

WORKING PAPER

“Five Connectivities” of the Belt and Road Initiative: Results and Recommendations for the Future Cooperation

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Summary

The paper analyzes the achievements in cooperation between the People's Republic of China and Bosnia and Herzegovina (BiH) in five areas or “5 connectivities or links”, which were proposed as guidelines for cooperation by the creator of the Belt and Road Initiative, China’s President Xi Jinping. The two countries have made significant progress in linking policies, infrastructure, unimpeded trade and connecting people. Visas have been abolished, Chinese companies have built the first infrastructure facility and are working on building further ones, imports to BiH have increased, and the number of tourists has grown exponentially in recent years. There is some progress in financial integration as well as in foreign direct investment. Strengths, weaknesses, opportunities and threats were analyzed for each of given areas, and a comprehensive review was made through a case study of the Chinese state shipping company COSCO Shipping and its operations in BiH. Finally, guidelines are offered to further improve cooperation.

Keywords: BRI, connectivity, policy, infrastructure, unimpeded trade, financial connectivity, connecting people

Introductory considerations

The idea creator of the “One Belt, One Road” Initiative, Chinese President Xi Jinping, for the first time officially presented the idea of the need to build the Silk Road Economic Belt in his speech “Promoting Friendship among Our Peoples and Working Together to Build a Bright Future” at Nazarbayev University in Astana, the capital of Kazakhstan. Already in that first speech, President Xi proposed that cooperation between the states take place in five fields, in five areas in which it is necessary to connect the states.

The first recommendation concerned policy linkages. States should have full discussions on development strategies and policies, adopt plans and measures for advanced regional cooperation through consultations in a spirit of seeking a common ground (Xi,

2019). Another proposal related to the infrastructure, to the imperative to improve road communication, from the Pacific to the Baltic, and the Chinese president stressed the improvement of cross-border cooperation linking the East, West and South Asia “in order to enable economic development and travel in the region” (Xi, 2019, p. 5).

The third proposal concerned the promotion of unimpeded trade. The projected economic belt along the Silk Road, Xi stressed at the time, is home to close to three billion people and represents the largest market in the world, with enormous, incomparable potential for trade and investment cooperation of the countries involved. “We need to consider suitable arrangement for the acceleration of trade and investment, removing trade barriers, reduce the cost of investment, accelerate and connect increase the quality of regional economic flows and achieve common prosperity in the region” (X, 2019, p. 6).

The fourth connection was related to finances, more precisely to money. “We need to improve cash flow,” said the Chinese president, adding that the aim is to significantly reduce the cost of cash flow, increased to the ability to reduce financial risks, and make our region more competitive internationally (Xi, 2019, p. 6).

Last but not least, President Xi Jinping proposed people-to-people cooperation. “Friendship between people is the key to good relations between states. In order to continue productive cooperation in the mentioned areas, the support of the people is needed. We need to encourage more friendly exchanges between people in order to enhance common understanding and traditional friendship, and build strong public support and a solid social base for regional cooperation” (Xi, 2019, p. 6).

Meanwhile, from this speech to the time of writing this paper, “Belt and Road Initiative” has become a global fact, indispensable in thinking about the future of the entire planet, relations between countries, one of Beijing’s most important (if not the most important) diplomatic initiatives to the world. According to Frankopan (2018), this is not only a diplomatic but also an international economic strategy that uses the success of ancient silk roads as a model for long-term plans for the future and that more than three billion dollars will be invested in more than a thousand infrastructure projects:

“Some experts believe that the amount made available to China’s neighbors and countries that are part of the 'Belt and Road' both on land and at sea will increase many times over time to create an intertwined world of railways, highways, ports for overseas ships and airport, which in turn will enable even faster strengthening of trade ties” (Frankopan, 2018, p. 20).

The “Belt and Road” initiative got its own structure, institutions, platforms, and thousands of texts and works were written on the topic from various possible angles and with various intentions. Political scientists, sociologists, economists, journalists, statesmen and academics o

write about the Belt and Road Initiative critically and uncritically. Some see the Initiative as a “Marshall Plan with Chinese characteristics” (Arezina, 2018) alluding to the plan of American aid to European countries after the Second World War, and this point of view will be even more relevant as the world faces the consequences of the COVID-19 virus epidemic. Another suspicion toward Beijing trying to discover hidden agenda to dominate the world or, simply, warning of unsuccessful projects under the aegis of initiatives that have failed or are partner countries end up in debt (Ekman et al., 2019).

In order to try to objectively observe the effects of the Initiative, it is necessary to return to the quoted text and carefully selected proposals for the field of cooperation. We tend to argue that most (if not all) bilateral and multilateral moves agreed and implemented in previous years of the Belt and Road Initiative can be observed and considered through these five well-designed fields of action. This paper is based on just such an approach: perceiving the whole picture through perceiving its five structural-functional parts.

Accession to the Initiative has been signed by over 100 countries and international organizations, thus ensuring the **global nature** of the initiative, which is manifested and implemented both multilaterally and bilaterally. BiH has signed the Accession to the BRI Initiative at the First Summit held in Beijing in 2017 (Embassy of BiH in Beijing, 2017). From then until 2020 and the time of writing this paper, BiH and China have developed friendly relations and projects of the Initiative through many aspects of action. The paper focuses on the analysis of this relationship.

BiH is a developing country, with limited potential due to numerous internal and external factors, but it is geopolitically and geo-strategically in an extremely important place. Historically, the interests of various powers collided in BiH, primarily the Ottoman and Austro-Hungarian empires as representatives of the Orient and the Occident, and the capital Sarajevo was the stage on which the First World War began. Today, the pretender to the BiH membership in the European Union, and its political and strategic interests in addition to the European Union here realized and the United States as a promoter of the Dayton Peace Accords that ended the war of 1992-95, as well as Russia, Turkey, and other countries from Europe and the Middle East. The increased presence and influence of China in BiH, primarily in the segment of the economy within BiH itself, is generally viewed positively. However, it should not be avoided to mention that there are areas and topics that threaten to disrupt the harmonious relationship between the two friendly states. These areas and topics that can be found in civil society and private media more than in government institutions and public media will be discussed.

The basic hypothesis of our work is that the Belt and Road Initiative as a foreign policy tool of the People's Republic of China has contributed to a significant improvement in relations in specific areas of cooperation with BiH, although there is still great potential for improvement, from policy links to finance, trade and infrastructure, to people-top people connectivity. Secondary hypotheses arise from the basic one and they are as follows:

- Abolition of the visa regime for holders of ordinary passports of the People's Republic of China and BiH as a political connection *par excellence* created a strong basis for the development of relations, especially through connecting people, but also created preconditions for moves in other areas of connections;

- BiH as a developing country and a country in transition is committed to large infrastructure projects, especially in the fields of energy and communications. Chinese companies have already recognized this potential and contributed to the realization of concrete projects; Other projects are being implemented and are third in preparation need to take care of the internal weaknesses and external threats based on experience both from BiH and from other countries with certain similarities;

- BiH could use its comparative advantages and opportunities to test certain models of cooperation in its limited state abilities, systemic or market, which could, in case of a satisfactory positive outcome, be applied to a wider area of the region and the European Union, especially in terms of unimpeded trade or financial networking;

- Weaknesses and threats to better connection between China and BiH through the "Belt and Road Initiative" concern objective and subjective factors, from geographical distance and different demographic and social characteristics of the two countries through negative media campaigns to the influence of other forces in Southeast Europe.

To prove the main hypothesis, a SWOT analysis will be used (Strength - Weakness - Opportunities - Threats), where strength and weakness represent internal and opportunities and threats external factors in the structure and function of the research field, in this the case relations between the People's Republic of China and BiH within the Belt and Road Initiative. Certain data on Foreign Direct Investment (FDI) were obtained from the Foreign Investment Promotion Agency (FIPA), and those on tourism activities in the previous five years in BiH from the BiH Agency for Statistics (BHAS). In order to obtain and collect information, a conversation was held with the representatives of the company COSCO Shipping in BiH and the obtained information was used for a comprehensive review of the Belt and Road Initiative.

The last part of the hypothesis test will offer recommendations for further progress in the given areas.

1. Political affiliation: Visa-free regime as strategic benefit for the future

BiH and China are friendly countries that have no open issues. Diplomatic ties were established in 1995, by mutual recognition of states, at a time when the war was still going on in BiH and relations began to develop after the Dayton Framework Peace Agreement. The People's Republic of China opened an embassy in Sarajevo in 1997, and BiH opened an embassy in Beijing in 1999. BiH inherited friendly positions from the time of the Socialist Federal Republic of Yugoslavia, which, as a socialist state, had significant contacts with China, especially in the late 1970s and early 1980s, after the beginning of reforms and opening up in China. Lifelong Yugoslav President Josip Broz Tito and other senior Yugoslav officials also visited China. Since BiH became an independent state, the highest officials of the legislative and executive authorities have visited China. Neither the President nor the Prime Minister of the People's Republic of China visited BiH. What is interesting is that the Chinese Foreign Minister has never visited BiH, nor has the BiH Foreign Minister visited the People's Republic of China.

Over the years, cooperation between China and BiH has progressed. Relations went on an upward trajectory as the reforms in the People's Republic of China yielded results and, consequently, the activity of the People's Republic of China in the foreign policy field increased. “Only a strong and prosperous country can confidently open itself to the outside the world and openness in turn promotes further prosperity” (Xi, 2017, 550). These activities are growing especially after the formal accession of BiH to the “17 + 1” mechanism (at that time “16 + 1”), and the Belt and Road Initiative. BiH has officially joined the Initiative at the First Forum of the BRI and times for international cooperation held in Beijing signing a “Memorandum of Understanding between the Council of Ministers and the Government of the People's Republic of China on cooperation in the framework of the Initiative of the Economic Silk Belt and Maritime Road of the 21st Century” (Ministry Foreign Trade and Economic Relations, 2017). Regarding “17 + 1” mechanism, BiH has recorded a more active participation since the 2015 meeting in Suzhou (Cooperation between China and Central and Eastern European countries, 2016). BiH's active contribution to the “16 + 1” mechanism is also visible at the meetings in Budapest (State Council of the People's Republic of China, 2017) , Sofia (BiH Council of Ministers, 2018) and Dubrovnik (Xinhua, 2019).

There are numerous agreements between BiH and China, dating both from the former Yugoslavia that BiH inherited, as well as those incurred in the period of BiH independence from 1995 onwards. Among the most important are: Agreement on Cultural Cooperation, Agreement on Avoidance of Double Taxation, Agreement on Cooperation in Customs Matters, Agreement on Trade and Economic Cooperation, Agreement on Promotion and Protection of

Investments, Agreement on Agricultural Cooperation, etc. (Embassy of the People's Republic of China in Beijing).

Among the most significant moments that have contributed to linking the two countries is the Agreement on the abolition of visas for holders of ordinary passports, which was signed at the Summit of 16 + 1, in Budapest 2017, and entered into force at the end of May 2018, and that after they had complied with all the procedures in the relevant institutions. With an adoption of non-visa holders of valid ordinary passports People's Republic of China and citizens of Bosnia and Herzegovina, holders of valid ordinary passports of Bosnia and Herzegovina, are exempt from the visa requirement for entry, exit, stay or transit through the territory of the other contracting party during the period up to 90 (ninety) days in any period of 180 (one hundred and eighty) days, which includes taking into account the period of 180 (one hundred and eighty) days preceding each day of stay (Embassy of the People's Republic of China in BiH, 2018).

Two things are worth noting. The first is that all political parties represented in the Council of Ministers of BiH and in both houses of the BiH Parliament (House of Representatives and House of Peoples of the BiH Parliamentary Assembly) voted for and ratified this agreement despite numerous political disagreements marking four-year mandates and the fact that in spring 2018 has already intensified the political campaign that blocked the adoption of numerous decisions at the state level (Parliamentary Assembly of Bosnia and Herzegovina, 2018). Secondly, the adoption of a visa-free regime BiH stood out from the vast majority of other European countries that do not have the privilege of their citizens, bearers of ordinary passports, staying up to 90 days in the territory of the People's Republic of China, and vice versa¹. Apart from BiH, neighboring Serbia and Belarus have such an agreement in Europe. All three of these countries are developing a special relationship with the European Union and Serbia and BiH have long expressed declarative desire for membership in the EU. There is no significant political party in BiH that is at least declaratively opposed to EU membership. BiH shares the longest land border with Croatia, which is a member of the European Union and NATO, and in addition to Serbia, BiH also borders Montenegro, a NATO member that is also a candidate for EU membership. The entire region has been incorporated into European integration. Given the more or less undisguised opposition coming from certain European centers of power, it is possible to expect demands that BiH at some point reintroduce a visa regime with the People's Republic of China. However, until that happens (and if it does),

¹ The agreement is similar in characteristics to the one for BiH citizens residing in the territory of the European Union without a visa: 90 days, after which they must leave the territory for 180 days, etc.

the agreement is an exceptional springboard for further development of the relationship because it enables the facilitated movement of people and ideas (about goods a little later).

In addition to the visa-free regime, there are a few facts that go in favor of the *power of political connections*. The two countries have no open issues that could damage relations in any way. BiH respects the policy of one China. Respect for sovereignty and territorial integrity are declared on both sides. Two state heritage anti-fascist legacy of the Second World War, which in BiH is longer kept in curved cultural memory and heritage than in the socio-political structure, but this legacy exists still. Given that the Communist Party of the People's Republic of China has long adopted an approach of cooperation with all parties and not only Marxist/Communist one (Zhang, 2015), and that in power in BiH are mostly center-right ethno-national parties, the People's Republic of China has established relations with all parties on an equal footing base, which is manifested by numerous party delegations that visited China, but also by the presence of Chinese officials at party ceremonies (Embassy of the People's Republic of China in BiH, 2019) . Last but not least, the People's Republic of China and BiH strongly advocate a multipolar world with the United Nations as the institutional framework for regulating relations with other countries.

When it comes to *weaknesses* in political integration, they are also objectively numerous. Geographical distance is not friendly to meetings - at least protocol ones, nor to more frequent visits of various political entities on both sides, which leads to insufficient knowledge of China among political decision makers in BiH and *vice versa*. Different characteristics of the political system and the positions of political entities in both systems can be an obstacle to a faster decision-making process and the implementation of projects that imply political aspects². Furthermore, BiH is known for approaching agreements and certain legal provisions on commitments nonchalantly, which is again related to the complexity of the political situation and the political system, which in theory is considered one of the most complex existing. In the end, China applies the diplomacy of a great power, and BiH is a small country with reduced sovereignty, which ultimately leads to insufficient coordination within BiH and insufficient coordination and capacity in relations with China.

When it comes to the *opportunities* provided for political connections, these are primarily the opportunities provided through the visa-free regime, as before mentioned fact that BiH is

² For example, procedures in the Parliament of the Federation of Bosnia and Herzegovina and the Council of Ministers in the case of Block 7, or procedures in the Council of Ministers, and the House of Representatives and the House of Peoples of the Parliamentary Assembly of Bosnia and Herzegovina in the case of visa liberalization the political climate in BiH itself and the blockades that occur in the decision-making system itself. The fact is that the signed agreement with the executive does not necessarily mean the synchronized support of the legislature and various entities in the system.

one of the three European countries with such a visa regime with China (Lakic, 2018). Furthermore, BiH is a country bordering the European Union and with a clearly and publicly declared desire for membership, which will not come in the next ten years, but fits in with China's support for further strengthening of the European Union as its largest foreign trade partner. Also, BiH is partly faces Adriatic Sea, and in the wider regional framework it is positioned between Greece, which joined the “17 + 1” mechanism, and Italy, the first of the G7 countries to sign the Accession to the Initiative “One Belt, One Road”. That provides solid opportunities for further development.

Threats to the political connections of BiH and China have a negative view of other entities in the region against such bilateral relations, because of their own interests. We have already said that the United States, the European Union, Russia, Turkey, Arab countries, but also some European countries that prefer to exercise influence through bilateral channels more than the Brussels ones, all achieve or try to achieve significant economic or political influence in BiH. It is no secret that in many Western circles increase the impact of China viewed in a negative context and interpreted in support of authoritarian tendencies and developments in the region, and accordingly, as a security threat (Junicic and Michalopoulos, 2018).

<p>Strengths</p> <ul style="list-style-type: none"> - Visa-free regime - A common anti-fascist past - Positive attitude towards multilateral institutions - Support for a multipolar world - China's support for BiH's membership in the European Union 	<p>Weakness</p> <ul style="list-style-type: none"> - Geographical distance - Different natures of the social system - Inflexibility of BiH politics - Undercapacity of the BiH side
<p>Opportunities</p> <ul style="list-style-type: none"> - Political willingness - Participation of Chinese companies in development projects 	<p>Threats</p> <ul style="list-style-type: none"> - Interference of other countries in the relations between BiH and China - Dependence of BiH politics on other centers of power - Disrespect for the policy of one China and other basic and crucial domestic political issues - Failures of projects of Chinese companies - Systemic critiques from the centers of power towards Sino-Bosnian joint projects

Table 1: SWOT analysis of political connectivity

2. Infrastructure connection: Roads and energy for success

When considering the Belt and Road Initiative, many researchers are considering infrastructural connectivity. In the first instance, this referred to the network of roads that should connect the Old World, with an emphasis on the Eurasian supercontinent (Frankopan, 2018, p g 14). Road development is accelerating trade, reducing energy costs such as those in the Persian Gulf and the Middle East. But we are more inclined to view infrastructure connectivity as well as the participation of Chinese companies in bilateral or combined infrastructure construction projects *in general*. A number of Chinese companies opened the representative office in Sarajevo and Banja Luka, reported to be on the tender for the works on infrastructure and energy facilities announced by public companies, explore the market and possibilities, and, in general, make an effort to get acquainted with the business environment in BiH and details of his legal system. When it comes to infrastructure connecting, it is initial *strength*.

Chinese companies have the green light and recommendation from the highest Chinese authority to apply for projects that exist in BiH. In BiH as well as in the region, they are interested in projects related to the construction of energy facilities, highways, airports, railways, etc. Thus, it is not just a matter of connecting “Old World” with a network of highways, but in a broader sense of infrastructure connectivity as the creation of objective preconditions for better connectivity.

In that sense, BiH is an interesting partner of China with great potential. In some sections of the highway on Corridor Vc, jobs have already been given to some Chinese companies (Public Company Highways, 2020). BiH is committed to the construction of energy facilities, and China has already shown at the local level what it can do with the construction of TPP Stanari (EFT-Stanari, 2017).

At the same time, this connection is subject to the greatest criticism both in the literature, and among political decision-makers, and in various media, and therein lay its *weaknesses*. Each failed project in which, especially in the region and Europe, involved Chinese companies, under the scrutiny of the public. A case from Poland and the infamous project of the highway from Warsaw to Berlin is taken as a common example (Arežina, 2018, p. 177). Another weakness mentioned is the incompatibility of BiH with projects favored by the Chinese side, EPC + F modalities financed by Exim Bank (Chen, 2019). There are institutions in the framework of the BRI (Export-Import Bank of China is for BiH most interesting one) funded projects of Chinese companies abroad on the model Engineering, Procurement and Construction + Financing – EPC+F. Such an arrangement implies a direct agreement between public companies from BiH and state-owned companies from China, with the mediation and engagement of state institutions, and excludes open international tenders and

selection of the best bidder. On the other hand, most infrastructure projects such as the construction of the highway network on Corridor Vc and similar projects have been or are planned to be done under arrangements of the European Bank for Reconstruction and Development (EBRD, 2020) or the European Investment Bank (EIB, 2020). The reasons are complex economic and political in nature, but for this paper it is important to emphasize that the EBRD and EIB loans in BiH are considered long-term reliable and most favorable for BiH. The creditor, in turn, seeks and conducts procedures in accordance with its rules, including the selection of contractors. As weakness may be specified and that the few projects of Public-Private Partnerships (PPP) that are in BiH have produced results. Finally, it should be noted that BiH's borrowing opportunities due to these and other projects are very limited and that it is almost impossible to expect financing from its own budgets.

However, Chinese companies have won certain projects in international public tenders financed by international financial institutions, which will be in the next period, which is certainly *an opportunity* for further connectivity. Also, BiH is committed to development and joint projects with mutual readiness for cooperation, so state and expert delegations could, through a process of joint consultations, generate appropriate solutions, through introducing special laws (*Lex specialis*) or strategic agreements. It needs to be mentioned that large projects with a participation of Chinese companies are being implemented in the surrounding countries and in the member states of the European Union (Pelješac Bridge in Croatia, Belgrade-Budapest railway connecting Serbia and Hungary).

But what is an opportunity also generates a *threat*. Infrastructure projects in BiH are not extremely numerous, and depth capacities for projects for which there is a consensus of political elites in BiH is also controlled and limited. In addition to all other arguments, there are engagements that BiH has with the International Monetary Fund (IMF) and the World Bank (WB), which condition assistance to BiH with certain structural reforms in the direction of market liberalization and especially the expenditure side of the budgets, both state and entity ones. If we add to all this the strong presence of EU institutions through the EU Delegation in Sarajevo, which monitors and directs reforms on the path to EU membership but also the moves of the government in general, it is clear without citing numerous examples that BiH is strongly influenced by EU and international institutions, including strategic decision-making processes (Weber, 2018). Some centers, undisguisedly, see China's better positioning in BiH as a threat, primarily to its own interests, but wrapped in cellophane of general interests or higher goals (Deutsche Welle, 2018, N1, 2019).

<p>Strengths</p> <ul style="list-style-type: none"> - Great needs for the development of BiH - Existence of political will and commitment to build a network of roads and energy facilities - A successful example of TPP Stanari 	<p>Weakness</p> <ul style="list-style-type: none"> - Poor ability to borrow - Limited application of the EPC + F model preferred by the Belt and Road Initiative - Not sufficient experience positive with model PPP
<p>Opportunities</p> <ul style="list-style-type: none"> - Commitment of BiH to development projects - Connecting BiH part of Corridor Vc to the European highway network 	<p>Threats</p> <ul style="list-style-type: none"> - Influence of other centers of power in BiH

Table 2: SWOT analysis of infrastructure connectivity

3. Unhindered trade: Great imbalance

Even before the creation of the Belt and Road Initiative, China was strongly involved in multilateral economic dialogue and the development of free-trade zones with other countries (Zhang, 2015, pg. 172). China and BiH have signed several bilateral agreements that serve as a basis for co-operation in trade and foreign direct investment. The very idea of the Belt and Road Initiative essentially has unhindered trade from the Far East to the Mediterranean, the routes taken by famous and unknown merchants in ancient and Renaissance times. BiH is located at the very end (or beginning) of the Maritime Silk Road, from ports in the Chinese seas to ports in the Mediterranean. *The strength* of BiH is this position as well as the proximity of ports that have developed through the Initiative “One Belt, One Road”, especially in Greece and Italy, with the possibility of developing a port in Ploče that BiH rented from Croatia, or cooperation through Neum, the only city in the Bosnian coast of the Adriatic Sea.

Let’s look at data on imports and exports in the last five years (Foreign Trade Chamber, 2020). When it comes to imports, there is an increasing trend which in the first ten tariff categories amounts to almost 100 million Convertible marks (KM or BAM – Bosnian Mark), while in total this increase is even higher and amounts to 170 million KM. In all the observed years, there are no significant changes in the list of the most represented products by tariff headings: most items are imported from the People's Republic of China under tariff number 85: “Electrical machinery and equipment and parts thereof, sound recording or reproducing apparatus; television recorders for recording or reproducing images and sound and parts and accessories of such articles”, and the following products falling within tariff number 84: “Nuclear reactors, boilers, machinery and mechanical appliances; their parts”. In addition to these electrical and mechanical devices, the most common products are footwear (tariff number

64: “footwear, ankle boots and similar articles, parts of such articles”), toys and sports requisites (tariff number 95: “toys, games and sports requisites, parts and accessories thereof ”, and plastics (tariff number 39: “plastics and articles thereof”). It is important to note that one third of imports are not goods of the first ten tariff classes, which indicates the relative development of imports.

IMPORT	2015	2016	2017	2018	2019
10 highest tariffs	239,947,731	237,222,401	280,062,431	338,785,125	337,886,178
Total	369,538,963	360,987,234	424,742,092	516,981,048	540,310,631

Table 3: Overview of imports from the People's Republic of China in last five years (amounts in Convertible Marks (KM))

On the other hand, exports to China are measured by five-digit values, without a trend of significant increase, even in 2019 there was a decline compared to the previous two years (Table 4). Unlike imports, exports are almost entirely covered in the first ten tariff classes - about 98%. The most exported products fall under tariff number 44: “wood and wood products; charcoal”, followed by furniture (tariff number 94: Furniture; mattress supports; bedding and similar articles; mattresses, pillows and similar stuffed articles); lamps and other lighting fittings, not elsewhere specified or included; signs, illuminated nameplates or the like; prefabricated buildings”). The products of these two headings are followed by Paper and cardboard; articles of paper, paper (heading 48), zinc and articles of zinc (heading 79), and goods of heading 25: Salt, sulfur, earth, stone, plaster, lime and cement.

EXPORT	2015	2016	2017	2018	2019
10 highest tariffs	27,899,071	25,543,124	37,877,546	36,602,259	29,550,639
Total	28,388,393	26,085,049	38,300,803	36,982,210	30,164,325

Table 4: Overview of exports to the People's Republic of China from BiH in the last five years

When it comes to Foreign Direct Investments (FDI), information is somewhat different from the two relevant sources: the BiH Central Bank (CBBiH), which monitors the flows of financial capital residents and nonresidents, record inflow and outflow of funds, stated the actual transactions of foreign investment during the period under review; and Ministry of Foreign Trade and Economic Relations of BiH (MoFTER), which reports the values of FDI based on the values stated in court decisions (FIPA, 2020).

According to reviews by the Central Bank of BiH, information on FDI from the People's Republic of China to BiH has been available since 2014. As of December 2018, FDI from the People's Republic of China amounted to 2.6 million KM. In the total amount of 2.4 million KM, there are ownership shares and retained earnings, and other capital 0.2 million KM. According to the Central Bank of BiH (CBBH), the cumulative stock of FDI in Bosnia and Herzegovina, as at 31 December 2018, amounts to KM 14,296 million or KM 14.3 billion (EUR 7,309 million or EUR 7.3 billion). Foreign direct investments in 2018 amounted to 783.4 million KM or 400.6 million euros (FIPA, 2020).

Data from the Ministry of Foreign Trade and Economic Relations in BiH (MoFTER) on FDI for the previous period represent an overview of registered foreign investments with the competent courts, which the FIPA uses to analyze investments by companies. The review of the amount of investment, based on registrations, in a shorter period of time or for the current period, does not provide complete information, given that most companies re-register at the end of the investment cycle, and when registering new companies, share capital is registered as initial (1,000 KM as initial in the Federation of BiH and 1 KM in the Republic of Srpska). Total FDI from the People's Republic of China in BiH, in the period from May 1994 to December 2018, according to court registration, can be estimated at 3.2 million KM (FIPA, 2020). These data show a picture that is not so bright.

But it is necessary to look at things objectively and say that there are several *weaknesses* for trade that do not go in their favor. First, BiH is geographically significantly distant from China, which makes transporting goods expensive. Secondly, with a population of three million (with a tendency to further decline due to the trend of emigration), BiH is market that does not attract direct investors from China, nor is it a potential that attracts Chinese exporters. Third, and related to the previous, the possibilities of exporting from BiH to China are limited by both quantity and quality. Simply put, any product from BiH in full production capacity on the Chinese market can hardly meet the needs of an average Chinese city. Fourth, Bosnia and Herzegovina is a developing country and is not respected manufacturer of high and new technology nor its potent importer, which can be seen from the data on tariff codes and products in Tables 3 and 4. If all this is added the fact that BiH is primarily bound in regional and European trade flows by applying for membership in the European Union and membership in organizations such as CEFTA (Central European Free Trade Agreement), then it becomes clear why China is not among the most important partners of BiH when it comes to foreign trade.

However, this does not mean that there are no *opportunities* to improve cooperation. BiH relies on the European Union, where BiH companies owned by Chinese citizens or jointly

owned by citizens of BiH and China could find a very potent market for their products. Also, compared to many European countries, BiH has a cheap and educated workforce, especially in sectors that China is developing such as IT and green technology. It should be bear in mind that the rates of relevant taxes are among the lowest in the region and Europe: Value added tax is 17%, Income tax 10%, as well as Tax on Profit (FIPA, 2016), and that the governments of both entities and Brcko District in their jurisdiction are working on reforms for the benefit of employers and investors.

That the picture is far from ideal is also shown by the fact that BiH ranks 90th out of 190 ranked economies in terms of ease of doing business, and that starting a business (184/190), the procedure for obtaining the necessary permits (173/190), and paying taxes (141/190) (Doing Business, 2020). Complicated company start-up procedures *threaten* to deter a potential investor or trading partner. BiH must work to improve business environment benchmarks and introduce their products much better in the Chinese market to an increase or decrease FDI debalance.

<p>Power</p> <ul style="list-style-type: none"> - Established visa-free regime, easier introduction to the market 	<p>Weakness</p> <ul style="list-style-type: none"> - Quantitative and qualitative characteristics of the market in BiH - Absence of Chinese banks on the market of Bosnia and Herzegovina
<p>Opportunities</p> <ul style="list-style-type: none"> - Proximity to the European Union market - Branded high-quality products 	<p>Threats</p> <ul style="list-style-type: none"> - Complicated procedures

Table 5: Swot analysis of unhindered trade

4. Financial Connectivity: WeChat pay chances for success

In recent years, the People's Republic of China has taken several significant steps towards better financial connectivity at the global level. The most important are adding yuan in the basket of currencies International Monetary Fund (IMF), as well as establishing AIIB and the BRI Fund. A substantial idea of financial connectivity is related to the convertibility of the local currency in the Central and East Asia. It seems that the possibility of loans for projects that the Chinese side will eventually place in BiH in yuan is a mission impossible. In Bosnia and Herzegovina, also, there is no branch of any Chinese banks. The banking sector in BiH is controlled by several European banks that privatized the banking sector after the war in the

transition process. Only a few smaller banks with minimal participation in the financial sector and entity development banks remain state-owned. Central Bank of BiH is the main institution that maintains monetary stability in accordance with the Currency Board arrangement (1 KM: 0,51129 EURO), which means that the issue of the local currency with full coverage in freely convertible foreign currency at a fixed rate of 1 KM: 0.51129 EURO (Central Bank of BiH, 2020). Governing Council as the highest body of CBBiH is unfavorable to decisions that would change this fixed exchange rate in order to maintain financial and monetary stability nexus which implies curb inflation, which some experts consider necessary for development. Without intention to delve deeper into this field of expert discussions, we emphasize that this fact of the currency board, together with the previously mentioned characteristics, represents a basic *weakness* for the financial integration of BiH and China.

However, some weaknesses can turn into *strengths* and *opportunities* for financial networking in a specific way. A significant increase in Chinese tourists in BiH could be the basis for the installation of WeChat payment systems in BiH, which would lead to even more significant tourist activity in BiH. Towards the end of 2019, a step was taken in this direction because an Italian bank present on the BiH market enabled the acceptance of cards from the Chinese UnionPay International (Intesa Sanpaolo, 2019). Still, the habits of the Chinese citizen are going to pay via mobile phone through this extremely popular application used for this purpose by hundreds of millions of Chinese people on a daily basis. Relatively easy on feasible option installing WeChat payment as a POS terminal payment to all banks in BiH is a great *strength* that would lead to financial binding in an innovative way.

The opportunity that BiH can take advantage of is the fact that the introduction of WeChat payments on the controlled market of BiH (about three million people) could control possible technical and functional errors and correct them relatively easily and with only minor consequences. Also, given the links between BiH and the markets of other European countries and that the banks that are present in BiH are widespread in other countries of Europe and EU, so that BiH could serve as a proving ground for broader financial lacing through WeChat payment of Southeast Europe, or, which is a much bigger challenge, the state “17 + 1”.

Threats to financial bonding in the sense in which it is presented here as an opportunity do not come so much *from outside*, from external factors, as from not recognizing this opportunity as such.

<p>Strength</p> <ul style="list-style-type: none"> - Stable monetary and financial market of BiH - Opening of the monetary and financial market of China to the world 	<p>Weakness</p> <ul style="list-style-type: none"> - Absence of Chinese banks on the market of Bosnia and Herzegovina
<p>Opportunities</p> <ul style="list-style-type: none"> - Possibility to install WeChat payments - Limitation of the BiH market in terms of the possibility of trial and error - Complementarity and connection with the financial markets of other European countries 	<p>Threats</p> <ul style="list-style-type: none"> - Unattractiveness of BiH with the Chinese side, not to observe the complementary advantages of the region

Table 6: SWOT analysis of financial linkages

5. People-to-People Connectivity

It all starts and ends with people. Without people's support, there is no cooperation. Cooperation between states takes place for and for the sake of the people and for the people, for human well-being within the borders of states and globally.

The greatest *strength of* connecting the people of China and BiH is the visa-free regime, which has already been discussed here. According to the data of the Agency for Statistics of BiH obtained for the purposes of this paper (Table 7), the number of tourists from China in the previous five years increased from 6,779 in 2015, to 102,758 in 2019, which is an increase of 1520.3 %. The share of Chinese tourists in 2015 in the total number was only 1%, while that percentage in 2019 was more than 8.5 %. In 2019, Chinese tourists spent 122,002 nights, which means that they stayed in BiH for an average of 1.18 days. And the number of overnight stays by Chinese tourists increased participation and with 0,7 percent to slightly more than 5 % of the total number of overnight stays. Since the end of May 2018 abolished visa number of Chinese tourists is increased in the 2019 number of 100,000.

Year	Number of arrivals / visits of foreign tourists		Number of nights of foreign tourists	
	Total	China	Total	China
2019.	1,198,059	102,758	2,419,105	122,002
2018.	1,052,898	58,235	2,165,404	66,703
2017	923,221	31,780	1,913,832	37,195
2016	778,128	13,305	1,647,275	16,629
2015	678,271	6,759	1,425,761	10,015

Table 7: Number of tourists in BiH in the last five years

In BiH, several institutions from civil society and the field of culture and arts are working to connect people, promoting the Belt and Road Initiative, the Chinese language and culture, and bilateral cooperation in general. There are two Confucius Institutes in BiH, in Sarajevo (Confucius Institute in Sarajevo, 2020) and Banja Luka (Confucius Institute in Banja Luka, 2020), with basic activities of providing Chinese language courses and other courses such as tai-ji, calligraphy, etc. The Department of Sinology at the University of East Sarajevo was opened in 2011. It provides bachelor and master classes of Chinese language and literature and promote Chinese culture in the various ceremonies that are organized (Department of Sinology UIS, 2020). Department has produced several generations of graduates and post-graduate students with the knowledge of the Chinese language, that significantly shaped the consciousness of generations and students in the department in the town of Pale near Sarajevo in which the University is. In addition, the Bosnian-Chinese Friendship Association was established in Sarajevo in 2014. In the past five years, in cooperation with the Embassy of the People's Republic of China in BiH, it independently organized several important round tables and visits of representatives of relevant partner institutions from China to BiH, promote bilateral cooperation in the fields of culture, art, media, etc (Bosnian-Chinese Friendship Association, 2020). One of the more stable projects of the Association is the web-magazine *Kina danas* (China Today), the first Chinese online magazine in the languages of the South Slavic peoples (Kina danas, 2020). At the end of 2018 in Sarajevo Center for the Promotion and Development Initiative "Belt and Road" was established, becoming the first specialized think-tank organizations in BiH dealing exclusively with this initiative and to the academic standpoint while at the same time provides services to Chinese companies, both state-owned companies (SOE), as well as small and medium enterprises (SME's). The Center also organized several important roundtables with topics relevant to the Belt and Road Initiative (Embassy of the People's Republic of China in BiH, 2017). In the Republika Srpska entity, several primary

and secondary schools have started experimental Chinese language learning (Nezavisne novine, 2019). In Sarajevo, museum “Walter Defends Sarajevo” was open. It is dedicated to the film on the symbol of resistance to the fascist occupiers during World War II, a film that in China has a very special status, as evidenced by the fact that the Ambassador of the People's Republic of China in BiH attended the opening of the Museum as a guest of honor (TV N1: 2019).

All the listed institutions and related projects, with the exception of the Department in East Sarajevo, did not exist before the Belt and Road Initiative. That fact and figures mentioned speak in favor of the *strength of* connecting people that happened. But this does not mean that there are no *weaknesses*, both objective and subjective.

First of all, there are no direct flights on the route Sarajevo-Beijing or Sarajevo-Shanghai, nor to any other Chinese city from Bosnia and Herzegovina (Mostar, Tuzla, Banja Luka), with less-likely chances something like can happened. This means that the full potential of the visa-free regime will not be exploited. Second, the number of overnight stays of Chinese tourists in relation to the number of visits that Chinese tourists stay for only one night. This is partly due to the fact that Chinese tourists coming to Europe try to visit as many countries and destinations as possible - which is a very different concept from the static vacations and *one-destination* vacations practiced by the middle-class in Southeast Europe and Europe generally. Nevertheless, we are inclined to claim that the data on the number of overnight stays/number of visits is at least partly a fact of insufficient profiling and interests of Chinese tourists. In interviews with experts in the field of tourism, personnel from the relevant institutions and their own insights, we conclude that, although it is becoming increasingly distinctive tourist destination, BiH is not comprehensive and strategic acceded developing its tourism potential at least when it comes to the reception of a large number of Chinese tourists. It seems that, in addition to more extensive tourist activity, there is still a lack of knowledge of cultural as well as socio-political references and characteristics. This can also be seen on social networks, where negative stereotypes about the Chinese permeate to a lesser but noticeable extent.

In relation to the above mentioned, the action of the media and the civil sector can to some extent order good relations. In the media, especially private ones, we can find texts that negatively treat certain Chinese socio-political topics that the People's Republic of China considers a clearly internal state matters such as the issues of Taiwan, Hong Kong, Uyghur in Xinjiang, Tibet, etc. Rarely they are activities generated by Bosnian media, this kind of articles are mostly reproduction of materials from the Western media, and the theme Uyghur usually seen through the eyes of their Muslim identity. So in 2020 there was a gathering aimed at expressing support for the Uyghur group and opposition to the People's

Republic of China (Besic, 2020), as well as a round table with the same goal (Badžić, 2020).

Yet, all things in mind, *opportunities do* exist, and it seems most logical that we should continue to work in already present directions and areas. With the right strategy, BiH could become a regional center of Chinese culture, a center for promoting cooperation in various fields, from media and civil society cooperation through cultural and artistic cooperation projects and exchange of content through classical and new channels, to the development of tourism cooperation.

Threats to improve cooperation in this segment are more visible than in some other segments. Any negative media article or action of civil society that calls into question unquestionable topics such as the sovereignty and territorial integrity of one or another state threatens to disrupt relations. Such pressure from civil society on policy makers could lead to other reckless statements or moves that could complicate cooperation. A different cultural background and worldview is not something to be accepted as one's own, one just needs to be aware that there are people and systems with different values. It sounds simple, but believing in the correctness of one's own value system can often lead to a negative perception of others and different ones. Negative stereotypes can prevail in society through the emergence of Sinophobia, anti-Semitism, racism, the growth of right-wing anti-immigrant and Islamophobic movements. Manifestations of hatred are ubiquitous on social networks and, in a more hidden way, in the *mainstream* media, which are not immune from various ideological questions about the value of different worldviews. This topic deserves separate research.

<p>Power</p> <ul style="list-style-type: none"> - Visa-free regime - Confucius Institutes in Sarajevo and Banja Luka - Department of Sinology in East Sarajevo - Departments of Sinology and Chinese in primary schools - Cooperation in media and civil sector - Walter as a brand 	<p>Weakness</p> <ul style="list-style-type: none"> - There are no direct flights - Adapting to the needs of Chinese tourists are slow - Insufficient knowledge of cultural and socio-political references to each other
<p>Opportunities</p> <ul style="list-style-type: none"> - BiH as a regional center of Chinese culture, tourism, education 	<p>Threats</p> <ul style="list-style-type: none"> - Campaigns focused on weak points of cooperation - Hate speech on social networks - Sinophobia

Table 8: Swot analysis of connecting people

6. Comprehensive approach: Case study COSCO Shipping Dragon Maritime

As we could have seen, five areas of connectivity are not organically separated and cannot be properly interpreted outside the context of interconnectedness. Linking policies through concrete agreements or legal solutions affect unimpeded trade or people's mobility; infrastructure projects monitor and seek financial integration; unhindered movement of people increases economic activity including trade, etc. Consider the comprehensive diameter in the case of the Chinese state-owned company COSCO Shipping, which is present in BiH through its regional partner, Dragon Maritime³.

Dragon Maritime Company represents COSCO Shipping in the area the Western Balkans since 2005. Intensive cooperation between BiH and China, as well as the large global project "One Belt, One Road" have contributed to increasing economic activity, as well as trade between the People's Republic of China and BiH. Opening COSCO representative office in Bosnia and Herzegovina on 1 May 2018, said company representatives, the way is that BiH become established as an important item on the "Marine Silk Road" and thus connected with Chinese ports. The Representative Office in Sarajevo brought the direct presence of the shipping company COSCO Shipping on the BiH market, providing local support to customers through direct and efficient communication and strategic orientation towards BiH freight forwarders⁴.

Even before the opening of representative office in Sarajevo in Bosnia, COSCO Shipping had been participating on the market working from neighboring countries. Their partners are predominantly global and local logistics companies, which have recognized COSCO Shipping as a significant strategic and business partner. The number of clients is constantly growing, and, as they say in COSCO, they proudly point out that they work with the largest number of local logistics companies. The number of clients is constantly growing, and, as they say in COSCO, they proudly point out that they work with the largest number of local logistics companies⁵.

Company representatives noted that the BIH growing market and that there are strong links with the People's Republic of China due to the large number of Chinese investments and projects such as construction of TPP Stanari in whose implementation was included and company COSCO; and upcoming project of construction of Block 7 TPP Tuzla. In addition

³ Interview with the head of the representative office for BiH of the company COSCO Shipping Dragon Maritime, Ms. Meliha Mujezinovic, held on February 9, 2020.

⁴ *Ibid.*

⁵ *Ibid.*

to large energy projects, BiH represents a significant market of container transportation that is evaluated up to 50,000 TEU⁶ a year and which are equally directed through the ports in Croatia, the ports of Rijeka and Ploce. The total volume in COSCO is divided into 60% of imports and 40% of exports. According to the company from BiH, as an import-oriented country, it imports consumer goods, white goods, machines, textile, technical equipment and other goods from the *Fast Moving Customer Goods* (FMCG) category. Exports are dominated by wood and wood products, granules, oil, stone, soda and paper products. A positive and promising trend shows that COSCO in 2019, compared to the first year of operation of the representative office, experienced an operational growth of 75%. The market share of COSCO Shipping in BiH is currently 15%⁷.

The vision of the COSCO Shipping fully follows the vision of the People's Republic of China and they are convinced that the Belt and Road Initiative will bring economic progress for BiH. COSCO services take place is through the ports of Rijeka, Koper (Slovenia) and Piraeus (Greece), and they plan further development and investment in BiH. Opening a potential service to the port of Ploce with connecting intermodal traffic through South-East of BiH, creates a precondition for efficient servicing the entire BiH market: 50 % of cargo, with final destinations BiH, is serviced through the port of Ploce, Croatian port which is connected by railway with BiH railways from the period of Socialist Yugoslavia when it was originally constructed.

The establishment of container terminals was precondition for expanding business in BiH. At locations in Banja Luka, Tuzla and Brcko there are available container and depot for systematization of containers. Part of the business plan in BiH is the establishment of regular trains for the transport of containers, which would pave the way for the revitalization of the railway connection to BiH, which is now only occasionally in operation for freight trains. The *land-sea* connection via Rijeka to Tuzla as well as to Banja Luka is considered as well.

Intermodal service via port of Piraeus connects two times a week Piraeus with Belgrade (Serbia). The same regular service provides an excellent possibility of direct connection for import and export shipments with a larger allocation of space on mother ships. This Land-Sea Priority service is a competitive alternative to traditional road transport that connects

⁶ TEU stands for the equivalent unit of twenty feet commonly used to measure the carrying capacity of a ship. The dimensions of one TEU are equal to the dimensions of a standard shipping container that is 20 feet long, 8 feet high. Usually 9-11 pallets can fit into one TEU. One standard container or 1 TEU carries a maximum of 21.56 tons of material.

⁷ *Ibid.*

Greece, Spain, Turkey, the countries in the region. COSCO makes local deliveries from Belgrade to the final destination in eastern BiH and in the other direction. As they say in the company, practice confirmed that the multimodal transport is competitive and flexible alternative for customers in BiH. They are still thinking in that direction, planning strategic development in the direction of combining all traffic components⁸.

Of the further development and investment plans in Bosnia and Herzegovina, COSCO singled out three: (1) the opening of a new feeder⁹ service at the Port of Ploce; (2) Launch of a multimodal service via the Port of Ploce for Sarajevo; and (3) development of a multimodal service via Rijeka for Tuzla¹⁰.

COSCO opened a representative office in BiH the same year that BiH and China abolished visas for their citizens. The appearance of COSCO in this part of Europe and in BiH is a consequence of political will and political integration *par excellence*, and the company's business follows the political vision of the state, which the company's representatives themselves emphasize. Considering that this is a transport company that transports goods, the influence that is realized in connecting the infrastructure and even in creating the infrastructure and the area of undisturbed trade is obvious. A special study would be needed to investigate and evaluate the financial benefits and savings for those participating in BiH trade with China, but it is also certain that COSCO made a calculation before embarking on investments and further market development in BiH and the whole region it imports. In the end, people go through all of the above as the most important factor, from domestic employees of COSCO through communication that is realized through the work and services of the company, to the feeling that China is much closer to BiH than before.

7. Concluding remarks: Recommendations for further cooperation

The basic hypothesis of our work was that the Belt and Road Initiative as a foreign policy tool of the People's Republic of China felt contributed to the improvement of relations in specific areas of BiH cooperation with PRC, but noting that there are still great opportunities to improve cooperation, from connecting finance, trade and infrastructure, to connecting people also. The increase in the number of tourists visiting BiH, the growth of imports, the arrival of Chinese companies and jobs they win in tenders as well as market positioning, activities carried

⁸ *Ibid.*

⁹ Transport operations in which cargo is transferred by water on smaller vessels to and from a port with a seat for loading for loading or unloading from larger ships going to the ocean.

¹⁰ Interview with the head of the representative office for BiH of the company COSCO Shipping Dragon Maritime, Ms. Meliha Mujezinovic, held on February 9, 2020.

out by state institutions and the civil sector are some indicators of extremely positive trends and how much cooperation has increased before the Belt and Road Initiative ... makes us consider our hypothesis to be fully proven.

Bilateral cooperation between BiH and China is on an upward path in all areas that have been proposed as a framework for cooperation since the beginning of the idea. Here, at the end of this text, we will correlate the results of our SWOT analysis with the auxiliary hypotheses we used in our work, in order to, in accordance with the original goal, create recommendations for policy makers and other entities that are in some way covered by the Initiative. Recommendations are:

- **Diplomacy:** Strengthen the BiH Embassy in Beijing with human resources; consider the possibility of opening a consulate in Shanghai or some other strategically selected city and province. Consider opening a BiH office in China that would do the job of promoting BiH in economic, tourism, cultural, and social terms. It is possible to include several governmental, non-governmental and private entities in the establishment of a representative office that express interest in the development of cooperation between the two countries.

- **Politics:** Organize political negotiations at the bilateral or multilateral level in order to discuss projects that may be of mutual interest, but also the state of existing projects. Existing platforms within the “17 + 1” mechanism or forums of the “Belt and Road” Initiative should be used, but BiH can also offer bilateral talks.

- **Economy:** Organize bilateral talks with the aim of creating the next steps in the direction of smooth trade, with the participation of the state, professional and civil sector (BiH Chamber of Commerce, entity chambers of commerce, ministries and agencies in charge of customs policy and inspection) to agree tariffs and quotas of products from BiH that can be exempted from certain duties and competitive on the Chinese market. In parallel, offer the creation of a free trade zone under the auspices of “17 + 1” and/or the Belt and Road Initiative in Bosnia and Herzegovina, which would be placed on the BiH market under special reciprocal arrangements.

- **Technology:** To offer commercial realizations of “smart cities” projects in BiH, in a way that Chinese companies using economical environmentally friendly technologies implement smaller local projects which would demonstrate the knowledge and capabilities of the Chinese side and the BiH side had a modest but concrete benefit (parking management, street lighting, public transport, etc.).

- **Finance:** Organize a professional symposium on the financial aspects of the Belt and Road Initiative, the work of institutions such as the Belt and Road Fund, the Export-Export Bank of China (EXIM) and the Asian Infrastructure-Investment Bank (AIIB) and consider

opening an office of these institutions in BiH. Work in project of application WeChat payment for Chinese tourists as a testing ground for the introduction of this possibility in other countries of the “17 + 1” mechanism and Southeast Europe.

- **Media and NGOs:** Strengthen cooperation in the field of media and civil society in the wake of signed bilateral agreements and cooperation between institutions and existing platforms, offer diverse media content in both directions, strengthen existing media platforms with quality content, strategically and planned cooperation models civil society.

- **Education:** Provide further support to learning Chinese language in primary and secondary schools projects in BiH, as well as colleges on existing platforms. Organize mutual exchange of student and academic staff in various fields with an emphasis on social sciences and humanities in order to improve the connection of people but also the scientific study of the Belt and Road Initiative.

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