

Hartmut Marhold*, December 17, 2018

Europe-Asia Connectivity - A Dramatic Shift in Global Relations

The general setting

Europe, North America, East Asia – a century old triangle, bound together by trade and exchange. The oldest line of this triangle goes back to antiquity, when the Silk Road connected China to the Roman Empire, and integrated the intermediate regions into a Eurasian network of cultures and empires, popping up and failing, rising again and changing from century to century, from Mongols to Seldjuks, from Persians to Arabs and Ottomans, a vibrating Central Asia now about to revive in our times¹. With shipbuilding and discoveries in the 15th and 16th centuries, the Atlantic dramatically changed its role from an unbreachable barrier to a highway of exchange, turning the face of Europe away from the East and the Mediterranean to the Americas. But the “Columbian exchange”², the multiple connections established since the Spanish conquest of South America, extended over the Pacific, too, and bound China and the East Asian islands into a world wide web of trade. The “Bi-Polar World” of the 20th century, viewed against the long run of history, was an anomaly – the “Tri-Angle” is back today, with the rise of China over the last half century, a rise not to unprecedented heights, but back to what was the standard over two millennia, suspended for only two centuries³.

What we are currently experiencing is a dramatic shift in the always precarious balance between the lines of the triangle – a shift away from the trans-Pacific and the trans-Atlantic axes, to a strengthening of the trans-Eurasian one. When ASEM (Asia-Europe Meeting), probably the most important inter-governmental and inter-society forum between Europe and Asia today, was founded in 1996, it seemed to be the weakest part of the triangle: “North America and Europe already had longstanding institutional linkages, by virtue of their shared history and culture. North America and East Asia had also begun to forge closer ties under the aegis of the Asia-Pacific Economic Cooperation (APEC). However, the missing institutional link that was needed to complete the triangle was closer relations between Asia and Europe”, according to the Founder’ of ASEM, GOH Chok Tong, former Prime Minister

of Singapore, when looking back at its history 20 years later, i.e. in 2016⁴. Until five years ago, the transatlantic as well as the transpacific ties seemed to strengthen and decidedly outpace the trans-Eurasian one; the same author could make a similar assessment of this dynamic in 2015: “Trade agreements such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), once in force, will propel the economic ties between Asia and the US, and Europe and the US respectively. But there is no similar initiative between Asia and Europe yet. ASEM therefore holds the key to realising an Asia-Europe answer to the TPP and TTIP.” But TTIP was already under strong (European) pressure before Donald Trump became President of the USA, and soon after his inauguration he cancelled the parallel Trans-Pacific Partnership agreement⁵, in accordance with his “America first” politics. Suddenly, the trans-Eurasian ties and bonds excel as the outstanding example of intercontinental connectivity⁶.

International Regional Organisations

The most recent contribution to this historic shift is the “Connectivity Strategy”⁷, launched by the European Union on 19 September 2018. “Dubbed as the EU version of Belt and Road”⁸, this new European approach is indeed an answer to the Chinese “BRI”⁹ initiative, better known as the “New Silk Roads” project. This description is no exaggeration: The BRI initiative has the potential to shape the 21st century global economic relations, and therefore the European answer must live up to that challenge. In order to assess this counterplan – the “Connectivity Strategy” – let us first establish a brief inventory of the existing Europe-Asian cooperation frameworks and regional organisations in Asia – no need in this context to introduce the European Union (and its predecessors, the European Communities), the Council of Europe, or the OECD.

• The “Association of Southeast Asian Nations” (ASEAN), launched in 1967, is the oldest (East-)Asian regional cooperation framework, at the time facing increasing pressure from the impact of the post-war economic success of Japan, and later from the

Chinese outreach¹⁰. Some scholars go so far as to compare ASEAN with the European Union: “One could easily draw similarities between ASEAN (Association of Southeast Asian Nations) and the European Union in terms of economic integration. Despite a significant difference, which is the single currency, the four pillars of the ASEAN economic bloc—creating a single market and production base, maintaining competitiveness, creating equitable economic development, and integrating into the global economy—are also the goals the European Union wants to achieve.”¹¹ Even if this may be an exaggeration – there is no common law in ASEAN, e.g. – the EU itself, in its “Connectivity Strategy”, takes the established relations with ASEAN seriously: “The EU should continue strengthening its cooperation with ASEAN, a central player in connectivity in Southeast Asia”¹².

- There can be no doubt, however, that the decisive turn came when China felt emancipated enough to launch its own regional network. The first step was the “Shanghai Five” (1996), enlarged and transformed in 2001/2003 to what is now the “Shanghai Cooperation Organisation” (SCO), reaching out to the borders of the European Union, with Russia as a full member, and Turkey as “Dialogue Partner”. Even so the Shanghai group, despite its geopolitical ambitions, can no longer be said to correspond to the Chinese horizon, since this has now been extended to encompass the whole of the Eurasian landmass - ...

- ... ASEM is the new key to understanding trans-Eurasian relations, with China at the one end, and in the driving seat. Also founded in 1996, as mentioned, ASEM grew over time from 25 to 53 members, 51 states plus the EU and the ASEAN secretariat¹³. Its biannual meetings at the highest political level are events on a global scale, and its instruments and delegated organisations are themselves important catalysts of trans-Eurasian connectivity:

- The “Asia-Europe Foundation” (ASEF: <http://www.asef.org/>), funding civil society projects across Eurasia;
- The “Asia-Europe Cooperation Framework” (ASEM), adopted at the ASEM Summit in 1998, mandated “to guide, focus and coordinate ASEM activities”¹⁴;
- the ASEM Trust Fund, established as well in 1998, at the time with the specific purpose of helping South East Asian states out of the financial crisis¹⁵;

- The ASEM Pathfinder Group on Connectivity: “The 11th ASEM Summit held in Ulaanbaatar in 2016 established the ASEM Pathfinder Group on Connectivity (APGC) with a two-year mandate to provide a platform for coordinating engagement and activity on connectivity, and to further explore ASEM’s added value in this area”¹⁶

Banks

Since most of the activities of these international organisations aim at increasing economic growth and improving commercial ties, the financing of investment plays a very prominent role. Therefore, several banks have been created in order to support and facilitate infrastructure and business projects across the respective regions:

- The Asian Development Bank (ADB; <https://www.adb.org/>), founded in the early 60s, is the oldest of these banks, driven by the Japanese desire to extend its markets and economic outreach over a larger part of South-East Asia, whereas ...

- ... the Asia Infrastructure Investment Bank (AIIB) “is a multilateral development bank with a mission to improve social and economic outcomes in Asia. Headquartered in Beijing, we began operations in January 2016 and have now grown to 87 approved members worldwide. By investing in sustainable infrastructure and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.”¹⁷

It is the AIIB that is obviously the Chinese instrument for sustained investment in the framework of the “Belt and Road Initiative”, the “New Silk Roads”. Its board of governors is at national Minister’s level (higher ranking than the ADB board), it is located in Beijing and has the backing of the Chinese government.

A comparison between ADB and AIIB reveals the shift of focus in East Asia itself, from Japan and its relationship with the United States on the one hand, and China and its focus on Eurasia, on the other: “One view [ADB] welcomes the US as a major Pacific power while the other [AIIB] seeks to reduce its role in Asia. [...] With the Articles of Agreement the Asian Infrastructure Investment Bank (AIIB) “finalised” at the latest meeting of chief negotiators in Singapore, the AIIB is moving from a Chinese initiative to a China-led regional institution with

global membership.”¹⁸

There is no comparable European bank: The candidate for such a role, the European Investment Bank, has not yet shifted its attention to the Eurasian connectivity projects. The EU “Connectivity Strategy” Communication insists that “the European Investment Bank (EIB), as the EU Bank and investment partner, and the European Bank for Reconstruction and Development (EBRD), have both been expanding their lending, which provides new avenues for cooperation”¹⁹. The EIB invests in Asia, too, but only in the framework of „ALA“, the EIB category for “Asia and Latin America”, which is not specifically focused on BRI projects.²⁰ For this reason the EIB, despite its very important capital and financing investment capabilities, is not a match for the AIIB when it comes to develop the “New Silk Roads”²¹.

Projects: The Chinese “Silk Roads” and the European “Connectivity Strategy”

For this is of course, what it is all about: creating the infrastructure for the BRI project. At least, this is the strategic vision and firm action of China. Launched in 2013, the “New Silk Road” project reaches out to some sixty states, representing close to two thirds of the global population and slightly more than one third of the global GDP – no project could be more ambitious. “Beijing wants to connect participating countries’ infrastructure, but also encourage them to open up their markets to China and facilitate trade, to link their financial markets to China’s, to strengthen societal (“people-to-people”) relations, and even align their overall economic development policies with China’s.”²² The overall investment volume, as announced by the Chinese government, will amount up to several hundred billion \$, 25 of which are actually already spent.

No need to underline that many problems and risks will be met along the way between Beijing and Brussels, starting within China itself. Aimed as it is at providing a framework for inner-Chinese regions (instead of attracting ever more people to the already overcrowded coastal hubs in the East), it presupposes an unprecedented discipline of the population involved in the execution and implementation of the infrastructure – a dramatic illustration is the case of the Xinjiang region with its Muslim people, the Uyghurs. But the Silk Roads, which were never traveled without risk, continue through fragile

and unstable paths and countries, from Kyrgyzstan over other Central Asian states, Iran and Turkey to Europe – or on similarly dangerous routes.

Obviously China, the driving force behind the project, needs to think about rules of behavior and how these rules are to be enforced. Relying on international law or the WTO rules certainly does not provide enough security and is no guarantee for smooth and reliable trade lines. What China needs is more than undisturbed business – it is respect for what became to be known as the Chinese alternative to the (neo-liberal) “Washington Consensus”, i.e. the “Beijing Consensus”²³. On the whole, the latter one does not necessarily enforce strategies like deregulation or privatization, as the “Washington Consensus” does (in exchange for financial assistance, mostly from the IMF); it isolates security for investment and infrastructure from nearly every other factor, be it authoritarian economic policies, human rights, corruption, on the grounds that national sovereignty forbids any interference in internal affairs – a Chinese dogma.

It is no surprise, either, that the Chinese initiative has triggered counter-initiatives from various sides. “Japan presented the “Expanded Partnership for Quality Infrastructure” (2015), and together with India, launched the “Asia-Africa Growth Corridor” (2017). [...]. Lastly, Russia put forward its own “Greater Eurasia” economic integration concept, with the aim to include member states of the Commonwealth of Independent States, the Shanghai Cooperation Organization, and potentially ASEAN countries.”²⁴

Last, though not least, the European Union has published its own “vision for a new and comprehensive strategy to improve connectivity between Europe and Asia”, entitled „Connecting Europe and Asia - Building blocks for an EU Strategy“. Launched 19 September 2018, it was released just one month before the ASEM summit in Brussels. “Sustainable, comprehensive and rules-based connectivity”, that is the promise, “will contribute to the enhanced prosperity, safety and resilience of people and society in Europe and Asia.”²⁵ In more practical terms, the strategy aims at “strengthening bilateral, regional and international partnerships, based on commonly agreed rules and standards”, on “contributing to efficient cross-border connections and transport, energy, digital and human networks”, as well as “leveraging sustainable financing for investments.”²⁶

The EU “Connectivity Strategy”, as it is briefly called, comes late – and after a long period of nearly exclusively defensive actions and attitudes, aiming at preventing the Chinese BRI initiative from reaching out too far into the European “neighbourhood” and Europe itself, an attitude which still continues, e.g. in the field of preventing Chinese companies from having a say in crucial European firms, or in the field of the much disputed intellectual property (patents) of European businesses. In this respect, the launch of the new strategy may be seen as nothing less than a U-turn in European politics vis-à-vis the overwhelming impact of the BRI project.

And despite its different values, enshrined in the set of proposed rules, it may not necessarily work out as an incompatible, competitive project which would create an antagonistic relationship between the Chinese and the European project. Indeed, it has been welcomed by the Chinese governmental press agency, Xinhua, timely published at the moment of the ASEM summit, written by Tian Dongdong. The author raises the question whether the EU strategy is “countering Belt & Road”, but comes to the conclusion that “Cooperation [succeeds] over competition”: “Shortly after the unveiling of the EU strategy, China welcomed it with open arms. “We expect that the European Union will play a constructive role in improving connectivity between Europe and Asia, send a positive signal to the world to promote economic cooperation among all countries on the two continents and build an open world economy,” to quote the Chinese Foreign Ministry spokesperson Geng Shuang.”²⁷ The implementation process will show whether this is a diplomatic assessment, emitted in order not to interfere with the ASEM summit, or a real hope for cooperation from the outset.

Comparative Aspects: Asymmetries

Undeniably, there are asymmetries in the Europe-Asia relationship, in ASEM as well as between the Chinese BRI and the European Connectivity strategies, and most of them to the disadvantage of the Europeans.

- ASEM, first of all, is a multilateral organisation, and therefore complies with the shared wish for more than bilateral relations. But there is one big difference between the Asian and the European side: On the Asian side, there is one giant, China, whereas the Europeans are represented mostly at the level of the nation states – the European Union

is a “shadow-giant”, able to launch strategies, but not empowered by the member states to back them up for its impact.²⁸

- Secondly, as a consequence, Europe does not have the centralised, combined strength of financing its strategy, in contrast to China. The comparison between AIIB and EIB has already been drawn, and the link by which the “Connectivity Strategy” paper refers to the multiannual financial framework of the EU currently under discussion reveals the weakness of the financial substance the European Union can at best mobilise for such a project: a fraction of the 1% of the EU GDP, which must cover all of the EU tasks ...

- In addition, Europe is internally concerned with the crisis of its democracy, under threat from populist forces, which contest the *raison d’être* of the EU itself, and externally with its neighbours, from Russia to Turkey, the Arab Mediterranean, to Africa. No doubt there are problems the Chinese model of governance has to face as well, but it seems that Europe, for the time being, is more fragile than China – a situation, which is in flagrant contrast to everything Westerners believed would lie ahead of China when it started economic liberalisation under Communist rule ...

Conclusions: Improvement on the European Side

The conclusion to be drawn from this is clear: Europe must strengthen its ties and gain more popular support in order to live up the global challenge of the shift from a secure Atlantic partnership, with a reliable ally on the other side of the ocean, to a more open, more risky relationship across the Eurasian landmass with its variety of civilisations, peoples, and states. Only a united Europe can even pretend to look the Chinese giant in the eyes – all the once so powerful European nation states, which in the past submitted China to their rules, are now dwarfs in comparison. However the New Silk Roads bear the potential to change Europe for the better, to become stronger and more unified, and the Connectivity Strategy may be one step on this road to global influence.

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¹ See Peter Frankopan: *The Silk Roads. A New History of the World*. London, New York 2016, a slightly over-ambitious book, which gives nevertheless a marvellous insight in the civilisations in Central Asia in particular.

² See Charles C. Mann: 1493: *Uncovering the New World Columbus*

Created. New York 2012.

³ In the meantime, Japan was strong enough to maintain the tradition of a substantial East-Asian element in the global network of economic substance.

⁴ The Asia-Europe Meeting (ASEM): A Bridge between East and West; published 5 October 2015; contribution to the collective publication „20 Years of Asia-Europe Relations; ASEM 20th Anniversary Book“, published 2016 by ASEF (Asia Europe Foundation); <http://www.asef.org/press/corporate/news-3669-the-asia-europe-meeting-asem--a-bridge-between-east-and-west>

⁵ There is a substitute, the „Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)“, which saves the substance of the TPP – but without the USA.

⁶ CETA, the agreement between the European Union and Canada, is an exception; for more see <http://ec.europa.eu/trade/policy/in-focus/ceta/>.

⁷ Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank - Connecting Europe and Asia - Building blocks for an EU Strategy, p. 8; https://eeas.europa.eu/sites/eeas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf.

⁸ See footnote 27, with more information on the source of this quotation.

⁹ For an authentic Chinese presentation of the project see e.g. http://china.org.cn/business/node_720749.htm.

¹⁰ See ASEAN website: <https://asean.org/asean/about-asean/history/>.

¹¹ Alicia Garcia Herrero and Jianwei Xu (BRUEGEL): Why Do Asia and Europe Need More Connectivity? Some Ideas from the European and ASEAN experience; http://www.eria.org/Why_Do_Asia_and_Europe_Need_More_Connectivity.pdf.

¹² See footnote 7.

¹³ The ASEM infoboard website, however, does not mention the two organisations, but speaks only of 51 member States; <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/>, which might be understood as an indicator for the (Chinese) insistence on state-to-state multilateralism and a denial of the supranational (European) level as an equal partner. The history of ASEM is authentically related on ASEM's own website (<https://www.aseminfo-board.org/about/overview>) and by the already quoted article of (one of) its founder(s), see footnote 4.

¹⁴ Website of the European External Action Service, EEAS; http://www.eeas.europa.eu/archives/docs/asem/docs/aecf_2000_en.pdf.

¹⁵ Source: World Bank; http://web.worldbank.org/archive/web-site/1039/WEB/0_CON-7.HTM#12.

¹⁶ <https://d333mqoi4osko6.cloudfront.net/documents/APGC-Plan-for-Area-of-Focus-and-Related-Actions-on-Connectivity.pdf>. A particularly rich and informative web-service, established in the ASEM framework, is the “ASEM Sustainable Connectivity Portal” (<https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/>), prepared and published by the EU and “meant as a significant contribution from the EU to the 12th ASEM Summit” (October 2018 in Brussels), which provides data and qualitative information on all aspects of ASEM-driven relations between Europe

and Asia.

¹⁷ <https://www.aiib.org/en/index.html>.

¹⁸ Malcolm Cook, The Straits Times, 5 June 2015; <https://www.straitstimes.com/opinion/two-asias-aiib-v-adb>.

¹⁹ See footnote 7, here p. 11.

²⁰ The EIB homepage offers a choice of regions, where it is actively engaged; the BRI region, i.e. Eurasian connectivity, falls under the EIB category „Asia and Latin America“: <http://www.eib.org/en/projects/loan/list/index.htm?from=2018®ion=8§or=&to=&country=>.

²¹ With a larger scope, other banks come into sight, too: the Eurasian Development Bank (EDB), Russia-led Bank for former SU republics, from Belarus to Central Asia; <https://eabr.org/en/about/facts-and-figures/>; the New Development Bank (NDB, the “BRICS Bank”); <https://www.ndb.int/about-us/essence/history/>, and – last not least – the ASEM Trust Fund, too, for which the World Bank serves as secretariat.

²² Quoted from the MERICS website: <https://www.merics.org/en/bri-tracker/mapping-the-belt-and-road-initiative>. MERICS is the China-related branch of the German Mercator Foundation, the “Mercator Institute for China Studies”, providing a comprehensive database and follow-up of BRI project implementation, as well as useful background information of all kinds.

²³ For a short and very assertive version (and comparison) see this presentation: <https://prezi.com/giomefvf7duk/washington-consensus-vs-beijing-consensus/>, for a more critical comment from the father of the „Washington Consensus“, John Williamson, see his article „Beijing Consensus versus Washington Consensus“: <https://relooney.com/NS3040/Washington-Consensus-Chapter.pdf>.

²⁴ See Merics BRI-tracker: <https://www.merics.org/de/bri-tracker/mapping-the-belt-and-road-initiative>.

²⁵ Factsheet of the European External Action Service: https://eeas.europa.eu/sites/eeas/files/europe_asia_connectivity_factsheet_1.pdf.

²⁶ There is even something like a „European Consensus“, obviously meant to be an alternative to both the Washington and the Beijing Consensus, even if its ambition is limited to developing countries, and its impact not comparable with the two others: the „New European Consensus on Development - 'Our world, our dignity, our future', launched 8 June 1917; https://ec.europa.eu/europeaid/new-european-consensus-development-our-world-our-dignity-our-future_en.

²⁷ Xinhua Headlines: For B&R Initiative, EU's new connectivity strategy means more cooperation than competition; Source: Xinhua, 10 October, 09:15:4; Editor: Lu Hui; http://www.xinhuanet.com/english/2018-10/06/c_137514118.htm.

²⁸ And additionally, Europe will be weakened by Brexit, with the British facing global competitors like China alone, in the future – an absolutely breathtaking adventure“