

# 6. China's "New Silk Road": A Case Study in EU-China Relations<sup>\*</sup>

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In September 2013, China's President Xi Jinping made a visit to the Republic of Kazakhstan and gave a keynote speech at Nazarbaev University, titled "Promote Friendship between Our Peoples and Work Together to Create a Bright Future". In his speech, Xi pointed out that "to forge closer economic ties, deepen cooperation and expand space for development in the Eurasian region, we should take an innovative approach and join hands in building an 'economic belt along the Silk Road'. We may start with work in individual areas and link them up over time to cover the whole region". This was the first time the strategic conception of "Silk Road Economic Belt" had been proposed.

In October 2013, while attending the APEC (Asia Pacific Economic Co-operation) Economic Leaders Meeting, Xi remarked that the Southeast Asia region has served as an important hub for the "Maritime Silk Road" since ancient times, and that China is willing to strengthen maritime cooperation with The Association of Southeast Asian Nations (Asean) by making good use of the China-Asean Maritime Cooperation Fund set up by the Chinese government and establishing a sound maritime partnership for the purpose of jointly building the 21<sup>st</sup> Century "Maritime Silk Road"<sup>1</sup>.

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<sup>1</sup> "Jointly Writing a New Chapter of China-Indonesian Relations and Working Together to Create a Better Future of China-Asean Community of Common Destiny", *People's Daily*, 4 October 2013, 1<sup>st</sup> Edition.

The aim of this chapter is to present “One Belt One Road”, assessing its relevance for China-EU relationship providing Europe with a second opportunity with China.

### **What is “One Belt One Road”?**

“Silk Road Economic Belt” and “Maritime Silk Road” constitute the new pattern of China’s all-round opening-up and new framework of China’s neighborhood diplomacy.

The two Silk Roads are, first of all, a transport network in the Eurasian area. It is a comprehensive network of transportation, consisting of railways, highways, air – and sea-ways, oil and gas pipelines, and transmission lines as well as communications networks. Services for these networks and important industrial clusters will gradually take shape along these traffic routes. Through industrial agglomeration and radiation effects, the construction industry, metallurgy, energy, finance, communications, logistics, tourism and the like will make up an integrated economic corridor. This transport network will link the Asia-Pacific area, the world’s economic engine, to the EU, altogether the world’s largest economy, creating new room for opportunities and leading to the formation of East Asia, West Asia and South Asia economic zones.

The proposal of two “Silk Roads” shows that China’s strategy of opening to the outside world has turned over a new leaf in history. Its major features are the following:

- **Content-wise:** from ‘bringing in’ to ‘going out’: a better combination of the two fosters new competitive edges of participating in and leading international economic cooperation, resulting in promoting reform through opening up.
- **Breadth-wise:** for the sake of development in China’s western area, westward and southward strategies are implemented to form a new pattern of all-round opening up.
- **Depth-wise:** Conforming to the global trend of regional economic integration and based on neighboring areas, free

trade zones are established to foster the free flow of goods, capital and labor.



Figure 6.1 - The map of "One Belt One Road" (*Xinhua* version)

To better facilitate trade and investment, deepen economic and technical cooperation and establish free trade zones, thus ultimately to formulate a large Eurasian market, constitutes the goal of constructing the two Silk Roads. China and the Silk Road nations will work to optimize the allocation of trade and production factors, promote regional economic integration and strive for synchronized economic and social development in the region.

The establishment of the Eurasian Continental FTA (Free Trade Area) or Eurasian big market will have significant impact on the current economic map of the world, promoting the formation of a new political and economic order.

### Historical superiority of "One Belt One Road"

China is not the only country to propose the idea of building a new Silk Road. For example, Japan advocated Silk Road diplomacy in

1998 aiming at Central Asia; the United States proposed the “New Silk Road” aiming at South and Central Asia in 2011; India launched a “Mausam Project” designed to restore historical links with countries on the coasts of the Indian Ocean in 2014; Kazakhstan, Korea and many other countries had also presented similar plans. In comparison with these initiatives and programs mentioned above, the advantage and feature of China’s ‘One Belt One Road’ diplomacy is to promote the establishment of a development-oriented community of common destiny. On the one hand, China’s greatest edge in promoting the Maritime Silk Road lies not in China’s advantages in political, military, or geographical aspects, but in its close and cooperative relationship with the countries and regions along the route. On the other, the countries and regions along the line have strong desires to develop, intending to share China’s development dividends. In such a situation, China needs to give full play to its own advantages, not only regarding the Maritime Silk Road as a self-interest policy of promoting domestic industrial transfer and expanding overseas investment, but also treating the economic belt along the Maritime Silk Road and the Overland Silk Road as “a pair of wings to boost Asia’s economy”, thus promoting regional economic integration in depth. Moreover, compared with the political and security domain, when economic development is concerned it is easier to achieve a win-win situation without causing excessive strategic concerns. Specifically speaking, we can strengthen communication and coordination with the countries along the route with regard to their development planning so as to avoid blindly advancing projects in the manner of unrequited love, and bring the development aspirations of the countries along the route into the process of planning the Maritime Silk Road.

“One Belt One Road” emphasizes the principles of joint discussion, joint construction and sharing, and stresses the idea of openness and tolerance, mainly manifested in the following two aspects. Firstly, projects may be compatible with local existing cooperation frameworks, i.e. we try not to make a fresh start; secondly, extraterritorial powers such as Russia, the United States,

Europe and Japan shall be tolerated rather than excluded, so as to emphasize the public spirit of international cooperation and the attributes of public goods, making it not China's unilateral strategy. Indeed, "One Belt One Road" is literally practicing the idea that "China's dream is in common with the dream of the world's people to pursue a better life".<sup>2</sup> Sri Lanka's dream, Russia's revival dream, Indonesia's marine power dream, and the Mongolian dream are all interlinked with the Silk Road dream, fully turning Chinese opportunities into the world's opportunities and vice-versa. "One Belt One Road" will consolidate strategic cooperation partnerships with the countries and regions along the line, and lay solid foundations for a global partner network. For this purpose, China can propose the inclusive, open and sustainable "Silk Road Security Concept", release white papers about "One Belt One Road", and dispatch missions both at home and abroad to explain its intent and strategy as well as the benefits to be brought to local people. China can also stress the early contributions made by the United Nations Development Program (UNDP) and bring the "One Belt One Road" into the United Nations' Sustainable Development Agenda after 2015 to practice the 'Five-in-one' concept outlined in the report of the Eighteenth National People's Congress and to develop the 'five ways' of building "One Belt One Road", namely, policy communication, road interchange, unblocked trade, currency circulation, and shared understanding between peoples, into the "five communities", namely, a civilized community, a community with common interests, a community with shared responsibility, a security community, and a community with a common destiny.

The ancient Maritime and Overland Silk Roads used to be the "national roads" linking China with the East and the West, also seen as the bridge through which China, India, and Greece communicated their three leading cultures. Today, the Silk Road has revitalized, becoming an important strategic plan for China's reform and opening up to the outside world in the new era.

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<sup>2</sup> 习近平奥巴马会晤“对接”中国梦与美国梦, 新华网, 2013年6月9日, <http://cpc.people.com.cn/pinglun/n/2013/0609/c241220-21802192.html>.

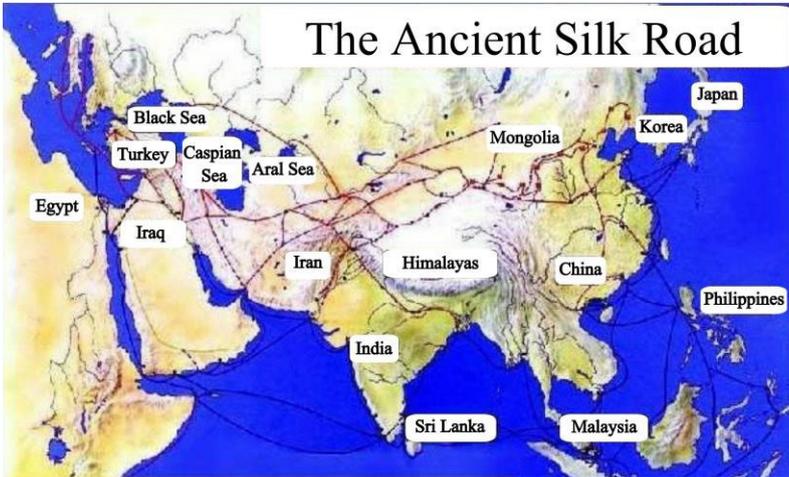


Figure 6.2 - The complete route map of ancient Silk Road

Along the “One Belt One Road” route, there are 65 countries from Central Asia, ASEAN, South Asia, Central and Eastern Europe, West Asia, and North Africa, home of 4.4 billion people with the disposable income of about 21 trillion dollars, accounting for 63 per cent (one belt) and 29 per cent (one road) of global capacity respectively. In 2013, China’s trade volume with the countries along the line exceeded \$1 trillion, making up one-fourth of China’s total foreign trade. Over the past 10 years, China’s trade with countries along the route has increased at the annual average rate of 19 per cent, which was 4 per cent higher than the annual average growth rate of foreign trade to China during the corresponding period. There is more room for growth in the future. The 13<sup>th</sup> Five-Year Plan is being devised, in which China is expected to import \$10 trillion worth of goods and invest more than \$500 billion abroad. Out-bound visitors are projected to be about 500 million. China’s neighboring countries as well as countries along the Silk Road will be the first to receive the benefits.

In summary, “One Belt One Road” is superior to the ancient Silk Road in three aspects:

- **Regionally speaking**, the current "One Belt One Road" reaches out to Moscow in the north, south Pacific countries in the south, Latin America in the east and Germany in the west, transcending the region of the ancient Silk Road.
- **Content-wise**, "One Belt One Road" no longer stands for a route for trading silk, tea, spices and chinaware, but represents interconnection in the 21<sup>st</sup> century. It links infrastructure, coordinates policies, promotes trade and commerce, circulates currency as well as connecting people's hearts and minds.
- **Significance-wise**, the Silk Road enabled Europeans to come to China and purchase silk, chinaware, spices and the like. China, in the eyes of the world, thus became the rich and mysterious place of *The Travels of Marco Polo*. In contrast, "One Belt One Road" is the fruit of China's all-around opening-up, actively signifying China's 'going out' policy. It would help shape a grand Eurasian market and a new pattern of globalization, thereby transcending the concepts of east-west trade channels and culture corridors.

In addition to its superiority over the ancient Silk Road, "One Belt One Road" surpasses similar strategies of other countries. Upon being proposed, "One Belt One Road" was dubbed "China's Marshall Plan"<sup>3</sup>. It is not surprising that people compare and contrast new things or ideas with those they know well, in memory or practice.

Following the Second World War, the United States put forward a plan to provide financial aid to Western European countries ravaged by the war and to participate in Europe's reconstruction. The United States also employed all sorts of forces to make sure these debtors dared not default. Such a plan created a

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<sup>3</sup> As early as January 5, 2009, the *New York Times* called China's 'going out' strategy the "Beijing Marshall Plan". After the strategy of "One Belt One Road" was proposed, the saying becomes even more popular, though "One Belt One Road" goes beyond the 'going out' strategy.

win-win situation for Europe and United States, under whose dominance the Bretton Woods System was soon established. The United States therefore ended up as the biggest beneficiary of the Marshall Plan.

Indeed, the “One Belt One Road” strategy and the Marshall Plan adopted by the United States to aid Western Europe are not without similarities. The impact in international opinion generated by the Marshall Plan as well as its vital role in enhancing America’s global image and influence are what China today wishes to achieve through “One Belt One Road”.

However, the similarities and differences between the “One Belt One Road” strategy and the Marshall Plan in terms of background, content, procedure and intent deserve closer attention:

**Background:** the Marshall Plan opened the prelude to the Cold War with a strong ideological tint. In other words, the Plan aimed at preventing the communist parties in Greece, Italy and other European countries from seizing power during the period of economic reconstruction and political chaos. In contrast, “One Belt One Road” carries no such background or ideology whatsoever. “One Belt One Road” originates from China, the engine of global economic growth, as Americanization and westernization lose ground, translates its own edges in production capacity, technology, capital, experience and model into advantages in market and cooperation. It is indeed the fruit of China’s all-around opening up.

**Content:** the Marshall Plan was officially named the European Recovery Program, an American initiative to provide economic support to the war-torn countries of Western Europe after the end of World War II to assist their reconstruction. Instead, “One Belt One Road” enables both China and countries along the Silk Road to share production capacity of high quality. The former was a one-way export, whereas the latter means jointly discussing investment projects, building infrastructure, and sharing the achievements of cooperation, e.g. the so-called ‘five-way’ connection comprised of smooth road interchange,

unblocked trade, currency circulation, policy communication, as well as connecting people's hearts and minds. That being said, "One Belt One Road" is planned to run a longer cycle and is much more comprehensive.

**Procedure:** the Marshall Plan was formally launched in July 1947, and lasted for four fiscal years. Throughout the period, Western European countries, by participating in the Organization for Economic Cooperation and Development (OECD), accepted a total of \$13 billion from the United States in various forms including but not limited to finance, technology and equipment. By comparison, the procedures taken by "One Belt One Road" stretch over a much longer term, which can basically be viewed as the extension of China's three-step development strategy. The interconnection network linking Europe, Asia and Africa will be gradually established by simultaneously carrying out such projects as economic corridors, industrial parks, and port construction from both onshore and offshore throughout Central Asia, the Middle East, Southeast Asia, South Asia and other routes.

**Intention:** the Marshall Plan was meant to assist Europe to recover its economy and to make it an important power and tool to contend with the Soviet Union, allowing the United States to dominate the European market more conveniently. When the Plan was put forward, the United States attached harsh political conditions and all pro-Soviet European countries were excluded. Even for the allied countries, the United States formulated standards and rules for all involved in the Plan, which the countries of Western Europe had no choice but to accept unconditionally. The Plan contributed to the split of Europe. Clearly showing America's strategic intent to intervene in Europe, the Plan shouldered the strategic mission of strengthening Europe to confront Soviet expansion, catalyzing the birth of NATO. "One Belt One Road" holds no strategic intent to control countries along the route – the vast geographical range as well as the large number of states involved make it impossible for any single country to dominate. Instead, it

aims to turn China's development opportunities into opportunities for the countries along the line, connecting the Chinese dream with the world dream. With emphasis on joint discussion, construction and sharing, "One Belt One Road" strives for the joint development of countries with different races, beliefs, and cultural backgrounds. Starting from interconnection and by advocating the establishment of a Silk Road Fund and Asian Infrastructure Investment Bank, "One Belt One Road" will provide more public goods for neighboring countries and regions. It stands for a new model of regional cooperation for South-South Cooperation.

### **Europe's second opportunity with China**

In the 18<sup>th</sup> Century, a China fever swept across Europe. Even now, France still has the word *Chinoiserie*. The French Enlightenment leader Voltaire once wrote, "It is really a misfortune that we are not like the Chinese". German philosopher Leibniz, employing the 'Golden Apple' story in Greek mythology as metaphor, made his famous statement, "If a wise man is elected to decide which nation is the most prominent, rather than which goddess is most beautiful, then he will give the Golden Apple to the Chinese".

Today, Europe's opportunities with China once again return. When China proposed the plan of "One Belt One Road", the EU also announced the European New Silk Road Project, aiming to build a free trade zone from Lisbon to Vladivostok so that partners do not have to choose between Moscow and Brussels. This would make it possible for intercontinental cooperation between China and Europe to interlink. Both overland and maritime Silk Roads link Central Europe with Central Africa, and connect the Pacific Ocean, Indian Ocean, and Eastern Mediterranean, which would not only drive the joint rise of China and India and consolidate the rising momentum of Asia, but also create a more inclusive globalization. Because traditional globalization started from the sea, coastal areas were among the first to develop, whereas the interior has been less developed. A regional gap of wealth was

formed historically. "One Belt One Road" advocates and encourages opening to the West, and drives the development of western regions as well as Central Asia, Mongolia, and other landlocked countries, thereby implementing inclusive development philosophy.

In this way, Europe rediscovers China and the world. Transcending the West and discovering the world can be seen as Europe's second opportunity with China. In the era of globalization, China and Europe have again found each other and discovered the world, betokening a grand East-West integration.

To sum up, China's "One Belt One Road" offers seven great opportunities for Europe as follows:

**First**, it is an opportunity to build a greater Eurasian market and to revive European civilization: historically, the Eurasian continent has always been a center of world civilization, at least after the fall of Egyptian civilization. The two great civilizations of East and West were linked together through the historical Silk Road. It was not until the rise of Turkey's Ottoman Empire and the cut of the Silk Road by it (known as the "Ottoman wall") that Europe was forced to move towards the sea. Europe's movement to the sea had also benefited from the spread of China's great inventions such as the compass and gunpowder to Europe through Arabia. Europe's movement to the sea led to globalization via colonization and further resulted in the decline of the Silk Road, following which Eastern civilizations turned conservative and the world became Western-centered. Upon the rise of the United States, the center of the West shifted from Europe to America, and Europe soon declined, a decline unable to be reversed even through European integration. Today, Europe is faced with a historic opportunity to return to the center of the world, which may be called the revival of Eurasia. Halford Mackinder, a British expert in geopolitics, regards Eurasia as the 'world island', and believes that its integration will turn the United States back into an

'isolated island'<sup>4</sup> and allow Eurasia to return to the center of human civilization, thereby reshaping global geopolitics and landscape. The European interconnection plan, once linked with China's "One Belt One Road" will enable 'five-way' connection in policy, trade, transportation, currency and people to mesh with China-Europe's 'four great partnerships' of peace, growth, reform and civilization, allowing Eurasia to return to the center of human civilization while radiating to the African continent.

**Secondly**, it is an opportunity for Europe's regional integration: for a long time, the European Union has not made a firm choice between "Eastern partnership" and "Mediterranean partnership" in terms of priority. Both have their respective problems in implementation. Now the Ukraine crisis is tearing Europe apart. It seems that in order to strengthen European integration, actions cannot be confined within Europe. Instead, even within Europe, there have got to be innovative ideas. The implementation of "One Belt One Road" turns Central and Eastern Europe into China's new European portal; in particular, Poland, Greece, the Balkans, Hungary's railway, the port of Piraeus have become competitive products in the "16 plus 1" cooperative projects as well as bridges to link overland and maritime Silk Roads. The inclusive development advocated by "One Belt One Road" can be seen as an opportunity for European integration, urging a dozen of Chinese provinces along the line, especially inland frontier provinces, to establish close economic partnerships and investment ties with European regions.

**Thirdly**, it is an opportunity for EU-Russian reconciliation: since the end of World War II and the establishment of NATO, "keeping Russia out" has been a clear strategic goal. The current Ukraine crisis is the very consequence of such a strategy. In fact, EU-Russian reconciliation lays the cornerstone of stability in Europe. "One Belt One Road", going beyond the

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<sup>4</sup> Please refer to Z. Brzezinski, *The Grand Chessboard*, Basic Books, 1997.

Silk Road in ancient times, pays particular attention to containing Russia's development projects in the Far East, and to making organizations like the Eurasian Economic Union, Collective Security Organization of Commonwealth of Independent States and Shanghai Cooperation Organization compatible with each other via Moscow with the view to "keeping Russia in". German Chancellor Angela Merkel realized that, as we are unable to choose neighbors, we must interlink the Eurasian Economic Union with the EU as a wise choice to resolve the Ukraine crisis and seek for long-term peace and stability in Europe<sup>5</sup>. "One Belt One Road" opens up the opportunity for EU-Russian reconciliation.

**Fourthly**, it is an opportunity for the EU to participate more easily in Asia-Pacific Affairs. After the United States put forward the strategy of "returning to Asia", the EU expressed clear strategic anxiety about being marginalized. It then accelerated the promotion of FTA with Asian countries, yet with less than satisfactory progress. "One Belt One Road" allows Europe to interlink with Asia both by land and by sea, making it much easier for Europe to participate in Asia-Pacific Affairs, thus enhancing the EU's ability to seize the opportunity of Asia-Pacific development, and finally expand the EU's influence in the Asia-Pacific region.

**Fifthly**, it is an opportunity for the EU to enhance its global influence. As many of the countries along the route of "One Belt One Road" are Europe's former colonies, it is of vital importance to stress linkage with EU's peripheral strategy. These countries have the need to draw from European experience and practices in global and local governance. Under the framework of "One Belt One Road", there will be more opportunity for China and the EU to cooperatively develop and operate on third-party markets like West Africa, Indian Ocean and Central Asia countries and the like. Europe's experience,

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<sup>5</sup> "Merkel and Gabriel offer Russia free-trade agreement", *Die Welle*, January 23, 2015; "Merkel offers Russia trade talks olive branch", *Financial Times*, 26 November 2014.

standards, historical and cultural influence are valued by China. "One Belt One Road" upholds and promotes the spirit of the Silk Road, namely, solidarity, mutual trust, equality and mutual benefit, tolerance and learning from each other, and win-win cooperation. When the spirits of "One Belt One Road" are interlinked with the spirits of the EU and resonate with the normative power of the EU, China-Europe's global influence would be significantly upgraded.

**Sixthly**, it is an opportunity to transform and upgrade the China-EU comprehensive strategic partnership. China and the EU have enjoyed diplomatic relations for 40 years. During the past decade, since the establishment of the China-EU strategic partnership, China-EU relations have seen all-around, wide-ranging opportunities for cooperation, embodied in the Strategy and Plan of China-EU Cooperation 2020. Today, China and the EU are negotiating a Bilateral Investment Treaty (BIT). Both sides have even taken into consideration the feasibility of a China-EU FTA. "One Belt One Road" brings along greater dynamics, and the rail networks of Yu-Xin-Europe, (Chongqing-Xin Jiang-Europe) Zheng-Xin-Europe (Zheng-Xin Jiang-Europe) and Yi-Xin-Europe (Yiwu-Xin Jiang-Europe) increasingly interlink China and Europe together to jointly develop and further establish a new form of partnership with win-win cooperation.

**Seventhly**, it is an opportunity to balance the development of the trans-Atlantic relationship. Since the end of World War II, the EU has relied heavily on trans-Atlantic relations, but it has always found it hard to get out of an asymmetrical position in competition and cooperation with the United States. The hope of "speaking with one voice" has remained elusive and embarrassing. "One Belt One Road", in contrast, emphasizes openness and inclusiveness. In other words, it does not exclude any country, or seek any spheres of influence. Nor does it engage in any military expansion. It advocates to keep the US inclusive, which transcends the bilateral exclusivity of TTIP. In the process of implementation, "One Belt One Road" promotes

China-EU cooperation in preserving Silk Road safety, thus it may also contribute to scale-up the European position in the NATO, and ultimately help balance the development of trans-Atlantic relations.

### **Case study: Maritime cooperation with Central Europe**

As the final stop of "One Belt One Road", Europe should feel happy about the project. The EU, however, is always slow. Coupled with the cancellation of the 17th China-EU leaders meeting, EU has not yet made a positive response. The situation should improve this year.

"One Belt One Road" consists of railways, highways and other form of infrastructure, as well as oil and gas pipelines, power grids, Internet networks, aviation routes, and so on. Being a diversified network, "One Belt One Road" is a key project to connect China with Europe and with the greater Eurasian market. In light of the fact that China and Europe enjoy extensive common ground in on naval issues and policy, EU-China maritime cooperation would become a new highlight in China-EU cooperation. In order to create four-dimensional cooperation as peaceful partners, growth partners, reform partners, and civilized partners, we should stress maritime cooperation. As for China-EU cooperation in maritime economic development, "One Belt One Road" also has important significance. China's strategy of "One Belt One Road" can be effectively integrated with the maritime strategies of the European Union as well as other countries in Europe. Greece, in particular, would become China's important gateway to Europe and a bridgehead in cooperation between China, Europe and Middle East. During the 3rd meeting of the leaders of the China-Middle East-Europe countries, China and the EU reached consensus to create a new channel for Asian-European sea-and-rail intermodal transportation built out of the Hungarian Railways and Greece's Piraeus port, proving once again that

Europe maintained a pivotal position in the construction of “One Belt One Road”

The great initiative of “One Belt One Road”, especially the 21<sup>st</sup>-century Maritime Silk Road, opens up a historic opportunity for maritime cooperation between China and Europe. Both share a wide range of similarities, common ground and mutual interests in maritime issues, policy and the maintenance of maritime security. Therefore, maritime cooperation would become a new highlight in China-EU cooperation. With marine development strategies of China and Europe linked with each other, China and the EU will make joint efforts to maintain the security of sea-ways. For instance, marine shipping and logistics centers need to be established, as shown in the anti-pirate action in Somalia. As shown in the port of Piraeus in Greece, the Strategy and Planning of China-Europe Cooperation 2020 should be put into practice. Once conditions mature, a Marine Cooperation Organization should be founded to commit to maintaining marine order and building a new version of Asia-Africa-Europe cooperation. Promoting bilateral and multilateral coordination, the complement of policies with concepts, along with effective control of differences, would prove a viable way for Sino-EU cooperation in the Maritime Silk Road.

## **Conclusions**

The above analysis suggests that “One Belt One Road” is not a Chinese solo, but a symphony played by all countries along the route. It is, in particular, an ensemble of China and Europe joining hands in operating on the great Eurasian market.

The saying “those who have Europe have the world; those who get China get the world” vividly describes win-win cooperation between China and Europe. China-EU cooperation not only benefits people on both sides and helps them to achieve revival and rejuvenation; it also enhances potential for bilateral cooperation and world influence via joint development and operation of third-party markets, ultimately achieving regional integration and

globalized inclusive growth. Such are the shared expectations of both China and EU. Europe should grasp this second-round opportunity with China brought about by "One Belt One Road" so as to realize its own dream, one that is complementary to and reinforced by the Chinese dream.