How to strengthen EU-China cooperation based on Belt and Road*

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Abstract

The Belt and Road initiative presented by the Chinese president Xi Jinping in 2013 is a development plan aiming at promoting, cooperating and strengthening person-to-person connections between Asia, Africa, and Europe. China has already signed cooperation agreements with more than 40 countries belonging to the Belt and Road region and has been training international cooperation with more than 30 countries. The implementation of the initiative has already had a deep impact on Sino-European relations, is a topic that deserves further analysis. The Belt and Road ini-

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tiative can represent an excellent opportunity to promote China-EU relations based on win-win cooperation and aimed at fostering mutual respect, understand and humane interchange. The main objective of this paper is to study the influence of the Belt and Road plan on China-EU cooperation; through an analysis of some measures already taken and the challenges posed by the EU and China to strengthen their relations.

**Keywords:** Belt and Road; China; cooperation; European Union; international development.

**Cómo fortalecer la cooperación EE.UU.-China basada en el Cinturón y la Carretera**

**Resumen**

La iniciativa Belt and Road presentada por el Presidente Chino Xi Jinping en 2013 consiste en un plan de desarrollo que objetiva la promoción, la cooperación y el reforzamiento de las conexiones persona-a-persona entre Asia, África y Europa. China ya ha firmado acuerdos de cooperación con más de 40 países pertenecientes a la región de la Belt and Road y realizó la capacitación de la cooperación internacional con más de 30 países. La implementación de la iniciativa tiene un profundo impacto en las relaciones Sino-europeas, tratándose de un tópico que necesita de un mayor análisis. La iniciativa Belt and Road puede representar una gran oportunidad para promover las relaciones China-UE basadas en la cooperación win-win y direccionadas al favorecimiento del respeto mutuo, la compresión y el intercambio humano. El objetivo principal del presente artículo es el estudio de la influencia del plan Belt and Road en la cooperación China-UE, a través de la investigación de algunas medidas ya tomadas y los desafíos colocados a la China y a la UE para fortalecer sus relaciones.

**Palabras clave:** Belt and Road; China; cooperación; Unión Europea; desarrollo internacional.

**Como fortalecer a cooperação UE-China com base em Belt and Road**

**Resumo**

A iniciativa Belt and Road, apresentada pelo Presidente chinês Xi Jinping em 2013, consiste em um plano de desenvolvimento que objetiva a promoção, cooperação e o aprofundamento das conexões pessoa-a-pessoa entre Ásia, África e
Europa. China já assinou acordos de cooperação com mais de 40 países pertencentes à região da Belt and Road e realizou a capacitação da cooperação internacional com mais de 30 países. A implementação da iniciativa tem um profundo impacto nas relações sino-europeias, tratando-se de um tópico que necessita de uma maior pesquisa. A iniciativa Belt and Road pode representar uma grande oportunidade para promover as relações China-UE baseadas na cooperação win-win e direcionadas ao favorecimento do respeito mútuo, a compreensão e a interação humana. O objetivo principal do presente artigo corresponde ao estudo da influência do plano Belt and Road na cooperação China-UE, através da investigação de algumas medidas já tomadas e os desafios colocados à China e à UE para fortalecer suas relações.

**Palavras-chave:** Belt and Road; China, cooperação; União Europeia; desenvolvimento internacional.

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**Introduction**

China is the largest developing country, and the EU is the largest regional organization of the world, both share broad common interests. China and the EU have advocated multilateralism, and they call for peaceful settlement of international disputes through diplomatic negotiations. China’s 1 billion 300 million population and Europe’s population of 500 million form the world’s two biggest markets. The total economic output of the two sides together account for 1/3 of the global economy, the relation between the two parties is characterized by a high complementarity and integration. China is an important representative of Eastern civilization, and Europe is the birthplace of Western civilization. China advocates “harmony but not Sameness,” which is compatible with the concept of “diversity and unity” in Europe (Mei Zhang, Guangyao Dong, 2015). Therefore, China-EU cooperation in political, economic, cultural and other aspects have tremendous potential.

Currently, China and EU are promoting structural reforms to stimulate the vitality of economic and social development. Chinese Belt and Road plan is an important link connecting the Asia Pacific Economic Circle and the European economic circle, representing great opportunities and benefits to promote China-EU relations based on win-win cooperation. Europe is the geographical end and an indispensable part of the Belt and Road initiative, for this reason, European countries can combine the national and regional development strategy trying to produce new cooperation opportunities and solutions.

It is important for Europe and China to learn to take advantage of the achieve-
ments obtained over those years to face the challenges necessary to improve their relationship. The Belt and Road initiative can be interpreted not only as a China’s tentative of broadening its influence in the world, but also an opportunity to enhance mutual benefits and cooperation among other nations if built on shared principles. Particularly, it has the potential to influence the future EU-China relationship profoundly, for this reason, it is a topic worthy of analysis.

The main achievements of the Belt and Road initiative

China has already signed cooperation agreements with more than 40 countries along the Belt and Road routes and carried out international cooperation in capacity with more than 30 countries. Just a few examples: the construction of the China Pakistan Economic Corridor, the signature of the China, Mongolia, and Russia economic corridor planning, or the advancement of the new Eurasian Continental Bridge Economic Corridor.

Chinese companies have already invested about $50 billion in the countries along the routes of the Belt and Road. Several industrial projects have already been launched, we can mention for example the creation of the China-Belarus Industrial Park located about 25 km east of the capital of Minsk and considered one of the largest initiatives and most symbolic project since the implementation of the initiative. Key areas of activity developed in the park are mechanical engineering, medical equipment and materials, biotechnologies, pharmaceutics, fine chemistry, electronics and electrical technology, new materials, optics, etc. Starting from 8 companies, the industrial park plans to increase the number of resident companies up to 20 by late 2017.

From a financial point of view, the Belt and Road plan has realized very significant initiatives. The Asian Infrastructure Investment Bank (AIIB), is a multilateral development bank initiated by China with the purpose of providing financial support for infrastructure construction in the countries along the Belt and Road routes and promote economic cooperation. The members of AIIB have reached 70 up to now, including 18 EU members state, of which Germany is the biggest contributor, the fourth largest stakeholder after China, India and Russia and the biggest non-regional shareholder (Stanzel, 2017). On April 23, 2017, the AIIB signed a memorandum of understanding with the World Bank to deepen bilateral cooperation in the future in common areas of interest including staff exchange, development financing, etc. Another important initiative is the Silk Road Fund, a medium to long-term development and investment fund created with investments from the State Administration of Foreign Exchange, China Investment Corporation, Export-Import Bank of China and China Development Bank that provides investment and financing support for trade and economic cooperation and connectivity in countries.
along the Belt and Road initiative. Different projects have already been started, the actual amount of investment amounted to $5 billion.

The effect of the Belt and Road in EU-China cooperation

As two pillars of the world’s geopolitical structure, EU and China are geographically distant and not have any significant conflicts of interest. The economic ties between the two regions are very complementary, recently the bilateral relationship has registered remarkable results, but they still need to progress both in breadth and depth. All the three pillars of the bilateral relations (the political pillar, the economic pillar and the cultural pillar) need a strong effort by the two parties to achieve positive results and mutual benefits.

The Belt and Road aims at improving the exchanges between both sides by linking the vast territories and numerous countries inside the Eurasian continent. The exchanges of people and goods between the continents are usually realized through air transportation, even though the traffic volume and cost of air transportation restrict the scale of human and trade flows. The construction of land and maritime silk roads proposed in the Belt and Road has the objective of shortening the distance between China and Europe and thus reduce the costs. At present, the freight trains in China and Europe have gradually entered a period of rapid development and normalization (Hui Qi, 2015).

In December 2014, China Prime Minister Li Keqiang proposed the creation of the “China–Europe land-sea express route” while attending the third meeting of the heads of governments of China and Central and Eastern Europe (CEE) in Belgrade. By constructing the railway line from Piraeus Port in Greece to Budapest in Hungary and designing the route to pass through Macedonia and Serbia, transportation between China and Europe can be shortened by 7 to 11 days compared with sea travel. The CEE countries represent for China a strategic area for the realization of the One Belt One Road (OBOR), in 2011; two years before the announcement of the OBOR strategy, the former Prime Minister Wen Jiabao stated that the Central Europe would play the role of “bridgehead” in the expansion of the Chinese companies in Europe. Three years later, in 2014, Li Keqiang, highlighted the important role that the region can play in the realization of the OBOR project (Casarini, 2015). The establishment of the so-called 16+1 format in Warsaw in 2012, a dialogue between China and the CEE countries represents the tentative to strengthen this relation to facilitate the implementation of the OBOR. At present, the trade volume between China and Europe gives an annual growth speed of 20%. 90% of EU-China trades are realized through sea transportation, and for this reason, the Maritime Silk Road appears par-
particularly strategic to facilitates the trade exchange between China and Europe, integrating the economies of South-east Asia and Northeast Asia. Overall, the Belt and Road initiative integrates the Eurasian continent, and this could enhance China’s strategic relationship with the EU by establishing a free trade area from Lisbon to Vladivostok (Weiping Huang, 2015).

Regarding peace and security, many problems could benefit from a cooperation between China and Europe, such as the so-called Three Evil Forces in Central Asia: the smuggling of drugs and arms in Afghanistan, the Somali pirates, and the Ukraine crisis. All the issues mentioned above concern areas located along the Belt and the Road, therefore, its implementation could facilitate a partnership in which China and Europe can strengthen political negotiations concerning these issues, coordinate their standpoints, and collaborate.

Another important sector of cooperation in the EU-China relations that can benefit from the implementation of the Chinese initiative is the energy. Due to the effective economic development started at the end of the 1970s by Deng Xiaoping and the size of the population, energy consumption in China is the highest in the world, and it continues to increase gradually. Meanwhile, it suffers difficulty caused by factors such as its single energy structure, low utilization ratio, and severe environmental pollution. Europe is facing another energy-related dilemma: ore reserves are nearly exhausted, and the energy supply depends greatly on imports. For example, 30% and 25% of the consumed energy sources in Germany and Italy come from Russia (Wen Rui, 2015). Similarly, there is a considerable dispute concerning the price of the oil and gas resources and the laying of pipelines between China and Russia. By constructing the Silk Road Economic Belt, China hopes to change the situation in which oil and gas resources are mainly imported from Russia and pipelines are distributed in a South-North orientation. If China and Europe can achieve energy cooperation through the construction of the Silk Road, both regions would benefit greatly.

The construction of new infrastructures linking Europe and China poses numerous challenges especially due to a low population density, a limited industry density in the Northwest China and Central Asia and ineffective infrastructures already present in these areas. Inefficient infrastructure in Central Asia directly restricts trade and communication between China and Europe. Europe has implemented many assistance programs in Central Asia, and China has contributed more than 10 billion dollars in loans and non-reimbursable aid through the Shanghai Cooperation Organization (SCO). Also, the Asian Infrastructure Investment Bank (AIIB), will join its forces with more than 40 billion dollars of the Silk Road Fund toward Central Asia infrastructure.

From a financial cooperation point of view, there are favorable foundations
of financial cooperation between China and Europe. On October 9, 2013, the People’s Bank of China and the European Central Bank signed the EU-China bilateral currency swap agreement. With its value being 350 billion yuan (approximately 45 billion euro), the agreement aims to provide support for bilateral trade and maintain financial stability. It is also an indication that the territories have achieved new progress in cooperation in the currency and financial fields. Yuan Renminbi (RMB) offshore business in London has witnessed flourishing development in recent years, and besides payments in the Chinese inland and Hong Kong, 62% of RMB-based payments are conducted in London (Wen Rui, 2015). The establishment of the AIIB and the enthusiastic participation of many member states of the EU demonstrate that European investors have begun to explore ways to widen the dimensions of financial cooperation with China. Member states of the EU have contributed to the AIIB to construct bi-directional investment channels, which is beneficial for promoting the development of RMB offshore businesses in their financial markets. Such cooperation is conducive to improving market infrastructure, and it provides convenience for China’s enterprises to invest, be listed in the stock market, and issue bonds in Europe.

**The necessity of a stronger European cohesiveness**

Since the launch of the Belt and Road, China has been active in promoting the initiative in Europe to convince the old continent to be engaged in its realization. If in a first moment the European reaction left China leaders frustrated since 2015 things appear to change. Inside the European Union, the debates concerning the Belt and Road are proliferating, especially those concerning the way of elaborating a long-term strategy to reinforce and build new infrastructures in the southern, eastern and Central Europe. The two parties are discussing the benefits that could arise from a synergy between the European Commission President Juncker’s Investment Plan (IPE) that aims to re-launch the economy of the EU, and the Belt and Road.

Considered the growing importance of China, European countries seem to prefer a national strategy according to their interest trying to take advantage from the Belt and Road singularly, instead of establishing a strong regional coordination and agenda. The lack of coordination of the European countries over the decision to be a member of the China-led AIIB is one example. Following the UK, 18 European members’ countries have joint the Bank with the expectation to have economic benefits, especially considering the prolonged financial crisis that continues to persist in Europe. The intra-European competition for the relation with China and a lack of a strong coordination is damaging the EU’s image in China that is acting with regions (as is the case of the 16+1) and directly with the single members.
The difficulties and challenges of the implementation of the Belt and Road in the EU-China cooperation posed by some members of the international community

In the current rapid promotion of China’s comprehensive national power and international status, some Western countries have expressed their concerns about its development trend because of differences in political system and ideology. Some argued that the Belt and Road is the Chinese version of the Marshall Plan put in place by the United States 60 years ago (Eichengreen, Uzan, 1992). According to the Chinese leadership, the Belt and Road can’t be compared to the Marshall Plan in form, content, and implementation methods and can’t be interpreted with a Cold War mentality. Zhang Yesui (China’s Executive Vice-Minister of Foreign Affairs) affirmed that the Belt and Road initiative could be considered a useful complement to the existing international and regional institutions and it is not directed against any specific nation (Zhang, 2015). Considering the divergences that still characterize the relations between China and the Western countries, the implementation of the initiative can bring benefits only if based on a permanent dialogue between all the parties involved. As affirmed by Wei Feng and Guoqiang Cheng, China should enhance its communication with the international community, in particular with Western nations such as European countries and the United States, to eliminate misunderstandings and increase mutual trust (Wei Feng and Guoqiang Cheng, 2014).

The realization of the Belt and Road can meet some difficulties especially posed by great international powers. For example, the purpose of the “Pivot to Asia” strategy proposed by the United States under the Barack Obama leadership is to seek a long-term presence in Central Asia and have easy access to the abundant oil, gas and mineral resources there. Furthermore, it aims at strengthening US influence in Central Asia and South Asia, which would, in turn, weaken China’s influence of the area, bringing severe challenges to the political, economic, military and non-traditional securities in China. The Trans-Pacific Partnership (TPP), signed between 12 countries that border the Pacific Ocean that aimed to deepen economic ties between these nations, before the Trump’s decision to retire the US’s adhesion, was considered an important vehicle for strengthening US presence in Asia, representing a challenge for the Chinese influence in the region. Peter Drahos has, for example, sustained that in the

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1 The Marshall Plan is hailed as one of the great foreign economic policy achievements of the 20th century. Between 1948 and 1951 the US transferred $13 billion to the war-torn economies of Europe. This timely and generous program of aid is said to have solidified our leadership of the western alliance, buttressed moderate elements in Western European politics, smoothed Europe’s labor-management relations, and checked the westward march of communism.
short term, the TPP poses restrictions on China’s economic integration in the Asia-Pacific Region and negatively impacts China’s influence and discourse in Asia Pacific affairs (Peter Drahos, 2016). For a long time, it has been considered that the continuous advancement of the TPP could probably complicate the relationships between China and its major neighboring countries, thus increasing geopolitical and safety pressures and even endanger the long-term peaceful developmental environment that China has been striving. The Chinese strategy in the Asiatic region will, of course, be influenced by the way in which Trump will develop the United States “Pivot to Asia”.

The Russia’s Eurasian Economic Union presents many similarities to the Belt and Road initiative. Russia has traditionally regarded Central Asia as a region under its sphere of influence, not appearing favorably on the intentions of other countries to expand their influence in this area. Even if some measures have been already taken, such as the signature of a Memorandum of Understanding between the Russian State Development Bank (the Vnesh economy bank) and the Russian Direct Investment Fund with the Silk Road Fund with the objective to plan joint investments in some key sectors such as the infrastructure, electricity and energy (Chen, 2015), it is vital for both China and Russia to develop a comprehensive partnership and seek a feasible conjunction between the Eurasian Economic Union and the construction of the Silk Road Economic Belt.

The Silk Road Diplomacy strategy proposed by the former Japanese Prime Minister Ryutaro Hashimoto in 1997, can also represent a challenge for the Chinese initiative. The plan regards eight countries in Central Asia and Caucasus, called the Silk Road Area. In 2004, a Central Asia and Japan dialogue mechanism was established in Japan, marking the development of normalized communication between Japan and Central Asian countries. Japan’s purpose in implementing the Silk Road Diplomacy strategy is to cultivate the pro-Japanese countries around China and maintain its strategic position in Central Asia and Caucasus to have access to the oil and gas resources. These Japanese and Chinese could probably reinforce the tensions that already exist between them if they don’t recognize their respective sphere of interest in the region.

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2 A text of the TPP was signed by twelve parties (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the United States and Vietnam) at February 4, 2016, but each of these parties has to shepherd this text through its respective domestic treaty-making processes. The TPP does not need the approval of all its signatories to come into force. Six or more signatories making up at least 85 % of the combined gross domestic product (GDP) of the original signatories would be enough to give the TPP legal force. The US with its 18 trillion dollar GDP does have to be part of the six.
Policy suggestions for strengthening
EU-China cooperation under the
Belt and Road

Exploring new growth points in
regional trade and establishing the
tourism belts of the Silk Road

China and Europe should encourage
their efforts in customs, quality control,
e-commerce, and transport to facilitate
the trade for the countries along the
Belt and the Road. They should actively
implement trade promotion activities
that target the areas of the Belt
and the Road, optimize the layout of
the exhibitions, and continue to build
new trade promotion platforms. The
territories should also insist on a coor-
dinated development of goods and
service trade and expand traditional
service markets such as transportation
and architecture. They should also ac-
tively promote exclusive and modern
services trade by developing interna-
tionally competitive tourism products
that are endowed with the character-
estics of the Silk Road (Hucheng Gao,
2014), incrementing in this way the
job creation, infrastructures and inter-
personal relations between the citizens
of the two regions.

Increasing bilateral investment
cooperation based on the AIIB

It is necessary to promote economic
and trade cooperation among the cou-
ntries along the Belt and the Road. This
would achieve positive interactions
and advancement in both trade and
investments. As founding members,
the member states of the EU will obtain
more discourse power in the AIIB. The
cooporation among two of the world’s
greatest economies is expected to
make the AIIB a powerful organization,
challenging the traditional international
financial institutions system put in pla-
ce after the World War II.

It is vital to promote further the in-
terconnection of the Belt and Road’s
regional infrastructures, which is the
primary objective of the AIIB. Key
channels, nodes, and projects should
be harnessed to accelerate the construc-
tion of a network that is tightly
connected, unblocked, convenient,
safe and efficient. Additionally, the
interconnection among land, sea and
air infrastructures should be planned
comprehensively.

Positively promoting urbanization
and energy cooperation between
Europe and China

At present, the urban population in
China is more than 0.7 billion, with
the urbanization rate reaching 52.6%.
In contrast, more than 75% of the
people in the EU are living in urban
areas. What’s more, the EU is equi-
pied with advanced technologies and
abundant experience in city planning,
the construction of infrastructure, and
city services provision and manage-
ment. China could inspire its cities
developing plans by the European in-
novations in urban development, such
as smart, green, and low carbon, and
learn from these urbanization factors
to apply toward its future.
Europe leads the world in new energy, energy conservation, and environmental protection, and is attentive to the innovation of energy technology and structural adjustment.

China and Europe, taking the protection of the environment a priority for the present and future generations, should cooperate in technological innovations and promote the development of emerging industries such as new energy, new materials, next-generation information technology, biology, and aerospace.

**Correctly understanding each other, enhancing mutual trust and humane interchange between Europe and China**

China should strengthen its communication with the political, academic and business circles of the international community and show the inclusive characteristics of its initiative concretely. The Belt and Road is an important occasion for China to realize economic opening and human cooperation and reinforce economic relations and political trust between China and other Eurasian countries.

China presents itself as the initiator rather than the leader of the Belt and Road and presents the initiative as based on the principles of equality and reciprocity. To get its partners engaged in the plan, China needs to demonstrate concretely that the implementation of the initiative represents an opportunity to reinforce the connectivity along the Road and promote fair and win-win relations between all the countries engaged, encouraging the people-to-people exchanges. The human interchange between China and Europe involves looking beyond differences in ideology, social system, and development stage to participate in a mutual appreciation between the two civilizations. As stated by Ducan·Freeman (2012), a researcher at the Contemporary China Institute of Liberty University in Belgium, the Belt and Road is an Omni bearing proposal that involves the interconnection of various aspects. China and Europe should focus on communications in science, technology, education and human factors, to enhance the easy interchange and dialogue.

**Conclusions**

The Belt and Road initiative provides a golden opportunity for the development of China and the economic recovery of Europe. China and Europe complement each other and can mutually benefit from this cooperation, which infuses new power into the EU-China relationship. As proposed in this research, the two parties should give full play to the Belt and Road and jointly confront their challenges. They should accelerate improvements in the cooperation mechanism and strengthen communication to coordinate their policies. It would be beneficial to positively parallel Chinese and European standpoints and conflicts of interest with third parties to swiftly harness the full development potential afforded by the initiative.
To be an effective strategy and face all the challenges of the XXI Century, the Belt and Road should be a broadly plan for the reinforcement of the connectivity between the people involved in the Road. It is necessary the inclusion of the non-state actors such as ONGs, young generations, cultural, educational institutions, the business community, etc. Historically the Silk Road represented not only a trade passage between China and Europe but had a deep cultural meaning. It served as a passage of dialogue between civilizations enhancing the reciprocal knowledge, contributing, through the cultural exchanges, to the development of both societies. Today the world is changing at a very fast path bringing development but at the same time wars, social inequalities and environmental disasters caused by the human behavior. China and Europe, together, can bring solutions and implement concrete policies to face these urgent problems. The Belt and Road, if managed with the principles of equality, social inclusion, and cooperation, represents an opportunity to reestablish a modern Silk Road able to foster the economic development and the connections between civilizations.

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