

BC technology and its own cryptocurrency most probably to reduce or conceal its dollar-denominated transactions. The Central Bank of Iran (CBI) is currently cooperating with one of its affiliated companies to issue a rial-backed national cryptocurrency as soon as possible. The purpose of it is to deliver a cryptocurrency to be used as a means of transaction ultimately for all three sectors of the Iranian economy (state, parastatal, private).

The bills to combat money laundering and transnational organised crime, which are currently being passed in the IRI's parliament, still do not deliver any guarantees that the Iranian authorities will hold back their support for terrorism. If the EU does not alter its view on holding a certain level of mutual trade relations with Iran up, despite US sanctions, it will be very difficult to fend off the accusation that the EU is in fact going to indirectly support terrorism by taking this position.

### **Chinese highway concession in Bosnia in the context of Polish infrastructural projects**

*Łukasz Sarek*

In the beginning of October, the government of the Serb Republic (an autonomous part of Bosnia and Herzegovina), granted a concession to build and operate the Banja Luka-Prijedor highway to the Chinese Shandong International Economic and Technical Cooperation Corp (CSIETC). The Chinese contractor is a member of the state-owned Shandong Hi-Speed Group. CSIETC is going to build and finance the highway construction. As remuneration, the Chinese company would collect the toll fees and keep 5 % of the revenues to cover profits, construction and financing costs.

Chinese propaganda presents its companies participating in the overseas infrastructure projects as investors, while in many cases they are actually only the contracted construction firms. They are paid for the completed work and take no risk related to the project's profitability. Infrastructure initiatives undertaken by Chinese companies are often financed with loans from Chinese policy banks or other state-owned banks. Ultimately, those loans have to be repaid by the contracting state and often create a debt burden which in turn influences the public finances. In many cases, Chinese companies use their own workforce,

materials and equipment which results in the ultimate flow of the loans back to China, bringing few benefits for local industries and communities.

However, there is a possibility that Bosnian Banja Luka-Prijedor could present a different case, since the Chinese side is acting more as an investor than merely a contractor. The structure of the Chinese company's known obligations under the concession makes the deal a variation of a BOT model (build-operate-transfer), where risk of operations profitability is passed on a concessionaire. The Chinese company is said to have conducted a feasibility report. Differently from the widely contested highway in Montenegro built by China Road and Bridge Corporation, the plans of upgrading the connection between Banja Luka and Prijedor were positively evaluated in the past by the World Bank. The new highway was also included in several Bosnian and local Serbian infrastructure development plans.

The local Serb government is responsible for land acquisition but according to the media reports no guarantees related to the project have been granted to the Chinese investor. However, the detailed conditions of the concession have not been published. One of the key issues is whether the Chinese concessionaire will really operate with the full risk of profitability on his side or whether he will demand subsidies from government when project brings losses.

The Bosnian case could be useful for the Polish government in dealing with the influx of the Chinese companies participating in infrastructure tenders. On the one hand, Polish construction companies face growing difficulties caused by rising material and labour costs, combined with the fixed contract value in the public infrastructure projects. Solving the mounting crisis in the construction industry is crucial for maintaining the competitiveness of the Polish companies against their Chinese peers. On the other hand, however, there is a growing number of projects that Polish companies are presently unwilling to take as general contractors, due to temporarily limited financial and operational capabilities.

The Bosnian case shows that some Chinese companies could be now willing to pick the projects that bear wider obligations and a higher risk. The Polish public tender market is

generally very open to foreign companies, including the players from outside the EU. The Polish administration, however, can use a range of tools, such as restricted tenders (in specific situations negotiation procedures and competitive dialogue) to channel Chinese companies into those BOT projects that require significant financing engagement, wider contractor's obligations and a higher risk. The Chinese companies' access to the infrastructural projects should be limited, however, and not granted to projects related to national security and critical infrastructure. Polish enterprises and local communities' interests should be also considered and Chinese investors should be strongly encouraged to use Polish subcontractors together with local materials and equipment as often as possible.

### **The sale of S-400 system to India in the context of India-Russia and India-US relations**

*Krzysztof Iwanek*

On 5<sup>th</sup> October this year New Delhi hosted the annual India-Russia summit. Among the deals and inter-governmental agreements signed during the event, the one of utmost importance is: the purchase of the S-400 Triumf (SA-21 Growler) missile system by India. The acquiring of the S-400 is one of the most important deals signed between Moscow and New Delhi in the last years. It is not, however, a political game changer. It only confirms India's will to retain a simultaneous cooperation with both the US and Russia. The New Delhi government will most possibly continue to buy a growing number of military equipment from the United States and to enhance its defence cooperation with Washington. The S-400 may be considered one of the few exceptional and state-of-the-art military technologies that Russia can currently produce. Apart from this, however, Russian defence equipment exports to India have recently declined. The scope of other deals signed during this summit only confirms this trend. Indo-Russian military equipment trade will most possibly continue, however, even if on a somewhat diminished scale. United States' reaction to the S-400 deal will be of great importance now. According to its own CAATSA legislation (Countering America's Adversaries Through Sanctions Act of 2017), the United States government should now retaliate with sanctions against India. Since Washington is keen to export more products to India (both of military and non-military character), the two most possible scenarios seem to be: (1) the US president might make an exception by