

Event Report



China's BRI and the EU
Strategy for Connecting
Europe and Asia – Synergies
and EU Member States'
Perspectives

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Abstract

On December 11, on the occasion of a visiting delegation from the East China Normal University (ECNU) to Brussels, the European Institute for Asian Studies (EIAS) hosted a briefing seminar on the theme: 'China's BRI and the EU Strategy for Connecting Europe and Asia – Synergies and EU Member States' Perspectives'. The panel discussion, moderated by EIAS Advisory Board Member Xavier Nuttin, brought together scholars and representatives from both the EU and Chinese sides to discuss China's BRI and the 2018 EU Strategy for Connecting Europe and Asia. The talks shed light on economic and geopolitical aspects of both initiatives and on the EU's and China's perception of connectivity and of each other's initiatives.

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The talks shed light on economic and geopolitical aspects of both initiatives and on the EU's and China's perception of connectivity and of each other's initiatives. Cases of EU Member States' engagement with China and the BRI were brought up to highlight their different reactions and standpoints toward the Chinese initiative and the challenges to build a consistent European strategy. The two initiatives' similarities and complementarities were mentioned as a source for further cooperation, while the EU's and China's different understanding and approach to connectivity were highlighted as obstacles. Finally, the speakers offered insights for deepening each other's understanding and strengthening cooperation.

The discussion was launched with a short introduction by Xavier Nuttin on the meaning of *connectivity*. *Connectivity* has, in fact, become a new buzz word in the political discourse, yet, it does not have a clear definition.

According to the EU's understanding, it refers to the "physical and non-physical infrastructure through which goods, services, ideas and people can flow". In other words, through hard and soft infrastructures, connectivity serves to facilitate human interaction.

In China's view, connectivity is embodied in the BRI, launched by Xi Jinping in 2013 and constituted by the Silk Road Economic Belt, the 21st Century Maritime Silk Road and the Polar Silk Road. Aiming at benefiting all adhering countries and their citizens, the BRI is seen as a win-win platform for international cooperation.

Mr Nuttin also observed that regional and global actors may have taken steps to protect their interests from political and economic consequences of China's BRI. For example, the EU is promoting a sustainable, comprehensive and rule-based approach through the Connectivity Strategy, the US has formulated their Indo-Pacific concept, India is building an Asia-Africa growth corridor and Japan is supporting a free and open Indo-Pacific strategy.

To conclude, Mr Nuttin launched few questions to kick off the discussion. Undoubtedly, developing Asia is in dire need for infrastructures (EUR 1.5 trillion/year until 2030), yet, he wondered, can these initiatives work jointly and avoid overlapping? Can they be prevented from causing debt problems in receiving countries? Finally, can they be prevented from becoming tools for political leadership in the region?

Mr Nuttin's introduction was followed by a keynote lecture by Prof. Nanping Yu, professor at the School of Advanced International and Area Studies (SAIAS) at ECNU and specialised in economics and EU-China relations. With his presentation, Prof. Yu shed light on the aspects of labour and Global Value Chain (GVC) along the Belt and Road as a source for connecting the BRI and the EU's connectivity strategy.

After giving the definition of GVC capability, or “the bottom-level capability of a country to participate in global competition”, Prof. Yu explained how GVCs are recently becoming barriers to supply chain and global economic integration. These include market access, key points control of technology, and protection of intellectual property rights. For instance, after a 20-year rapid expansion of specialized trade in vertical systems using the industrial chain as a link, the GVC that supports global trade growth has stagnated and solidified.

Also, G7 countries’ participation to GVCs has gradually decreased. For example, between 2011 and 2015 the participation of the US and Japan respectively fell by 20 percent and 10 percent. In contrast, China has raised as one of the three centres of GVCs.

According to GVC indicators, despite not significantly, the EU’s position has also slowly declined. Prof. Yu, thus, suggested that the EU should strengthen cooperation with China in the development of value chain systems along the Belt and Road routes. China's infrastructure construction could, indeed, provide the underlying support for the formation of regional value chains, as in the case of the Hungary- Serbian Railway Link and the Greek Port of Piraeus.

Prof. Yu’s presentation was followed by the speeches by Dr Eva Gross, Policy Officer at the China Division at the European External Action Service (EEAS), who works closely with the Ambassador at Large for Connectivity (Romana Vlahutin) and Dr Wei Shi, Counsellor at the Mission of China to the EU.

Dr Gross highlighted the importance of Connectivity for the EU, explained how it is implemented and clarified the standpoint and work of the newly-installed EU commission.

First, despite the already substantial annual trade between the EU and Asia, Dr Gross acknowledged the need to increase intercontinental investments and promote infrastructure development. Connectivity is also crucial to respond to the necessity for joint action in protecting the environment, for common standards and regulations on sustainability, and for fiscal and financial stability. Finally, connectivity is relevant in terms of people-to-people exchanges, as shown by the increasing number of students and academic staff that travel across the two regions.

Dr Gross further claimed the EU represents an example of successful connectivity in itself. The EU is, indeed, internally very well connected, which has helped in creating and maintaining stability and realising its peace project.

Secondly, Dr Gross then presented the four pillars, three work strengths and two principles that constitute the EU’s connectivity strategy, launched in late 2018. The initiative revolves around the transport, energy, digital and human dimensions, is to be realised through political partnerships, physical networks and innovative financing and is based on sustainability and a level playing field. These principles are also very much aligned with the EU’s priorities set by the new President of the Commission, who wants to create a *geopolitical EU*, to launch a new *green deal* and to foster *digitalisation*.

Thirdly, Dr Gross presented the progress made in the implementation of the strategy since last year. For example, the signing of a partnership with Japan in September 2019, the strengthening of coordination across the EEAS and the adoption of a more proactive attitude toward the operationalisation of current and future partnership, so that they can benefit also third countries where investments take place.

To conclude, she stressed that partnerships are open to every country, including China, once sustainability, transparency and reciprocity are assured. The EU-China Summit 2020 will surely provide room for discussion.

Following, Mr Shi offered his optimistic view on the future developments of the cooperation between China and the EU. After all, in terms of trade, the EU and China have been respectively each other's largest and second-largest trading partner and source of imports for 15 and 14 consecutive years. In terms of people-to-people connections, Chinese tourist flows to Europe also continue to grow.

These are not only expression of fruitful cooperation between the EU and China, but also a reason to deepen the dialogue between the two sides, who at the China-EU leaders meeting in 2019 committed to promote the synergies between the BRI and the EU's connectivity strategy. Mr Shi expressed his hopes that the EU and China will be able to successfully work together in upholding multilateralism and promoting comprehensive and high-quality development. Surely, more dialogue is needed on cooperation in the backdrop of the EU's Green New Deal and on the topics of information and digitalisation, yet, he wished it will be technology rather than politics to driving the discussion. The BRI is, anyway, more inclusive, adaptive and substantive compared to its inception and China itself is ready to set up common norms.

Following this overview of the EU's and China's official viewpoints, the word was given to Dr Bruno Hellendorff, research fellow at the Egmont Institute and expert on the economics and security dimensions of China's Belt and Road Initiative. First, he clarified the development of *connectivity* as an idea and a practice. He explained that the concept was formulated within ASEAN as a community-building and infrastructure-development exercise of Southeast Asia, later including the wider region. After gaining momentum in other ASEAN partner institutions, such as the Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meeting (ASEM), the definition of connectivity was embraced also by EU policymakers. In fact, many concrete endeavours and projects have been realised under the label of *connectivity*, which, yet, should be understood as a "diplomatic brand". Given its own experience in bringing its Member States closer to each other and creating links to its Neighbourhood, the EU has what it takes to promote its vision in Asia.

Secondly, Dr Hellendorff shed light on the reasons behind the rise of competition instead of cooperation in connectivity. He argued that since its launch in 2013, different BRI-related problematics have become apparent. For example, despite the existence of a top-standard multilateral institution in infrastructure lending, which is the AIIB, most investments along the BRI come from Chinese policy banks. Besides, close to 90 percent of funding goes to Chinese contractors, which raises questions on the feasibility of building a fair and equal relation with China. The fear that political goals can be pursued by China via economic links and investments and the rising of competing visions of other actors, as Japan or the US, have become obstacles to the developing of partnerships on the BRI.

Yet, Dr Hellendorff concluded with optimistic remarks. China is, for instance, adapting its approach and attempting to move to a higher-quality development, giving cooperation greater opportunities. However, the EU should adopt a coherent and pragmatic operational vision for connectivity cooperation, which includes working with China and other Asian countries. It should also make connectivity cooperation cross-cutting and, most of all, it should formulate its own inclusive Indo-Pacific concept.

Dr Hellendorff's presentation was followed by a presentation by Prof. Shumei Zang, Professor and Research Fellow at SAIAS, specialist in regional policies and regional development and currently working on a project on EU-China interactions on the BRI. Prof. Zang agreed with the other speakers that there is a lack of trust between China and the EU, and more generally the West, and the need for more mutual understanding. She argued that the core problem is the West's and China's very different traditional cultures. A lack of understanding of China's traditional thinking is reflected on a lack of understanding of China's neighbourhood and foreign policy, which takes inspiration from Confucian, Buddhist and Daoist principles.

In fact, Prof. Zang claimed, China's BRI and the EU's Connectivity strategy follow similar logics and are both rules-based visions. The problem lays on what rules they refer to. In order to promote cooperation, Prof. Zang suggested adopting an anti-centric perspective and including local societies in the process of rule-setting. She also recommended nurturing the already existing pragmatic multi-level cooperation practices, consisting in bilateral and multilateral partnerships at EU-China level, as well as between Member States and China and at lower local levels. Finally, she advised to promote the further development of already existing connections, as the Europe Land-sea Express, the China-Europe freight trains, the Three Seas Initiatives of the Central and Eastern European Countries (CEEC).

Thereafter, moderator Xavier Nutting gave the word to Mr Grzegorz Stec, associate researcher at EIAS and co-founder of a consulting company relating to the BRI.

Mr Stec also suggested that there is no disagreement between China and the EU on the need for greater connectivity, yet, their different approach prevent them from successfully joining their efforts. Through the example of two BRI projects realised in Central and Eastern Europe, namely the Cernavoda Nuclear Power Plant (Romania) and the Budapest-Belgrade Railway, Mr Stec showed how the rules-based approach is treated differently in Chinese projects, which, according to European standards, are often economically questionable and present problems of standards and feasibility.

Mr Stec also brought up examples of controversial effects in other countries, yet, maintained that China is improving the BRI and converging its interests towards the EU ones. Unfortunately, operational differences still remain. For instance, on the one hand, the EU's Connectivity strategy can be described as a market-driven and rules-based multilateral programme, which is institutionalised and has a defined structure, scope and budget. On the other hand, China's BRI can be rather considered a "campaign", where the central government launches slogans and incentives to be pursued by a vast array of different actors. As a result, it is not fully structured and hardly definable. Furthermore, most funding along the BRI comes from state-owned funds and state-owned companies play a major role. According to Mr Stec, the inclusion of the political sphere contributes to economic inefficiency. Finally, Mr Stec suggested that China has no capacity to turn the BRI into a fully-fledged multilateral project. For instance, the BRI extends not only internationally but also domestically, where external influence is not desirable.

In conclusion, connectivity is a common objective, which is approached in different ways. In order for it to work successfully, Mr Stec recommended working on the EU-China Connectivity Platform to jointly realise small, concrete and economically viable projects and promoting the EU-China co-investment fund. Finally, as the AIIB already entails sustainability and economic viability standards within the Chinese framework, pushing

forward the "AIIBisation" of the BRI would represent a good channel to make the values of China's BRI and EU's Connectivity strategy converge.

The panel discussion was, then, concluded with a presentation by Dr Bas Hooijmaaijers, associate professor at SAIAS. Dr Hooijmaaijers pointed out that China's rise presents challenges for the EU both externally and internally. For instance, externally, difficulties in building successful cooperation are given by China's and the EU's different understanding of key concepts and different priorities with regards to values. Yet, different standpoints toward China and the BRI among the EU Member States make it also difficult for the EU to act on a united front. While Western European countries and EU institutions see China's engagement in security terms, the CEE states view it as a benign force bringing economic investments without political strings attached.

Dr Hooijmaaijers also cited fast evolution and increasing complexity as features of the BRI, which is turning into an increasingly dense and intensive set of bi-, tri- & multilateral networks, which prioritise economic growth and development and where Europe and 'the West' are relatively absent. He argued that European diplomacy and European scholars will have to make considerable efforts to understand and engage with China, the BRICS, and other emerging powers, which are manifestations of the increasingly non-Western world. European practitioners and scholars will have to adapt to the new world-order, at best, by being strategically patient and setting realistic expectations.

The panel was followed by a Q&A session. The audience raised questions on the extent of the convergence of China's standards and values toward the EU's ones. The speakers reiterated that China has been evolving its approach, focusing on higher-quality development projects, and improvements can be seen in the example of a Chinese consortium, led by China Road and Bridge Corporation (CRBC), which won the EU-funded bid to build the first phase of the Peljesac Bridge in Croatia early last year.

The audience also enquired about the degree of involvement of Huawei in the BRI, which, as mentioned by the speakers, is currently engaging in projects in Central Asia, yet, should not be straightforwardly associated with the Chinese state and its intentions, being it an independent global company with its own strategy.

A question was also raised on the EU's perspective on Italy signing an MoU with China. Dr Gross affirmed that the EU institutions do not intend to mingle with Member States relations with other countries, yet, reminded that EU's agreements and obligations take precedence.

In conclusion to the public event, the speakers invited the audience and policymakers not to give into the China threat narrative but rather foster a constructive engagement.

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