

**POSSIBLE ROUTES OF THE CHINESE NEW SILK ROAD - CAN THE V4 COUNTRIES BENEFIT?****ZALÁN MÁRK MARÓ – ATTILA JÁMBOR – ÁRON TÖRÖK**

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**ABSTRACT**

The Ancient Silk Road was created 2100 years ago during the Han Dynasty (I-II century BC) to promote trade between China and Europe. The road was more than 7,000 km long and served as a catalyst for development for many centuries. After the 15<sup>th</sup> century, the Silk Road – and, at the same time, China's dominant role – lost its significance due to geographical discoveries. The dramatic fall in technology and the cost of transportation has led to the Silk Road being forgotten today.

The New Silk Road Initiative (also named 'One Belt, One Road' concept) has been China's greatest economic effort ever, with the main objective of stimulating economic development in Asia, Europe and Africa. It consists of two parts: the Belt will rely on major cities along the route that will carry some kind of central economic and commercial functions; while the Road is based on large ports, which together will result in a safe and efficient logistics route. The concept would affect 64% of the world's population (4.4 billion people) and would cover 30% of the world's GDP (\$ 21 trillion). In recent years, China's economic growth has slowed down, and Chinese goods have become more and more expensive to rely on their main competitive advantage, the low price. This trend points to the need to examine the possibilities of making the transport of goods more efficient. Asia-Europe rail trade accounts for between 3% and 3.5% of total trade between the continents. It follows that 95-96% of the trade between the two continents is carried out at sea. The exact routes of the New Silk Road Initiative have not yet been fully defined but will consist of several land and sea transport routes. We made a systematic literature review to identify the possible paths of the New Silk Road. The initial search obtained 1.739 entries across all databases, which ended up in 49 relevant publications, but in this study we used only 17 publications due to the specificity of the topic. According to the majority of the literature, the New Silk Road would consist of three general land routes. The first land route from China to Central Asia and Russia would reach Europe through the Baltic Sea. The second route would run through Central-, West Asia, the Persian Gulf to the Mediterranean and Central Europe. This route would affect the V4 countries, especially Hungary. The third route would run through Southeast and South Asia to the Indian Ocean. The Maritime Silk Road would start from the coasts of China through the South China Sea and the Indian Ocean to Africa and Europe; as well as from the Chinese coastal ports through the South China Sea to the Pacific Ocean.

**Keywords:** New Silk Road, trade routes, V4

**INTRODUCTION**

The Ancient Silk Road, which was created 2100 years ago at the time of the Han Dynasty (I-II century BC), was a more than 7,000 km long road between Asia, Europe, and Africa. Despite its name, it was not just a single road, and besides silk - which was not a luxury product at that time - spices, silver, porcelain and other goods were also transported.

The road helped the flow of goods, culture, art, history and religion for many centuries between China and Europe. After the 15<sup>th</sup> century, the dramatic fall in technology and the cost of transportation have led to the Silk Road being forgotten until recently. In the first decades of the 21st century, the construction of a new Silk Road was once again on China's economic and political agenda. The new Silk Road intends to re-establish a link between Europe and Asia based on railway lines and the historic Silk Road (CASARINI, 2016; YU, 2017). At first, the return to the railroad seems to be a huge leap forward, but modern supply chains depend to a large extent on the trade of intermediate goods. Air freight transport guarantees faster, just-in-time (JIT) delivery, however, the weight and size of the

goods are important factors in the use of air and rail transport. In addition, intercontinental railways have made significant progress in reducing the time and cost of international transport in recent times (LI AND SCHMERER, 2017).

China's economy, and hence its economic growth, is driven by a strong export-oriented manufacturing industry, while China is importing large amounts of intermediate components and raw materials to its manufacturing industry (YU, 2017). In recent years, China's economic growth has slowed down, and Chinese goods have become increasingly expensive; and lost their main competitive advantage - the low price (PODBEREZKIN AND PODBEREZKINA, 2015).

The development of road, and in particular railway technologies and the transformation of political structures between Europe and Asia will allow the creation of a new silk road. Even if inland transport (for the time being) is more expensive than maritime transport, the New Silk Road can bring significant benefits: it would take only about two weeks and China's dependence on maritime transport would decrease (SARVARI AND SZEIDOVITZ, 2016). Here, it is important to note that the "New Silk Road Economic Belt", 'One Belt, One Road', and 'Belt and Road Initiative' have the same meaning in this paper.

The New Silk Road concept has been China's greatest economic effort ever, with the main objective of stimulating economic development in Asia, Europe and Africa. The concept would affect 64% of the world's population (4.4 billion people) and would include 30% of the world's GDP (21 trillion dollars) (CASARINI, 2016; HUANG, 2016). While infrastructure development is at the centre of the agenda, it is also a non-negligible objective to achieve a barrier-free (duty-free) trade between Eurasian countries; and to provide different financial support to underdeveloped regions and countries. However, the One Belt, One Road Initiative faces many obstacles and barriers, including the conflict between different political views, and the question of the financial viability of cross-border projects (Huang, 2016).

In addition the well-marketable and communicable principles and priorities (e.g. openness, cooperation), the specific objectives of the New Silk Road Initiative are as follows: (1) the internationalization of the Chinese yuan (similar to the dollar); (2) efficient use of foreign exchange reserves (restoring balance); (3) reduction of production overcapacity in China; and (4) develop the western provinces of China (CHAISSÉ AND MATSUSHITA, 2018; YU, 2017).

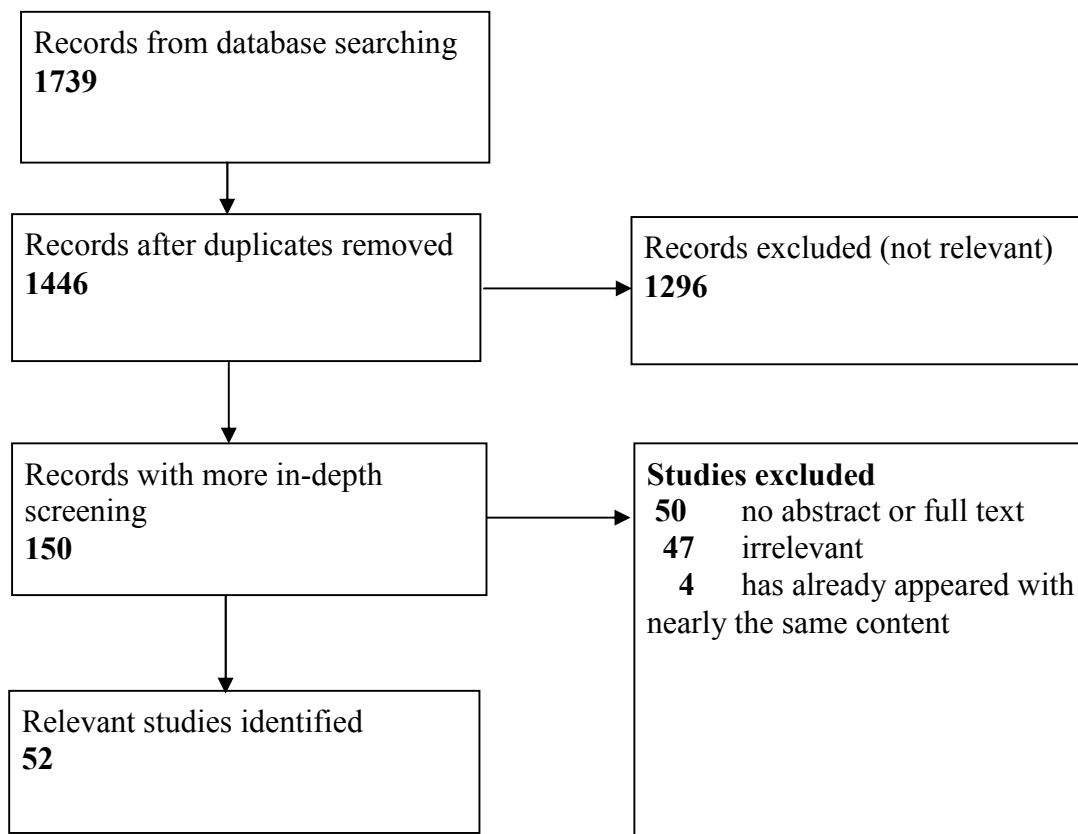
International reactions to the initiative were rather mixed. Some of the experts compare it to the Marshall Plan - which was launched in the aftermath of World War II -, while others do not regard this concept as an aid but rather as an international economic cooperation (HUANG, 2016). However, the fact is that China's New Silk Road goes far beyond the Marshall Plan. While the Marshall Plan was limited to the European region, China's plan is globally oriented: it covers 60 countries across Asia, the Middle East, Europe and Africa; and thus potentially has even greater international impacts (YU, 2017). In addition, the One Belt, One Road initiative can be considered more ambitious, as it can become the largest project of global industrialization ever designed for the Eurasian region (FARDELLA AND PRODI, 2017).

**MATERIAL AND METHOD**

In our study to achieve our goal, we made a systematic literature review related to the New Silk Road. Potential sources were identified using the most important databases (Scopus, JSTOR, ProQuest, ScienceDirect, ANU Library and EconStor), using English phrases "New Silk Road" and "China new economic belt". During the search, these terms had to appear in the title, abstract or keywords of the sources. The process of multi-circuit filtering is as follows.

In the first search - taking into account all the databases - 1,739 studies were primarily selected. After the removal of duplications, 1,446 studies remained that could potentially contain relevant results for our subject. We used the Covidence online platform to filter out the remaining duplicates and to include only the most important articles in the final analysis. The screening and identification process is illustrated in Figure 1. After removing duplications, the authors evaluated each article independently, and then discussed those studies where the authors had different opinions during a personal meeting. All this resulted in the "exclusion" of 1.296 articles. The remaining 150 articles were repeatedly evaluated based on the full text review by all the authors independently. In this last phase, a subgroup of 49 articles has been identified that really dealt with the New Silk Road concept. All studies for which the full text was unavailable, which were only partially focused on the topic covered, and publications that had already appeared in the same form in the past were excluded. The final list contains 49 relevant publications. Only 17 publications were used in this study due to the specificity of the topic (investigated only the possible routes) and the content requirements.

**Figure 1: Illustration of the process of the systematic literature review**



## RESULTS

It is evident from the literature that trade between Asia and Europe by rail accounts for between 3% and 3.5% of total trade. It follows that 95-96% of trade between the two continents is carried out on sea, with only 1% of the goods being carried by airplanes. There is no chance for regular and economical truck transportation on transcontinental roads in good condition, so only railways can provide a real alternative to the sea. The question is whether land corridors can only play a complementary or fully substitute role (ERDŐSI, 2015).

As the literature reviewed suggests, currently there are two main routes connecting Asia with Europe: the Trans-Siberian railway and the Second or New Eurasian Continental Bridge (ERDŐSI, 2015). One of the oldest railway routes, the Trans-Siberian railway, operates regular freight between China and Europe (China – Russia – Belarus - Poland - Germany) (Bulis et al., 2014). Hungary joins the Trans-Siberian railway line on the Ukrainian border (Záhony) (BAJOR AND ERDŐSI, 2013). In order to increase international transit through Russia - which generates revenue for Moscow -, the electrification of the entire length of the railway line has been accomplished (ERDŐSI, 2015). There are nine major newly built railway lines between Asia and Europe (*Table 1*), the first was built in 2011, the latest in 2015.

**Table 1: New railway lines connecting China to Europe**

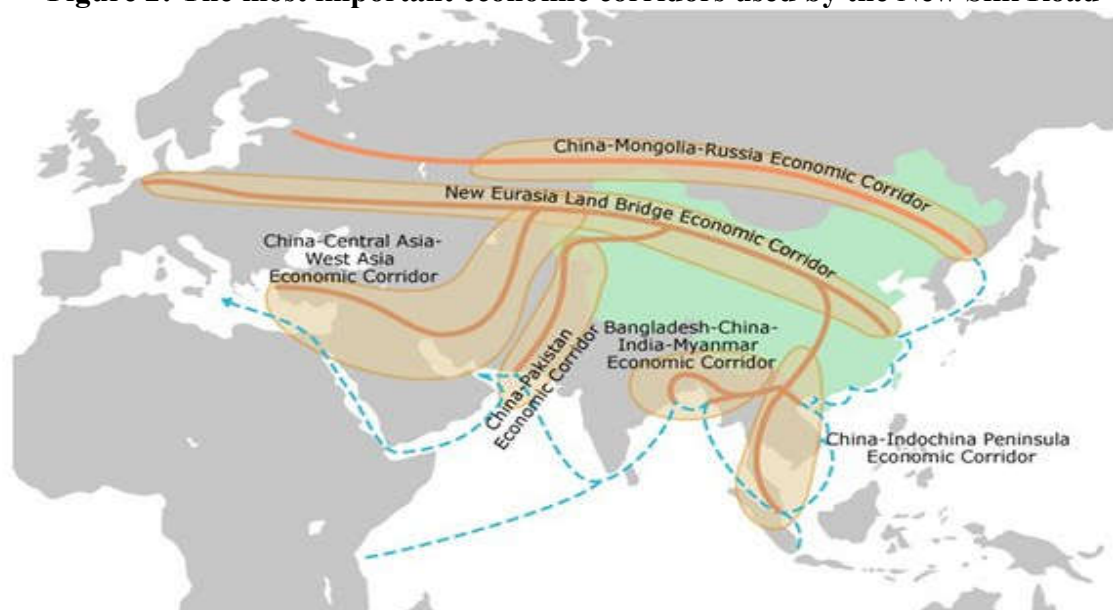
<i>Name</i>	<i>Route</i>	<i>Distance (km)</i>	<i>Duration (day)</i>	<i>Start</i>	<i>Frequency</i>	<i>Goods</i>
<i>Yuxinou</i>	Chongqing-Duisburg	11 179	16	July 2011	3x/week	IT products
<i>Hanxinou</i>	Wuhan- Mělník//Pardubice	10 863	16	Oct. 2012	2-3x/week	Electronic products, building materials
<i>Sumanou</i>	Sozhou-Warsaw	11 200	18	Nov. 2012	6-8x/week	IT products, household goods
<i>Rongou</i>	Chengdu- Łódź	9 826	10,5	April 2013	1x/week	IT products, clothes
<i>Zhengou</i>	Zhengzhou - Hamburg	10 214	19-20	July 2013	1x/week	Consumer products
<i>Yixinou</i>	Yiwu-Madrid	13 052	21	Nov. 2014	3x until now	Mixed goods
<i>Hexinou</i>	Hefei-Hamburg	11 000	15	June 2014	2x/month	Electronic products
<i>Xiangou</i>	Changsha-Duisburg/ Moscow/Tashkent	11 808	18	Oct. 2014	Every 10 day	Tea, porcelain, car parts

<b>Haou</b>	Harbin- Moszkva/Hamburg	9 820	15	June 2015	1x/week	Car parts, clothes
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Source: Edited based on LI ET AL. (2018)

Literature also shows that the exact routes of the New Silk Road Initiative have not yet been fully defined, but will consist of several land and sea transport routes that will stimulate trade and economic development (FALLON, 2015). The mainland Silk Road is mainly directed to Central Asia and Europe, while the Maritime Silk Road mainly covers the countries of Southeast, South and North Asia (YU, 2017). The conception is focusing on six economic corridors (*Figure 2*) (CASARINI, 2016; FUNG ET AL., 2018).

**Figure 2: The most important economic corridors used by the New Silk Road**



Source: HKTDC Research (2018)

According to the majority of the literature, the New Silk Road would consist of three general land routes geographically (see, for example LEE ET AL., 2015; PODBEREZKIN & PODBEREZKINA, 2015). The first route (Northern Route) is from China to Central Asia and Russia, the second route (Central Route) would run through Central and West Asia to the Persian Gulf, the Mediterranean, and Central-Eastern Europe, and the third route (Southern Route) would run through Southeast and South Asia to the Indian Ocean. On the one hand, the Sea Silk Road would start from the coasts of China through the South China Sea to the Indian Ocean to Africa and Europe, on the other hand from the Chinese coastal ports through the South China Sea to the Pacific Ocean.

## CONCLUSIONS

As described above, the Central Route would affect Central-Eastern Europe. In recent years, Chinese investment activity has been continuously increasing in the region. For example, by the end of 2014 a large number of different Chinese companies have invested in the Czech Republic, or even the growth of Chinese equity investments (FDI) in Hungary.

The investment of Chinese capital into the port of Piraeus in Greece began in 2009, when the Chinese state-owned company, China Ocean Shipping Company (COSCO), received a 35-years license. The radical expansion of the Piraeus shipping hub will allow the port to compete not only with other ports in the Mediterranean but also with northern European ports (e.g. Amsterdam, Hamburg). Thanks to the success of port developments, China has announced that it will build a high-speed railway from Piraeus to Budapest via Skopje and Belgrade. This would be implemented and operated by the Chinese state-owned China Communications Construction Company (CCCC) in a consortium with China Railway International, supported by the Chinese Export-Import Bank. The total length of the Budapest-Belgrade railway would be 350 km: 184 km on the Serbian side and 166 km on the Hungarian side (VAN DER PUTTEN & MEIJNDERS, 2015). Most of the V4 foreign trade (both export and import) has been flowing through decades on the northern Belgian, Dutch and German megacities, thanks to the high quality and reliability of the services, which have overridden the distance factor in transport decisions. However, the Budapest-Belgrade railway line may place emphasis on the port of Piraeus. For both Hungary and China, the New Silk Road can result in more and cheaper products thanks to the development of efficient transport networks. Thanks to the modernization of the railway line, Hungary can become a kind of “logistics distribution center”.

The development of new rail links can bring benefits to most of the V4 countries. Certain industries, such as the automotive industry and the electronics industry, will be better off than other industries thanks to the higher value to weight ratio. The development of railways will have a greater impact on these sectors; and those whose export and import composition is particularly affected by these products (FARDELLA & PRODI, 2017).

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