Can China promote stability in the Black Sea Region?
Deborah Sanders

Defence Studies Department, Joint Services Command and Staff College Shrivenham, Swindon, UK

ABSTRACT
China has become an increasingly important actor in the Black Sea Region (BSR), and this looks set to continue in the future. Beijing has actively engaged with all of the Black Sea states and has looked to invest largely, but not exclusively, in ports and infrastructure projects as part of its Belt and Road Initiative (BRI). This article examines Beijing’s growing influence in the Black Sea and explores the effect this will have on the region. It will be argued that China’s engagement is seen by some of the littoral states as an important way of balancing Russian influence in the region and Beijing’s presence is likely to lead to a recalibration of Russian behaviour in the BSR. Chinese engagement in the Black Sea might therefore serve as a force for stability or at least encourage the continuation of the status quo, by limiting Russian revanchism, as Moscow will be increasingly sensitive to Beijing’s interest and investments.

KEYWORDS
China; Black Sea Region; BRI; Russia

China’s Belt and Road Initiative (BRI) is one of Beijing’s most ambitious foreign and economic policies (Liu and Dunford 2016; Callahan 2016; Aoyama 216; Cai 2018). Its aim is to strengthen Beijing’s leadership and influence through the development of a vast programme of policy, infrastructure, trade, financial, and people-to-people connectivity throughout China’s neighbouring regions, including Eurasia. In light of these goals, China has significantly increased its engagement with, and investments in, the Black Sea Region (BSR)\(^1\) thereby expanding its economic and political influence. China is therefore becoming an important player in the region. This article explores China’s growing influence in the BSR and considers the extent to which China’s BRI might affect security in the region. As such, it contributes to the growing discussion on how the BRI impacts the security environment of host countries (Gordon et al. 2020). This article argues that the impact of the Belt and Road Initiative on security actually may be more complex and nuanced than is generally recognized, and that it might also actually make a useful contribution to regional stability. In essence, this article argues that while relations between Beijing and Moscow have steadily improved, and attempts have been made to harmonize their interests in the post-Soviet space, Russia is likely to find its room for manoeuvre limited as China continues to increase its interests in the region. The moderating of Russia’s foreign policy activism in the region could ultimately have a positive effect on security in the BSR.

CONTACT Deborah Sanders  deborah.sanders@kcl.ac.uk  Defence Studies Department, King’s College London, Swindon, SN68LA

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The first part of this article examines China’s Belt and Road Initiative and argues that as Beijing has increased its investments, it has become an increasingly important actor in the region seen by many of the littoral states as an effective way of balancing Moscow’s influence. The second section examines how China has pushed the BRI into the BSR by focusing largely on facilitating the development, upgrading and modernization of ports and infrastructure in the region. The third section examines how China’s engagement with the BSR under the BRI is likely to positively affect the region and argues that Beijing’s rise could serve to curtail or at restrain Moscow’s activities which could go some way to promoting increased regional stability. The final section looks at the future of China’s engagement in the BSR and argues that changes in the region including the opening of the Istanbul Canal, the movement of Georgia and Ukraine from low- to middle-income countries, the further modernization and development of ports as well as the global trend towards an increase in containerized shipping is likely to increase China’s engagement in the Black Sea thereby further promoting stability.

1. The BRI and the Black Sea Region

In 2013 President Xi Jinping launched China’s ambitious BRI to develop infrastructure projects to connect Asia to Europe. Investment, particularly in infrastructure and ports in the Black Sea Region, is seen by Beijing as an important means of securing access to vital European markets (Le Corre and Sepulchre 2016; Valero 2019). This is particularly important as the EU is now China’s largest trading partner and China is the EU’s second largest trading partner after the US (The European Commission 2019). While only two of the Black Sea states, Romania and Bulgaria, are officially members of the 17 + 1 framework, set up by China with Central and Eastern European states (now including Greece) to increase interconnectivity and access to European markets, all six littoral Black Sea states have engaged with China under the BRI. As a result of China extending the BRI into the BSR, China has significantly expanded its economic and political influence in the region. The BRI is widely perceived as part of a more active Chinese foreign policy strategy aimed at shaping China’s external environment including the Black Sea Region (Ward 2019). As it increases its investments further, Beijing is likely to become as significant an actor in the region, as Moscow traditionally has been, and this will have major implications. An extension of China’s investments in the BSR could therefore result in Beijing potentially displacing Russia and curtailing or at least restraining its activities in the region (Harper 2017, 2019). While Russia remains an important, if contentious, actor in the BSR its influence risks being eclipsed by Beijing’s increasing footprint under the BRI and so too does Moscow’s ability to operate unfettered in the region. Russia’s relationship with many of the littoral states, in particular Ukraine, Georgia and Romania are already strained and difficult and its influence over even traditional Black Sea allies, such as Bulgaria, appears to be waning creating the space for Beijing to firmly push the BRI into the BSR (Seroka 2019).

The BRI is also clearly recognized by some of the littoral states as an important way of balancing and in some cases mitigating Russian influence in the region. Although China and Russia have sought to align their mutual interests in much of the post-Soviet space through the ‘docking’ of the BRI and the Russian led economic organization, the Eurasian Economic Union, no such agreement or condominium exists between Beijing
and Moscow in the BSR (Rolland 2019). While China continues to be sensitive to Russia’s interests in the region, under the BRI it has made steady inroads into the BSR which is likely to have a moderating effect on Russian policy. As China’s investment in the BSR is likely to increase in the future given trends in shipping, developments in the region and the need to rebuild the Chinese economy after the pandemic, the future balance of power between Russia and China in the BSR looks set to tip increasingly towards Beijing. The BRI and other initiatives by China could essentially eclipse and significantly reduce Russian influence in the BSR and hamper its ability to pursue its interests (Harper 2019).

For China, the BRI is the key to its interests in the BSR. The BRI is comprised of two elements: the overland Silk Road Economic Belt, which relies on railway and land connections; and the sea based Maritime Silk Road which connects China and Europe through a series of ports developed along a route following the Indian Ocean, the Red Sea and the Mediterranean (Office of the Commissioner of the Ministry of Foreign Affairs of the People’s Republic of China 2017). For China, the BRI is about competitive connectivity; unlocking foreign markets to allow it to externalize its overcapacity problems in manufacturing and services through exports to support its companies and to gain a market share in new sectors ranging from e-commerce to renewable energies (Huang 2016; Cai 2017). The BRI is part of China’s long-term planning for the future with the aim of meeting its growing domestic needs, in particular around energy and agricultural production. Securing energy supplies is vital as China’s energy demands are expected to treble by 2030 (Meidan 2019). Under ambitious plans, the BRI will therefore consist of new or upgraded energy corridors. As a result of rapid urbanization, China has also faced pressure on agricultural production (Yu and Wu 2018). These energy and agricultural demands make the Black Sea region particularly attractive to Beijing. Ukraine is an important supplier of agricultural products and Russia and China have significantly increased their energy cooperation. The BRI also aims to address the transition of the Chinese economy from manufacturing to services which has resulted in excess capacity in steel, cement and metals all of which can be deployed abroad in large-scale construction and infrastructure projects. While building infrastructure, in particular roads, railways and pipelines, has been an objective since the 1990s, the BRI has given it a new impetus and it is seen as an important means of unlocking foreign markets in the Black Sea (Holslag 2019, 55). Under the BRI, China has therefore focused on increasing its investments in a number of key sectors in the BSR, in particular infrastructure and ports which will be discussed in the next section.

2. China increases its engagement in the BSR

Over the last few years, China has focused primarily on infrastructure and port development projects throughout the BSR in order to turn the region into a transportation and logistics hub linking Asia to Europe via the BRI (Topuria 2019). Of all the Black Sea states, Georgia has been the most active in securing China’s investment under the BRI. Between 1992 and 2014 the overall volume of bilateral trade between Beijing and Tbilisi increased 223 times: from less than 4 USD million to 823 USD million (Larsen 2017). China is also an important source of Foreign Direct Investment, although this has fallen off slightly since 2014 when it peaked at 218 USD m, dropping to 65 USD m in 2018 (Daly 2018). More recently the Georgian government has been discussing with China the
possibility of constructing a multimodal transit terminal as well as the possible expansion of the Poti Sea terminal (Avdaliani 2019a). The Poti Sea Port is a major seaport off the eastern Black Sea coast at the mouth of the Rioni River, as well as the largest port in Georgia, handling liquids, dry bulk, passenger ferries and 80% of Georgia’s container traffic (Jiang 2020). Under an ambitious two-stage expansion project, Poti Sea Port would include the development of a new multipurpose quay able to handle dry bulk cargo and larger ships as well the introduction of new state-of-the-art cranes (SAFETY4SEA 2020). There are also plans to develop and diversify activities at the Georgian Black Sea port of Batumi with the construction of an additional terminal which will handle mineral-based fertilizers coming from Central Asian countries to the Caspian Sea port of Baku in Azerbaijan. From Baku, they will be transported by rail to Batumi in what will become the shortest and most efficient route for products from Central Asia to the Black Sea (Staikos 2019).

In a clear sign of the importance China attaches to the development of infrastructure in the region, in 2017 the Asian Infrastructure Investment Bank (AIIB) offered Georgia 114 USD million to improve regional connectivity and road transport efficiency. This funding will contribute to the construction of a new bypass road skirting the Black Sea resort city of Batumi which will speed up international transit and make it much easier for China to ship goods into Europe (AGENDA.GE 2017). The Georgian government has also sought to expand its country’s infrastructure to increase its attractiveness as a route for Chinese goods into Europe. Infrastructure projects funded domestically have included modernizing the Baku-Tbilisi-Kars (BTK) railway connecting Azerbaijan to Turkey through Georgia. The BTK was inaugurated in 2017 and once fully completed will be a central element of the southern Eurasian route linking China to Europe, as it cuts a 45-day journey to 2 weeks (Topuria 2019). During an official visit to Georgia in May 2019, China’s foreign minister announced that the two countries would also explore further avenues for bilateral cooperation (Avdaliani 2019a). In a significant sign of China’s commitment to Georgia, the Asian Infrastructure Development Bank (AIIB) loaned Georgia just under 100 USD million in May 2020 for COVID-19 relief (Belt and Road News 2020).

Despite getting off to a slow start China’s interest in Ukraine has also increased significantly over the last few years (Gerasymchuk and Potitta 2018). For Ukraine, the BRI is seen as a tool to improve infrastructure, attract foreign investment, and as an important means of reducing its dependence on Russian markets. In a sign of China’s growing interests in Ukraine, bilateral trade relations have grown dramatically, with China now being Ukraine’s largest single national trading partner, pushing Russia into second place thereby reducing its economic influence (Datskevych 2019). Ukraine’s ports and infrastructure are important to China as they give Beijing the capacity to export agricultural products. In 2015, China’s Oil and Food Corporation (COFCO) bought Noble Agri Resources, an international agricultural corporation with assets in Ukraine, and a year later, it also opened a grain terminal in the port of Mykolaiv in Ukraine. COFCO has also recently signed a Memorandum of Understanding to develop port infrastructure in Mariupol on the Sea of Azov in Ukraine. Estimates suggest that the project could bring in as much as 50 USD million and that the parties will cooperate on the reconstruction of two docking sites, the construction of a second stage for the port’s grain terminal and the creation of an entire transhipment complex for
agricultural products (Query 2019). As part of this attempt to increase Ukraine’s utility as a hub for agriculture, China’s Harbor Engineering Company (CHEC) has also completed the first stage of the renovation of the Ukrainian Black Sea port of Yuzhny in Odessa and were also awarded a contract for the port of Chornomorsk. In addition, as part of China’s plan to support infrastructure enabling projects in Ukraine, in Chornomorsk, the CHEC has also deepened the ports approach channel to 16 m boosting the handling capacity of this port (Xinhua 2018a).

Signifying the importance of infrastructure investment in the BSR, Chinese companies have also signed infrastructure deals under the BRI which include building the new metro line in Ukraine, constructing a new passenger railway connecting the capital with Boryspil International Airport, as well as a number of road building projects to further increase interconnectivity in the BSR (Buzarov 2018). China not only sees Ukraine as a potentially attractive logistic transit hub within the Belt and Road Initiative that links China to Europe but also as an important market for agricultural imports to Beijing which has led to an increase in investment (Gerasymchuk and Potitta 2018). While Ukraine has become an important partner for China under the BRI, problems have begun to emerge, however, which could undermine the close economic relationship and the positive spill over security benefits of Chinese investment discussed later. A key problem for many of the Black Sea littoral states, including Ukraine has been that the US views China is a strategic competitor (Baer 2020). As a result, as the relationship between the US and China has deteriorated, some of the Black Sea littoral states have found themselves in the difficult position of having to balance between the west, led by the US, as against China in the east. In light of what has been called the return of great power competition, some of the smaller Black Sea littoral states have faced, and will continue to face, difficult choices made even harder by the pandemic (Jones 2020; Colby and Mitchell 2020). The recent decision by the Ukrainian government to nationalize Motor Sich, one of the world’s top makers of engines for cargo aircraft and helicopters, and prevent a Chinese takeover attempt, has damaged relations with Beijing and highlights this problems host states face in balancing between east and west. Since 2016, China’s aerospace company, Skyrizion, has been pursuing a controlling stake in Motor Sich which had been badly hit by the loss of its main export market, the Russian Federation, in 2014 and was in desperate need of investment. The plan started to run aground when the Antimonopoly committee of Ukraine blocked Skyrizion’s purchase of Motor Sich in 2016 and again in 2019, citing violations of antitrust laws and the transfer of sensitive military technology (Lennon 2020). Strong US opposition to the sale of Motor Sich to China and the imposition of US sanctions on Skyrizion, have in effect forced Kyiv to make the difficult and potentially costly decision to nationalize this asset (Kossov and Talant 2020).

For the Chinese government, Bulgaria is also recognized as a useful logistics and transportation hub into Europe, giving Beijing direct access to the EU single market. In 2016 China agreed to develop the Bulgarian Black Sea port of Burgas as a logistics hub for trading in goods with partners in Central and Eastern Europe. The development would involve the construction of a logistics centre and a trading pavilion for contacts between trading partners from China and the countries in the 17 + 1 framework (Novinite.com 2016). More recently, in 2019 the China Machinery Engineering Corporation signed a 120 USD million contract with the Joint stock company Logistical Center-Varna for the
joint development of port infrastructure in Varna. The project will enable the port to be the first modern port equipped with warehouse facilities in Bulgaria and it will also greatly improve Sofia’s cargo handling capacity (Port Strategy 2019). However, there is recognition that Bulgaria also needs to improve its infrastructure, including transport and communication systems and logistic facilities, for Beijing to be able to fully utilize Sofia’s geographical advantages (Xinhua 2018b). To address these challenges and encourage China’s investment Bulgaria has also signed a framework deal with the government of China to build a range of transport infrastructure, including four motorways and a tunnel under the Balkan Mountains (Global Construction Review 2018). As part of improving its infrastructure the Bulgarian government also granted a tender for a 35-year concession of Bulgaria’s Plovdiv Airport to a consortium of China’s HNA and Dutch-registered Plovdiv Airport Invest BV. The Chinese company is the third largest airport investment management group in China and runs 16 airports (The Sofia Globe 2018).

China has also invested substantially in Turkey. As in the rest of the Black Sea region, China is interested in port facilities and increasing connectivity. In light of Turkey’s strained and difficult relationship with Europe and the US, as well as its developing export-orientated economy, the Turkish government has increasingly sought closer economic ties with China. As a result, China’s direct investment in Turkey has increased significantly over the last few years with Beijing looking to double its foreign direct investment to USD 6 billion by 2021 (Global Policy And Analysis Think Tank 2020). In a clear sign of Beijing’s increasing interests in Ankara, in 2015 a Chinese consortium bought a 65% stake in Kumport Terminal, a modern container facility in Turkey’s Ambarli Port Complex, which is on the northwest coast of the Marmara Sea on the European side of Istanbul. It is the third largest container terminal in Turkey and puts Turkey on both the Silk Road Economic Belt that runs overland from China to Europe and on the Maritime Silk Road (Knowler 2015). Kumport Terminal has enabled Beijing to launch new regional container shipping services connecting ports in Northern Europe with those in the Mediterranean and Turkish ports are seen as an important part of increasing China’s footprint in the Med (Atli 2018).

Turkey and China have also worked together to align President Erdogan’s ‘Middle Corridor’ infrastructure strategy with China’s BRI. Turkey’s Middle Corridor initiative has a variety of aims, including to create a belt of prosperity in the eastern part of Turkey; encourage China’s investments and so allow Ankara to diversify its investment sources; make Turkey a hub in China–Europe trade; and diversify its energy suppliers (Yinanç 2019). Under ambitious plans, the Middle Corridor initiative will develop a region-wide railroad network that runs from Turkey through to Central Asia. The Middle Corridor plan overlaps with the China-Central Asia-West Asia corridor of the BRI, but it bypasses Iran (Akman 2019). The first freight train travelling from China to Europe via Turkey crossed from Asia to Europe along the Baku–Tbilisi–Kars railway in November 2019. This railway reduces the transport time between China and Turkey from 1 month to 12 days (Xinhua 2019). To further increase overland connectivity, Turkey has also begun construction of the 2000 km Edirne–Kars High-Speed Railway. The Turkish government has also undertaken a number of infrastructure projects, including the Eurasian Tunnel, the Yavuz Sultan Selim Bridge and Istanbul Airport. In a further illustration of Beijing’s interests in investing in big infrastructure projects in Turkey, a Chinese consortium has recently applied to buy a 51% stake in the Turkish company responsible for the
construction and operation of the Yavuz Sultan Selim bridge near the city’s new third airport (Ahaval 2020). Despite this progress in building the infrastructure necessary for the overland route from China to Europe, there is, however, an urgent requirement to modernize Turkey’s railways system to allow for high-speed freight transport, something that is still a long way off (Railways Gazette International 2019).

Unlike Georgia, Ukraine, Bulgaria and Turkey, who have welcomed investment by China, Romania has adopted a very cautious position in dealing with Beijing. Bucharest has tended to view relations with China through a geopolitical lens and has prioritized relations with Washington and the EU over those with Beijing (Ciurtin 2019; Oehler-Şincai 2020). Bucharest has consistently demonstrated that its strategic partnership, in particular with the US, which for Romania mitigates the risk of a resurgent Russian Federation in the Black Sea, takes priority over China’s economic investment. Romania was China’s closest European ally during the Cold War and Bucharest has maintained cordial relations with Beijing within the 17 + 1 framework. However, Romania’s strategic priorities have meant that Bucharest has adopted a very cautious policy towards Beijing, and as a result, China’s trade and investment has remained very low. More recently, as US-Chinese relations have deteriorated, and the EU has adopted a tougher stance on China’s investments, potential Romanian joint projects with Beijing have either been cancelled or are unlikely to materialize.

3. How does this increase in China’s engagement under the BRI affect the BSR?

Given the major inroads, the BRI has made in the BSR tensions are likely to emerge in the future between China and Russia which could limit Moscow’s influence in the region (Liu 2019). The relationship between Moscow and Beijing is an asymmetric one, with China being the stronger partner. Not only is China Russia’s biggest trading partner, where bilateral trade volume exceeded 100 USD billion for the first time in 2018, but due to sanctions and its increasing international isolation, Moscow has come to rely more on China politically (Krohn 2019). The launch of the Power of Siberia pipeline in December 2019 is the largest gas project in its history and a clear symbol of the close relationship between Beijing and Moscow. This new cross-border pipeline supplies natural gas from Russia to China. Similarly, highlighting how the two countries were, in Xi Jinping words, continuing to strengthen their ‘strategic cooperation and partnership’, President Putin confirmed in the same month that Russia was assisting China in creating an early warning missile detection system (TASS World News 2019; Sassi 2019). Despite this increase in energy and military cooperation between China and Russia, the bilateral relationship is, however, more of an alignment than an alliance, with Russia very much the junior partner (Trenin 2019). Russia’s economy and its total trade volume are both roughly one-eighth the size of China’s – a gulf that the BRI could widen further in the future (Chatsky and McBride 2020). Further driving a wedge between Moscow and Beijing, Russian exports to China make up only 10.9%, far lower than with the European Union, suggesting that despite their close relationship both have other geo-economic priorities (Rapoza 2019). Ultimately, China’s trade and investment are limited by Russia’s one trick economy in which trade is concentrated in natural resources. China’s investment in Russia is also constrained by the latter’s problems with corruption and poor
infrastructure, and while the two states share a border, deep-seated cultural differences remain which have been exacerbated by the COVID-19 pandemic (Hillman 2020).

It is also evident that while Russia and China have increased their cooperation, this is ultimately anchored in shared grievances rather than a common vision. This relatively shallow basis for their common interests allows for the possibility of increased tension which would impact on the BSR. A 2019 RAND report by Dobbins et al. notes that as a resurgent power, China seeks to modify the post-world order to allow it to achieve economic and technological pre-eminence, whereas Russia, as a declining power, seeks to foment military and ideological chaos. Ultimately Beijing has a strategic stake in the multilateral system since its economy is much more globally integrated than Moscow’s (Liu 2019). This ‘natural non-convergence of interests’ between Beijing and Moscow was also highlighted by the US Secretary of Defense James Mattis. He stated that, in spite of what might appear to be a short-term convergence,

it is an objective fact that Russia has more in common with Western Europe and the United States than they have in common with China. I believe China has more in common with Pacific Ocean nations, the United States and India than they have in common with Russia. (TASS 2018)

This point is reinforced by Graham Allison who argues that China is a short-term ally for Russia and long-term challenger (Allison 2018).

In light of this growing asymmetry, Beijing will seek to protect and advance its own interests in the BSR despite Moscow’s sensitivities, much as it has also done in Central Asia. China has steadily increased its investment in Central Asia, integrating itself into what has traditionally been a Russian stronghold and limiting Russia’s control of, and dominance in, the region. Ultimately, the level of China’s investment in Central Asia has meant that Moscow can do little to balance Beijing’s growing influence in the region. In 2017 China’s trade with Central Asia stood at 30 USD billion which was almost double Russia’s trade with the region (Köstem 2019). As Swanstrom argues, given the political importance the Xi Jinping Administration has attached to the BRI and the vital role Central Asia plays in these projects, China and Russia are ultimately on a collision course in this region. Moreover, the accommodation of Russia’s fears and needs is at best only a transitional phase during which Beijing bides its time until Russia become a toothless former superpower surrendering the stage for China to fully assert its own influence over Eurasia (Rolland 2019). China’s strategy of seeking to increase its influence in Eurasia is therefore also likely to have major implications for the BSR. As Stephen Blank points out, ultimately ‘China will not cede primacy to Russia anywhere in the BRI’. As a result, China can be seen as both a collaborator and a challenger to Russia in the BSR and this will have an impact on Russian policy in the region (Harper 2017).

Although the BRI is often understood in largely economic terms, it is the geostategic implications of China’s increasing economic presence in the BSR that are likely to have the greatest effect on the region generally and Russia specifically. According to experts, the BRI is meant to address both China’s economic situation and its security environment in order to realize President Xi’s vision for the great rejuvenation of the nation (Rolland 2017). Ultimately for Beijing, the BRI is a ‘grand strategy’ meant to serve China’s unimpeded rise to great power status (Rolland 2017). For China, the BRI assists the broader regional ambition of building a Sinocentric
Eurasian order reflecting Beijing desire to play a leading role in reshaping the world, starting with its extended periphery (Ward 2019). The BRI can therefore be seen as part of a more active Chinese foreign policy strategy aimed at shaping China’s external environment, including the Black Sea Region. For Beijing, the BRI comprises ‘five links’ including policy coordination, infrastructure building, unimpeded trade, financial integration and people to people exchanges (Rolland 2019). As a result of these five links Beijing’s attempt to play a more active role in the BSR is likely to have a significant effect on the region and may well complicate in important ways Russia’s ability to continue unilaterally to pursue its interests. As Rolland points out, China uses the BRI not only to access new markets and increase China’s control of critical infrastructure but also to influence regional countries’ strategic decisions. As well as amassing strategic influence in Eurasia and thereby inevitably challenging Moscow’s dominance in the region under the BRI, China is keen to promote regional stability. Eurasian integration is ultimately seen by China as a way of creating a more stable security environment around China’s southern and western periphery (Wuthnow 2017). The goal of the BRI is to mitigate tensions and enhance mutual trust with neighbouring countries to ensure a peaceful environment for China’s development (Zhang 2019). This goal in particularly is likely to affect Russian policy and actions in the BSR.

So, what is Russia’s view of the BRI? Rather than joining the BRI, Moscow has proposed harmonizing it with Russia’s own integration initiative, the Eurasian Economic Union (EAEU) which is made up of Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. In 2015, China and Russia signed a joint statement on strengthening regional economic integration between the BRI and the EAEU, and in 2018 an Agreement on Trade and Economic Cooperation was signed covering 13 chapters including customs cooperation and trade facilitation, intellectual property rights, departmental cooperation, e-commerce and government procurement (Jiapei 2019). Dovetailing development strategies between the BRI and the Eurasian Economic Union benefits, Russia economically, and theoretically at least, avoids a clash of interests with Beijing in the former Soviet republics, at least in those who are members of the EAEU. For Moscow, cooperation with Beijing will provide support for infrastructure, accelerate Eurasia’s regional integration and strengthen its position as an intermediary between Asia and Europe (Rolland 2019). Perhaps most important of all for the Russian Federation, it also means that the former Soviet states, those in the EAEU as opposed to the Black Sea littoral states, do not have to choose between Beijing or Moscow. Despite these plans to link or ‘dock’ the BRI and the EAEU, structural barriers remain, however, which highlight the unequal nature of the relationship between Moscow and Beijing and call into question Beijing’s commitment to developing a shared economic vision in Eurasia. As Hillman argues, this partnership of ‘unequals’ will grow increasingly lopsided in the future as China already towers over Russia in nearly every dimension. As a result, if China can navigate its own domestic challenges this gap looks set to grow in the future (Hillman 2020). These economic differences are further reinforced when looking at the key difference between the BRI and the EAEU. As Kaczmarski has argued, while the EAEU is an economic integration mechanism that aims to protect Russian-led Eurasia from outside competition, the Belt and Road Initiative is designed on the premise of leveraging economic globalization through external connectivity. These different goals
suggest a high degree of incompatibility between these two different models and the potential for increased tension in Eurasia between Moscow and Beijing in the near future.

In light of these differences, while China has been prepared officially and in the short term to cede Russia more of a leadership role in many of the former Soviet republics, it has nonetheless actively, but quietly, pursued its own economic interests in key EAEU states under the BRI, such as in Belarus, as well as in the Black Sea, in particular in Georgia and Ukraine (Dyer 2014; Brooke 2018). For example in Belarus as in Central Asia, Beijing has increasingly provided support to President Alexander Lukashenko in his attempt to maintain independence from Russia and during the peaceful post-election protests in Minsk Belarusian security forces used armoured trucks manufactured in China (Skarzynski and Wong 2020). Indicative of the Belarusian governments pivot to China, Foreign Direct Investment from Beijing has increased by 200 times over the last 10 years, and in December 2019 China’s Development Bank agreed to provide Belarus with a loan worth close to USD500 million (Istrate 2019). Therefore, as can be seen in Belarus, while China has tended to avoid directly criticizing or challenging Moscow’s policies in Eurasia it has nonetheless sought to advance its own interests in the region. Under the BRI, as China’s material power grows and as its economic and political interests and influence expands in the BSR, Beijing will shape the regional order in a way that benefits its own interests (Rolland 2019). As evidence that Moscow has been growing increasingly uneasy about China’s growing encroachment in what is seen as Russia’s sphere of influence, at a Belt and Road Forum meeting in Beijing in April 2019, President Putin was forced to remind President Xi that cooperation with Russia was essential to overcoming challenges to the BRI in Eurasia (Dasgupta 2019).

Russia’s influence in the BSR is also likely to decrease as the region’s debt to Beijing goes up. While debt to China in the BSR has proven to be much less of an issue than among some of the member states of the EAEU, as China moves decisively into the region this could change. Ukraine, for example, is accumulating mounting debts to China and this could affect market confidence in its bonds. More tangibly it has also had a pernicious effect on the government’s ability to privatize one of its state-owned agricultural firms. On paper, Beijing remains a minor player in Ukraine with a small footprint of Foreign Direct Investment (FFDI) of less than USD18 million in 2018. However, these official figures do not capture the true depth of China’s investments. Most of China’s investments in Ukraine are under the radar and focus on concessionary lending, putting Ukraine in the front row of ‘hidden’ debtor nations (Zeneli and Haluhan 2019). According to new research, China’s loans are often hidden from public scrutiny because of Beijing’s opaque accounting systems. Using a comprehensive new data set, Horn et al. have shown that China has extended many more loans to developing countries that previously known and that this underreporting has created a ‘hidden debt’ problem where debtor countries and international institutions have an incomplete picture of how much individual countries own to Beijing and under what conditions (Horn et al. 2019). Ukraine’s hidden debt to China could be a major problem in the near future as Ukraine looks to reduce government debt by issuing new government bonds. In January 2020, the Ukrainian government sold USD 1.25 billion of new debt at record low borrowing rates, capitalizing on a rush of optimism over the country’s reform programme (Olearchyk and Stubbington 2020). Despite Ukraine’s ability to sell its debt at such a low yield, which reduces the cost of the government’s outstanding debt, investor
confidence is likely to be negatively affected by revelations of hidden debt to China thereby affecting its ability to raise money in the future through bond sales (Tan 2019).

In addition, the restrictive and uncompetitive nature of China’s 2012 loan of 1.5 USD billion to Ukraine’s largest state-owned grain exporter, the Ukraine State and Food Grain Corporation (DPZKU), is hampering the Ukrainian Government privatization and planned modernization of this unprofitable company. Privatization has been stalled as the company is in legal dispute with the China National Complete Engineering Corporation (CCEC) over an agreement which was signed in 2015. Under the terms of this agreement CCEC claims that DPZKU failed to pay five dollars in commission for every ton of grain that was exported (RWR Alerts 2020). Contesting this interpretation of the loan agreement DPZKU claim that this money only applied to exports to China and not global exports. If 2018 and 2019 are included, then DPZKU could end up owing CCEC USD126 million. The leadership at DPZKU has said that based on the firms current financial situation additional requests from the Chinese lender could lead to bankruptcy which would then activate a guarantee of USD900 million plus legal fines which would have to be paid from the Ukrainian state budget. Signifying that the issue of debt has not gone away, Ukraine’s state oil and gas firm Naftogaz has recently secured backing from China for USD1 billion in loans and investments. Under this unpublished deal, Naftogaz would borrow USD160 million to buy Chinese drilling equipment and services and would receive another USD800 million for additional projects in the near future (Reuters 2019). The failure of Naftogaz to pay back these loans would result in a default with the Ukrainian government picking up the debt. Through generous and unsecured loans to Black Sea littoral states, China has therefore significantly increased its presence and ability to influence developments in the region.

As China steadily increases its influence in the BSR, Moscow’s freedom of manoeuvre and dominant position in the region looks increasingly to be challenged. Given Russia’s isolation from the West, Moscow has few alternatives but to deepen economic ties with Beijing. This puts Moscow in a difficult position vis a vis the extension of the BRI into the BSR. Closer economic ties between Russia and China increase Moscow’s dependence on Beijing and China’s ability to influence Russian policy in the BSR. In addition, China’s investments in the BSR create for Beijing tangible long-term stakes in regional stability in the BSR as well as in the territorial integrity, independence and sovereignty of Russia’s neighbours (Stronski 2020). For Beijing, the stability and relative independence of the Black Sea littoral states has therefore become considerably more important in light of its investments in the region. As Beijing’s interests in the region grow, it has a vested interest in ensuring stability in the region by seeking to limit Russia’s expansionist and revanchist policies in the BSR. China has been unhappy about Russia’s adventurism in foreign policy; for example, Beijing has failed to officially recognize the Russian annexation of Crimea (Perovic and Zogg 2019). The emergence of China as a major actor in the region is therefore a complicating factor for Russia in the BSR. It dilutes Moscow’s influence, limits its freedom of action, offers an unfavourable comparison of what a major economic power can actually offer its partners and expands the ability of the Black Sea littoral states, who are not members of the EAUE, to engage in geopolitical manoeuvring (Stronski 2020). Under the BRI, China will not only deny Russia carte blanche but will also work to maintain its relative independence from Russia policy in the BSR (Kaczmarski et al. 2019).
The expansion of the BRI into the region will not give China a veto over Russian action in the BSR. Given China’s geostrategic ambitions and the imbalance in power between the two states, however, it will encourage Russia to be more cautious in pursuing policies that destabilize the region and challenge or threaten China’s investments. As discussed earlier this could be particularly helpful when thinking about the so-called frozen conflicts in both Ukraine and Georgia. In light of the investments under the BRI, discussed earlier, while Georgia’s interests in China are primarily economic, there are hopes that increased engagement by Beijing could bring stability and offer Tbilisi an important counterweight to its larger neighbour, the Russian Federation. An increase in China’s economic interests in Georgia could prevent Russia from using military aggression in the future as such action will risk damaging Beijing’s investments (Smolnik 2018). In essence, engagement by China provides potential benefits to Georgia, and could change Russia’s strategic calculus by increasing the cost of destabilizing its neighbours in the BSR (Rumer et al. 2017). Despite China’s growing influence in the region, however, Russia will continue to see the BSR as within its sphere of influence, but it will nonetheless act more cautiously and the BRI could serve to steady Moscow’s hand in the region.

To facilitate cooperation with Russia, under the BRI the Chinese leadership have therefore adopted a low friction path that is sensitive to Moscow’s regional ambitions and security concerns while taking advantage of its current isolation and lack of alternative options (Rolland 2019). Ultimately for Beijing, closer cooperation with Moscow works as an insurance for strategic stability in Eurasia including in the BSR (Seçkin Köstem 2019). The success of the BRI in Eurasia, but, more specifically in the BSR, depends ultimately on the viability of combined geo-economic factors, such as the recovery of China’s economy after COVID, but equally important are geostrategic factors such as stability in the region. Despite China’s unease around Moscow’s more aggressive policies in the BSR, in the short term at least, Beijing is keen to benefit from the stability provided by Moscow (Woody 2020; Daly 2020; Committee on Foreign Relations US Senate 2018). China’s policy documents on the BRI highlight the importance of gaining confidence, mutually beneficial partnerships and for the Black Sea, perhaps most important of all, promoting a stable and benign environment (Holslag 2019, 52). As China’s interests grow, Beijing will be keen to avoid a flare up in conflict in Abkhazia and South Ossetia or in the Donbas.

In addition, increased investment by China in Ukrainian ports, particularly in the Sea of Azov, discussed earlier could moderate Russia’s behaviour in the region. The Chinese food processing company, COFCO, has signed a memorandum of understanding to develop port infrastructure in Mariupol. Under the MoU COFCO will reconstruct two docking sites and will participate in the construction of a second stage for the port’s grain terminal and the creation of an entire transhipment complex for agricultural products (PortSEurope 2020c). Since the construction of the bridge across the Kerch Straits in 2017, Russian border guards have been inspecting and delaying most ships entering the Sea of Azov from the Black Sea via the Kerch Strait and heading towards the Ukrainian ports of Mariupol and Berdiansk (Sanders 2019). Tension between Russia and Ukraine reached boiling point in 2018 when Russian border guards rammed Ukrainian ships heading into the Sea of Azov and arrested 24 Ukrainian sailors. China’s investment in Ukraine’s ports in the Sea of Azov may well encourage Russian restraint both at sea and
on land. Russia will be less willing to antagonize its new best friend, China, by holding up maritime traffic.

4. **China’s future interests in the BSR**

As has been discussed in the previous section, while the level of China’s investment in the Black Sea varies tremendously, Beijing has increased its presence in the region and this looks set to continue given predicted growing global freight demand, the planned building of the new Kanal Istanbul, the move by Ukraine and Georgia from low- to middle-income countries, and significant port upgrades in the region. This will further strengthen China’s influence in the region and further encourage Russia to moderate its behaviour in the BSR. Pre-COVID-19 estimates have suggested that global freight demand would triple by 2050 with ships expected to carry more than three quarters of all goods. Maritime freight transport would grow at an estimated rate of 3.6% through to 2050 and this would lead to a near tripling of maritime trade volumes (The Maritime Executive 2020a). These optimistic forecasts were a key reason for China’s interests in the BSR in particular in its ports and infrastructure as discussed above. Access to ports and infrastructure in the BSR gives China unparalleled access to European markets. In addition, the latest round of trade negotiations between China and the US conducted in early 2020 was also expected to boost the fortunes of both the dry bulk and the tanker markets which would have had a positive effect on trade in the Black Sea (International Shipping News 2020). This increase in future maritime trade would not only have benefitted the Black Sea economies but also further increased China’s engagement in the region thereby also reducing Moscow’s influence.

While the COVID-19 pandemic has called into question the veracity of these predictions, there are signs of a partial recovery of maritime trade in the third quarter of 2020 and a strong indication that shipping traffic will pick up further towards the end of the year (Hoffman et al. 2020). Globally, container shipping started to fall below 2019 levels around mid-March 2020 and then to recover gradually around the third week of June (Hoffman et al. 2020). Recent data has also shown that global containerized freight levels were only marginally below comparative figures last year, suggesting that we are likely to see a return to pre-COVID levels in the near future (Nightingale 2020). However, while most regions have seen a recovery in maritime traffic in the third quarter of 2020 there are important regional variations which will impact on the BSR. Due to the pathology of the pandemic, Europe has been slower to recover economically. So while container ship port calls in China and Hong Kong have climbed by more than 4% over 2019 by early August 2020, the level of maritime traffic heading to Europe, was still 13.2% below the levels registered last year as regional and country trends appear to follow the progress of the pandemic (Nightingale 2020). Whether these largely positive shipping trends continue however will be dependent on many factors including the pathway of the pandemic, the effectiveness of the containment efforts and recovery measures particularly in Europe and North America. The progress of the pandemic in Europe therefore is of particular relevance to the BSR and China’s future engagement, particularly its continued investment in ports and infrastructure. A future increase in container shipping in the Black Sea is therefore closely correlated with developments in both Europe and China’s economies, manufacturing and consumption in light of the pandemic. A reduction in the
rate of infections in China, further increasing its presence in the BSR. The continuation of China’s investment in the BSR as part of the BRI will also be dependent on whether the economy can bounce back after the pandemic. As the largest emerging economy, China has in essence been the engine of global growth for the past two decades. A deeper and longer contraction in China’s economy is definitely not good for the world economy or more specifically, continued investment by Beijing in the BSR under the BRI. Giving an early indication of the potential scale of the problem, the National Bureau of Statistics of China reported in April 2020 that China’s gross domestic product has plunged 6.8% year on year in the first quarter of 2020, as the virus has forced factories and businesses to close (Liu et al. 2020). The value of China’s investment and construction also fell sharply in 2020 compared with 2019 due to a more cautious approach by Chinese banks towards disbursing unsustainable loan and the restriction in the movement of labour and goods caused by the introduction of border controls (YinHui 2020). In June 2020, the Chinese Foreign Ministry also announced that about 20% of the projects under its BRI had been affected by the pandemic (YinHui 2020). However, as Liu argues China may be better positioned than other emerging economies to win the war against COVID-19 and the effective pursuit of extraordinary macroeconomic policies will prove vital in mitigating China’s pandemic-induced economic meltdown. The signs of a China’s recovery look promising. The IMF forecasts growth of 1.2% for China in 2020 and above 5% a year between 2021 and 2025 – well ahead of any other major economy (The Financial Times 2020). China has been the first major economy to return to growth since the pandemic. However, there is concern about the sustainability of this growth. China’s economic rebound reflects the government’s continued reliance on spending on the building of highways and rail lines and other infrastructure projects to revive the economy, rather than on rising domestic consumption. This approach raises questions about whether Beijing’s economic turnaround can be sustained, and whether it can become the engine of growth needed to drive the global economy out of its COVID-19 slump. There is concern that economic growth had become too dependent on government stimulus and Chinese domestic consumption has fallen due to high unemployment rates. As demands for exports from China has slowed internationally as other countries have gone into recession, consumption, which is the most sustainable part of Chinese growth in remains low (Bradsher 2020).

Despite these concerns about China’s bounce-back, an increase in maritime traffic in the Black Sea will be facilitated by the building of the giant Kanal (Channel, Canal) Istanbul project by the Turkish government, due to be completed by 2025. The 45 km canal, an artificial sea-level waterway, will be built connecting the Black Sea and the Mediterranean in Istanbul’s Kucukcekmece-Sazlidere-Durusu corridor and is projected to have a capacity of 160 vessels transit a day, similar in volume of traffic to the Bosporus (PortSEurope 2020b). The new canal will also make the transit into and out of the Black Sea considerable easier and quicker as the Turkish government has banned the night passage of tankers longer than 200 m from the Bosporus, which has increased the waiting times for ships on either side of the strait. With traffic predicted to hit 86,000 ships by 2070 the canal will also prove invaluable in increasing trade flow in the BSR (Jacobs 2020). Despite potentially doubling the volume of maritime freight in the Black Sea, creating flexibility for the future expansion of trade and increasing the speed of access
and egress from the region this project is, however, highly controversial. The project has faced public protests and is opposed by Istanbul’s mayor Ekrem Imamoglu, from the main opposition Republican People’s party (BBC Monitoring 2020a). There are concerns that the project will have catastrophic environmental and hydrological consequences as well as altering maritime traffic rights between the two seas, with potentially serious military consequences (Pierini 2020). There is uncertainty as to whether the Turkish government will apply the 1936 Montreux Convention to the new canal and what this would mean for the balance of military power in the region. Under the Montreux Convention, access to the Black Sea for military ships is unrestricted for the littoral states whereas the Convention limits tonnage, duration and frequency of visits for all other navies. The Turkish government has yet to determine whether it will set different rules for military maritime traffic on the new canal (Pierini 2020). If maritime traffic in the new canal was not bound by the Montreux Convention, it could alter the maritime balance of power in the BSR. Despite these unresolved issues in February 2020 the Turkish Transport and Infrastructure Minister, Cahit Turhan, confirmed that the zoning plan for the canal had been approved paving the way for the construction tender to be launched. He confirmed that a number of countries including China were interested in this project (PortSEurope 2020d). A month earlier the Turkish Presidential Communications Director, Fahrettin Altun, had reinforced suspicions of Beijing’s interest in this project when he tweeted a video about the Istanbul canal project in Chinese (BBC Monitoring 2020b). The new canal could therefore not only attract further investment by China in the BSR but could also increase access in and out of the Black Sea, reduce waiting times and ultimately the costs of shipping in the region something that Beijing will be keen to exploit.

An additional factor that will also increase China’s interest and investment in the Black Sea region will be the move by some of the littoral states from lower middle-income to upper-middle income status countries, although the speed of this transition is likely to be affected by the pandemic. The World Bank has predicted that as Ukraine transitions from a lower- to upper-middle income state there will be an increase in containerized trade (The World Bank 2020). This is explained by the cyclical recovery of both the Ukrainian economy and global container shipping. Indicating this upward trend, the Ukrainian container market grew by more than 20% in 2019 (The Maritime Executive 2020b). In a clear sign of business confidence in the container market in the Black Sea, the global port operator DP World has recently agreed to acquire a majority stake in Ukraine’s leading container terminal in the Port of Yuzhny, about 20 miles outside of Odessa. Commenting on the purchase, the CEO of DP World highlighted the significant growth potential of this port as a leading gateway into Ukraine (The Maritime Executive 2020b). As well as the increase in container traffic, something China is particularly interested in given its desire to export high-end goods, there has also been an increase in volumes of cargo handling at Ukrainian ports. The Ukrainian Sea Ports Authority has reported that in 2019 the country’s 13 active seaports increased volumes of cargo handling by 18.4% to 160 million tons (PortSEurope 2020a). Taken together, this increase in trade and potential Ukrainian economic growth suggests that Kyiv has the potential to be a key driver in increasing maritime trade and future investment by China in the BSR.

Two of the Black Sea states have also adopted measures aimed at further increasing maritime trade and, by extension, China’s interest in the region. Research demonstrates
that it is vital for developing countries, including those in the Black Sea, to continuously improve the quality of their port infrastructure as it contributes to better logistics performance, leading to higher seaborne trade, yielding higher economic growth (Munim and Schramm 2018; Wilson, Mann, and Otsuki 2003; Ferrari et al. 2010). Ukraine and Bulgaria have both started to take important steps to improve their supporting infrastructure and interconnectivity to increase the flow of maritime trade in the Black Sea. In early 2020 the Ukrainian government announced its commitment to developing state policy in the field of transport and infrastructure aimed at bringing these up to European standards. The Ukrainian Minister for infrastructure stated that the government’s aim is also to develop Ukraine’s Euro-integration on rail transport, multimodal transport and inland water transport (PortSEurope 2020b). To complement these developments and promote further economic growth, the Ukrainian government has also been working to build the Europe-Caucasus-Asia transport corridor under the TRACECA programme. The TRACECA programme is an internationally recognized programme aimed at strengthening economic relations, trade and transport communications in the regions of the Black Sea basin, South Caucasus and Central Asia. Recognizing the link between infrastructure development and economic growth, the Ukrainian government has also proposed a number of projects to coordinate and improve the transport potential of TRACECA member countries (PortSEurope 2019d). As a result of these initiatives, container traffic via Ukrainian ports has continued to grow despite the pandemic. Between January and August 2020, the major seaports of Ukraine handled 9.2% more container traffic than in the same period last year (SEANEWS 2020). Container traffic in some of Ukraine’s key ports, in particular Port Yuzhny grew by more than 26% in 2020 over last year.

Bulgaria has also announced ambitious plans to improve and upgrade its ports and infrastructure with the aim of increasing the flow of maritime traffic in the Black Sea. In October 2019, the Bulgarian government announced an integrated transport strategy for the period up to 2030 which will cover all sectors of transport – land, sea, air and river. The Bulgarian Minister of Transport announced that Bulgaria will invest BGN 400 million ($204.5 m) to develop the port of Varna-west and increase its navigability and accessibility (PortSEurope 2019b). The development of this port as well as Varna-east in Bulgaria’s third largest city is expected to boost the expanding industrial zone around Varna and to facilitate both exports and imports, particularly from China (PortSEurope 2019a). Bulgaria is also planning to invest heavily in new technology to upgrade its port facilities which will further increase maritime traffic. Under a new project Sofia will create a unified digital Port Community System which will handle all cargo, terminal operators, freight agents, Bulgaria’s Sea Administration and customs (PortSEurope 2019c). Port and transport infrastructure development in both Bulgaria and Ukraine is therefore another important way in which the Black Sea states will increase trade in the future and China’s engagement in the region. As a result of these port developments, the growth in container handling activity in the Black Sea/East Mediterranean region outpaced many other parts of the world in the first quarter of 2020 (World Cargo News 2020).

**Conclusion**

Under the BRI China has become an increasingly important actor in the BSR, and this looks set to continue in the future. China has actively engaged with all the
Black Sea states to varying degrees and has invested largely, but not exclusively, in ports and infrastructure projects. As China’s economic investments in the region have increased so too has its influence. It is clear that while Beijing’s relative influence in the region, as against other key players, such as the US, is, at least at the moment, modest, this is likely to increase in light of the pandemic and developments in the region. The expansion of the BRI into the BSR is likely to have a positive effect on stability, at least in the short to medium term, as it will curtail Russia’s more expansionist and revisionist policies. As China pushes increasingly into the BSR, Beijing will be looking for a stable geostrategic environment. Beijing will be keen to promote the status quo and as a result China’s growing influence is likely to curtail or at least restrain Russia’s more destabilizing policies and actions in the BSR as this creates a challenging and problematic operating environment for Beijing. In practical terms, this is likely to mean that China’s investments in Mariupol in the Sea of Azov, in particular, will have a calming effect on tensions between Ukraine and Russia. Russia will want to avoid antagonizing a key ally – China – by provoking maritime conflict, delaying the transit of ships through the Kerch Straits. Similarly, China’s presence in Georgia could act as a dampener in terms of future clashes between Russia and Georgia over the future of South Ossetia and Abkhazia. While China’s engagement in the BSR under the BRI will not radically change Russia’s policy towards Georgia, it will serve to limit Russia’s freedom of manoeuvre and will begin to mitigate its geostrategic dominance.

In the longer term, how the relationship between China and Russia develops is, however, likely to also have an effect on stability in the BSR. Although there is considerable policy convergence on many international issues and growing evidence of closer military cooperation between Beijing and Moscow, this relationship is, at best, a marriage of convenience where Russia remains, and, is likely to remain, the junior partner. While making predictions about the longevity and likely evolution of this relationship is inherently problematic, China’s cultivation of Belarus and its push into Central Asia indicate that Beijing will put its own interests first and this is likely to be equally true in the BSR. The future pursuit by Beijing of an overt ‘China first’ policy in the BSR that no longer concedes Russia, a leading role in the region, would severely test the relationship and could ultimately damage regional stability.

Notes

1. The BSR is taken in this article to comprise the six littoral states of the Black Sea.
2. Originally the 16 + 1 until Greece joined. Members include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia with China as the plus one.

Disclosure of potential conflicts of interest

No potential conflict of interest was reported by the author(s).
Notes on contributor

Dr Deborah Sanders is a Reader in Defence and Security Studies in the Defence Studies Department, King’s College London, where she specializes in Black Sea security issues. She regularly visits the region and is also a civilian adviser to NATO on the Black Sea. Her most recent publications include, ‘Cooperation between small navies in the Black Sea: Potential for alternative naval cooperation’, Henrich-Boell-Stiftung, January 2020 and Europe, Small Navies and Maritime Security, Routledge 2019.

ORCID

Deborah Sanders http://orcid.org/0000-0002-8429-7969

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