

**INTEGRATING THE EUROPEAN CONTINENT INTO THE BELT AND ROAD
INITIATIVE**

BY

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Abstract

This paper X-Rays the integration of the European Continent into the Chinese Belt and Road Initiative and analyses the nature and significance of the initiative to the contemporary international system. The paper adopts the secondary library approach using both content analysis to analyze secondary sources gathered as it affects Belt and Road Initiative and European Continent integration. The study found out that, one of the key drivers behind the Belt and Road Initiative is its narrative, which remains focused on economic aims, with often diminished emphasis on political and security considerations. Facing economic slow-down and declining investment. China's commitment under the Belt and Road Initiative to be a champion of globalization and free trade, even when its own domestic market remains highly controlled regarding foreign investments, remittances and information flows. As it does so, China is walking a fine line between transparency and criticism. Chinese officials and experts remain largely opposed to calling the Belt and Road Initiative a "strategy" which has geo-political undertones. The avoidance of geo-strategic rhetoric is in part to prevent branding of the Belt and Road Initiative as neo-imperialist or neo-colonialist to avoid the re-emergence of criticisms that China has faced in Africa. Thus, Study argues that, the contradictions between China's speech and practice, as well as between Belt and Road Initiative aims and European norms, indicates the importance of the EU undertaking a sober and independent evaluation of the BRI and what it means for inclusion of European interests and values. The paper concludes that the EU already has a variety of pre-existing organizations, dialogues, mechanisms and models for how to approach China's initiatives in a more systematic way. As in the case of China, the EU could benefit from greater harmonization of its tactical approach to operationalize its strategic interests. The paper recommends that, while China's political system differs from those of EU members, the two should continue to synergize in areas upon which both generally agree, such as stability, anti-corruption, counterterrorism, market access and development. Identifying these convergences and translating them into actionable projects serves the dual functions of meeting investment demands while expanding the provision of security in these regions.

Keywords: Integrating; European Union; Belt and Road; Diplomacy; Geopolitics; Values

Introduction

The world has a large infrastructure gap constraining trade, openness and future prosperity. Multilateral development banks (MDBs) are working hard to help close this gap. Most recently China has commenced a major global effort to bolster this trend, a plan known as the Belt and Road Initiative (OECD, 2018). The Belt and Road Initiative is undoubtedly the most important international project that China has embarked on in the last few decades. It aims to stimulate economic development over a vast area covering sub-regions in Asia, Europe and Africa. Although there has been no official announcement about what countries are covered by the Belt and Road initiative, some official sources point to the involvement of at least 63 countries, including 18 European countries. Particularly relevant for Europe is that the Road ends where the European Union (EU) starts. Most importantly, this massive bloc between the EU and China accounts for 64 percent of the world's population and 30 percent of global GDP (Garcia- Herrero & Xu 2016).

BRI investment projects are estimated to add over USD 1 trillion of outward funding for foreign infrastructure over the 10-year period from 2017. While new vehicles have been formed to help with the financing, such as the Silk Road Fund, most of the Chinese funding for these projects will actually come from state-directed development and commercial banks. China is also supporting a multilateral approach to investment including MDBs and private-public partnerships (Xi, 2017).

The BRI is best summarized by President Xi: “China will actively promote international co-operation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international co-operation to create new drivers of shared development” (Xi, 2017). While the Belt and Road may also have some geopolitical goals associated in the linking of its neighbors economically more closely to China, this study focuses on the integration of Belt and Road Initiative in Europe.

Methodology

This work adopts a qualitative approach using content analysis to analyze secondary sources gathered. Therefore, secondary data were basically used in this research work. Information was

accessed mainly through web search and data such as related works, local and international journals.

Conceptual Clarification

Proposed by Chinese President Xi Jinping in 2013, the Belt and Road Initiative (BRI) is also known as One Belt, One Road, or the New Silk Road. The ultimate goal of the BRI is to facilitate economic connectivity between Asia and Europe along two major components: the land-based Silk Road Economic Belt and the sea-based 21st Century Maritime Road. The Silk Road Economic Belt will connect China to Europe via land transport corridors extending throughout Central Asia, the Middle East and Russia, while the Maritime Silk Road will link the South China Sea and the Mediterranean Sea via the Strait of Malacca, the Indian Ocean and the Suez Canal. In addition, six envisioned economic corridors will bridge the Silk Road Economic Belt and the Maritime Road: (1) China–Indochina Peninsula; (2) Bangladesh–China–India–Myanmar; (3) China–Pakistan; (4) New Eurasian Land Bridge via Kazakhstan and Russia; (5) China–Central Asia–West Asia; and (6) China–Mongolia–Russia. While the initial focus is on improving transport and energy infrastructure connectivity, the initiative also seeks closer cooperation among other dimensions, including facilitation of trade and financial policy cooperation (Adarov, Grubler & Holzner, 2018)

The BRI – which already covers 65 countries of Asia, Europe and Africa – will potentially span over 100 countries, making the endeavor truly ambitious. The undertaking is backed by financial infrastructure involving multiple sources: the Silk Road Fund (USD 40 billion), the Silk Road Gold Fund (USD 15 billion) and the China–Central and Eastern Europe Investment Cooperation Fund (USD 11 billion) (Adarov, Grubler & Holzner, 2018). In addition, the project is supported by bilateral funds (China–Russia, China–India, China–Africa development funds), recently established banks that focus on infrastructure investment (the Asian Infrastructure Investment Bank and the New Development Bank) and Chinese policy banks (the Export-Import Bank of China, the China Development Bank and the Agricultural Development Bank of China). Further support comes from complementary initiatives by the World Bank, the European Bank for Reconstruction and Development (EBRD) and other international development organizations operating in the region. Given its significant scale and dedicated funding, it is likely that the BRI is capable of transforming the region. At the same time, the commitment of China to the BRI is

motivated by pragmatic considerations, including the need to revisit its economic development model and spur growth in its lagging regions, secure access to strategic resources and export markets, and promote the Chinese Yuan and China's general economic and geopolitical influence in the region (Adarov, 2018).

Specific objectives of the BRI: growth through connectivity

As stated by China, the focus on connectivity within the BRI is both about facilitating trade and investment, and thereby development of neighboring countries, as well as strategically shoring up its own security of energy, resources and food by taking a regional leadership role with its most important neighbors. It has a very broad scope encompassing economic, strategic and cultural connectivity. The objectives have been stated in the speeches referenced earlier; they are also set out clearly in Chapter 51 and other parts of the 13th Five-Year Plan (People's Republic of China, 2016).

- i. To increase trade and investment in the BRI: "We will improve the bilateral and multilateral co-operation mechanisms of the Belt and Road Initiative focusing on policy communication, infrastructure connectivity, trade facilitation, capital flow, and people-to-people exchanges."
- ii. Free trade zones along the Silk Road: "We will speed up efforts to implement the free trade area strategy, gradually establishing a network of high-standard free trade areas. We will actively engage in negotiations with countries and regions along the routes of the Belt and Road Initiative on the building of free trade areas."
- iii. To enhance financial co-operation in the region to fund infrastructure: "We will strengthen co-operation with international organizations including international financial organizations and institutions, work actively to promote the development of the Asian Infrastructure Investment Bank and the New Development Bank, put the Silk Road Fund to effective use, and attract international capital for the creation of a financial co-operation platform that is open, pluralistic, and mutually beneficial."
- iv. To gain access to natural resources: "We will strengthen international co-operation on energy and resources and production chains, and increase local processing and conversion."

- v. To strengthen transport infrastructure in the BRI corridors: “We will advance the development of multi-modal transportation that integrates expressways, railways, waterways, and airways, build international logistics thoroughfares, and strengthen infrastructure development along major routes and at major ports of entry. We will work to develop Xinjiang as the core region for the Silk Road Economic Belt and Fujian as the core region for the 21st Century Maritime Silk Road.”
- vi. To deepen cultural exchanges in the region: “We will conduct extensive international co-operation in the areas of education, science, technology, culture, sports, tourism, environmental protection, health care, and traditional Chinese medicine.”

Findings and Discussion

According to Saalman & Dethlefsen (2017), Europe also serves as a target of BRI. China has seemingly engaged former European officials, at the rank of retired prime minister and foreign minister, to conduct outreach on behalf of the BRI among European governments and businesses. European private enterprises have also been presented with reasons to tout the promise of BRI deals. While there is a strong business rationale for engaging European voices to lobby on behalf of Chinese interests, there are also political implications. Within these channels, former European officials propound the need for a pragmatic approach towards authoritarian stability and development along the route of the BRI, in light of democratic instability and uncertainty.

Officials and experts cite Chinese president Xi Jinping’s speech at the January 2017 World Economic Forum as part of China’s commitment under the BRI to be a champion of globalization and free trade, even when its own domestic market remains highly controlled regarding foreign investments, remittances and information flows. The contradictions between China’s speech and practice, as well as between BRI aims and European norms, indicate the importance of the EU undertaking a sober and independent evaluation of the BRI and what it means for inclusion of European interests and values (Saalman & Dethlefsen, 2017). They further buttress that; diversification of partners is one way to mitigate some these trends as they evolve in South Asia and Central Asia, as well as in other regions along the BRI. In this regard, the EU and its member states could serve as partnership options. There seems to exist a wide

agreement on the ability of the BRI to stimulate economic development, with the UN's sustainable development goals (SDGs) serving as a common platform for maximizing the positive social and developmental impacts. In terms of capacity building, training and education, enhancement of border management, combating of corruption, stemming of environmental degradation and strengthening of public and private institutions, the EU can provide its own best practices with the goal of capacity building that will enhance regional stability.

Saalman & Dethlefsen (2017) further argues that, for these goals to be truly viable, however, it is crucial to incorporate profit motive. The European private sector requires just as much of an economic incentive as Chinese entities for entering these often risk-prone markets. Since private European companies lack the capital and guarantees that Chinese enterprises receive from their central government, the European Economic and Social Committee and other such bodies could provide more streamlined and cohesive frameworks for European industry federations to thrive. Such groups have to date understandably been more focused on interests within Europe, but extending a coordinated approach further afield would allow investment into regions otherwise hindered by arbitrary regulations, fines, corruption and bottlenecks.

European experts are skeptical as to the capacity of the European External Action Service (EEAS) to create a new mechanism or to engage in additional dialogues to better understand these activities. But there are other preexisting institutions that can be tapped for mapping and monitoring BRI trends. European business unions, think tanks and a range of non-governmental organizations could be mobilized to provide a more practical and practitioner-oriented approach for evaluating the BRI. Among these, the Association of European Chambers of Commerce and Industry, the Federation of German Industries (Bundesverband der DeutschenIndustrie) and the International Council of Swedish Industry (Näringslivets Internationella Råd) serve as just a few examples (Saalman & Dethlefsen, 2017)

According to Saalman & Dethlefsen (2017) to maintain independence from external lobbying, these groupings require greater investment and mandate from their national governments. Further ensuring the integrity and utility of their work, evaluation of specific case studies along the BRI would offer a more realistic assessment of the local conditions and potential avenues

for involvement. A pre-existing example would be the United Nations Economic Commission for Europe's Studies on Regulatory and Procedural Barriers to Trade. Rather than simply focusing on barriers, the proposed BRI mapping would dissect the points of entry for infrastructure projects, fulfilling the following three criteria.

First, the mapping would detail the scope of specific BRI infrastructure projects. Each case study would include official memoranda of understanding and statements, cost and terms of investment, issues with securing sites, number of local and foreign employees at facilities, among other data. Research carried out by the US National Defense University on “China’s Global Activism: Strategy, Drivers and Tools” serves as a possible template for this approach. Second, the mapping would itemize difficulties encountered by Chinese companies on entry into specific markets and projects. These would include cases of corruption, abrogated deals and lost investments. Third, the mapping would include a final section analyzing how Chinese companies have navigated these barriers, with lessons learned for European companies (Saalman & Dethlefsen, 2017).

As another example of an existing mechanism that could be more fully utilized, a review of the Delegation of the European Union to Kazakhstan webpage according to Saalman & Dethlefsen (2017) reveals that efforts are limited when it comes to European industry representation and delegation travel to Central Asia. The industrial engagement from China is more robust, even at the local government level, for example with business delegations from China’s provinces and administrative regions of Shaanxi and Hong Kong. This could be replicated in the European context to a greater extent than is currently the case. The use of Chinese provincial authorities and private industry to carry out initiatives from the central government is a means of expanding the footprint of the BRI initiative, while mitigating the visibility of the central government.

The above statement was corroborated by Garcia- Herrero & Xu (2017) this decentralized approach by Chinese private industries and provincial government actors also bolsters the argument in China that the BRI consists of widespread local efforts, rather than a highly-orchestrated, geostrategic initiative from the Chinese government. It refutes the criticism that Chinese firms have an unfair advantage through official subsidies. But this approach also

shows that the EU could use its own industry federations better to empower and to support not just European business delegations, but also local government entities within member states, such as the state of North Rhine-Westphalia, to engage in greater coordinated outreach. This can occur through a variety of channels, including expanded official EU delegation visits that feature representatives of local government from member states (EEAS, 2018).

To ensure that such outreach makes the most of limited EU resources, it is important that specific countries and corridors are targeted. It would be imprudent of European private and even public firms to attempt to compete with the investment coverage that China can leverage. Building on the Chinese and European mapping discussed in the preceding paragraph, a targeted roadmap of specific investment corridors could provide the political, financial and security costs of investment (EEAS, 2018). At the same time, it is crucial for European engagement to avoid being run entirely through China as the liaison. Direct contact with countries and industries identified as investment hubs would mitigate EU dependency on Beijing to open these channels (Saalman & Dethlefsen, 2017).

Once these opportunity costs have been considered, applying direct EU support through official delegations that incorporate European industrial and local government representatives would provide a model that builds upon Chinese lessons learned. While asymmetries of capacity will remain, these efforts can be used to develop a matrix of specific improvements for future European projects and bids. Identifying European and Chinese convergences on everything from stability to profit motive will allow for the EU to manage its level of risks associated with investment along the BRI and to pursue its own sustainable development goals along these emerging corridors. Nonetheless, divergences must also be addressed to protect EU long-term interests and to foster sustainability (Saalman & Dethlefsen, 2017).

EU is to ensure standard (Saalman & Dethlefsen, 2017) states that, Part of this entails implementation of standards and processes for everything from container scanning to border crossing of personnel and goods. Inter-regional connectivity requires policy coordination on nonphysical trade barriers, customs procedures and border management. On container scanning and border crossing, processes for migration and trade flows can be leveraged to

counter terrorism and extremism, as well as contraband and smuggling, and the illegal entry of laborers that may be drawn in increasing numbers by the new trade corridors.

A crucial component of popularizing these standards is the enhancement of border posts and the training of border guards. EU members could further engage in outreach via the OSCE, which has a Border Management Staff College that provides training on anti-trafficking, as well as information exchange among its 57 participating states, many of which are along the BRI corridors. The OSCE and the UN Economic Commission for Europe have issued a “Handbook of Best Practices at Border Crossings: A Trade and Transport Facilitation Perspective,” which could be integrated as an open-source tool for legal frameworks, public-private partnerships, risk management planning, design of border crossing-points, as well as information and communications technology based inspection. Such outreach can be applied to facilitating trade, while stemming illicit trafficking that may be exacerbated by BRI connectivity (EEAS, 2018).

Overall, other targeted functional bodies that are similar to the OSCE Border Management Staff College could all be better leveraged to bring together civil society groupings of security firms, enterprises and research bodies, such as Tir Carnet under the International Road Transport Union, the World Customs Organization, the International Union of Railways and the International Freight Forwarders Association. These could be integrated to secure safe and legal transit via these corridors through enhanced management and unified standards, in coordination with Chinese official and non-official agencies and mechanisms. In doing so, the EU and China would be better situated to coordinate on standards that would ultimately mitigate economic loss and security risk in emerging markets along the BRI corridors.

Conclusion and Recommendations

The EU already has a variety of pre-existing organizations, dialogues, mechanisms and models for how to approach China’s initiatives in a more systematic way. As in the case of China, the EU could benefit from greater harmonization of its tactical approach to operationalize its strategic interests. This policy brief has identified some of these channels. In identifying further nodes for

development and engagement, there already exists a substantial body of statistical mapping in China. While access is increasingly limited, these baselines could be invaluable in evaluating how European interests can both penetrate and stabilize markets in the region. To this end, grassroots-level European industry federations should also be better leveraged for greater exchange on issues of common interest between China and the EU.

Overall, while China's political system differs from those of EU members, there are issues, upon which both generally agree, such as stability, anti-corruption, counterterrorism, market access and development. Identifying these convergences and translating them into actionable projects serves the dual functions of meeting investment demands while expanding the provision of security in these regions. This bottom-up and practitioner-oriented approach to addressing what many have called a top-down development model under the BRI has benefits for both China and the EU. Whether in terms of case studies, best practices, management and standards, there are concrete areas of investment in which Europe can benefit using structures and mechanisms that are already in place. Doing so will lower the opportunity costs for Europe, while mitigating its dependence on China for longer-term market access along the Belt and Road.

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