

EU-China relations and the new economico-political Eurasian context

"The New Eurasian Geopolitics: Regional Multilateral Initiatives, Cooperation, and Competition"

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A newly evolving Eurasian economico-political context (I)

- Evolving international political economy of Eurasia:
 - Belt and Road Initiative (BRI)
 - Shanghai Cooperation Organization (SCO, additional economic focus?)
 - Eurasian Economic Union (EAEU)
 - ASEAN Economic Community (AEC) and ASEAN Community
 - Regional Comprehensive Economic Partnership (RCEP)
 - EU-ASEAN
 - Asia-Europe Meeting (ASEM)

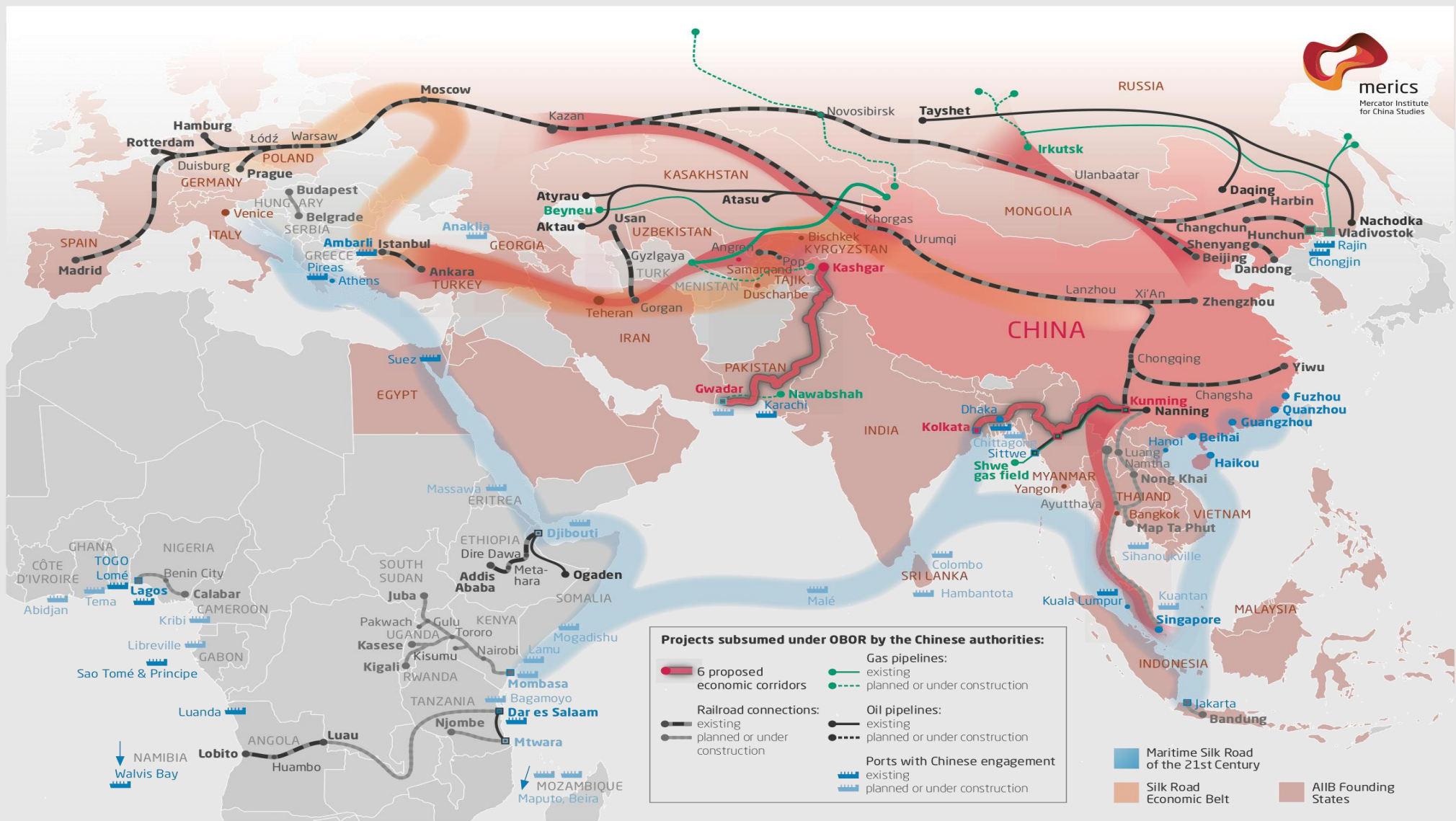
A newly evolving Eurasian economico-political context (II)

- Bilateral FTAs, e.g.:
 - ASEAN-China, ASEAN-Japan, ASEAN-South Korea, ASEAN-India, ASEAN-EEU (planned), EEU-Vietnam, EAEU-China (Trade and Economic Cooperation Agreement, under negotiation)
- Re-bilateralization: FTAs between Europe and Asia, e.g.:
 - EU-South-Korea, EU-Singapore, EU-Vietnam, Switzerland-South Korea, Switzerland-China, Iceland-China
 - Ongoing bilateral FTA negotiations: EU-India, EU-Japan, EU-Indonesia, EU-Malaysia, EU-Thailand(!), EU-Philippines(!)
- Europe ≠ EU
- Asia ≠ China
- Yet, EU-China relations are embedded in an increasingly dynamic Eurasian economico-political context that includes all European and Asian state actors.

A newly evolving Eurasian economico-political context (III)

- BRI is triggering a new European interest in Asia as it causes the EU to conceptualize its relations with China in a Eurasian context.
- BRI:
 - Land-based: New Silk Road Economic Belt
 - Sea-based: 21st Century Maritime Silk Road
- What are the implications for EU policy making in view of BRI and increasing economic integration amongst European and Asian actors?

Map of BRI/OBOR



EU's interests in BRI

- The EU and China have a common interest in using BRI in order to develop their domestic economies.
- In June 2015 EU and China agreed “to build synergies” between BRI and the European Fund for Strategic Investments (EFSI).
- A joint working group consisting of EFSI (315 billion Euro) and China's Silk Road Fund (40 billion US\$) was set up in September 2015.
- January 2016: first working group meeting of China-EU Connectivity Platform: “The two sides will work to ‘actively explore business and investment opportunities’ and create a favourable environment for sustainable and inter-operable cross-border infrastructure networks in countries and regions between China and the EU” (Yang Yanyi, Head of Chinese Mission to the EU).
- European Investment Bank (EIB) is providing technical support to the Asian Infrastructure Investment Bank (AIIB) while also allowing for future co-funding of AIIB projects.

In the shadow of BRI: China's 16+1 initiative (I)

- Besides developing China-Europe connectivity with the EU/Brussels, China has also started to engage EU member states and non-EU countries.
 - China and Central and Eastern European Countries (CEEC): “16+1”
- The Chinese 16+1 initiative (first summit in 2012) aims at aligning Chinese interests in OBOR with EU and non-EU member states' interests.
 - Intensifying and expanding cooperation with 11 EU MS and 5 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Macedonia).
 - Secretariat on logistics cooperation was inaugurated at the first 16+1 Transport Ministers' meeting in May 2016.
 - Riga Declaration from November 2016 promoting the latest project: the Adriatic-Baltic-Black Sea Seaport Cooperation.

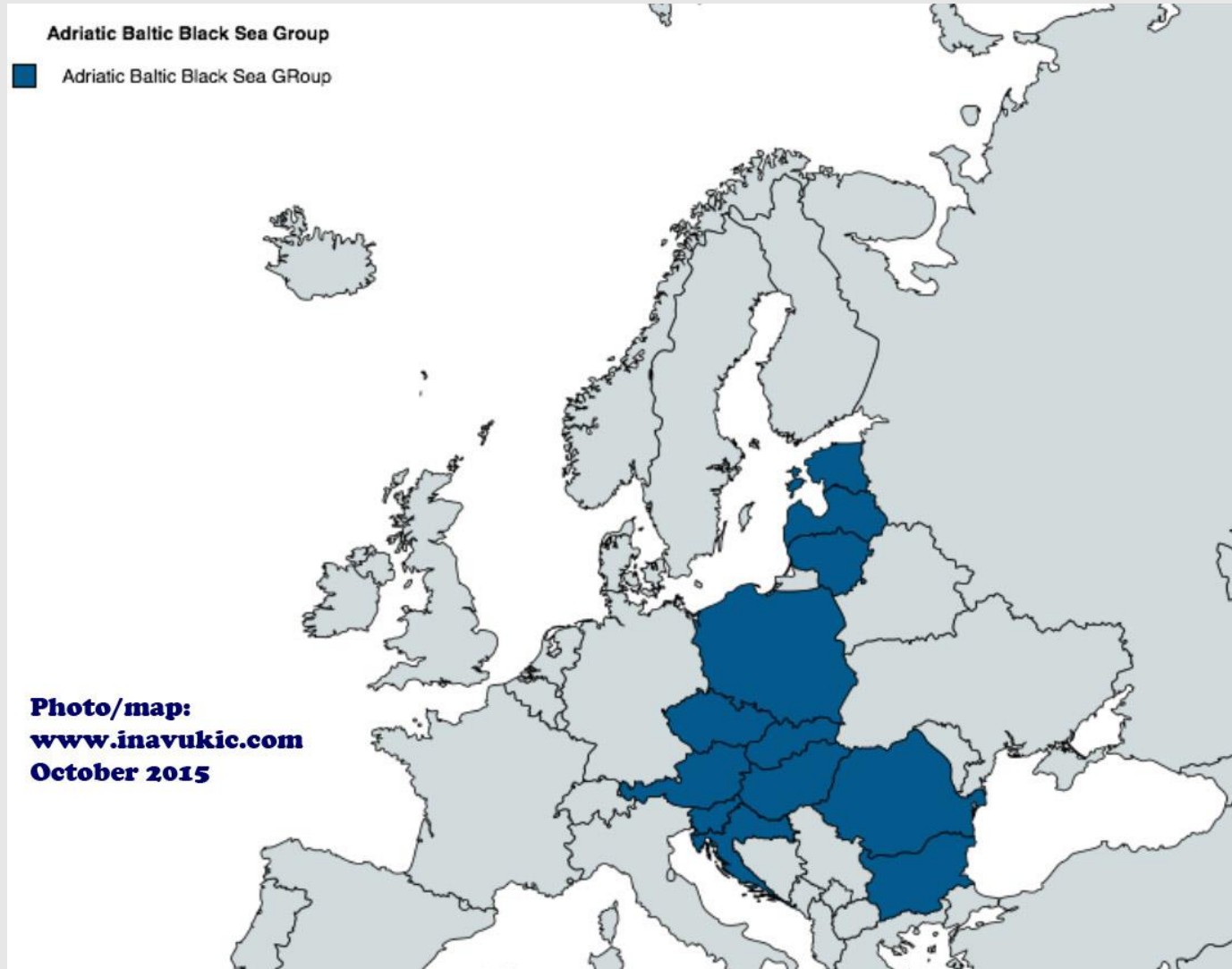
In the shadow of BRI: China's 16+1 initiative (II)

- “[...] the focus of Adriatic-Baltic-Black Sea Seaport Cooperation is developing transportation hubs involving ports and industrial parks in the coastal areas of the Adriatic, Baltic and Black Sea and along the inland waterways, working together to build industrial clusters in ports and establishing modern road, rail and river corridors to connect them. Cooperation in other fields can be addressed preceded by necessary consultations.” (China CEEC “Riga Declaration” 11/2016)
- “make full use of existing financing instruments and create new ones through innovative means of investment and financing” (China CEEC “Riga Declaration” 11/2016)

In the shadow of BRI: China's 16+1 initiative (III)

- Only 11 out of 28 EU member states are involved in 16+1 (5 non-EU)
- “[...] Adriatic-Baltic-Black Sea Seaport Cooperation would [...] contribute to greater synergy between the Belt and Road Initiative, development strategies of CEECs and the EU's Trans-European Transport Network.” (China CEEC “Riga Declaration” 11/2016)
- Trans European Transport Network (TEN-T): 9 transport corridors by 2030
- EU infrastructure strategy (roads, railways, ports, terminals etc.) to improve the EU's competitiveness
- The three transport corridors of the Adriatic-Baltic-Black Sea Seaport Cooperation project (the „Baltic-Adriatic corridor”, the “North Sea-Baltic corridor” and the “Rhine-Danube corridor”) are three out of nine transport corridors of TEN-T.
- EU increasingly on the side-lines?

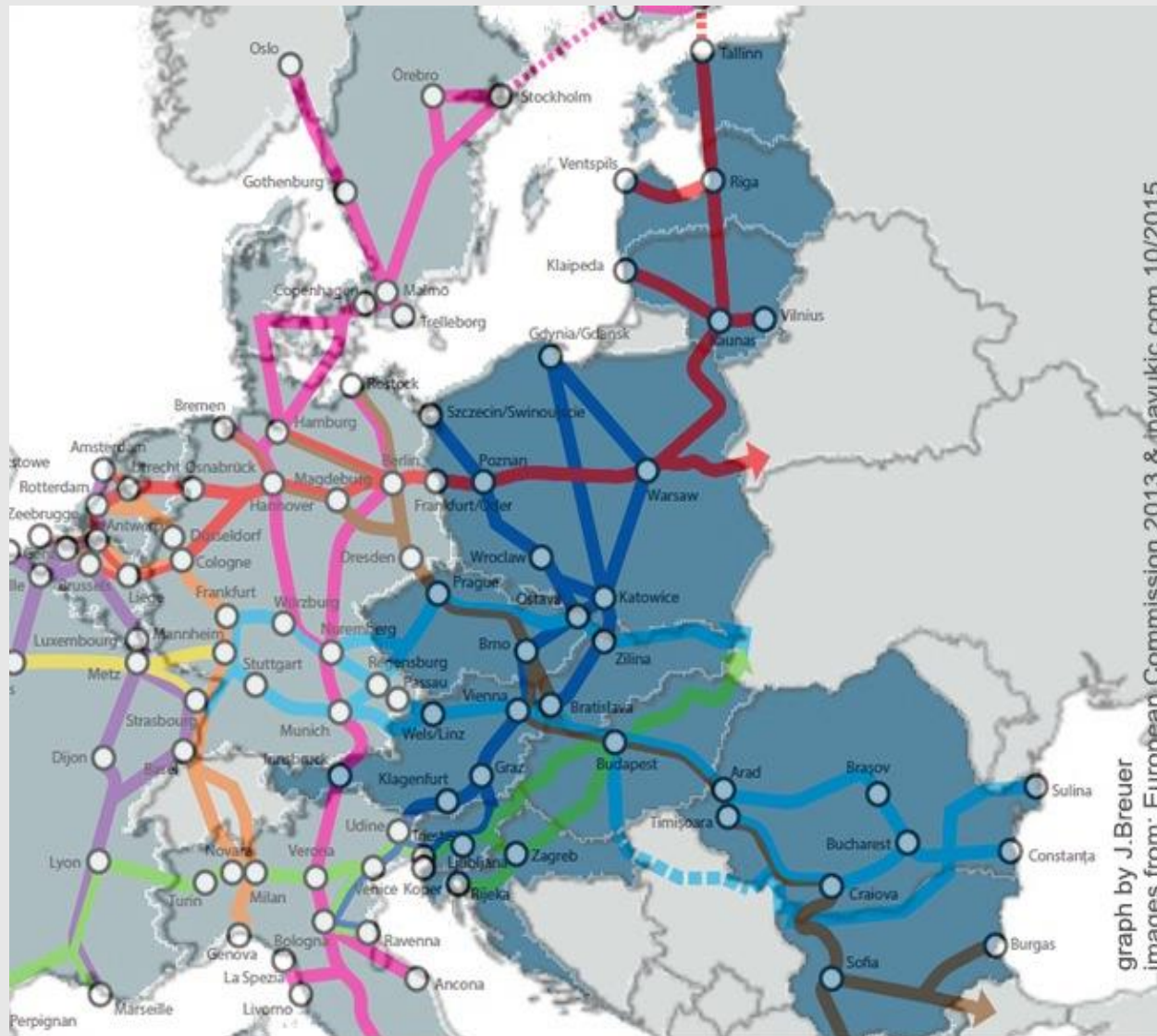
In the shadow of BRI: China's 16+1 initiative (IV)



Source: <https://inavukic.files.wordpress.com/2015/10/adriatic-baltic-black-sea-group-copy.jpg>

The Adriatic Baltic
Black Sea Group

In the shadow of BRI: China's 16+1 initiative (VI)



The 'Adriatic
Baltic Black Sea
Group' and the
TEN-T
infrastructure
corridors

EU disintegration, US disengagement, and the future of Eurasian connectivity (I)

- Because of major new political developments (esp. looming Brexit and Donald Trump) uncertainty is on the rise in both Europe and Asia-Pacific.
- Brexit-vote causes uncertainty with regard to EU's role in Asia e.g. in economic, normative and even in security terms.
 - UK is important economic actor in Asia.
 - EU is important facilitator of multilateral regional integration processes in Asia (esp. ASEAN).
 - UK is only European member of the Five Power Defense Arrangement (FPDA).

EU disintegration, US disengagement, and the future of Eurasian connectivity (II)

- US president Trump causes uncertainty with regard to future multilateral dimension of the US involvement in Europe and Asia-Pacific: Risk of deepening crisis of multilateralism.
- Trump's announcement that USA will disengage from Trans-Pacific Partnership (TPP) raises question if the USA continues to remain a reliable partner.
- Uncertainty with regard to future US security guaranties in Asia.
- Risk of deepening security dilemmas, further arms build up, nuclear proliferation in Asia.
- Increase of Chinese influence on regional developments in Asia relative to US' influence, because of US disengagement from regional governance in Asia.
- Growing influence of China in future Regional Comprehensive Economic Partnership (RCEP).
- Growing importance of Belt and Road Initiative relative to the "Asia-Pacific Dream" (Xi Jinping), i.e. the Asia-Pacific Economic Cooperation (APEC) and a Free Trade Area of the Asia Pacific (FTAAP).

Implications for China-EU relations (I)

- A more isolationist, protectionist and inward-looking USA impacts Europe, Asia, and China-EU relations.
 - In Europe and Asia-Pacific strategic uncertainty is on the rise.
- At the same time, the EU will be increasingly absorbed by internal challenges that could even result in (further) disintegration of the EU.
 - EU's overall resources for engaging with Asia will rather decrease than increase.
- Risk that EU's role in Asia will be weakened.
 - Asian countries and ASEAN would need to increase their national and regional governance capacities relative to US disengagement from Asia.
- Yet, US disengagement from multilateralism in the Asia-Pacific and Europe provides new opportunities for EU and China:

Implications for China-EU relations (II)

- In economic realm, new rationale evolves to work towards an Asia-Europe Free Trade Agreement (AEFTA).
 - Yet, it is China who currently proactively shapes the agenda of Eurasian connectivity via BRI, not the EU.
 - 16+1 process could prove need for “one voice” futile.
- Risk of an increasingly fragmented EU losing governance capacity.
 - Also, China and Russia are in agreement to cooperate on coordination of the development of EAEU and Silk Road Economic Belt.
 - Will EU continue playing a mostly reactive role?
- Who shapes the Eurasian space?

Implications for China-EU relations (III)

- EU strategy on Europe-Asian connectivity is missing.
- Utilize ASEM as a political forum to shape and develop Eurasian connectivity. ASEM brings together main actors, e.g. EU, China, Russia, Japan, India, Singapore, ASEAN. And it excludes the USA.
- Multi-stakeholder process is needed.
- Include regional actors, state and non-state actors (civil society and corporate sector)
- New political rationale is needed to develop Eurasian space.
- In 2016 in Ulaanbaatar at the Asia-Europe Peoples' Forum (AEPF) civil society actors provided ASEM with a new political rationale when calling for a “Masterplan on Sustainable Asia-Europe Connectivity” (AEPF, 2016).

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