AN INQUIRY INTO SYNERGIES AND TENSIONS BETWEEN THE EU CONNECTIVITY STRATEGY FOR ASIA AND CHINA’S BRI

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China and the EU as key actors in Eurasian connectivity
- Have their own connectivity agendas with a strong demonstration effect for other countries
- Same concept, different approaches to connectivity
- Collaboration fraught with economic and geopolitical factors
AIM AND OBJECTIVE

- To identify synergies and tensions between the BRI and the Connectivity Strategy with a view to explore opportunities for collaboration

KEY OBSERVATIONS

- Behind the BRI and the Connectivity Strategy lie different principles and strategic approaches, one being predominantly state-driven and unilateral, the other one rules-based and multilateral.
China wants to pivot towards Europe in an attempt to dampen the blow of strained relations with the US

Europe wants to include China in a rules-based international framework

China wants to secure access to resources, energy and markets to support its dual-circulation framework.

Negotiations towards a CAI until the end of the year – different core interests
ASSESSING THE BRI

- High demand for infrastructure investment across BRI corridors.
- China investing in many countries and projects, which would not have been able to receive funding through multilateral or other bilateral partners.
- China’s advantage of “vertical integration” of value chains – advantages in industrial coordination.
- Despite win-win and China’s plea to multilateralism,
  † more than 90% of companies in the BRI are Chinese
  † Foreign companies only filling the gaps (niche technology)
  † More than 50% of BRI financing by China’s 4 largest state banks
  † Most projects do not fulfil standards for multilateral funding (ADB, AIIB, WB)
  † Selective or one-sided connectivity. China wants access to foreign markets and critical infrastructure, while keeping market access to its domestic tech and strategic industries either closed or highly restricted.
  † Priority of “national security” also for economic exchanges and connectivity, international trade and technological innovation seen as a zero-sum game.
The BRI for China is about more than connectivity, it is an overall framework for guiding economic engagement between China and other countries.

Economic lifeline to global markets for China’s dual-circulation economy, the 14th Five-year plan and beyond.

- Access to natural resources and energy
- Access to foreign markets and technologies
- Uphold international cooperation to achieve leadership in key industries (Made-in-China 2025)
- Co-defining international standards for new industries (China Standards 2030)
- Leveraging infrastructure projects and strategic investments to secure international trade routes
CONNECTIVITY STRATEGY

- Rules-based response to the BRI

- Focus also on soft infrastructure (international rules and norms, social and humanitarian standards, financial and environmental sustainability, alignment with multilateral platforms like ASEM)

- Addresses deficiencies of the BRI – complementarities for cooperation
THE BRI AND THE CONNECTIVITY STRATEGY IN COMPARISON

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<th>Strengths</th>
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<th>EU</th>
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<td>- Comprehensive strategic vision</td>
<td>- rules-based and inclusive approach to connectivity</td>
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<td>- “Vertical integration” and full state support</td>
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<td>Common</td>
<td>- Connectivity is seen as essential public good for securing economic</td>
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<td>interests</td>
<td>- both China and the EU emphasize “successful experience” of own</td>
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<td>and</td>
<td>development model (state-led economic development vs. the rules-</td>
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<td>synergies</td>
<td>- Currently limited overlap between BRI and EU Connectivity projects</td>
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<td>- Loans by Chinese banks and state institutions</td>
<td>- EU provides “seed funding” to help projects meet the threshold for private investment</td>
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| **Weaknesses** | - Chinese companies are main beneficiaries  
- Weak international participation in BRI  
- Questions about debt sustainability of projects, environmental and social standards | - The EU and its member states’ level of political and financial commitment to the Strategy is not clear.  
- Weak branding - many companies and decision makers have not heard about the Strategy |
| **Risks** | - Unilateralism and state control risks alienating partners  
- Many BRI projects might not be profitable | - Missed opportunities due to lack of speed and initiative.  
- Therefore weak signal to international partners |
KEY QUESTIONS

- To what extent will the EU be able to make its rules-based response to China’s economic ambition a global one?

- How will the EU deal with a selectively open and protectionist China, as well as a more inward-looking US?

- Will China be willing to transform the BRI into a multilateral initiative?
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<th>Suggestions</th>
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<td>- Create a level playing field for international companies to participate in the BRI</td>
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<td>- Boost marketing of EU Connectivity Strategy,</td>
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<td>- Include market principles and have open, transparent tenders in BRI projects</td>
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<td>- Increase political commitment and invest a higher share of GDP in Connectivity</td>
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<td>- depart from zero-sum thinking in trade and connectivity</td>
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<td>- Promote rules-based connectivity to form a counterweight to unilateralism</td>
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CONNECTIVITY AS A COMPETITIVE FIELD

- Rules-based vs unilateral connectivity in the age of China-US geopolitical rivalry

  - Larger, powerful countries generally favor unilateral solutions, smaller countries favor multilateralism
  - Connectivity can create growth but also dependencies
  - Cooperation with the BRI should be encouraged in third markets based on a level playing field, reciprocity, and transparency.
  - Rules-based connectivity and the active promotion of clearly defined minimum standards should be a cornerstone of the EU’s engagement with China.
HOW SHOULD THE EU POSITION HERSELF IN THE AGE OF CHINA-US RIVALRY

- Create alliances with countries and regions to counter big-power unilateralism
- Work towards the international endorsement of rules-based connectivity supported by international law
- Support stronger inter-European cooperation and coordination between key transport, communication and tech infrastructure providers, in order to strengthen European autonomy in critical sectors.
- Continue to better protect the EU’s critical infrastructure including its digital sovereignty.
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