A PIVOT TO EUROPE: CHINA’S BELT-AND-ROAD BALANCING ACT

Author: Horia CIURTIN
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Abstract: In the international agora, China is increasingly reaching out to Europe. Driven both by economic necessities and strategic imperatives, a grand design for crossing (and transforming) Asia has been advanced: the so-called Belt-and-Road Initiative. As they share a common (extended) neighbourhood in the Middle East and Central Asia, the two actors’ manner of interaction – cooperative or adversarial – shall define the future of the region. For this reason, the present policy brief evaluates the manner in which China intends to implement the project and how its own goals really correspond to those of the European Union. Moreover, the economic and legal implications of the initiative are put into the larger strategic context, showing how Europe could actually profit and what “red lines” it needs to draw before engaging on the Silk Road along China.

Keywords: Belt-and-Road Initiative, China, European Union, Silk Road, geo-economics.

About the author: Mr Horia Ciurtin is a legal adviser in the field of international investment law and international arbitration; Managing Editor of the EFILA Blog which appears under the auspices of the European Federation for Investment Law and Arbitration (Brussels). He is also an Expert for New Strategy Center (Bucharest), a prominent Romanian think-tank in the field of strategy and international relations. In 2017, he co-founded DAVA | Strategic Analysis, a think-tank providing in-depth strategic, cultural and geo-economic analyses.

Bachelor of Laws (2011), Babes-Bolyai University, Cluj-Napoca, Romania. Master of Laws in “European and National Business Law” (2012), Babes-Bolyai University, Cluj-Napoca, Romania, as valedictorian. Author of more than twenty articles in the cultural press, as well as of numerous studies and policy papers in domestic and international academic journals, in the field of international law, geopolitics and international relations.
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“My views about the international situation can be summed up in three sentences. First, we should observe the situation coolly. Second, we should hold our ground. Third, we should act calmly. Don’t be impatient; it is no good to be impatient. We should be calm, calm and again calm, and quietly immerse ourselves in practical work to accomplish something – something for China.” (Deng Xiaoping)

“Our responsibility now is to rally and lead the entire Party and the people of all ethnic groups in China in taking over the relay baton passed on to us by history, and in making continued efforts to achieve the great renewal of the Chinese nation, make the Chinese nation stand rock-firm in the family of nations, and make even greater contribution to mankind.” (Xi Jinping)

I. Prolegomena: No Longer an “Island”

The truth is that China is an island. Not in a strict geographic sense, but in a geo-economic one. Beside the more open seas on its Eastern flank, it is surrounded by mountains, deserts, jungles and a steppe wasteland that offer little connectivity for inner regions which have no direct access to its prosperous ports. Moreover, from a commercial perspective, China stands near to neighbours incapable of absorbing its ever-increasing industrial output. For an economy built on export this is an uncomfortable situation if it desires to maintain the high rate of growth projected for attaining a superpower status in the (not so distant) future.

* The author wishes to express his gratitude to Ambassador Doru Costea for offering a much-needed insight on how Eastern European countries understand the Belt-and-Road Initiative, as well as to Ambassador Gheorghe Magheru for the wonderful discussions about Sinic culture and the nature of international politics in East Asia.

1 This is a brief formulation of Deng Xiaoping’s strategy for acting upon the international scene, from a speech delivered in 1989 – Deng Xiaoping, Selected Works of Deng Xiaoping, Volume III, People’s Publishing House, Beijing, 1993, p. 321. It was later followed by his famous “24-character strategy”: “observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership”.

Bluntly said, China must either develop internal consumption capabilities or fight its way out of the insular location that it inhabits. While the first possibility might be attractive as it would offer more stability in regard to external shocks and global crises, it requires ample internal reforms that might weaken the grasp of the Communist Party upon the Chinese society. Consolidating home markets and developing a model based on domestic consumption could generate unpredictable political effects that go hand in hand with a generalized liberalization. And that is – at the moment – unacceptable for the Communist authorities in Beijing.³

Therefore, the only viable solution is – on the short-term – to maintain and increase a high export rate, doubled by outward investments meant to ensure the stability of the trade flux and its necessary logistic needs. As competition on the low-wage production scene is increasing, not allowing China to remain the sole relevant inexpensive manufacturer on the global arena, Beijing is forced to secure an upper hand in the trade patterns that are emerging, both in terms of quality and of logistics.

In this first sense, China is already implementing medium and long-term reforms meant to increase its general competitiveness by developing a “more balanced, sustainable and inclusive growth”.⁴ Moreover, the basic productiveness is sought to be accompanied by technical innovation, transforming China in a knowledge-based economy over time. On the other hand, on the logistical end, its quest must be to transform the Far East in a reality not so far away. To make China not only low-cost, but also short-distance.

And that is why China is looking westward to its natural destination market: Europe. It must ensure that its products are the first to arrive to the largest trade partner from its international portfolio. And that it can first benefit from European know-how in order to increase its own innovative capacity. In a certain sense, as the United States are pivoting to Asia across the Pacific, China is pivoting to Europe across the “Eurasian”⁵ landmass. This balancing act is meant to ensure a greater connectivity with the European markets and a trade path secure from America’s long reach.

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⁵ As a terminological disclaimer, the term “Eurasia” is only a geographical descriptor encompassing the entire landmass of Asia and Europe (including the Indian subcontinent and the Mediterranean basin). It is not used here as a shorthand for newer (and older) geopolitical designs. It simply delimits the geographical area under question without taking into consideration visions of “ordering” it.
As geographical constants cannot be really changed, irrespective the effort and dedication, they can be “softened” in terms of generating impediments. And if the United States rule the high seas – without any prospects of being replaced from this thalassic hegemony – China must find land-routes and port-to-port coastal approaches to develop commercial hubs and networks. To be sure, this is not only an economic strategy, but one meant to increase the overall geopolitical status along the way.

II. Fear and Profit: Why March Westward?

China is now on the move and at a high pace. Besides the obvious trade considerations, its decision to push so hastily across entire Asia also has an underlying strategic driver: the fear of containment. For this reason, it has opted – following Wang Jisi’s influential formula – to “march west”\(^6\), intending to avoid the possibility of a maritime deadlock coming from United States and its regional Pacific partners.\(^7\) Like every aspiring great power, China sees itself obliged to carefully predict the reaction of the status quo dominant actor and to plan a path of interaction (and expansion) that does not lead to conflict. In this sense, Beijing has to find a way which bypasses the sensibilities of the United States, but stops short of stumbling into a postmodern Thucydides trap.\(^8\)

Following these strategic imperatives, the prospect of a maritime-economic blockade – unlikely at the moment, but not unconceivable in the long run – must be given serious consideration by Chinese authorities, as it is a “core” security issue. More precisely, such a situation would not only disrupt China’s interdependence-link with the global markets, but would also stop the vital flow of oil towards its industry.\(^9\) Even for a limited period of time, it could cripple the Chinese economy and generate a structural disequilibrium within its social arrangement.


\(^7\) In this sense, we could mention the traditional strategic partners of the United States such as South Korea, Japan, Taiwan, the Philippines, Australia and Thailand, but also newcomers to this select group such as Singapore, Vietnam – see Richard Bush, “America’s Alliances and Security Partnerships in East Asia: Introduction”, Brookings Institution, Asian Alliances Working Paper Series, Paper 1/July 2016, available online at https://www.brookings.edu/wp-content/uploads/2016/07/Paper-1.pdf (consulted on 15.06.2017).

\(^8\) This concept has been applied to U.S.-Chinese relations by Graham Allison – see his article entitled “The Thucydides Trap: Are the U.S. and China Headed for War?”, The Atlantic, 24 September 2015, available online at https://www.theatlantic.com/international/archive/2015/09/united-states-china-war-thucydides-trap/406756/ (consulted on 15.06.2017). It was further developed in his latest book – see Graham Allison, Destined for War: Can America and China Escape Thucydides’ Trap?, Houghton Mifflin Harcourt, Boston & New York, 2017.

\(^9\) Even though China might have direct pipelines to Russia and Central Asian states, a very large part of its oil imports come from Saudi Arabia, Angola, Oman, Iraq, Brazil or Venezuela – see Jeff Baron, “More Chinese crude oil imports coming from non-OPEC countries”, U.S. Energy Information Administration, 14 April 2017, available online at https://www.eia.gov/todayinenergy/detail.php?id=30792# (consulted on 15.06.2017).
Therefore, driven by precaution (and fear)\textsuperscript{10} over a concerted United States intervention in the Pacific and (South) East Asia, Beijing prepares for the worst. But it also hopes for the best. The economic best. Not surprisingly, following a path of minimum tensions, the Chinese “westward” strategy appears to be driven by a dual motivation, as it seeks to simultaneously: (a) lower the possibility of direct collision on its maritime flank and de-escalate frictions with the United States, (b) expand commercially and geopolitically in an area very much hegemon-free. And that is an approach fuelled both by fear and profit.

In a certain sense, the path to the West is long, but faces less great-power rivalry and offers a higher financial reward at the end of the route. The European Union is – indeed – an economic giant, but, as a mainly normative power, it lacks offensive capacities and does not engage in Realpolitik. And, thus, China can prepare to deal with it on a more transactional basis, without fear of getting toe-stepped in a claustrophobic area. Distance is not necessarily an impediment, but also a geopolitical recipe for successful collaboration: less overlapping areas of interest, less chances for conflict.

In theory, an overarching China-EU economic partnership would escape conventional zero-sum games, being profitable for both actors and – as a geopolitical bonus – transforming all the grey areas in-between. Practically speaking, the (strategic) devil is in the details of the plan itself. Two main issues come forth: authorship and motivation. Simply put, this can only be seen as a Chinese initiative to push westwards, dictated by its own strategic imperatives. The European Union is very much satisfied with the American dominance of the world’s waterways and sees no urgent reason to avoid it or invest in bypassing the maritime chokepoints under United States control.

And for these reasons, China has to offer the European Union something else. It has to portray its initiative in a manner appealing to Europe’s own fears, sensibilities and desires. A first step – in the wake of declaratory American protectionism in the age of President Donald Trump – was taken by symbolically advancing leadership in the matter of free trade. President Xi Jinping deployed a veritable charm offensive and fashioned China as the sole remaining “champion of economic globalization”.\textsuperscript{11} In this manner, Beijing authorities tried to picture themselves in contrast with Trump administration’s new rhetoric approach\textsuperscript{12}, whose domestic consumption still attracts the


\textsuperscript{12} For example, President Trump’s recurrent remarks on the Germany’s trade surplus with the United States, which cause great anxiety within continental Europe: “I don’t have a problem with Germany. I have a problem with German trade” – see David McHugh, “Trump criticizes German trade surplus, again”, \textit{Washington Post}, 26 May 2017, available
largest share of European products. In other words, if such a partner would enclose itself and resort to protectionist measures, Beijing would – allegedly – be the only game left in town. Or in the global (economic) village.

Beyond playing the fear card of the European Union – itself very reliant on trade for its long-term prosperity – China also offered the glimpse of a profitable future together. Not only by simply conducting business among themselves, but also by pacifying and opening up potential markets in the great landmass that spans between the two economic powerhouses. Therefore, the grand bargain would come as a complete package: a (partial) alternative to American markets, an increased stability in the turbulent Asian interval and a redrawing the map of power throughout the Old World.

III. Overture in Central Asia: The March before the March

Before showing the detailed blueprint of the actual Belt-and-Road Initiative, a conceptual step back needs to be taken. Little can be understood about China’s march to the (far) West, if its initial prelude in Central Asia is ignored. Its first moves into this economically depleted region are a symbol of bilateral relation-building, but also of using multilateral formats in order to increase a discrete presence in another hegemon’s sphere of influence without generating conflict. The Central Asian quest is the story of a well-paced strategy of deploying trade-and-investment in order to attract other states into its inescapable mercantile grasp, closely followed by ‘mild’ security ties.

In this sense, while facing consolidated hard power and soft power players in the region – such as Russia and Turkey – China started its “grand tour” as soon as 1994 when Li Peng travelled in Central Asia, closely followed by Jiang Zemin two years later. Its strategic “friendship” did not come with binding rule-of-law requirements (as put forward by the European Union or the United States), it did not come with a cultural narrative of fraternal ties (as advanced by Turkey), nor did it come with military obligations and economic exclusivity (as demanded by Russia). Not at all. China’s stance had been one of tactical patience, offerings of goodwill and seemingly benign


15 Jiang Zemin himself was keen to talk – during this period – about a ‘new’ Silk Road.
economic ties. All through the ‘90s, it progressed in a rhythm that alerted no other actor, but – at the same time – won the hearts (and pockets) of local actors.

While motivated to push into this area due to its spatial proximity and security concerns regarding its own Turkic population in Xinjiang\(^{16}\), China did not allow its relation with Central Asia to become one focused merely on “stability”. It was not only a pacifying mission on its restless borders, but also a long-term “growth” strategy meant to integrate Central Asian resource-rich economies with its energy-insatiable market. Along the way, Xinjiang itself would be lifted from its chronic underdevelopment\(^{17}\), posing less threats to the central leadership and the unity of the state.

In China’s vision, deeper ties with Central Asia would lead to a double success: internal and external. Following these imperatives, Beijing gradually heightened its presence until gaining the geo-economic upper hand. In more ways than anyone could have expected. If – before – gas and oil used to flow north, up to Russia and then westwards to the EU markets, they now turned eastwards to China.\(^{18}\) Energy exports changed their course towards the largest consumer in the area. Who decided to fund and build a new transportation and distribution infrastructure, as well as local refineries. Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan became part of the Sinic energy oikumene.\(^{19}\) The Central Asian states were no longer the energetic captives of their former Russian hegemon.

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\(^{17}\) For more details about the Xinjiang calculations in China’s links with Central Asia, see Valérie Niquet, “China and Central Asia”, *China Perspectives*, 67 (September-October 2006), available online at http://chinaperspectives.revues.org/1045 (consulted on 15.07.2017).


All other trade-in-goods patterns were transformed and China became the most attractive export destination. At the same time, the Central Asian import routes also began stretching eastwards. No longer were the European, Turkish and Russian supply networks the only game in town. More and more often did Chinese products flood Central Asian markets. Machinery, clothing, textiles, chemical products, electronics arrived from China. At cheaper prices and with a more versatile distribution. Eventually, the grand eastern neighbour managed to establish itself as an alternative source for much needed goods.

And that was not the end. The security perspective was also altered by China’s presence. Troubles in Xinjiang, war in Afghanistan, a chaotic Pakistan and a deadlock on the border with India – right within Beijing’s soft strategic spots – mandated an increased assertiveness in security matters as well. A seemingly multilateral format, the Shanghai Cooperation Organization (SCO) gained more steam than the smaller Russian-led CSTO. China’s symbolic lead position within the SCO was only mellowed down recently when another great power – India – was brought in by Russia for “diluting China’s dominance in the group”.

In addition, China forged numerous bilateral security ties (with Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan), outside the scrutiny of other SCO regional powers. Often categorized as “counterterrorism” cooperation, such engagements with Central Asian states did not – directly – displace Russia’s military primacy, but tend to slowly erode it. Like in economic matters, China did not conduct a head-on collision with Russia by “poaching” the latter’s allies. It merely offered them an alternative. A complementary relationship that does not require severing ties.

As it suits a benevolent new power, China’s act in Central Asia rather appears a game of strategic “seduction”. It never imposed. It never pushed its regional partners too far. And it did not confront established players in an adversarial manner. For these reasons, China’s presence in the region has been “magnetic”, attracting all local actors within its economic grasp. By never claiming leadership – at least not directly – it managed to appease Russia’s sensibilities and have no stern

contradictions with Turkey, despite disagreeing over the Uighur matter. 23 China forged a patchwork of alliances that stretch all the way to the Caspian (including Iran), without rousing significant security concerns. No matter how preeminent, it seemed that China’s footprint in the region challenges neither the Russian military alliances with former Soviet republics, nor Ankara’s “fraternal” ties with its Turkic fellows.

Working step-by-step, patiently – as demanded by Deng Xiaoping’s famous dictum – China stealthily replaced the Turkish surge in the construction sector, it challenged the European Union’s trade pre-eminence (although not surpassing it) 24 and eroded Russia’s strategic domination. Its rise in Central Asia has – so far – been a story of benign power build-up. Energy, trade, investment and “soft” security agreements have played their role in configuring such an image. After centuries of being dealt at sword-length by other contenders, Central Asian states found themselves conducting (profitable) business as partners and not as protégés. 25

China’s act was a silent displacement of hegemonic claims. A harbinger of things to come.

IV. The Belt-and-Road Initiative: Winding Path(s) to Europe

In this sense, the Central Asian quest was not only a prelude to a larger project, but also the litmus test for a new power’s maturity in conducting external affairs. And the first step in re-configuring a neighbourhood away from the United States’ long reach. If this succeeded (and it finally did), it was an indication of Beijing’s capacity to redraw the allegiance map in a distinct manner. However, the old times of “lying low” were over. No more Deng-inspired taoguang yanghui. 26 Now, China was prepared to “accomplish something” and to take leadership, although veiled in a mantle of mercantile benevolence. The scene for its landmark strategic vision was set: a postmodern “Silk Road” reaching for Europe. 27 Iron, concrete and cash were let loose westwards.

27 It must be remembered that Jiang Zemin was already talking about reviving the Silk Road, but without transforming this desiderate into a development vision.
And not surprisingly, the first conceptualization of China’s grand design occurred nowhere else than in Kazakhstan. It marked the advent of a new phase in Sinic foreign policy and the rise of a different (but not so new) type of leader: Xi Jinping. One year after his ascent to the apex of power, Xi linked his name to an assertive geo-economic project that would underlie all his later foreign policy tactics. In late 2013, at Nazarbayev University in Astana, the President of China iterated his vision upon “reviving” the ancient Silk Road.

Thus, seeming to “hear the camel bells echoing in the mountains and see the wisps of smoke rising from the desert”\(^{28}\), Xi reached out to Central Asian states in proposing them a new *land-based* route to Europe, a “belt” meant to encompass, integrate and develop all the polities along the way. The Chinese leader rhetorically regarded this geographic interval as a passing point, a space of economic exchanges where cooperation among such different communities is able to foster “peace and development”.

Among all the stated objectives, two of them stood apart: (a) transport infrastructure to link the Pacific and the Baltic, (b) “promotion of unimpeded trade” and facilitation of investment.\(^{29}\) In other words, a vision of free-flowing capital, goods and postmodern caravans passing through endless steppes and deserts on their way to the European Union. And this was the true meaning of the initiative’s *terrestrial* component, “The Silk Road Economic Belt”. A collection of alternative and parallel land paths going to Europe either as high-speed railroads or as newly developed mega-highways. Not merely transiting Central Asia and the Middle East, but also involving governments and businesses along the way, keeping them as beneficiaries of the arrangement and not as simple facilitators.

At the same time, just a month later, Xi Jinping addressed the ASEAN states in Indonesia and proposed a complementary concept: a *sea-based* route to Europe, closely following the shores of friendly states up to the Mediterranean. Using South-East Asia as a starting point for such a path and offering “mutually beneficial cooperation”\(^{30}\), the Chinese leader tried to incentivize these states to voluntarily integrate in its grand scenario and – thus – to pre-emptively avoid a potential chokepoint dominated by the United States. Even though the American hegemony of the high seas would remain untouched and virtually uncontested, it would be bypassed and eroded by using a model of near-


\(^{29}\) Xi Jinping, *cit. supra*, p. 318.

\(^{30}\) See the speech from 3\(^{rd}\) October 2013 delivered at the People’s Representative Council of Indonesia, entitled “Work Together to Build a 21\(^{st}\) Century Maritime Silk Road” in Xi Jinping, *The Governance of China*, cit. supra, pp. 320 et seq.
shore, port-to-port maritime transportation. In case of great need, land-based routes through Myanmar or Pakistan would ensure a direct access to Indian Ocean ports.

Figure 2 – The Belt-and-Road Initiative [Source: CSIS | Reconnecting Asia]

Therefore, the nautical component of China’s westward pivot – “The 21st Century Maritime Silk Road” – would be designed to offer a string of friendly ports along the way to Europe, a network of safe havens that allows goods to move unhindered. Partners along the way would not only benefit from infrastructure development and Chinese FDI, but also by being allowed to take part in the great movement of products to the largest consumer market. Provided that they do not displace the Chinese sellers from one sector or another. From this perspective, countries using the same low-wage, massive production model – such as Vietnam or Indonesia – would also be kept under a relative degree of control. Sometimes, it is better to keep your competitors close. And allow them to prosper beside you, within your structure.

Taking these two components together – terrestrial and maritime – as complementary manifestations of the same grand strategy, the concept was further refined to express a unitary phenomenon, with a single goal and destination: Europe. It was officially coined as *yidai yilu*, “One Belt, One Road”. While the Chinese terminology remained unchanged, its translation was modified for the Western audience, offering a more palatable catch-phrase: the Belt-and-Road Initiative.
An open-ended vision comprising two networks of land-based hubs and safe sea ports, stretching in multiple ways toward the European Union.

Without a fixed configuration, without a strict “business plan” or implementation deadlines, the Belt-and-Road Initiative seems to be, at this moment, “a leadership vision and not a project”. It simply announces a declarative – and obsessive – goal of reaching Europe, while building up along the way and reviving the allegedly cooperative Silk Road “spirit”. However, Beijing’s strategic drivers can be clearly observed from the official documents’ discrete silence upon the United States. Although denying any geopolitical stakes in the initiative and professing a “business only” approach, there are obvious indicators of what China really wishes to accomplish.

The BRI is a way out of America’s long reach. One that symbolically contrasts with Washington’s approach in the Asia-Pacific. In this sense, China tries to fashion itself as the new benevolent power in town. One pouring cash and carefully manoeuvring its military away from sight. While the United States’ approach presumably capitalizes on anchoring aircraft carriers in various ports, China actually intends to build the ports themselves. And to have an additional inland route that is untouchable by American power projection. Thus, the BRI is not simply “business”, but business conducted strategically to avoid another type of confrontation. One in which China would have little chance of success in the near future.

For attaining these objectives (and the stated grand finale of reaching Europe), China not only integrated other ancillary projects (such as the proposed China-Pakistan and Bangladesh-China-India-Myanmar Economic Corridors), but also devised several financing instruments in order to fund all the needed infrastructure. Thus, beside its already existing domestic banks and investment funds, Beijing poured an initial $100 billion in three different institutions that the Chinese state directly controls: the Silk Road Fund, the Asian Infrastructure Investment Bank and the BRICS’ New Development Bank. This is another type of – financial – move away from the American-dominated

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31 The official documents still use the yidai yilu [一带一路] in their original versions, but are translated as Belt-and-Road Initiative instead of One Belt, One Road. This is rather a PR tactic than a strategic reconceptualization, generated by the need of sending a clearer message. However, in other Western languages, the official documents refer to the “New Silk Roads Initiative” [for example, “Neue Seidenstraßeninitiative” in German], indicating an indecisive terminology so far.


33 For instance Chinese Foreign Minister Wang Yi has stated that One Belt, One Road is “not a tool of geopolitics” – see “China’s 2015 diplomacy focuses on Belt and Road”, China Daily, 8 March 2015, available online at http://www.chinadaily.com.cn/china/2015twosession/2015-03/08/content_19750295_2.htm (consulted on 04.08.2017).

international system, trying to avoid the constraints of World Bank, IMF or other multilateral development instruments.\textsuperscript{35}

However impressive the sums might appear at a first glance, they fall short of the needed amount. The first stages of developing the Belt-and-Road require no less than $3 trillion (according to some accounts, even more). And this is a task that China – despite its constant growth and increasing economic power – cannot accomplish alone.\textsuperscript{36} It really needs co-interested parties. And that is where the European Union (with its unbearable economic force) comes into the spotlight: it is not supposed to be just a “passive” destination at the end of the road, but also a co-owner in this joint venture.

Without European cash – from public and private sources – it is highly improbable that other actors could feasibly join China in funding the initiative. Russia, Iran, Turkey or Kazakhstan (or even Japan and India\textsuperscript{37}) are in an entirely different economic league than what is needed for such a massive project. For a path to Europe to emerge, Europe itself is needed along the way. In reality, EU-based institutions already are the largest lenders in the region (see Figure 3 below). And Europe is highly interested in developing infrastructure and connectivity with its marginal areas.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{Loans to Countries along the BRI [Source: amended Natixis, BIS data via Bruegel graph]}
\end{figure}


\textsuperscript{36} See the excellent account of Alicia García-Herrero, “China cannot finance the Belt and Road alone”, \textit{Bruegel}, 12 May 2017, available online at \url{http://bruegel.org/2017/05/china-cannot-finance-the-belt-and-road-alone/} (consulted on 01.08.2017).

\textsuperscript{37} India has its own security considerations regarding the BRI, proposing an alternative – US-backed – “New Silk Road” (or North South Transport Corridor). It is a competing and – probably – adversarial project of Asian integration. For more details, see Wade Shepard, “Watch Out, China: India Is Building A ‘New Silk Road’ Of Its Own”, \textit{Forbes}, 28 June 2017, available online at \url{https://www.forbes.com/sites/wadeshepard/2017/06/28/watch-out-china-india-is-building-a-new-silk-road-of-its-own/} (consulted on 01.08.2017). Japan has established its own $200 billion fund intended to finance the Partnership for Quality Infrastructure.
The Chinese dilemma is— in such conditions— how to attract the European cash within its own framework, while maintaining control of the initiative, but also convincingly advocating that it is an open project among “equal partners”. It is supposed to be a win-win situation for everyone, but— in case of failure— it might amount to a disaster for China. To put it metaphorically, Beijing does not bet all its cards on Europe, but it certainly lays down its jokers here. With more than $3 trillion to be invested in its flagship initiative, this is projected to devour all of China’s cash surplus over the next decades, rising to an investment intensity that is higher than the Marshall Plan. Leadership and great power status comes with great costs. And with great risks.

It is no surprise that Xi Jinping marketed his vision in the EU as a “bridge of friendship and cooperation across the Eurasian continent” a Chinese-initiated integration of the entire region, but allegedly leaderless and open to everyone. In the official parlance, Beijing argued that “China will make [a] new, greater contribution to building an intimate community with a shared destiny.” Thus, at least rhetorically, the Chinese strategists rather used the European-style regional development as a model, marking a departure from the previous bilateral pattern of interaction. Without prescribing binding political values or economic systems, the BRI is rather designed to accommodate a variety of actors, knit together by common (mercantile) interests.

However, unlike the European Union and its conditionality, this cooperation format does not have a set of pre-requisites for participation. Everyone is welcome. Radical theocracies, post-Soviet dynastic regimes, ruthless dictatorships, democratic (but failed) states, traditional monarchies. All can join. All can pursue the long way to Europe. The paths may be winding, but they reach a safe— and prosperous— haven at their destination. The only thing that China needs to figure out is how to convince the European Union of its “benign” strategic intentions, as the Brussels-based institutions (and Member States) have already begun to do their own calculations.

V. An Unbalanced Partnership: Challenges and Asymmetries

In this context, European policy-makers must carefully assess what the Belt-and-Road Initiative would represent for the wider EU neighbourhood, as well as for its core agenda in the

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Balkans or in the Eastern Partnership countries. Moreover, the discrete realignment of Middle Eastern and Central Asian actors should be tackled with increased precaution, given the high volatility of the region and the potential impact it could have on the European Union. The Belt-and-Road is a path to Europe, indeed. But at what costs? And to whose final benefit?

As the figures look at the moment, the European Union is China’s number one trading partner, whereas China only comes in second (after the United States) for the Union. The countries along the proposed routes are almost equally split by their main trading partner, in terms of population and economic prowess. When analysed comparatively, the EU’s economic relation with China is the only one that results in a negative trade balance (see Figure 5 below), placing the Union in the position to import double than it exports to China, a trend that strongly differs from its overall position in the global trading arena.

<table>
<thead>
<tr>
<th>Country</th>
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<th>Imports</th>
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<th>Trade balance</th>
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Therefore, again, it seems that China is the most interested part in reaching out to Europe and maintaining the existing commercial ties. In a context of increasing tensions with the United States (which control the high seas and their adjacent supply lines) and of mounting low-cost competition within South-East Asia, China strongly requires an assertive geo-economic stance. It is no longer
sufficient to ship goods to Europe. Now it is time to also to build-up power-bases, hubs and security pivots along the way.

On the other hand, the European Union seeks to refashion itself as a global economic power, but not lacking in traditional foreign affairs influence. For this purpose, it needs other players to recognize it as such and not simply demise it as a larger-than-life “special purpose vehicle” of its (influent) Member States. And the collaboration with China is very well suited in this regard. While the United States and Russia look at Europe from a more traditional – state-to-state – perspective, China is prepared to give full credit to European Union institutions.

As the two parties themselves acknowledged in the EU-China 2020 Strategic Agenda for Cooperation, both of them are “important actors in a multipolar world, […] shar[ing] responsibility for promoting peace, prosperity and sustainable development for the benefit of all”. 41 Thus, with the advent of the Trump administration and doubts of a renewed American trade protectionism, the European Union reached out even further to the Chinese partner. While TTIP negotiations over the Atlantic reached a stalemate, and were temporarily put on halt, the EU did not stop working with China on a comprehensive Investment Agreement, reaching a 14th Round this summer. 42

Ideally, both parties have a lot to gain from such an ambitious collaboration. It would not only make them partners, but also (distant) “neighbours” urging for the same goals: global recognition, multilateralization and increased commerce. However, there is another side of the (geopolitical) coin. The newly-found “romance” between EU and China cannot be resumed to solidarity in fighting climate changes or rhetorically advocating free trade. Before turning it into a privileged partner, the European Union must look into China’s eyes and acknowledge what it really is. And what it stands up for. Only then will the EU be able to assess the viability and desirability of the Belt-and-Road Initiative.

In this regard, the EU must take seriously its own self-declared “principles of engagement” for dealing with China which require “reciprocal benefit in both political and economic terms. There should be genuine implementation of the Chinese slogan ‘win-win co-operation’. The EU also expects China to assume responsibilities in line with the benefits it draws from the rules-based international order”. 43 In other words, while admitting China’s great power position in the global

arena, the European Union requires it to play by the rules of the game. The existing (rules-based) game.

By positing such a preamble to their (political and economic) cooperation, the EU implicitly expresses the fear that China might not really voluntarily comply to such a framework. It needs to reassure itself—and other international partners—that this is the only way it might deepen its relation with Beijing. Otherwise, all political deals are off. And the desired love story shall simply remain one of business only.

Unlike the enduring—and unmatched—partnership with the United States (where there are no serious doubts about the commitment to a rule-based order), the European Union’s relation with China is uncertain in terms of matching rhetoric with actual compliance. So far, the few areas where Brussels and Beijing met outside their territories have not been decisive or overly encouraging. In Central Asia, in the Middle East or in the Balkans, China acted as a strategic investor, “weaponizing” its financial incentives and infrastructure projects so as to gain leverage and open up local markets for itself. Not in the name of free trade. But in the name of only maximizing its own economic opportunities. No matter what it took, no matter what rules needed to be bent.44

Moreover, there is an increasing asymmetry in the bilateral accumulation of FDI. Not only the trade patterns are out of balance—weighing in China’s favour—but also the direct investment flows. While roughly in the same league until 2013, the Chinese FDI into the EU has since grown almost four times as high as the corresponding EU-based FDI into China. This is an evidence of rapid and concentrated expansion within the EU territory, targeting not only assets intended for commercial activities (infrastructure, depots, warehouses, ports or larger distribution platforms), but also strategic sectors (telecom, energy, resources or high-tech research). The lack of (FDI) reciprocity has thus become a catchphrase in Brussels and Member States’ capitals45, feeling the surge in Chinese investment, while European companies encounter difficult entry barriers on Beijing’s economic playground.

In this sense, China is not only building along the road, but it is also preparing the end-route positions. Working with parts of the Union where competition is lower—such as Central and Eastern

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European countries – China is establishing a bridgehead at the other side of the BRI. Entering those still fragile and unconsolidated markets may contribute to an increased political influence in the EU’s soft spot.\textsuperscript{46} And, thus, indirectly steer (or block) EU policy to its own benefit. A prime example can be observed in the latest Greek stance that stopped the European Union’s statement at the United Nations regarding China’s human rights record.\textsuperscript{47} It only took one reluctant state – dependent of Chinese cash – to hinder the entire EU position on this matter. And this is a lesson to be learnt. Beijing’s investment might be accompanied by a rhetoric of no (political) strings attached, but a helping hand in international affairs is much appreciated. And rewarded.

At the same time, there is a mounting tension at WTO level regarding China’s market economy status. While both the United States and the European Union refused to acknowledge that Beijing’s economy had reached such a level, China filed a complaint against them.\textsuperscript{48} Thus, despite their own misunderstandings, the two Atlantic partners have held a common ground when it comes to upholding the established rules of the game. Both America and the European Union are firm in defining that a “market economy” is. And they shall not make easy concessions on this topic.

Another point of collision – along the path to Europe – is the manner in which China actually deals with local governments. So far, Beijing has not proved itself to be a champion of transparency and strict standards in bidding for infrastructure contracts, often pushing other competitors (even European ones) away from the market through direct negotiations with local strongmen. Offering cheap loans – and the logistics to construct itself the projects – China deployed an elaborate game of masks. At the same time, it acted both as financier and constructor.

Thus, without having a solid legal framework providing reliable rules in the field of public procurement, state aid and dispute-settlement, the Belt-and-Road Initiative would be almost useless for European-based companies that are constrained by their domestic rules of business. Without allowing the BRI to become a strictly regulated mechanism, Europe’s investors and private contractors would be in no position to fully benefit from the advertised opportunities. It would simply turn out to be a geo-economic one-man show: China’s fancy project, refashioned as a multilateral platform.


Under these circumstances, the European Union needs to tread lightly on the Silk Road. Even though the direct link to China could benefit its constituent economies (especially the export-based ones such as Germany), it could also make it impossible for European companies to compete for projects in the extended neighbourhood. In addition, a reconfiguration of the local business models – already highly deficient – along Chinese lines, could make any EU-based initiative unable to penetrate domestic markets. As Beijing develops an economic dominance in the field of infrastructure, energy and consumer goods along the way, this might potentially add up to the existing entry barriers.

It might indeed be a path to Europe. But, so far, it is China’s path to Europe.

VI. Beyond the Horizon: The Prerequisites of Meaningful Interaction

Given all the existing asymmetries and potential deadlocks along the way, the European Union must first take a step back and re-conceptualize the BRI vision. Break it down to the basics. Europe needs to see the reality behind the slogans and look past the geopolitical marketing stunts. It needs to watch beyond the horizon. While it knows why China is moving westwards, the European Union also needs to understand how it intends to do that. In such a delicate context, the means might be more important than the end.

Therefore, a simple notion must be kept in mind at all times: China seeks not only to build a corridor through Asia, but to rebuild Asia itself. For this purpose, it operates a “creeping displacement” of existing economic dependences. It has successfully tested this tactic in Central Asia and it is on the verge of implementing it large-scale. The Belt-and-Road Initiative truly is a globalizing project, facilitating the export of a distinct international business model. A model that Europe is not well-equipped to address (and compete with) in troublesome areas of the Middle East and the Caucasus.

However, as shown before, China cannot financially and logistically manage such an ambitious project on its own. And, this time, prominent regional actors such as Russia, Iran and Turkey (who are unable) or India and Japan (who are unwilling) cannot be counted upon to build the Belt and Road. The only possible – and the truly necessary – partner is the European Union. The path to Europe can open up only with Europe’s support and financial participation. For this reason, the

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EU is in the position to exercise its considerable leverage and make limited (but strong) demands on China, before getting to the actual build-up.

First of all, in terms of dealing with China, the European Union must present itself as a cohesive and single-voiced actor. It cannot allow deviant Member States to erode the unity of the bloc in such vital issues, nor grant them the opportunity to block EU-wide initiatives. In order to be convincing with China, Europe has to offer the image of a reliable player where divide et impera tactics cannot be used from outside. It might well be a normative power capitalizing mostly on its soft power resources, but it should be a unitary one. At least in matters that touch core strategic interests.

Secondly, the Union must take great care in ensuring that areas of profound concern (such as the Western Balkans or Turkey) are not simply left to drift apart – and then away – into China’s generous embrace. Nothing that Beijing can offer is difficult for the EU to match or surpass. Before establishing the BRI end-route points in its marginal areas, the European Union must consolidate its gains there and not allow to be economically and politically replaced.

Particularly, the Western Balkans must be clearly identified as a red line in the cooperation with China on the Belt-and-Road. For almost two decades, the EU has invested considerably in their security and stability, preparing them for a future accession to the bloc and such progress has to be maintained on the long-term. The Balkans can be developed by Beijing, granted aids and be open to Chinese investments, but in accordance with the Union’s clear standards and without cutting corners in implementation. No creeping displacement in the EU’s own backyard.

Thirdly, the European Union is in no dire necessity to jump right in and play all its cards in partnering China along the Silk Road. The high seas are open and shall remain open for the EU under American supervision. The Atlantic route is open, the Northern Sea Route to East Asia is opening up, while the Suez Canal and the Indian Ocean are unbound. Moreover, Europe has other strategic options which it might consider. It shall not block itself into a “marriage of convenience”, while so many other aspirants are waiting for the opportunity. It must show China that it is not the only game in town for Europe.

Fourthly, in order to develop their extended common neighbourhood – including the Middle East and Central Asia – where EU attempts have been scarce and largely ineffective, standards of transparency, rule-based public procurement and non-arbitrary business environment cannot be

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50 Some analysts have noticed that bilateral (and direct) negotiations with individual member states have “allowed Beijing to play the individual EU countries against each other and to undermine the EU’s new global strategy of its common foreign and security policy” – see Frank Umbach, “China’s New Geopolitical ‘Silk-Road-Initiative’ Infrastructure and Security Political Dimensions”, European Security & Defence, Issue 4 (June 2017), p. 13.
compromised.\textsuperscript{51} The Union must be adamant in upholding these principles, as they are the key to a successful project on such a large scale. Otherwise, Europe will only draw the short straw: it will co-finance projects that Chinese subsidiaries will actually construct.

Last, but not least, the temptation to balance together with China should not obstruct what its model of “peaceful development” really means. Coined before as \textit{peaceful rise} (in the early 2000s), the terminology was modified to suit more benign international goals.\textsuperscript{52} Nonetheless, despite all the language-games, China \textit{is} a great power on the making. It not might be a global one, but it surely surpasses the regional level. Its uncontested rise will distort established patterns of power and influence across the globe. And the EU must make sure it will benefit from such a transformation, not get downgraded or stuck into partnerships that it cannot escape.

And the European Union must definitely grasp the paradox of having an authoritarian system playing the champion of free trade. Indeed, analogies with past memories (and anxieties) of European states under the Iron Curtain are not a valid descriptor. But neither is a naively instrumental view of China as a pragmatic business-only actor. The Party – and its increasingly centralized power-structure under Xi Jinping – did not break away from ideology. It just changed its tenets. Today’s official doctrine proposes nothing less than the “Chinese Dream” [\textit{Zhongguo meng}] of achieving the “great rejuvenation of the Chinese nation”.\textsuperscript{53}

The political line might no longer be drawn along Marxist lines, but it is slowly turning nationalist. And Europe needs to deal with that. Nationalism always comes with strong narratives about a shared (political) destiny and the need to renew a lost grandeur. Such an approach in international relations is transformative, especially if the influence of that specific state is unbearable. Smaller countries tend to \textit{silently} accommodate such an assertive stance of great powers, but the European Union does not benefit from the same luxury of acting discreet. As it cannot be an “ambiguous” actor, it must formulate its own stance loud and clear. It must draw its zone of economic comfort and specify its political red lines.

And only then can Europe get down to business along the Silk Road. Hopefully, profitable.

\textsuperscript{51} And this was clearly emphasized by VP Jyrki Katainen at the Belt-and-Road Forum, Beijing, 2017 when issuing the EU common message on the project, arguing that “any ambitious scheme to connect Europe and Asia requires an open and inclusive approach. Transparency about plans and activities of all stakeholders must be the basis for our cooperation, together with open, rules-based public tenders and reciprocal market access” – the document is available online at \url{https://eeas.europa.eu/delegations/china/26051/node/26051_fi} (consulted 25.08.2017).


\textsuperscript{53} Xi Jinping, “Remarks on the Occasion of Meeting with the Chinese and Foreign Press by Members of the Standing Committee of the Political Bureau of the Eighteenth Central Committee of the Communist Party of China”, \textit{cit. supra}. 
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