy ranks first in Europe, having reduced the deficit below 3%, constantly, along with other measures. Italy has a primary surplus—it carried out the *Aufgaben*.

The last measures were pension reform and labor reform. And what was labor reform? Labor reform has

now made it possible to fake statistics. Today, a person who works only one hour a week, is counted as “employed.” So that’s how, during the Renzi government, Italy showed a growth of employment, of jobs. The real result, however is that poverty has increased. Poverty has increased throughout Europe, and dramatically in Italy. The latest figures from two days ago: Absolute poverty in Southern Italy is over 10%! Now, these are third world figures, right?

We could go on and on with this discussion, which would be a really nice discussion, were it not for the fact that at the end of the day either my view is implemented or yours is, because we are in this structure of the European Union. And that’s a problem.

What I suggest is, to see in what Mr. Zanni said today, the positive aspect, the type of proposal he is putting forward. Mr. Zanni is a younger man, who has come here to speak as a member of the Lega. If you read German media, what is the Lega? “*Rechtsextremist!*” [right-wing extremist] He didn’t sound like a *Rechtsextremist*. I know him personally, and he’s been my friend for a couple of years. He was elected with the Five Star movement, but then when he saw that the Five Star movement was pushing a neo-liberal agenda in the European Parliament, he decided he had to break with them. He found the Lega, which told him, “You can come with us, you can say whatever you want, and have freedom of expression.” He joined the Lega only for that reason.

So, but anyway, his propositional aspect is the China part: let’s join to apply the model that China applies in Africa. The European Union should do this, and this is the solution to immigration.

So what’s wrong with saying, “Maybe let’s reflect on whether integration went too far in Europe? If we go on like this, either we will wind up suppressing elections, or we will have a backlash. Perhaps we will find ourselves having very nasty political forces taking over.” So, that’s what I think he said, and I think it’s a plain proposition. What happens if we take a step back in the monetary integration, in the political integration, but we make a jump forward in physical integration, in investment, and growth?

Folker Hellmeyer: Actually I do not mind investment. What I do mind is consumption. What Italy still needs, and also Greece, are reforms in certain areas in the efficiency of the government, in the political standard, and in the labor market.

The point I want to make is, Italy used to devalue,

for instance, like Greece used to devalue in former times. *That is nonstructural*. If you devalue, you have high inflation; if you have high inflation you don’t get capital formation, capital investment, because the risk of high inflation is eating up the value of the—thus you betray the young generation of their future. The neglect of political reforms is the prerequisite for the youth problems in the labor market in most of the southern regions. And what we are seeing now is, yes! In order to have the reform, if you implement the reforms, you cut into cold flesh—which is nonproductive of an economy, which is painful. You have high unemployment. But after that, you have a better allocation of all production factors, and then you have sustainable growth again. *Any other issue* is betraying yourself!

We need to do something about deficits. You’re right about the net borrowing position of Italy, it is better than Germany, when you look at private households plus government debt. But that’s not the point. The point is, to achieve a sustainable, official budget. Otherwise markets will *punish* you! Without the solidarity of Europe, Italy would have gone bankrupt in 2012. It took the “whatever it takes approach” of Mario Draghi, and you know that very well. And *that* is betraying your country!

In the end, we need to stick to certain rules—that’s the gold standard—we were all forced to stick to rules. We had lots of nectar, of the new system, where we could run budget deficits like hell. What you did in Italy and what Greece did wrong after getting the euro and a lower interest rate, was consuming it away, you didn’t invest it.

I’m very much in favor of investment. On infrastructure, I don’t mind running debts on capital investment. I agree with you there.

But we all need to understand that the European family stood together in this crisis, and without our having stood together, there would have been a recession like 1929-32, not only Europe, but for the rest of the world, because of the interconnectedness. That’s what we should understand also.

And there’s one more issue I want to take up, and this is a really strong mark: After the crisis of 2008-09, the U.S. and the U.K. have repeated the business model that generated the crisis: It’s all debt! It’s the highest consumer debt, it’s the highest corporate debt, and they run a 2.5% growth model with budget deficits of 5.3% this year of GDP, if you rely on the IMF [statistics]. The Eurozone stands at 0.6% this year—IMF numbers—budget deficits with more than 2% growth, and it’s recurring

income, not credit, which is driving this growth, and *this is good*, and this is structural policy, this is reform policy, this is Aristotle, this is future! Thank you.

Leonidas Chrysanthopoulos: I would like to reply that I totally disagree with you, Mr. Hellmeyer, as far as Greece is concerned. I mean, we had an eight-year program of reforms that destroyed the country! You cannot kill a country, in order to have some GNP and all that. So many people have died! We had human losses, in this thing. The economy has been destroyed. Nothing works in Greece any more, and this is presented as a success.

Plus—and this is something else that you don't know about, of course: We have another problem, another issue, which is the German debt to Greece on the loan that Germany took during the Greek occupation [1941-1944], which is worth, today,—it's value is much bigger than the Greek debt. But that's another story. That concerns the Greek governments, the quisling governments, who refused to raise the issue with Germany, and who still do refuse that.

But we started the reform program, the aim of which was to diminish Greece's debt, which in 2010 was 120% of the GDP. Today it's 185%. So, it's eight years of failure! And there's nobody in the EU willing to take responsibility for this failure. Even the IMF has said that it failed, but the politicians refuse to change that policy, because they refuse to admit that they made a mistake. I cannot, and many Greeks can no longer tolerate to see their country being destroyed like that, by the EU! Of which we are members.

I won't continue. Thank you.

Zepp-LaRouche: I would like to point to the fact that there is a reason why the EU is in the condition it is. When the East European countries, the 16+1 and Greece and Serbia and other countries wanted to be part of the Belt and Road Initiative, there was a violent reaction from Brussels, and also from the former German Economics Minister, Sigmar Gabriel, who said that China is destroying the European Union and causing disunity. And then the Chinese answered, the EU does not need China to be disunited, they're disunited all by themselves. The offer of the Chinese Belt and Road Initiative is the only way to unite Europe on a higher level.

And that is, I think, something we should look at.

Look, there are many problems which are self-evident: One is Africa. Africa is in the condition it is in, not because of China, but because of the West! The West

did not develop Africa, neither in the colonial times, nor in the time of the IMF conditionalities, and part of the reason why the refugee crisis exists is because of the policy of the EU and the IMF and World Bank, which up to this present day are not making the kind of investment in Africa which would alleviate the problem.

As a matter of fact, we have many contacts, Mittelstand people, who tell us they would like to invest in Africa, but for the German government, and the EU. The German government hides behind the EU, saying they wouldn't get the kind of [investment protection] umbrella which they would need, because, as Herr von Helldorff was saying, the big DAX firms are not the problem, the problem is the SMEs [small and medium-size enterprises] who need the protection of the state and treaties among the states to be able, otherwise the risk is too big for them.

So look at Africa as a result of this policy. Look at the condition of the Southern European countries, Portugal, Spain. Portugal is doing a little bit better now, but Spain, Greece, Italy. I mean, the suicide rates, the increase in the death rate, the collapse of the birth rate, these are all factors of—I hate to say it—[Germany's former Finance Minister] Mr. Schäuble's "black zero" [no deficit policy]. And Schäuble was the one who was a leading person to impose the kind of austerity policy, and it did not work!

And I think we should rather have a future orientation. The good thing is that we agree that the solution is the Silk Road.

I am open to the EU reforming itself. However, I have no reason at this point to believe that this will happen; but if they do, so be it, it's fine with me. I'm not dogmatic on this point, but the change has to occur. I think that protecting the German capital stock and the hidden champions and all of this, does not require a supranational structure which is completely alienated from its own people. You could have the same kind of protection with a de Gaulle type of alliance of sovereign nation-states who work together for a joint mission.

We are working to bring about a New Paradigm, which is very much in cohesion with what Xi Jinping is saying about a new international relationship among nations based on respect for sovereignty, equality, and non-interference. If that principle would also be part of a Eurasian union from Vladivostok to Lisbon, I think it would work perfectly fine. We need new principles in international politics, because staying with the geopolitical view will not function. We need a new international set of relations, based on these ideas.