

CHINA'S BELT AND ROAD INITIATIVE: THE CONCERNS AND RESPONSE OF THE EUROPEAN UNION

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Abstract

As the Chinese Belt and Road Initiative (BRI) gains traction in transnational connectivity and infrastructure development, it meets increasing opposition from Western countries. Generally, It is viewed in the US-led Western world as an alternative form of globalization involving the leading role of China and increased participation of the Eastern powers. China's engagement in the development of regional infrastructures under BRI and its economic and political ramifications have raised concerns in the West, including the European Union (EU). Economic concerns and prospective political ramifications connected with China's grand initiative tend to shape the EU's sceptical approach towards BRI. The EU is alarmed by the expansion of the BRI not only in Europe but also in other world regions. Despite regional connectivity being a common interest of the EU and China, the former's sceptical approach towards BRI calls for an in-depth examination of the phenomenon. This paper explains the factors that account for the EU's sceptical approach vis-à-vis the BRI and evaluates its response to the Chinese mega project.

Keywords: Belt and Road Initiative, European Union, 16+1 Framework, Trade, Ports

Introduction

The Chinese Belt and Road Initiative (BRI) is viewed as a gigantic regional connectivity project with a geostrategic potential. BRI is a multifaceted connectivity project that incorporates elements of the historic Silk Road duly upgraded to meet present-day requirements. Given

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its ambitious geographical expanse and infrastructural targets, it is perceived as a real marvel of connectivity across regions and continents. As it is designed to link Asia, Africa and Europe based on a network of logistical and commercial nodes, it assumes enormous proportions of strategic importance. It is referred to as the Eastern version of an alternative world order against the Western-dominated world order established following the Second World War. BRI has attracted attention of the international community because of its colossal infrastructure portfolio and the way it can potentially shape the regional and global economic and political landscape. As a result, international discourse on BRI, particularly in the Western world, is characterized by apprehensions and criticism. The European Union (EU) and a number of its member states view BRI from a sceptical standpoint, taking its political implications into consideration. The present global order provides financial support to needy countries through international financial institutions. These institutions, in turn, create a leverage for their patrons vis-à-vis the countries that receive loans from them. The BRI, along with its main financial organ, i.e., the Asian Infrastructure Investment Bank (AIIB), provide an alternative to third-world countries to meet their economic needs challenging the hegemony of Western institutions. In addition, the BRI and its institutions profess a non-intervention policy.¹

As the BRI garnered recognition and fanfare, the EU did not welcome the project, though its collective response did not take a consistent course. The EU remains the most successful example of regional integration in modern times. However, as the BRI gains popularity among nations in various regions including Europe, it potentially challenges the EU's internal and external interests. Thanks to the single European market (CEM), the EU remains an overwhelming economic actor globally. EU's single market rests on the unification of its internal and external economic policies. This implies that the EU should deal with any external actor or economic system through a cohesive and uniform policy. Externally, the EU prefers to establish economic and political engagement with regional states at regional level while promoting rules-based economic liberalization and political cooperation. Further, it seeks its strategic interests vis-à-vis a region by adopting the approach of international political economy. This means that the EU pursues its political interests towards regional organizations and states through its economic leverage.

In this context, the economic and political angles associated with the BRI cause the EU's apprehensions about the Chinese mega enterprise. In a broader sense, the Chinese rise, the BRI's potential for upgrading China's regional and global influence, and its implications for the operative

¹ Khalid Mahmood Shafi, Muhammad Tariq Niaz, and Muhammad Rizwan, "Neo-Mercantilism and Globalization: A Case Study of China's Belt and Road Initiative," *NDU Journal*, 37(2023):73-84.

Western-dominated world order account for the US and EU antagonism towards the BRI. The EU and China, though different kinds of polities are known as economic giants who pursue economic interests across the world and use economic strategies to achieve political interests. Therefore, the EU views the BRI as a competitor initiative in terms of its endorsement by its member states, regional integration model and regional economic and political influence.²

This paper examines the intricate undercurrents of the EU's concerns related to the BRI expansion in Europe and other regions of the world. This way, the paper underlines various economic and political factors that explain the EU's concerns towards BRI in the context of the politics of European integration and evolving global geopolitics. Then, the paper evaluates the EU's strategies to respond to BRI within and outside the EU. In light of its internal dynamics and geoeconomic-geopolitical interplay at the international level, the EU's response to BRI is a mix of cautiousness, strategic deliberation, collaboration and competition.

Theoretical Perspective

The constructivist theoretical approach offers an interpretive understanding of relations between the states. It is centered on the premise that reality is socially constructed and that our understanding of a social phenomenon is subject to our interpretations. These interpretations are built on norms, rules and ideas intersubjectively shared by the actors and gradually embedded in institutional order. In this context, the constructivist explanation takes several considerations into account.

First, identities play a key role in shaping the interests of states. Alexander Wendt underlines that 'identities are the basis of interests.'³ While realists hold that state interests are defined in terms of material factors, constructivists contend that ideational factors play a key role in shaping states' identities and interests. Identity is a role-specific expectation on the part of a state that develops through interaction with other states. In other words, identity is rooted in an ideational structure composed of norms, rules, practices and shared meanings.⁴ Second, constructivism holds that structure and agency are mutually constituted and interaction between the two is shaped by the ideational factors. Ideational factors determine not only agents' perception of themselves but also their response to the structure. Third, constructivists argue that the

² Eric Brattberg and Etienne Soula, "Europe's Emerging Approach to China's Belt and Road Initiative," *Carnegie Endowment for International Peace*, October 19, 2018.

³ Christian Reus-Smit, "Constructivism," in *Theories of International Relations*, ed. Scott Burchill, et al (New York: Palgrave Macmillan, 2001), 197.

⁴ Paul R. Viotti and Mark V. Kauppi, *International Relations Theory* (New York: Pearson Education, 2012), 287.

behaviour of states is not determined by international anarchy, but rather by how states perceive anarchy. Alexander Wendt depicts this constructivist position as, 'anarchy is what states make of it.'⁵ This means that an 'anarchy of friends' offers opportunities while 'anarchy of enemies' is challenging and threatening.

European Union was founded on a number of norms including human rights, the rule of law, democracy, freedom, peace and environmental protection. As part of its identity, the EU promotes these norms in its relations with other countries through the Common Foreign and Security Policy (CFSP) and Common Commercial Policy (CCP). Therefore, ideational factors comprising norms and rules significantly shape the EU's response to state and international issues. In this context, the EU is known to pursue material interests defined in terms of ideas, norms and rules. Further, the EU operates under a liberal regional and international structure that guides its response to international issues. Finally, norms and perceptions play an important role in shaping the EU's differential approach vis-à-vis democratic and non-democratic states and governments.

The foregoing conceptual framework indicates that EU's response to BRI is shaped by its identity that is rooted in regional and international ideational structures. In accordance with the constructivist approach, the EU views the BRI as lacking an explicit investment regime, value-based conditions, and governance criteria. Therefore, participation of EU member states in BRI may end up in a 'debt-trap' situation for them. Secondly, the EU skepticism towards BRI is linked with the apprehension that the project can potentially undermine the rules-based European regional economic order having political implications. Thirdly, in global context, the EU shares the common Western skepticism that BRI may play pivotal role in boosting Chinese rise and influence in the world, challenging the Western-led international liberal order.

Background of the BRI

The most stunning development of the 21st century has been China's awakening from a sleeping giant to an emerging global power. The country has continued with its rising trajectory for the last four decades.⁶ Currently, China is greatly influenced and steered by President Xi Jinping whose vision of grand connectivity has been translated into the BRI, regarded as the major development of recent times. Addressing the Belt and Road Forum in May 2017, President Xi envisioned the BRI as a win-win undertaking that will surmount the "geographical distance" and lead to mutually beneficial cooperation, development, peace and harmony. He

⁵ Andrew Heywood, *Global Politics* (London: Palgrave Macmillan, 2011), 73.

⁶ Atia Ali Kazmi, *"The Road to Balance in Asia Pacific Publication Information,"* (Paramount Books Private Limited, Pakistan, 2021).

declared that BRI was based on the spirit of the historical silk routes entailing cooperation and peace, inclusiveness, mutual learning and shared benefits.⁷

President Xi Jinping offered the monumental notion of an "economic belt along the Old Silk Road" when he visited Kazakhstan in 2013.⁸ The purported objective is to link China to the Asian regions, Europe and Africa. The envisioned connectivity entails the development of various infrastructures, trade ties and cross-cultural relationships. The route known as the Silk Road starts in what was once Chang'an now known as Xi'an, traverses through the region of Xinjiang, Central Asia and West Asia and connects to the Mediterranean. It is also known as "Oasis Silk Road." The Silk Route was initially constructed during the reign of the Han Dynasty (206 BC – 220 AD).⁹ Historically, the Route served as the key source for the exchange of trade goods and cultural ideas between the East and the West for around 1500 years.¹⁰ In its current form, BRI comprises two grand networks: Silk Road Economic Belt that is composed of six land corridors and connects China with Southeast, Central and South, Russia and Europe; 21st Century Maritime Silk Road that links China with different parts of the world through sea routes.¹¹

The BRI aims to help China realize its geo-economic objectives, particularly economic growth, boost in exports of goods and services under the "Made in China 2025" initiative, and improve the development of its countryside, especially in underdeveloped regions. However, the BRI is perceived as more than merely an economic strategy for infrastructure development and regional connectivity. China is regarded as a major world power, able to shift the global power balance from the West to the East, eventually redefining the global order of the 21st century.

China's BRI aims to pursue an ambitious goal of uniting the whole world under the umbrella of a shared destiny. Around 30 institutions and 150 nations across the globe have signed the Memoranda of Understanding (MOU) with China for cooperation under BRI.¹² Overall, the

⁷ President Xi Jinping, "Speech at Opening of Belt and Road Forum," *Xinhua*, May 14, 2017, <http://www.xinhuanet.com/english/2017-05/>.

⁸ Ministry of Foreign Affairs of the People's Republic of China, "Speech by H.E. Xi Jinping, President of the People's Republic of China at Nazarbayev University, Astana," September 8, 2013.

⁹ "A Brief History of the Silk Road: Development, Significance, Travelers," Pandasilk, accessed September 6, 2023, <https://www.pandasilk.com/>.

¹⁰ "The Silk Road," *National Geographic*, www.pandasilk.com/how-long-is-the-silk-road/.

¹¹ "Belt and Road Initiative," *European Bank for Reconstruction and Development*, <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>.

¹² C. Nedopil, "Countries of the Belt and Road Initiative (BRI)," *Green Finance and Development Center*, 2022, <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>

BRI signatories account for more than 65 per cent of the population and 40 per cent of the GDP of the world.¹³ It is a testimony of the growing appeal of the mega initiative. Over the first decade of BRI (2013-23), China has signed agreements worth \$1 trillion with various BRI countries.¹² A score of nations across South Asia, Central Asia, the Middle East, Europe and Africa are growing beneficiaries of the BRI-led connectivity. In practical terms, the project will assume unprecedented enormity as it fully realises the maritime potential. China's competitors anticipate and perceive that BRI will ultimately assume geostrategic dimension when it becomes a success in establishing geoeconomic footprints in the world through land corridors and sea routes. In view of its geographical and structural expanse, the BRI carries a rhetoric that "all roads lead to Beijing."¹⁴

The perception that the BRI involves non-hegemonic win-win cooperation, makes it appealing to the participating states. It is sometimes associated with the neo-mercantilist approach. However, its characterization as a market-driven liberal economic project is a more plausible manifestation.¹⁵ However, the West often perceives the BRI is often perceived by the West as an instrument to achieve the geopolitical objectives of China. The West fears that the ultimate scheme to overthrow the current international order is concealed under China's mantras of unification, peace, trust, friendship, and win-win collaboration.¹⁵ The BRI is viewed as a fresh kind of globalization that may conflict with the US-led Western-centric international order currently prevalent in the world.¹⁶

The idea and operationalization of the BRI acquired traction under the presidency of Xi Jinping. His leadership vision encapsulates economic and political policies to make China a distinct global player. He justifies China's role as a major actor in achieving economic development and stability worldwide. The BRI is the flagship initiative to pursue these objectives as contemplated by President Xi Jinping. Generally, western countries see President Xi's policy of "more assertive China" from a critical

¹³ James McBride, Noah Berman, and Andrew Chatzky, "China's Massive Belt and Road Initiative," Council on Foreign Relations, February 2, 2023, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>.

¹² "How is the Belt and Road Initiative Advancing China's Interests?," *ChinaPower Project*, <https://chinapower.csis.org/china-belt-and-road-initiative/>.

¹⁴ Xue Gong, "The Belt and Road Initiative Is Still China's "Gala" But Without as Much Luster," *Carnegie Endowment for International Peace*, March 3, 2023, <https://carnegieendowment.org/2023/03/03>.

¹⁵ Shafi, Niaz, and Rizwan, "Neo-Mercantilism," 75.

¹⁵ Tingyang Zhao, "Rethinking Empire from a Chinese: Concept 'All-under-Heaven' (*Tian-xia*)," *Social Identities*, 12, no. 1. (January 2006):29-41.

¹⁶ Colin Mackerras, "The Belt and Road to China-based Globalization," East Asia Forum, <https://www.eastasiaforum.org/2017/08/31/>.

angle as motivated by interconnected geoeconomic and geopolitical motivations.¹⁷

An Overview of EU-China Relations

The trajectory of relations between the EU and China since the 1970s appears turbulent.¹⁶ As China began to open up to the rest of the global community in 1979, it attempted to revamp its ties with the majority of the European nations.¹⁷ The Tiananmen Square crisis in 1989 froze the relations for a short time, but the 1990s saw an enhancement in economic and political relations. EU-China ties further upgraded as China gained better integration with the global economy consequent to its accession to the World Trade Organization (WTO) in 2001. This development led to a reduction in tariff and non-tariff barriers and, hence, China's increased market access to the EU, resulting in expanded economic ties.¹⁸

China and the EU launched a "Comprehensive Strategic Partnership" in 2003 in an effort to expand their ties beyond trade and investment domains to make political and security agenda part of the relationship. The initiative, however, could not produce any noteworthy effect because of political disagreements, diverging geopolitical interests and competing conceptions of regional and world orders. The 2008 global financial crisis opened doors for the Chinese enhanced engagement in the EU's Eurozone states critically affected by the sovereign debt crisis. China helped these countries with a bail out by investing in economic sectors, assets and government bonds.¹⁹ Few European nations were compelled to trade their state assets during the financial crisis.²⁰ Notably, Greece has been selling its assets, particularly ports and airports, to foreign companies to meet debt servicing obligations. In 2009, the country had to

¹⁷ Paul Haenle, "The Belt and Road Initiative: Views from Washington, Moscow and Beijing," *Carnegie Endowment for International Peace*, April 8, 2019. <https://carnegieendowment.org/2019/04/08/>.

¹⁶ Giulia Di Donato, "China's Approach to the Belt and Road Initiative and Europe's Response: A Backgrounder," *Performance Improvement Journal* 59, no.8 (2020).

¹⁷ Jonathan Holslag, Explaining Economic Frictions Between China and the European Union, Chapter 7, in V.K. Aggarwal, S.A. Newland (eds.), Responding to China's Rise: US and EU Strategies, *The Political Economy of the Asia Pacific* 15(2015)

¹⁸ Ibid.

¹⁹ Keith B. Richburg, "China Wary of Helping Europe Weather its Debt Crisis," *The Washington Post*, February 29, 2012, <https://www.washingtonpost.com>.

²⁰ Ibid.

lease shares of its key port Piraeus to COSCO, a Chinese state-owned company, for 35 years in return for €100 million annually.²¹

The EU-China relations underwent certain issues in the period from 2008 to 2012. The markets in China were not fairly friendly to exports and investment coming from Europe. There were problems connected with the Chinese market access because of the governmental involvement in market regulations, inconsistency in legal interpretations and local market dynamics.²² In general, the EU demanded that China's economy and market change since they were based on excessively onerous and restricting regulations.²³ However, the EU did not have a consistent stance toward Beijing and its member states had varying trading relations with China. The same applies to the relationship between the EU and China in the context of BRI. In 2013, the two parties concluded the "EU-China 2020 Strategic Agenda for Cooperation" to pursue objectives pertaining to development, prosperity, peace and enhanced level of people-to-people contacts and exchanges.²⁴

Despite being strategic partners, economic, political, and strategic issues adversely affect the EU-China relationship. EU has a number of long-standing economic differences with China over issues including trade deficit, market openness, subsidies and intellectual property rights. It has imposed an arms embargo and sanctions on the country over human rights violations. Further, the two sides have diverging interests in the context of growing strategic rivalry among major powers. Still, China remains the second largest trading partner of the EU, only second to the US. In 2011, the country accounted for 8.9% of EU exports and 17.3% of its imports.²⁵ In 2022, it was the third largest destination for EU exports (9%) and the largest contributor to the EU's overall imports (20.8%).²⁶ The following detailed data shows how China's trade with the EU has experienced a boost over the years recording trade surplus in its favour.

²¹ Huang Yixuan, "China's COSCO Investment Revives Glory Days of Greek Port," *Shine*, <https://www.shine.cn/biz/economy>.

²² Yongge Niu, Lily C. Dong and Rong Chen, "Market Entry Barriers in China," *Journal of Business Research* 65, Issue 1 (2012): 68-76, <https://www.sciencedirect.com/science/>.

²³ Philippe Le Corre, "What China's Checkbook Diplomacy Means for Europe," *Politico*, December 5, 2016.

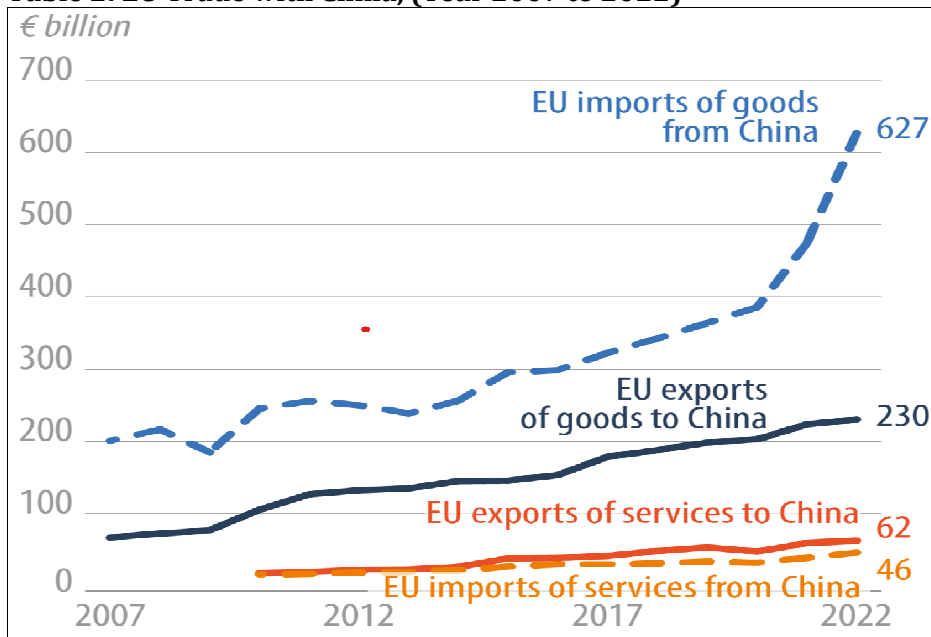
²⁴ Delegation of the European Union to China, *EU-China 2020 Strategic Agenda for Cooperation*.

²⁵ Directorate-General for External Policies, *Trade and Economic Relations with China 2013* (Brussels: European Parliament, 2013), 12.

²⁶ "China-EU - International Trade in Goods Statistics," Eurostat, <https://ec.europa.eu/eurostat/statistics-explained/index>.

Table 1: EU Trade in Goods with China, 2012-22 (€ billion)²⁷

Year	Import	Export	Balance
2012	250.1	132.2	-117.9
2013	238.9	134.7	-104.2
2014	256.5	145.1	-111.4
2015	295.9	145.6	-150.4
2016	298.9	153.4	-145.5
2017	322.8	178.8	-144
2018	342.6	187.9	-154.7
2019	363.5	198.5	-165
2020	385.1	202.8	-182.3
2021	473.8	223.5	-250.3
2022	626	230.3	-395.7

Table 2: EU Trade with China, (Year 2007 to 2022)²⁸

The above table and graph depict EU-China trade in goods and services. While the EU is slightly better positioned in terms of trade in services, China has a sharp edge over the EU in terms of trade in services. In recent years, trade balance has hugely tilted in favour of China. In 2022, China was the largest contributor to EU's overall imports. However, this

²⁷ Compiled by the authors from the data consulted from <https://ec.europa.eu/eurostat/statistics-explained/index>.

²⁸ European Parliament Report, "EU-China Trade Relations," EPRS | European Parliamentary Research Service, October 2023, <https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/>.

increase in Chinese exports is not because of the EU countries participation in BRI, it is rather an outcome of China's massive economic involvement in the EU market.²⁹ Therefore, it is reasonable to assume that the EU is more concerned about the BRI because of its normative perception regarding the political implications of BRI.

EU-China Relations in the Context of BRI

Along with Asia and Africa, the European continent remains vital for the Chinese plan for global connectivity under BRI. The Greece and Italian ports of Piraeus and Venice, respectively, are identified on official maps as the key terminal points of the mega project of BRI.³⁰ Seventeen EU member states have joined the BRI, according to the Green Finance and Development Center. Hungary was the first EU country to join BRI in 2015 while Italy became the first major EU country and the only G7 nation to sign the BRI in 2019. EU states participating in the BRI are mostly from Central and Eastern Europe (CEE) and Southern Europe. They have joined the project to meet their infrastructural needs in transport, energy and telecommunications. Their participation is also a political gesture to upgrade economic ties with China. It is widely accepted that the Great Recession pushed the European countries to join the BRI. The cash-strapped European states were compelled to privatize their national assets. China took advantage of the situation to make favourable deals.³¹

It is worth mentioning that the Chinese 16 + 1 framework, launched in 2012 to expand its economic ties with 11 CEE states and 5 Balkan countries, has a closer linkage to the BRI.

The sub-regional grouping provides a platform for China to launch its BRI deals with the member states. Under the 16+1 format, China has prioritized cooperation in three areas, including infrastructure, advanced and green technologies.³² A number of CEE states, notably Greece, Hungary and Portugal, have received prominent investment under BRI. Chinese major infrastructure projects in Europe under BRI include the Greek Piraeus port, Budapest-Belgrade railway and Belgrade-Bar motorway. The majority of shares of the Piraeus port are held by COSCO, the Chinese shipping corporation, while Hungary is among the countries that have

²⁹ Francesca Ghiretti, *The Belt and Road Initiative in the Eastern and Southern EU*, RSC Policy Paper 2021/07 (Italy: European University Institute, 2021), 2.

³⁰ European Council on Foreign Relations, *China and the Mediterranean: Open for Business?* (London: ECFR, 2017) 3, <https://ecfr.eu/publication/>.

³¹ Erik Brattberg and Etienne Soula, "Europe's Emerging Approach to China's Belt and Road Initiative," Carnegie Endowment for International Peace, October 19, 2018, <https://carnegieendowment.org/2018/10/19/>.

³² Francesca, *The Belt and Road Initiative*, 2.

received huge BRI investments.³³ Germany and France have as yet chosen not to join the BRI and expressed their concerns about the mega project with a cautious approach. Both advocate a balanced relationship between the EU and China and resist a "one-way trade road" as well as a greater role for China in the Balkan region.³⁴

In political terms, Italy presented the most important case of EU member states' participation in BRI. Following its MoU with China over BRI in March 2019 under the populist coalition government, Italy became the most important participant country in the Western world for being the third largest economy in the EU and a member of the G7. The MoU led to the conclusion of scores of commercial agreements between the parties including those on the Italian ports of Trieste and Genoa.³⁵ Previously, a Bilateral Investment Treaty (BIT), signed in 1985, governed bilateral investment relations between China and Italy. The MoU levelled the ground for increased Chinese investment and economic engagement in Italy. Given Italy's economic and political importance, the country's participation in BRI indicated the project's enhanced footprint and prospects for further expansion in the EU. On the other hand, Italy's acceptance of BRI at a time when the EU was struggling to forge a unified response to China in the midst of rising great power geopolitical tensions, provoked serious concerns on the part of the EU and the US. The EU leaders warned Italy of the consequences of joining the BRI, saying, "Don't be naive with China."³⁶ In addition, the US castigated Italy and forewarned it of the grave dangers of succumbing to the Chinese Debt Trap diplomacy, which aims to seize control of critical infrastructure.³⁷

In general, the EU's relationship with China in relation to BRI is overly influenced by incredulity, suspicion and careful approach. Preceding the EU-China summit held in July 2018, the EU diplomats in China produced a report signed by the member countries except Hungary. The report denounced the BRI as being in direct opposition to the EU policy for trade liberalization and tilting the imbalance in favour of the

³³ Henry Ridgwell, "Ten Years Old, China's 'Belt and Road' is Losing Allure in Europe," *VOA*, <https://www.voanews.com/>

³⁴ Erik Brattberg and Etienne Soula, "Europe's Emerging Approach to China's Belt and Road Initiative."

³⁵ Francesca Ghiretti, "The Belt and Road Initiative in Italy: The Ports of Genoa and Trieste," *Istituto Affari Internazionali* (2021), 1, <https://www.iai.it/sites/default/files/iaip2117.pdf>.

³⁶ Alexandra Brzozowski and Jorge Valero, "'Don't be Naive with China', EU leaders tell Italy," March 23, 2019, <https://www.euractiv.com/section/economy-jobs/news/>.

³⁷ Daniel Jativa, "*US Issues Warning to Italy on China Economic Initiative*," *Washington Examiner*, March 9, 2019; Crispian Balmer, "*Italy's Drive to Join China's Belt and Road Hits Potholes*," *Reuters*, March 15, 2019.

Chinese companies that receive the government subsidies.³⁸ Regarding China's approach towards EU, it published a policy paper in December 2018 that advocated the enhancement of trade and commerce ties with the EU by employing all existing mechanisms for collaboration between the two sides. The strategy paper welcomes the EU countries' participation in BRI and underlines that the project is based on the principles of inclusiveness and transparency.³⁹ This kind of characterization of BRI denotes Chinese response to the Western critique of the project for lacking openness and trapping the participating countries in bad loans.

EU's Concerns Vis-a-Vis China's BRI

Notwithstanding the endorsement of BRI by the CEE and Balkan states, the EU remains concerned about the project's expansion in Europe and beyond. The BRI investment in Europe, particularly the construction of ports, is seen as the 21st century model of the Maritime Silk Road aimed at providing China access to the continent's profitable markets.⁴⁰ The EU is concerned not only about its members' participation in BRI but also about the project's expansion to other world regions. Both political and economic factors account for the EU's dubious approach vis-à-vis China and its ambitious BRI.

The EU has economic and political concerns regarding the participation of its member states in BRI. Particularly, it is critical to note the ambiguity associated with the economic governance of BRI. The Union is known for promoting transparent investment, good governance and accountability in its external relations. It proactively seeks the social and environmental standards that are part of its democratic ideals and anchored in its foundation. Such values-based conditions are not attached to China's BRI. It does not require autocratic governments to alter their policies to qualify for loans and investment.⁴¹ The BRI is criticized for lacking transparency, monitoring mechanisms, bureaucratic coordination, and clearly defined set of roles and responsibilities. It is denounced for operating without a defined framework for making investment-related decisions.⁴² Therefore, the EU believes that the BRI loans incurred by its

³⁸ Giulia Di Donato, "China's Approach to the Belt and Road Initiative and Europe's Response," *ISPI (Italian Institute for International Political Studies)*, May 6, 2020, <https://www.ispionline.it/en/publication/>.

³⁹ China's Policy Paper on the European Union, 2018, <https://global.chinadaily.com.cn/a/201812/18/>.

⁴⁰ Jie Yu, "The Belt and Road Initiative: Domestic Interests, Bureaucratic Politics and the EU-China Relations," *Asia Europe Journal* 16 (2018):223-236.

⁴¹ David Hut, "Can the EU's Global Investment Scheme Rival China?" *DW*, <https://p.dw.com/p/442bG> 12/09/2021 December 9, 2021.

⁴² Jie Yu, "The Belt and Road Initiative: Domestic Interests, Bureaucratic Politics and the EU-China Relations."

current or prospective member countries with vulnerable economies, can potentially push them to unsustainable debt levels. The case of Montenegro illustrates this problem. The country sought the EU assistance to repay a \$1 billion debt to China's Export-Import Bank (EXIM) for a motorway project.⁴³

Secondly, there is an apprehension that, through BRI investment, China would ultimately gain control over the European infrastructures of strategic importance including railways, motorways, seaports and airports. Consequently, China would gain dominance in regional connectivity, giving it an influential position in regional and global trade and supply chains. Further, the Chinese investment in European infrastructures and telecommunications is associated with certain security risks such as cyber espionage.⁴⁴ French President Emmanuel Macron, expressing his fears about BRI during a visit to China in January 2018, stated that "these roads cannot be those of a new hegemony, which would transform those that they cross into vassals."⁴⁵

Thirdly, the EU opposes the BRI as its sub-regional manifestation in Europe tends to affect the political consensus within the EU, particularly over the issues pertaining to China. The EU member states beneficiaries of BRI have undermined the bloc's unity on China several times. Thanks to Hungary and Greece, the EU abstained from making a direct reference to China in its statement regarding the July 2016 decision of the Permanent Court of Arbitration over the South China Sea. In March 2017, Hungary refused to approve a joint letter about human rights violations in China. In June 2017, Greece blocked an EU declaration at the UN Human Rights Council over human rights violations on part of China. Italy abstained from the vote on the EU's 2019 regulation on foreign investment screening that indirectly aimed at targeting the Chinese FDI.⁴⁶ Likewise, EU countries are divided over curbing the Chinese 5G provider, Huawei.

Finally, the EU has voiced reservations in reaction to the increasing prominence of China on the global stage through the BRI investment. This is reflective of the western skeptical approach towards China's global outreach. In this context, EU's reaction to China's BRI is influenced by the political tensions between the US and China and the developments taking place in Asia in this connection. Given EU's alignment with the US through global partnership and NATO, the geopolitical factors and the power dynamics involving the US and China have an impact on the EU-China ties. Therefore, The EU's cautious approach towards the BRI is also due to its relational and structural partnership with the US in economic and security

⁴³ Brattberg, "Europe's Emerging Approach to China's Belt and Road Initiative."

⁴⁴ Ibid.

⁴⁵ Michel Rose, "China's new 'Silk Road' Cannot be One-way, France's Macron says," *Reuters*, January 8, 2018.

⁴⁶ Ghiretti, *The Belt and Road Initiative in the Eastern and Southern EU*, 2-3.

spheres. The European leadership has been debating an independent and more visible role in global politics in view of the changing character of the global political environment, particularly in light of the multifaceted nature of the emerging world order.⁴⁷ However, it has yet to come up with an assertive and independent stance on global issues.

EU's Response to the BRI

While the EU sceptically perceives China's BRI as a challenge, it does not have an EU-level coherent strategy that shapes its direct response to the project. This has resulted in a divided approach of EU member states to BRI. Without a unified EU strategy on BRI, China deals with EU member states at individual or sub-regional levels through consistent negotiations and interactions. One example is the 16+1 framework. The expansion of the BRI into Europe has presented the EU with a conundrum posing the challenge of maintaining a cohesive stance toward China while keeping the Eastern and Central European states from joining the BRI.

EU institutional response to BRI has evolved gradually and indirectly. Response of the EU, including its institutions and members states, has unfolded through four phases wait-and-see, participation, caution, and competition and cooperation.⁴⁸ The EU initially adopted an impassive stance when BRI was launched in 2013. EU countries' concerns began to surface with time as the BRI began to expand in scope and magnitude. The two parties launched the "EU-China Connectivity Platform" in 2015. This marked the first noteworthy response of the EU towards BRI. The platform was signed by the key representative bodies of the two sides, namely the European Commission and the National Development and Reform Commission of China (NDRC). Specifically, it aimed at enhancing mutual connectivity centered on the Trans-European Transport Network (TEN-T) and the BRI through the criteria based on transparency, reciprocity in market access, and equal opportunities for business.⁴⁹ For follow-up, both sides agreed to arrange yearly high-level meetings of officials and technical experts. Although this networking platform is still operational, it does not serve as an instrument of EU cooperation and backing towards BRI.

As China set up the Asian Infrastructure Investment Bank (AIIB) in 2015, a number of EU member states including the major ones joined it. In

⁴⁷ Mercy A. Kuo, "Assessing the EU-China-US Triangle Insights from Frans-Paul van der Putten," *The Diplomat*, November 5, 2019.

⁴⁸ Liu Zuokui, *Europe and the "Belt and Road" Initiative: Responses and Risks (2019)*, 1.

⁴⁹ European Commission, "The EU-China Connectivity Platform," https://transport.ec.europa.eu/transport-themes/international-relations/eu-china-connectivity-platform_en.

response, the EU established a Co-Investment Fund with China in 2017, which involved the European Investment Fund and the Silk Road Fund. The fund aimed at creating synergies between China's BRI and its investment programme for Europe in accordance with the "Junker Plan."⁵⁰ The plan was established in 2015 to meet the investment needs of the EU states in the wake of the Eurozone crisis. In March 2019, the EU published "a strategic outlook" that characterized China as a cooperation and negotiating partner as well as an economic competitor and systemic rival, indicating the changing dynamics of the relationship between the EU and China.⁵¹

Beyond Europe, the EU has undertaken several initiatives to compete with BRI. In September 2018, the EU unveiled a "connecting Europe and Asia Strategy" that aimed at providing an alternative to China's BRI centered approach. The strategy envisions EU-Asia connectivity through cooperation in various sectors including transport, energy and the digital economy. Further, the EU distinguishes its connectivity as sustainable, comprehensive and rules-based—the European way.⁵² These attributes set the EU strategy apart from the BRI.

As an extension of its connectivity strategy, the EU unleashed the "Global Gateway Strategy," in 2021. The strategy aims at realizing a "transformational impact" in partnership areas including digital, transport, climate and energy, education and health through a smart, clean and secure investment. It aims to make an investment of €300 billion through "Team Europe" comprising the EU, its member countries, and European financial institutions.⁵³ The Global Gateway initiative needs an assessment from another perspective. While it is lesser than BRI in terms of scope, its attached conditions may discourage countries from its membership.⁵⁴

Notwithstanding these limitations, the Global Gateway Strategy may collaborate with the US-led investment strategy, Build Back Better World (B3W). The initiative was launched by the G7 countries in June 2021, pledging a \$40 trillion investment by 2035 as an obvious alternative to the Chinese BRI. It targets investment in healthcare, gender equality, climate and digital technology, and economic connectivity. B3W distinguishes itself through transparency, high standards and multilateral

⁵⁰ Delegation of the European Union to China, *EIB Group Cooperation with China to be Strengthened with New EUR 500 Million Silk Road Fund Equity Investment Initiative*, Brussels, June, 3 2017.

⁵¹ "Joint Communication to the European Parliament, the European Council and the Council EU-China – A Strategic Outlook," JOIN/2019/5 final, <https://eur-lex.europa.eu/legal-content/EN/ALL/>.

⁵² Zuokui, *Europe and the "Belt and Road" Initiative*, 5-6.

⁵³ European Commission, "Global Gateway Review," <https://international-partnerships.ec.europa.eu/policies/global-gateway/>.

⁵⁴ Hut, "Can the EU's Global Investment Scheme Rival China?"

partnership.⁵⁵ Given that the B3W membership includes three major EU countries and bears uniformity with the EU strategy for global connectivity in terms of objectives and mechanisms, it can potentially enhance the EU's capacity and effectiveness to respond to the BRI expansion across regions. However, there is a fundamental difference between BRI and Western initiatives. BRI is already functional and much more serious undertaking in terms of commitment and investment volumes.

EU's connectivity strategies outside the EU exist in pieces and in an ad-hoc manner. It has several connectivity strategies and is part of various multilateral connectivity initiatives through its own or member states' participation. However, it lacks a coherent strategy that brings various disjointed initiatives together. Further, the EU strategies for global connectivity lack the operational details of the proposed infrastructure projects and investments. Therefore, its extra-regional response to BRI is far from having practical outcomes. However, its regional response to BRI, characterized by caution and competition, has produced positive outcomes. As a major development, Italy has withdrawn from the BRI, setting a tone for more European exits and creating challenges for further expansion of BRI in Europe. In addition, the 16+1 framework has been losing vibrancy as a platform for China's engagement with the CEE countries. While Lithuania has left it, some of its members including the Czech Republic and Poland are no longer fervent supporters.⁵⁶

To sum up, the divergence between the EU's strategic interests and member countries' corporate interests accounts for an inconsistent and paradoxical response of the EU to the Chinese BRI. Contrary to the EU's institutional and state position, European corporations have demonstrated much interest in investment and business under BRI. Some top European companies have inked BRI agreements. They are engaging in business related to infrastructure development, trade and logistics within the BRI context. While some benefit from direct participation in BRI-led business opportunities, others take advantage of the business activity enhanced by the BRI-related supply chain networks. Thus, the European corporate sector views the BRI as an important source of enhancing business opportunities and boosting the business environment. A pronounced example of European corporate engagement under the BRI is Germany's tech-giant Siemens, which has established a partnership with Chinese companies.⁵⁷ This context and the case of the European corporate interest

⁵⁵ Conor M. Savoy, "Opportunities for Increased Multilateral Engagement with B3W," *Center for Strategic and International Studies*, May 6, 2022, <https://www.csis.org/analysis/>.

⁵⁶ Ghiretti, *The Belt and Road Initiative in the Eastern and Southern EU*, 2.

⁵⁷ Dr Astrid Askala-Kuhmann, "European Responses to BRI-An Overdue Assessment," *The Horizons*, No. 14, Summer 2019.

in BRI indicate that only scepticism and criticism of BRI on the part of the EU is not sufficient. A pragmatic response should focus on improving the business environment, expanding opportunities and reducing risk factors.

Conclusion

The BRI is China's grand initiative to transform global connectivity and infrastructure across Asia, Africa and Europe. The Chinese footprint in Europe has increased through BRI-related engagement in the continent. Due to its geoeconomic manifestations and geopolitical ramifications, the project has attracted a lot of attention and criticism, notably from the West and the EU. Several economic and political factors account for the EU's concerns vis-à-vis the BRI. It is critical to note that the ambiguous economic governance of BRI is prone to adverse economic consequences for the participating EU member states. There is a perception in the EU that the BRI investment may lead to China's control over strategically important European infrastructures with economic and political repercussions. Further, Chinese engagement in CEE countries through BRI undermines EU political consensus over the issues pertaining to China. Finally, the EU is concerned about China's global assertiveness through BRI in the context of growing geopolitical tensions between the US and China.

These factors indicate that the EU does not see BRI as a liberal undertaking for regional connectivity. For lacking transparency and openness, it is viewed as contrary to Western institutionalism. Therefore, the EU is concerned about the ambiguity regarding the terms and conditions, governance and accountability of BRI. These issues may result in unsustainable debt levels on part of the participating EU countries, becoming a serious challenge for the EU's rules-based regional connectivity model in the long run. By the same token, the EU holds a perception that BRI can potentially pose a threat to the Western-led liberal world order.

EU's response to BRI has evolved through four approaches wait-and-see, participation, caution, and competition and cooperation. Over the years, it has undertaken a number of regional and global connectivity strategies to deal with the BRI expansion in Europe and other parts of the world. The regional response of the EU aims to steer China's engagement in Europe through the EU while discouraging its BRI dealings through EU member states individually or through sub-regional frameworks. Globally, the EU offers alternative connectivity strategies with distinct attributes as compared with the BRI. However, the EU's response to BRI is characterized by the lack of a coherent and comprehensive strategy. To the EU credit, BRI's further expansion in Europe faces challenges as Italy declares its withdrawal from BRI and CEE countries adopt a cautious

approach regarding their interaction with China through the 16+1 framework.

