China Develops Balkan Infrastructure That the European Union Won't Build

by Dean Andromidas

March 14—The Chinese have made a strategic decision to invest heavily in the Balkan region, including Greece, earmarking a $10 billion low-interest credit line to fund infrastructure projects and industrial enterprises to facilitate both land and sea transport. As outlined in the LaRouche movement's Eurasian Land-Bridge concept, China hopes to create a combined sea and rail transport loop, from China through the Greek port of Piraeus, in Athens. This would mean one week shorter sailing time for Chinese cargo ships traveling through the Suez Canal to the North European ports of Antwerp, Rotterdam, and Hamburg. From Piraeus, intermodal railroad and canal corridors will link the port to pan-Eurasian transport corridors, leading in one direction to Europe, and in the other, to Asia. While it is obvious that the Chinese are seeking cost-effective means to deliver their exports to European markets, this infrastructure will also play a decisive role in developing the economies of this region. These are not just plans, but are in fact being implemented as you are read this article.

The Chinese activity stands in sharp contrast to the scorched-earth policy of the European Union and especially the Eurozone, where brutal austerity and looting by the EU and the banks are being carried out in a desperate attempt to save a bankrupt financial system. With the increase of death rates as a resulting from the collapsed health-care systems, and the dramatic increase in suicides in Greece, Portugal, Italy, Spain, and Ireland, the term *genocide* is not hyperbole.

The unspeakable crimes being carried out against Greece by this policy can be seen in the fact that by 2014, the national budget of Greece will have been reduced from EU124 billion to just 86 billion. Almost EU30 billion of these cuts have already been implemented. Over half of them have come from the reduction of salaries, pensions, and the health-care system. Salaries and pensions have been cut by up to 50% and the minimum wage has been reduced by 30%. Official unemployment is 27% and youth unemployment is over 60%. Factoring in the mass bankruptcies of small businesses, the real unemployment is 40% or higher. It is a common occurrence that the pensions of the elderly are supporting entire families, including grandparents, children, and grandchildren. While Greece has yet to miss a payment on its government bonds, its revenues have collapsed by more than 9%, and it owes billions to its vendors and the health system.

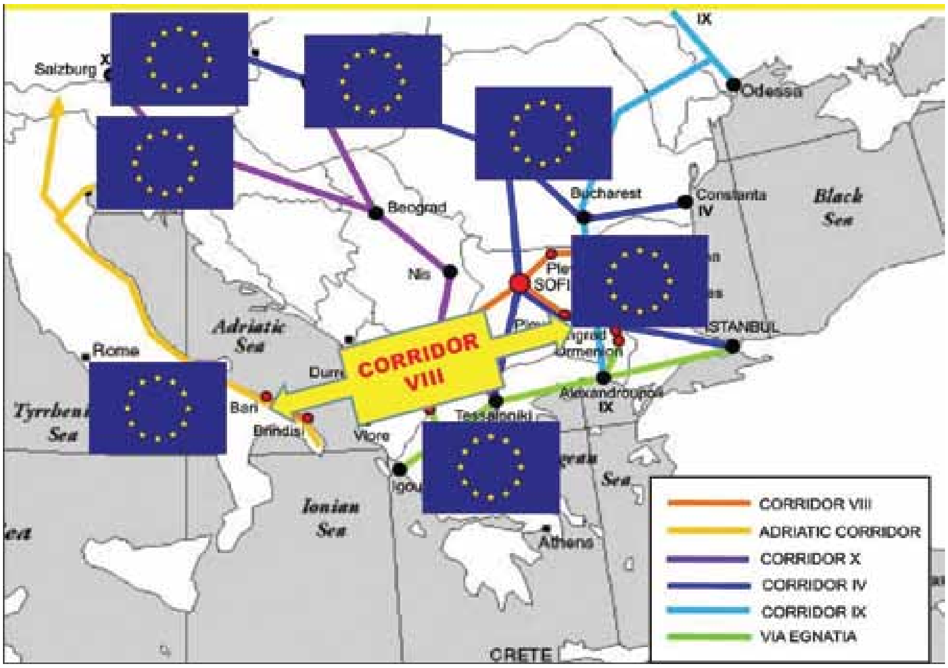
The so-called Eurozone bailout, designed and overseen by the Troika of the European Commission, European Central Bank, and International Monetary Fund, has managed to double Greece's debt while destroying its economy. The EU220 billion Greek bailout is actually looting the Greek population to bail out the European banking system. It boggles the imagination to think how EU220 billion invested in basic infrastructure throughout the Balkans[1] could revolutionize the economies of the entire region, which has suffered for centuries as victim of the geopolitical interests of the old British, Austrian, Ottoman, and Russian empires; now Greece is the victim of the new Anglo-European empire of the European Union.

Building the Corridors Abandoned by the EU

The European Union's "priority corridors" for modernized rail lines, planned in 1994, included five corridors that would have traversed the Balkans (**Figure 1**), including a high-speed rail line for Greece, but very little of this ever materialized. The European financial elites had essentially abandoned projects to and through the Balkans even before the wars in former Yugoslavia

1. The countries located on the Balkan peninsula are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Kosovo, Republic of Macedonia, Montenegro, Southeast Romania, Serbia, and European Turkey.

FIGURE 1
The Pan-European Corridors in Southeast Europe



European Union

FIGURE 2
Technical Secretariat Pan-European Transport Corridor 10

started in the early 1990s, adding to the economic crisis in the region.

The major source of funding for infrastructure in the Balkans and Eastern Europe today is the European Structural Funds. Although they come with low interest, they have almost dried up since the onset of the euro crisis. Moreover, the EU also uses these funds to blackmail countries, especially those that are candidates for joining the EU, such as Croatia, Serbia, and other countries of the former Yugoslavia, to toe the EU line. Since private bank financing is so expensive, the Chinese represent the only source of low-interest credits.

Crucial to the integration of the Balkans into the Eurasian Land-Bridge is the development of **Pan European Corridor 10** (**Figure 2**), which is one of several intermodal transportation corridors defined at the second Pan European Transport Conference held in 1994 on the Greek island of Crete.[2] The corridor begins in Piraeus, travels north through the Greek city of Thessaloniki, and then through Skopje, in the former Yugoslav Republic of Macedonia. From there it goes on through Belgrade to Budapest, with links connecting to Vienna and Prague.

China's Main Point of Entry to Europe

China's COSCO shipping company has been leasing Greece's major container terminal at Neo Ikonio, just west of Piraeus. This allows a one week shorter sailing time to

2. See Dean Andromidas, "Greece and a Marshall Plan for the Mediterranean Basin," *EIR*, June 8, 2012.

FIGURE 3
Pan-European Transport Corridor 4

European Union

Northern Europe, and is now China's main entry point for its exports to Europe. Following investments of millions of euros in modernization and efficiency, the throughput of the port has increased fourfold, from 500,000 containers to 2 million, and China intends to increase it to 2.5 million by the end of the year. The vast majority of these containers are put on trucks at container terminals and sent on to farther destinations.

The Chinese want to increase throughput at Neo Ikonio to 5 million containers, but there are bottlenecks: Such expansion is only possible by using railroads to move the freight from port, as well as creating a logistics center near the port so that containers can be broken down and their contents shipped to different destinations. With the opening on March 1 of the 17 km rail link between the COSCO container terminal at Neo Ikonio and the Thriasio Plain to the northwest, to connect with the Greek north-south rail line, *the first and most important step has been completed.* Thriasio is already one of Greece's most important logistical and industrial centers.

Although the track is only 17 km long, it is the most important development in realizing the economic potential of the entire corridor, Austrian railway and logistics expert Dr. Gerhard Platzer told *EIR*. Not only will it allow for increasing the throughput of the port, but it will give much needed impetus to finish the entire corridor, which is essential for the economic development of the region.

Take the case of agriculture. Greece is currently unable to market its fresh produce to Northern Europe, because of the current poor state of cargo rail transport along the entire corridor. Fresh produce has to reach its markets within 24-48 hours, but this is not currently possible. Already, in the last decade, prior to the current crisis, the Greeks were well aware of this problem and were committed to speeding up the development of this corridor, said Dr. Platzer, who has participated in studies of the area.

The construction of this line is part Greece's master railway plan, which, when completed, will revolutionize transportation. It envisions high-speed passenger and cargo lines from the port of Patras on the northeast corner of the Peloponnese (the peninsula that constitutes southern Greece) to the northern port of Thessaloniki, where it branches off, with one line continuing along Corridor 10 into Federal Yugoslav Republic of Macedonia (FYRM) and a second branching to the east,

FIGURE 4

where one branch travels north, crossing the Bulgarian border along **Pan-European Corridor 4** (**Figure 3**), reaching Sofia and points north. Another line continues east to the Turkish border, where it links up with lines to Southwest Asia and eventually China. The line will pass through Greece's major ports and cities, and its important agricultural regions, from the northern Peloponnese through the plains of Thessaly.

The Thriasio Plain lies to the west of Athens, directly on the country's north-south axis. (See **Figure 4**.) A central railway station is near completion at Thriasio, which is at the junction of the main north-south line, and the lines to the east to Athens Airport and the line to Ikonio.

When completed, this will be the largest central rail center in the Balkans.

The Thriasio Plain begins at Elefsina harbor, where Greece's major oil refinery is located; the plain is one of Greece's major industrial centers and home to one of the country's largest steel mills. The transportation link will make the region a crucial logistical center.

But work has been severely constricted by the demand for debt payments from Greece. The ambitious plans of the Chinese, which hold out important opportunities for the Greek economy, have supplied the necessary impetus to bring this link to completion. The Chinese have expressed interest in investing EU800 million to make Thriasio their key logistics hub. The Greek state-owned cargo railway Trainose said it should be able to handle 2,000 trains per year.

China has also expressed interest in the Thessaloniki port, whose potential is not only for cargo to and from the Balkans, but also east, via rail and sea, toward Turkey and Southwest Asia.

As useful as the Chinese moves in Greece appear, it would be a delusion if the Greek government thinks it can fully profit from the development while allowing the country to be looted by the European financial oligarchy. The EU's demand for the privatization of the Greek national railway and gas and power companies is criminal. Selling them to Chinese or Russian companies, let alone to French or German companies, would not secure the interests of the Greek economy.

FIGURE 5
Pan-European Transport Corridor 8

corridor8.org

The Rest of the Balkans

As for the rest of Corridor 10, China signed an agreement with the national railway company of the **Republic of Macedonia** last November to participate in upgrading the country's rail network. The Chinese are also interested in upgrading **Pan-European Corridor 8** (**Figure 5**), which connects the Black Sea—through Sofia and Skopje—to Tirana, Albania and the Adriatic ports. The Republic of Macedonia wants to spend $500 million in upgrading and expanding its railway and road infrastructure.

Last December, **Serbia** signed a memorandum of understanding with the Chinese Construction Communication Company International (CCCC) for the reconstruction of Serbian railways through Corridor 10, as well as the railway connecting Serbia and Montenegro, from Belgrade to the Adriatic port of Bar. This follows Serbia's change of government after last year's elections, which ousted the pro-EU and pro-U.S. President Boris Tadic and his Serbian Democratic Party. The new President, Tomislav Nikolic, whose Serbian Progressive Party rules in a coalition with the Serbian Socialist Party headed by Prime Minister Ivica Dacic, reflects the growing sentiment in the population, after seeing the catastrophe inflicted on Greece, that EU membership can wait for better days.

The Serbian Progressive Party is a sister party of Vladimir Putin's United Russia. After winning the presidential elections, the first state that Nikolic visited was Russia, where he attended the party congress of United Russia. The Serbian Progressive Party campaigned during the elections for Serbia to open up closer economic relations with China, Russia, and other countries. The electoral program called for building the Axios-Varda Canal, which passes through Corridor 10.

Unlike Greece, Portugal, Spain, and other countries now being devastated by the "rescue program" of the Eurozone, Serbia has its own currency and a central bank that does not have to take orders from Brussels or Frankfurt. The U.S-trained central bank governor Dejan Soskic resigned over changes that the new government had instituted in the law governing the central bank, and was replaced by Jorgovanka Tabakovic, an economist and number two in the Serbian Progressive Party. He is committed to utilizing the central bank to extend credit to local industry and infrastructure.

The Chinese have extended credits worth hundreds of millions of dollars to Serbia at 3% interest with a maturity of 15 years, whereas it could not hope to get loans from European or American banks for less than 9%, with much shorter maturities. These credits are going into the construction of power stations and transport infrastructure, including railways and a bridge across the Danube.

Since the new government came to power, a date has been agreed to by Russia's Gazprom, for beginning construction of the South Stream gas pipeline, while Russian Railways has committed itself to extending $800 million in credit to upgrade the railway. The agreements with both Russia and China involve rebuilding the rail lines from Belgrade to the Montenegrin border and to the Montenegrin port of Bar, which provides Serbia's main outlet to the sea.

Last December, **Montenegro's** Minister of Transport and Shipping, Ivan Brajovic, was in China seeking investment in the port of Bar and the rail link to Serbia. The China Railway Signal and Communication Shanghai, China Communications Construction Company International, and China Railway Fifth Survey & Design Institute Group showed interest in the project, which would include reconstruction of a 476 km railway from Bar to Belgrade.

Another line is from Belgrade to the Croatian border, which would link with Croatian plans to build a railway from its port of Rijeka on the Adriatic to Zagreb.

Croatia too has made deals with China. Rijeka, although not as large as Piraeus, is the deepest harbor in the Mediterranean and Adriatic, and the only one deep enough to accommodate the largest container ships, which carry 18,000 containers. But the port has no ser-

FIGURE 6
The LaRouche Plan for Mediterranean Basin Great Projects

EIRNS

This shows the southeastern section of EIR's larger map of Mediterranean Basin Great Infrastructure Projects.

viceable rail links, severely constricting its ability to expand beyond its current capacity of 600,000 containers a year. In April 2012, the Chinese had expressed interest not only in Rijeka, but also in aiding in the construction of the railway. The problem Croatia faces is its commitment to join the EU. As part of its accession agreement, it had to agree not to develop the Sava River for shipping through to Zagreb, thus denying that city any waterway link to the Danube and beyond.

Hungary

The last link in Corridor 10 is through Hungary. It currently takes no fewer than five days to cross Hungary! In February, the Hungarian government said it was seeking a EU1 billion loan from the China Development Bank to construct a two-track, cargo-dedicated and electrified rail line along Corridor 10, including a ring around Budapest, which would cut cargo travel times to cross the country to a matter of hours. If the loan is approved, construction could begin in 2014.

Hungary is a member of the European Union, but not the Eurozone, and its Prime Minister, Viktor Orban, is almost persona non grata in Brussels, in part because his government has issued laws to tax the foreign banks that, prior to the crisis, had turned Eastern Europe into their own subprime mortgage market. While a fiscal conservative, Orban has bucked both the EU and the IMF, which have demanded that Hungary implement more austerity, cut pensions, and seek an IMF "stabilization program." He has also moved to improve economic relations with Russia and China.

Glass-Steagall and a Credit System

While the prospects for increasing cooperation with China and Russia are encouraging, the situation throughout the Balkans remains grim. Without a Glass-Steagall reform of the financial system, which will separate commercial banking from cancerous investment banking, there is no hope for Europe or the United States.

China's $10 billion credit line is minuscule compared to the hundreds of billions that the Troika is looting from the real economy. By contrast, once a Glass-Steagall reform is implemented and the euro system dismantled, a credit institution, like Franklin D. Roosevelt's Reconstruction Finance Corporation, or the postwar German Kreditanstalt für Wiederaufbau under its original mandate, could be created to channel credit for massive infrastructure development, as outlined in the LaRouche Movement's Emergency Program for an "Economic Miracle in Southern Europe, the Mediterranean Region, and Africa" (**Figure 6**).