

January 31, 2019

Positions of the European Union Countries in relation to China's "One Belt, One Road" Initiative

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The "One Belt, One Road" Initiative (hereinafter – the OBOR, Road) put forward by the PRC President Xi Jinping in 2013 is a large-scale geo-economic project of the PRC which is an essential part of China's modern foreign policy. Being a project of trade and transport communications over land and sea, this route geographically covers the countries of the Eurasian continent and Africa. A successful implementation of this project will allow China not only to accelerate the pace of economic growth, but also to fill the leadership vacuum on the world stage partly caused by the policy of US President Donald Trump and Europe's focus on its own internal problems. Even presuming that during his four-year presidency (which could possibly extend to eight years) Trump succeeds in "making America great again" and the internal problems of Europe are solved (although at the moment it seems unlikely), China will not miss the opportunity to take advantage of this situation and strengthen its position on the world stage.

The European direction is a key element of this project: all the transit routes of the OBOR regardless of the length and type of traffic lead to the countries of Europe and the European Union.

Therefore, the fact that China is interested in strengthening and expanding its partnership with the EU is undeniable. The interaction with Europe on the OBOR project is carried out at three levels: in the format of EU-PRC summits, in the framework of bilateral cooperation with individual European countries that are of greatest interest to China, and through the mechanism of CEE "16+1" where both EU member states and non-member states take part.

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EU-PRC

Even before the launching of the OBOR initiative, the EU and China held regular meetings on the issues of rail, sea, and air transportation as well as on the simplification of customs procedures and other areas of multilateral cooperation. It is worth noting that during the negotiations between the EU and China on the development of a strategic cooperation program until 2020, the PRC government did not advocate the inclusion of the OBOR initiative (announced in the same period) into the agenda, although it contained a number of ambitious ideas for the construction of infrastructure and logistics networks between Europe and Asia.

The Chinese government is aware that EU institutions play an important role when it comes to Chinese investment and coordinating various projects with EU member states. For the EU, cooperation with China in the framework of the OBOR will be successfully implemented only if it is based on open and transparent rules and meets the priorities of the Union. The decision of the EU member states to join the China-led Asian Infrastructure Investment Bank (AIIB) prompted the EU to develop common rules while coordinating actions within the Bank. Both the European Commission and the European External Action Service quickly realized that the OBOR had strong political support in China and that its implementation did not depend on the position taken by the EU. This led the EU to start looking for ways to join this initiative and opportunities to influence it.

Although the EU has not developed a unified strategic approach to the interaction with the OBOR and to its influence on regional dynamics, some high-level steps have been taken to achieve greater transparency in cooperation processes. In September 2015, the European Commission and the Government of China signed an agreement to create a platform for cooperation between the EU and the PRC in order to strengthen cooperation in areas such as infrastructure, equipment, technology and management standards as well as to find opportunities for linking the OBOR initiative with the Trans-European Transport Network project. Today, this platform is the most important mechanism of cooperation between the EU and China in the framework of the OBOR. Thus, according to the results of the EU-PRC summit in July 2018, both parties pledged to embark on the implementation of a short-term action plan on infrastructure development that was developed at the third meeting of the platform in July of the same year.

As a result of China's joining the EBRD in 2016 and the opening of the Bank's representative office in Beijing, the financial cooperation between China and Europe related to the OBOR has further increased. An important step was the creation of a China-EU joint investment fund with a capital of 500 million euros in 2018. The contributors were the European Investment Fund and the Silk Road Fund.

Bilateral cooperation

As a rule, EU member states welcome closer cooperation with China and Chinese firms, considering it as a source of income and an incentive to boost economic growth. Moreover, strengthening cooperation with China will allow European countries to increase the export of their products to Asian and world markets. Another positive factor is potential assistance to the industrial development of Eastern European and Balkan countries by Chinese corporate investors. Therefore, when the Chinese government under the leadership of Xi Jinping officially announced the launch of the OBOR in 2013, some EU member states responded enthusiastically.

In theory, Western Europe, which is symbolically regarded as the final destination of the Road and is the most important market for Chinese goods, should have occupied a central place in the OBOR project. However, China's comprehensive approach to this project does not mean that all EU member states are of equal importance to it. Within Europe, the main projects under the aegis of the OBOR are actually concentrated in two specific regions: Central and Eastern Europe and the Euro-Mediterranean region. At the same time, Xi Jinping mentioned the importance of these countries in the draft of the Road in his speeches in Germany, Belgium and the United Kingdom in 2014-2015.

In fact, the EU countries have quite different opinions on the OBOR. A survey conducted in December 2016 by the European think-tank network on China showed that most governments regarded the cooperation with China "neutrally" or "quite positively" and some believed that the OBOR was not important enough for their countries. At the same time, some local or regional authorities, such as the city authorities of Duisburg, Hamburg and Lyon, welcome the initiative, as they see concrete potential benefits in attracting Chinese investment in the OBOR framework.

Various European companies have also responded positively to new opportunities offered by the OBOR, such as the construction of container terminals, the laying of railways and the provision of logistics services. The railways connecting Poland, Germany, the Netherlands, France and Spain with China have already been built. Privatization of public transport sectors in some countries of Southern Europe, in turn, opens up opportunities for Chinese firms to acquire and invest. China's largest cargo company COSCO and other Chinese maritime companies invest in the ports of Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia and Lithuania. It is noteworthy that these projects had been implemented before the announcement of the Road initiative and were included in it only later.

The participation of western and northern EU countries in the OBOR initiative is still limited to their membership in the AIIB. It seems that the Chinese government also does not consider this part of the EU as one of its priorities in the implementation of the OBOR. However, some states or local governments are more active in their effort to attract potential Chinese investment.

Among the EU's Western European countries, China has reached the greatest progress in bilateral relations with Germany. Germany is China's largest European trading partner, and relations between the two countries are expanding. China and Germany signed cooperation agreements in the fields of finance, energy, industry, agriculture and education. Five German-Chinese rail routes (Leipzig-Shenyang, Duisburg-Chongqing, Hamburg-Zhengzhou, Hamburg-Harbin and Nuremberg-Chengdu) were commissioned in the framework of the OBOR, and a number of projects are planned for the future. The railway connection between Duisburg and Chongqing received great attention and active promotion from the municipalities of the two countries. Investment forums and research conferences related to the OBOR were held in Duisburg in 2017-2018.

However, the problem of the trade deficits between the countries remains obvious: trains that import goods from China are usually fully loaded with electronics and other goods, and trains to China often have problems with sufficient volumes to ship. Russian sanctions against European goods make the situation more complicated. A number of steps have been taken to improve the efficiency of these rail shipments, but technical details, such as cooling systems and temperature fluctuations during transportation, remain unresolved. So far, with the exception of railway projects, new investments in infrastructure and projects in Germany have not been implemented under the OBOR. Neither have major mergers and acquisitions been completed. In this situation, Germany is actively promoting the development of cooperation between the EU and the PRC using the EU-China interaction platform. In the AIIB Board Germany has 4.1% of votes (the highest share among the EU countries collectively possessing 20.3% of votes).

In contrast to Germany, France received much less attention from the government of China which affected the volume of Chinese investments in the framework of the OBOR. In France, China's strategy is mainly discussing potential economic opportunities at the annual Paris Forum on the New Silk Road that began operations in November 2017. Representatives of major French and Chinese companies, diplomatic representatives of both countries, as well as members of governments participate. According to the results of the most recent 2018, a number of projects for joint investments were agreed upon, but the date of their commencement remains unclear. The French government lacks a clear stance on this topic. Nonetheless, several French regions show high activity.

The French Lyon, which plays the role of a historical commercial and political center in Europe, is seeking opportunities to attract Chinese investment and wide access to the Chinese market. So, in April 2016, the Chongqing-Duisburg express was extended to Lyon. The Normandy region is also trying to interest Chinese investors in its deep-water port of Le Havre and links to the internal ports of Rouen and Paris. In fact, in recent years, many French regions and municipalities have taken active steps to promote their local advantages in order to attract Chinese investors. Such areas as transport, telecommunications, tourism and pharmaceuticals are open for investments.

However, the ongoing projects are being implemented outside the OBOR. The only symbolic step was the Silk Road Partnership Agreement signed in June 2015 between CMA CGM, a French shipping company, and China Merchants Holdings International. CMA CGM received a \$ 1 billion credit line from the Export-Import Bank of China for the purchase of Chinese container ships.

Although the influence of Brexit is still not fully defined, the participation of Great Britain as a major European country in the OBOR remains confirmed. The geographic boundaries of the initiative did not prevent the UK government and business from actively responding to it. A good demonstration of this desire is the fact that the UK became the first European country to join the AIIB in March 2015 which can be interpreted as a political message in support of the organization headed by Beijing that the UK finds useful for the long-term economic development of Asia and Europe. The basic logic underlying the desire to participate in the Road Initiative is the opportunities the OBOR can provide to British companies and the financial services sector in London. In 2015, the China-Britain Business Council issued a report entitled “One Belt One Road” which identified key opportunities in a number of sectors.

In 2016, the Council in collaboration with Tsinghua University prepared another report on cooperation of British and Chinese companies in the field of engineering, construction and consulting. Such an active attitude of Great Britain points at the priority that it gives to economic and commercial diplomacy, as well as at its pragmatic response to the growing influence of China in world affairs. In October 2015, President Xi Jinping visited the UK and referred to the “golden era” of relations between the two countries. During the visit, both countries not only confirmed their desire to strengthen cooperation in finance but also agreed on China’s investment in building a nuclear power plant in Hinkley Point in the western part of the UK, as well as on installing a Chinese Hualong One nuclear reactor near Bradville, Eastern England. In 2017, the 12.000 km long Yiw-London railway route was put into operation, making London the 15th European city connected by the same road with China.

In the northern EU countries, China’s interest within the OBOR framework is more limited. There is practically no diplomatic dialogue about the initiative, and there is little mention of it in the public sphere. Despite the fact that the high-speed railway project and two projects for the construction of wind power stations by China are referred to as being part of the Road, in Sweden they are not considered as part of the Chinese initiative. It is more likely that these states, already present in Central and South-East Asia, could contribute to the OBOR through participation in events in third regions.

Southern Europe is uniquely located at the crossroads of Chinese geopolitical, commercial, and investment interests which are reflected in the OBOR. After the announcement of the initiative, the Chinese government took an active position in relation to the Mediterranean countries. As mentioned above, the interests and actual participation in the Initiative not only vary greatly between EU members, but also differ within each country between different municipalities and

regions based on their own logistics and business ties with China. Considering the relevance of the Road to Southern Europe, it can be said that its implementation in the region resembles selective strategic investments in important and undervalued ports and production rather than a well-defined cooperation program between China, local government and business.

In Greece, there is one of the few large-scale projects under the aegis of the Road in Southern Europe, the \$ 4.3 billion investments from the Chinese Ocean Shipping Company (COSCO) in the port of Piraeus aimed at promoting Chinese goods in the South-East and Central Europe. This investment project is a key factor in the development of Chinese-Greek relations, and Greece, of course, is the most important link on the sea routes between Asia and Europe. Nevertheless, a clear strategy has not yet been worked out with respect to the OBOR by the government of Greece or by China with respect to Greece.

The Five Ports Alliance, a major container terminal project developed by the North Adriatic Ports Association with the participation of ports in Italy (Venice, Trieste and Ravenna), Slovenia (Koper) and Croatia (Rijeka), is a regional response to the OBOR initiative. The project aims to create a docking and unloading system by building a giant offshore platform in the port city of Malamocco near Venice which would allow the huge Chinese cargo ships passing through the Suez Canal to unload goods and send them by rail through Switzerland and Germany to markets of Central and Northern Europe. This project has aroused great interest on the part of Italy and China and is funded by the Italian government and from the OBOR funds (the Chinese government and Chinese state-owned enterprises).

Nevertheless, the Road initiative did not attract much media and public attention in Italy. The few Italian companies that are lobbying more active participation in the OBOR in the government are companies working in the logistics and infrastructure sectors. Another step that attracted the attention of some Italian political and business leaders was the takeover of the Italian tire manufacturer Pirelli by China National Chemical Corporation Ltd and the Silk Road Fund in 2015. One of the largest Chinese banks, the Industrial and Commercial Bank of China, also recently opened several branches in Italy to provide loans for the implementation of the OBOR projects. However, as in many other EU countries, there is no overall strategy, a fact that prevents more companies from taking concrete actions.

Despite the fact that the Portuguese authorities had not made any statements indicating official participation in the OBOR, this did not prevent China from showing interest in making Portugal part of the Maritime Silk Road. Chinese investors actively participate in the privatization policy pursued by the Portuguese government.

CEE 16+1

The “16+1” mechanism is a platform created in April 2012 by the Chinese leadership in order to strengthen relations between China and 16 CEE (Central and Eastern Europe) countries, namely Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

From the position of the CEE countries, the OBOR Initiative can be described primarily as an extended version of previous regional integration projects within the framework of the “CEE 16+1” format which are only remotely linked to the EU-China strategic partnership. In this regard, many of the previously agreed joint projects were included in the OBOR already after its announcement.

The CEE countries have demonstrated that they are able to pursue an active policy of cooperation with China, and the status of the region in Europe and the EU has been enhanced. Countries that hosted the “16 + 1” summits, such as Serbia and Romania, also experienced increased interest from foreign investors. However, there are obvious discrepancies between the participation of EU member states and non-EU countries, especially in terms of investment and infrastructure projects. Because of the regulatory framework, the Chinese credit line was used mainly by non-EU countries, for example, in Bosnia and Herzegovina for building a thermal power plant, in Macedonia for building highways, in Serbia for building a bridge over the Danube. In general, the level of Chinese investments in the CEE countries has been low so far, and the construction of production bases announced by China in the region has yet to materialize.

Poland, Hungary and Slovakia were among the first countries that signed memorandums with China on the OBOR Initiative. In Poland, one of the leading economies of the CEE countries, the OBOR is seen as an opportunity to expand exports to China and attract Chinese investments for improving local infrastructure and reindustrialization. However, a specific strategy has not yet been developed and no institution dealing with the OBOR has been created. Besides, Polish companies are not very active with regard to the Initiative due to lack of knowledge about the Chinese market.

Hungary has a chance to become one of the first CEE countries where a large project will be implemented within the framework of the OBOR. This is the high-speed railway Budapest-Belgrade whose construction should be completed by 2023. However, apart from this project, Hungary still has not attracted much attention from Chinese companies in such areas as infrastructure, industry and investment. Local companies are too small to participate in construction projects in third countries, and their knowledge of the Initiative is very limited. At the same time, Hungarian politicians are actively promoting Hungary as a tourist and cultural center of CEE, which resulted in the opening of the first office of the National Tourist Company of China in Budapest in March 2016 and the launch of the advertising campaign “The Great Silk Road of China” in 2017.

Similarly, Slovakia offered China opportunities for cooperation in a number of areas, including the construction of a terminal at the Bratislava airport and the expansion of the high-speed Belgrade - Budapest railway to Slovakia and beyond (this initiative did not receive interest from the Chinese partners). The only deal done in Slovakia was the purchase of a 10 % share in a financial company J&F operating in the banking, real estate and energy sectors in the Czech Republic, Slovakia, Croatia and Russia by the Chinese energy company in 2015.

Thanks to the signing in 2016 of a package of investment agreements totaling 7.39 billion euros for the period 2016-2020, the Czech Republic managed to attract Chinese investment in the areas of financial services, health care, aviation, transport, media, tourism and real estate.

As a result of the China-CEE summit in 2016, the Riga Declaration was signed where the leaders of China and CEE agreed to further expand cooperation and develop exchanges in the framework of the Road and the "16+1" format. This declaration can be seen as an attempt to find a balance between interaction within the framework of the "16+1" and the PRC-EU. It underlines that the infrastructure and logistics projects for CEE within the framework of the Initiative are consistent with the principles developed within the framework of the EU-China interaction platform which include an investment plan for Europe and projects for the construction of the Trans-European Transport Network.

The most recent China-CEE summit was held in 2018 in Sofia. Further steps for interaction between the parties were worked out, namely:

- creation of a zone of cooperation between medium and small businesses with a focal point in Croatia;
- establishment of the 16 + 1 financial and technical center in Lithuania;
- creation of an expert global center for cooperation between CEE and China.

Conclusion

China's interests in Europe have expanded significantly since the announcement of the OBOR. Nevertheless, despite the existence of common patterns and trends in investment and trade relations, China's interests vary widely in different European countries and sectors of the economy. China's approach to interacting with the EU is flexible. The lack of clearly defined plans for the OBOR in most European countries weakens their economic and political opportunities. The opinions of individual EU member states which have developed their approaches to the initiative also differ. While the countries of Western and Northern Europe often take a pragmatic and wait-and-see attitude, the CEE countries and the governments of the Mediterranean countries interact with the OBOR more actively and offer significant opportunities to attract Chinese investment. China responds to these signals, moving away from its previous orientation toward large EU member states and paying more attention to the countries of Central and Southeast Europe.