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## ONE BELT, ONE ROAD: the Chinese Dream and its impact on Europe

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**X**i Jinping, affectionately called “Xi Dada” (Uncle Xi), is probably the most powerful and influential president to govern the People’s Republic of China since the great leader, Mao Zedong. His personal credo, the Great Renaissance of the Chinese Nation – the Chinese Dream (中国梦) has dominated his political agenda for the past three years. Since taking power in November 2012, Xi has forcefully driven a network of investments in megalomaniacal infrastructure, alluding to the old Silk Road that united Asia with Europe. The initiative, known popularly as “One Belt, One Road” (一带一路), appears to be a key instrument in achieving the Chinese Dream: restoring and legitimising the re-emergence of China as a world power and once and for all overcoming the nightmares experienced after the Opium Wars of the 19th century and their resulting humiliations by the European colonial powers.

In September 2016, in the city of Hangzhou, China will host the G20 summit for the first time. Ten days later, the largest conference of Sino-European trade relations, the

Hamburg Summit - China Meets Europe will take place in the German city. At both events, the Chinese economy and its sweeping expansion initiative, One Belt, One Road, will play a key role, placing China once more at the centre of the world’s attention and making more reference than ever to its etymological definition as “Zhong Guo” (中国), the Middle Kingdom.

**One Belt, One Road is a key instrument in achieving the Chinese Dream: restoring and legitimising the re-emergence of China as a world power.**

**The so-called “Chinese model” is presented as an alternative to the imposition of the ideals of democracy and human rights, but China underlines that its Five Principles of Peaceful Coexistence are in line with the United Nations Charter.**

**China, from various points of view, is a powder keg about to explode: the country faces growing domestic pressures due to the slowing of economic growth.**

**Chinese investment raises fears about the implications for European countries’ national security and concerns about China’s compliance with the applicable EU regulations.**

**Despite the trade and diplomatic profile that the Chinese government conveys with its One Belt, One Road initiative, its strategic military presence in the Mediterranean, closely watched by the US, should also be noted by the EU.**

**The Chinese injection of up to €10bn into the European Fund for Strategic Investment makes China the largest investor in the so-called Juncker Plan.**

From the first mention of One Belt, One Road in September 2013 at Nazarbayev University in Kazakhstan, Xi has left the whole world fascinated and on occasions fearful of the possible consequences of his strategic vision: What values and principles does this new diplomatic policy of Chinese soft power uphold, and are they compatible with our European values? What geostrategic reflections are hidden behind the initiative? Are the new financial structures and entities created by China meant to replace the Western-dominated institutions? What opportunities and risks does the new Silk Road present to Europe? Is there a coherent and united European policy as a reaction to China’s new influence on the continent?

## “Lean, clean and green”: A Chinese project with European values?

How exactly is the One Belt, One Road initiative defined? In recent years, events and conferences investigating the issue have proliferated around the world, and in China dozens of dedicated institutes have also been created. What is certain is that it is less an institution with clearly defined rules, and more like a *strategic vision*: it alludes to the ancient Silk Road, the commercial and cultural link between east and west for more than two thousand years. The “new 21st century Silk Road” represents a network of connectivity made up of sea and land corridors between China, Eurasia, the Middle East, Europe and Africa. As such, the route unites continents, oceans, regions, countries, cities, international and regional organisations, financial institutions, new and already existing multilateral and bilateral treaties, and goes beyond national borders and geographical delimitations. It proposes multiple sectors of cooperation that centre above all on investment and the construction of a network of infrastructure and trade through these. Similarly, it also takes in the fields of finance, R+D, medicine, science and technology, cultural and academic exchange, and dialogue between political parties, parliaments and NGOs, among others.

Evoking the historical framework of harmonious coexistence and mutual cultural enrichment, the Chinese governing party defines the “Five Principles of Peaceful Coexistence”

as fundamental values of One Belt, One Road: (1) mutual respect for each other’s sovereignty and territorial integrity; (2) mutual non-aggression; (3) non-interference in each other’s internal affairs; (4) equality and mutual benefit; (5) peaceful co-existence.

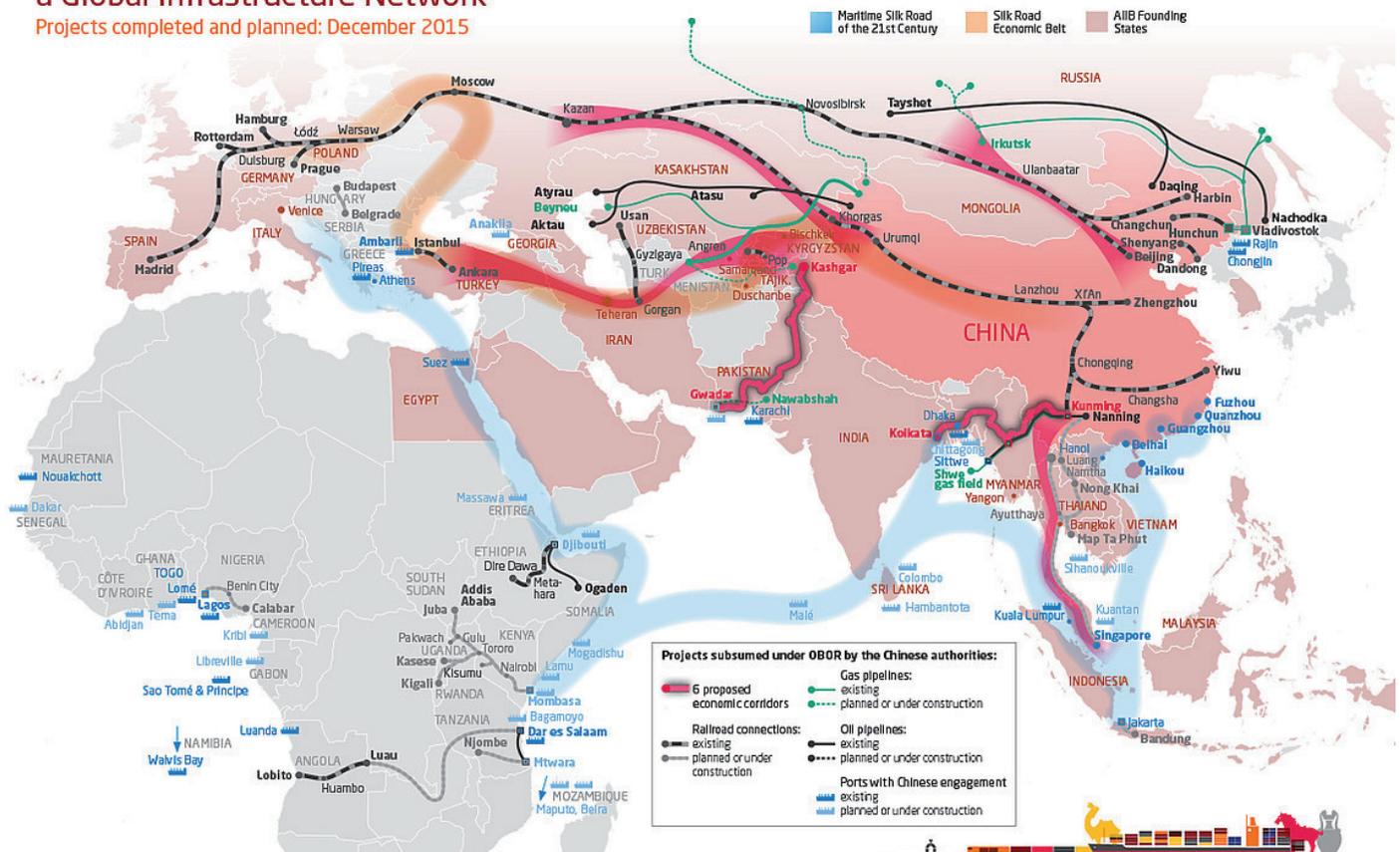
The new diplomatic language appears to be a seductive tool of Chinese soft power, exported via the routes of trade and diplomacy that reach as far as the doors of Europe. On the one hand, the so-called “Chinese model” is presented as an alternative to the imposition of the ideals of democracy and human rights, the Western creed with strong roots in the French Revolution, whose values of “liberté, égalité, fraternité” remain today enshrined in Article 1 of the Universal Declaration of Human Rights. On the other hand, China underlines that its Five Principles of Peaceful Coexistence are precisely in line with the principles and proposals of the United Nations Charter.

What is more, China is showing its capacity to react and adapt to the great environmental challenges of the 21st century, declaring green, sustainable governance to be a primary development objective, in unison with the goals of the EU. In this way, One Belt, One Road began with slogans such as, “lean, clean and green” in the words of Jin Liqun, president of the Asian Infrastructure Investment Bank (AIIB). Likewise, on 8th April, the China Green Building Material Industry was inaugurated. During the event, the Supervisory Board Chairman of the Silk Road Fund, Yang Jun, urged Chinese

### MERICS China Mapping

## One Belt, One Road: With the Silk Road Initiative, China Aims to Build a Global Infrastructure Network

Projects completed and planned: December 2015



Source: “One Belt, One Road: The Silk Road Initiative”. MERICS China Mapping. <http://www.merics.org/en/merics-analysis/infographicchina-mapping/china-mapping.html>

businesspeople to participate in international projects of sustainable construction and finance, using ecological construction materials. He reminded them of the directives approved in the thirteenth Five-year Plan (2016-2020), which clearly highlights *green development* as one of the principal concepts of economic development. Among the decisions related to the Five-Year Plan is the decrease in CO<sub>2</sub> emissions by 18%. As a comparative figure, the fifteen members of the EU who signed the Kyoto Protocol promised to make a joint 8% reduction of greenhouse gas emissions between 1990 and 2012.

The Chinese government's new emphasis on green development could be interpreted as follows. First, restructure the Chinese economy and transform quantitative growth into qualitative, introducing social standards that produce prosperity, internal consumption and stability. Second, solve the extremely serious environmental problems that the country itself causes and suffers, which is already uninhabitable for many Chinese citizens and foreigners. Finally, confront the excess capacity produced in traditional industries such as steel and coal and diversify the economy, investing in new technologies at a global level.

### Geostrategy versus harmony

One Belt, One Road is a “the product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with an outdated Cold War mentality”. **With these words**, the Chinese foreign minister, Wang Yi, made a clear dismissal of the comparison between One Belt, One Road and the US Marshall Plan.

Nevertheless, since Deng Xiaoping put the policy of “reform and opening” in place (改革开放) at the end of the seventies, the previously reserved foreign policy has indisputably undergone an energetic transformation. The most important seal of this new direction is the Silk Road, declared to be a Chinese foreign policy priority by the leadership of the Communist Party. As such, it is not only limited to a romantic evocation of the ancient historical legacy. It contains clear strategic, economic and geopolitical calculations meant to preserve high priority national interests.<sup>1</sup>

China, from various points of view, is a powder keg about to explode: the country faces growing domestic pressures due to the slowing of economic growth, the housing bubble, the environmental and social deficiencies, the lack of profitability of state companies and the resulting mass redundancies in traditional industries. All of this pushes it to seek new engines to reactivate its economy and relieve the tensions. From the geostrategic point of view, China does not want to depend on a single point of maritime access in a context of territorial conflicts with a strong US presence (currently,

80% of Chinese energy imports pass through the Strait of Malacca). To this end, it is diversifying its trade routes and partners, opening up new consumption markets for products that have no place in the saturated domestic market. At the same time, it guarantees the supply of energy and primary materials that are indispensable to the economic and social stability of the country. Lastly, it is broadening its logistical structure and building a Sinocentric trade network. On the one hand this allows it to develop the regions in the country's interior, tackling the social conflicts and internal migrations. And on the other, China hopes to create more stability in the conflictive regions along the route (Xinjiang, Afghanistan, Pakistan), and consolidate a safe transport network that allows it to continue trading with the EU, the end destination and trading partner of greatest importance to China.

### AIIB, a \$100bn dream made reality: Is it Washington's nightmare?

When Paul Flynn, Labour politician and member of the British parliament, **compared** the United Kingdom to “a supplicant fawning spaniel that licks the hand that beats it”, he was lamenting the £40bn trade and investment treaties that China sealed with the United Kingdom at the end of last year. Six

### The Silk Road contains clear strategic, economic and geopolitical calculations meant to preserve high priority national interests.

months earlier, the UK had defied its traditional ally, the United States, by applying to become a founding member of the new Asian Infrastructure Investment Bank (AIIB), created as the financial engine of One Belt, One Road. This decisive step by London left the US as open-mouthed as the UK's EU partners and China itself. Shortly afterwards, another 16 European countries followed.

The AIIB, in operation since December 2015, and with headquarters in Beijing, has, since then, been a serious headache for the US. For the past three years, Washington has been trying to seal the negotiations with Europe on the Transatlantic Trade and Investment Partnership (TTIP), under more pressure than ever now because of the confidential information recently leaked by Greenpeace. In contrast, the European states took just a few months to unite over the AIIB, which already has 57 potential members (the US not among them). Washington sees it as a dubious financial institution that competes with the already existing multilateral development banks and puts US hegemony in jeopardy: with China as its largest shareholder (26% of voting rights), the AIIB has capital of \$100bn, equivalent to two-thirds of the Asian Development Bank's capital and half that of the World Bank. Additionally, in 2014, Beijing created the Silk Road Fund, a state investment fund with capital of \$40bn allocated for One Belt, One Road investments. China insists that these financial institutions are not meant to replace the existing ones, but to complement them and collaborate with them in a spirit of inclusion and mutual benefit.

1. Schaefer, Michael et al. “Diplomatie mit neuen Mitteln”. *Internationale Politik* 1, *Deutsche Gesellschaft fuer Auswaertige Politik* (Jan/Feb 2016), pp. 78-87.

Faced with these facts, US critics speak of “China’s European Century” and warn that as trade and investment in Europe grows, so will Chinese influence over European politics (*The Diplomat*).

## 28 entrances to Europe: ¿Divide et impera?

The EU has been criticised for its tepid reaction capacity in the face of growing Chinese foreign direct investment (FDI) in Europe. During recent years, Brussels has watched the irresistible and continual acquisition of European businesses by Chinese state and private entrepreneurs: in 2014, Chinese FDI in Europe (including Switzerland, Norway and the EU) reached a new record of \$18bn, doubling the previous year’s figure. In 2015 it reached \$23bn, according to the *Financial Times*. China invests in sectors of strategic importance, such as the nuclear and aeronautical industries, energy, automobiles, transport infrastructure, telecommunications and banking, among others. This raises fears about the implications for European countries’ national security and concerns about China’s compliance with the applicable EU regulations.

Various political analysts sound the alarm at the lack of EU

## China is tenaciously pursuing the construction of transport infrastructure between Asia and Africa that will possibly bypass Europe, which would, thus, lose its leading role in the area.

coordination when forming a joint policy to face the new changes to the international order on European soil. In an article called “China Wants to Buy Europe”, one *Bloomberg* columnist compared the Chinese government to an octopus extending its global influence in Europe. The researcher Sophie Meunier from Princeton University **warned** that the Chinese investments could become a Trojan horse, introducing Chinese policies and values into the heart of Europe.

China counters these theories by **arguing** that its One Belt, One Road initiative is a way to “inject new positive energy into world peace and development”. In practice, to carry out its One Belt, One Road megaproject, it uses bilateral cooperation mechanisms with individual countries (in the form of bilateral strategic alliances) and with select groups of countries. A crucial element is the “16+1” economic platform between China and 16 states in central and eastern Europe. Its goal is to build and modernise transport infrastructure, including motorways, railway networks, airports and maritime ports. This platform was launched much to the EU’s displeasure, which was not consulted on the matter beforehand. Brussels observes a state of dependency on the part of some of the continent’s poorest countries caused by a trade imbalance that favours China: trains arrive in Warsaw loaded with tonnes of Chinese products and return half empty. The creation of infrastructure and new centres of production and distribution of Chinese products progresses, at times, beyond the EU’s control. As a consequence, the

EU’s legislative conformity and even EU unity itself may find itself displaced.

In the main, the national interests of European countries seem to be ruled by the pure logic of economics and lack strategic vision. Thus far, they have made a common, coordinated EU policy on One Belt, One Road impossible, despite the already existing mechanisms of dialogue and cooperation like the Connectivity Platform or the joint working group made up of the European Fund for Strategic Investment (EFSI) and the Silk Road Fund. As if that were not enough, in pursuit of their national interests, European countries compete among themselves, as shown by the divisions in the European photovoltaic industry over the anti-dumping measures on Chinese solar panels, the UK’s unilateral decision to join the AIIB, and the current debate on whether or not to grant China the status of market economy. Instead of unity, Europe cuts its nose off to spite its face and, ironically, uses the “divide and conquer” strategy described by Chinese philosopher Sun Tzu 2,500 years ago on itself.

## The road towards the Mediterranean

In April 2016, just after agreeing the controversial privatisation of Piraeus port, the Greek prime minister, Alexis Tsipras, received an invitation from his Chinese counterpart to visit Beijing in June this year. The purchase of 67% of the largest Greek port by the state-controlled China Ocean Shipping Company (COSCO), for a sum of €368.5 million, brings the Silk Road to the “pearl of the Mediterranean”, as the prime minister, Li Keqiang, called it. China has committed to investing at least €350 million in the port over the next ten years, in addition to the €200 million already invested in the two container terminals operated by COSCO under a 35-year concession. The logistical centres in the port terminals facilitate the arrival and distribution of Chinese products, such as those made by Huawei and ZTE, to the rest of Europe. Also, the planned construction of a high speed train from Athens to Budapest via Skopje and Belgrade, is crucial for creating new trade links between central Europe and Asia via Greece and the Balkans.

Such injections of capital form part of the strategic framework of the One Belt, One Road initiative and are perceived as a relief for some European economies stifled by debt and stagnation, as they may bring economic growth and stability to the continent. Nevertheless, intra-European relations at political, commercial and strategic levels may change in the long term. First, Chinese investments encourage the economies of eastern Europe to shrug off their peripheral role and raise their political and commercial importance within the EU. Second, Europe’s most important ports, in Belgium, Germany and Holland, enter into competition with the port of Piraeus and raise the strategic status of Greece. Third, in the European neighbourhood, China is tenaciously pursuing the construction of transport infrastructure in the Middle East and Africa. These new trade routes between Asia and Africa will possibly bypass Europe, which would, thus,

lose its leading role in the area.<sup>2</sup> Last but not least, Greece – a key member of NATO for Europe, the US and Russia alike, thanks to its geostrategic position – offered the Chinese Navy the chance to carry out maintenance and repair of its equipment in Crete, as well as the possibility of leading joint naval patrols in the Mediterranean. Despite the trade and diplomatic profile that the Chinese government conveys with its One Belt, One Road initiative, its strategic military presence in the Mediterranean, closely watched by the US, should also be noted by the EU.

### Spain: On the side of the road?

In an **interview** given during the G20 summit in Antalya at the end of 2015, the year that marked the tenth anniversary of the Integrated Strategic Partnership between China and Spain, Xi Jinping encouraged his counterpart, Mariano Rajoy, to take full advantage of Spanish talent and technology by participating actively in the construction of One Belt, One Road. China's interest in Spain has increased steadily over the years. In 2015, Chinese investment in Spain set a record, surpassing €850 million (prior to 2010 it did not reach €10 million), making it the third largest EU country in terms of the growth of Chinese investment (*El Mundo*). The sectors that have received most capital are the telecommunications, tourism, and energy sectors, followed by the property and agro-food industries. Nevertheless, Chinese investment in Spain remains modest, if we consider that Chinese FDI reached \$116bn worldwide in 2014, according to a **study made by ESADE**. The European countries with most strategic importance to China are, primarily, the United Kingdom, Germany, France, Portugal, Greece and the countries of eastern Europe. Spain has yet to find its place.

This is also shown by the trade imbalance that exists between China and Spain. Indeed, on the map of the Silk Road, Madrid features as the final destination of the longest railway line in the world, which departs from the Chinese city of Yiwu and covers 13,000 kilometres. Since the opening of the "Yi-Xin-Ou" line (Yiwu-Xinjiang-Ouzhou (Europe), 义新欧 in its Chinese initials) in 2014, around 40 trains loaded with low-cost Chinese products have arrived at the Spanish capital. However, only eight returned to China with Spanish products, principally agro-food goods. This suggests that Madrid is not the strategic trading destination of the route. In fact, if the train didn't stop in key cities such as Warsaw, Łódź, Hamburg and Rotterdam, the route to Europe would probably be unviable.

According to Deloitte, the secondary role played by Spain in China's investment strategy is due to several factors: since the Spanish transition 120 public companies have been pri-

vatised, offering, in contrast to Portugal, scant opportunities for Chinese investors. Also, in contrast to Italy and Germany, Spain has the benefit of neither luxury brands of international renown nor a powerful industrial sector with advanced production technologies.

Lastly, the question arises of whether Spain constitutes a bridge with Latin America. It should be pointed out that China is already into the process of strengthening its influence in Latin America. In recent years, it has concluded free trade agreements with various countries and encouraged platforms of multilateral dialogue, such as the China-CELAC (Community of Latin American and Caribbean States) Cooperation Forum. Last year, China promised to invest \$250bn in the continent over the coming decade. This growing presence in a region of traditional US influence irritates the United States. Similarly, China has displaced the EU as second largest trading partner. It seems as if Spain has missed the chance to act as cultural bridge between China and Latin America: as part of the strategic vision of stretching political and commercial ties beyond the mere exploitation of natural resources, China has also committed to investing in the academic-cultural exchange with Latin America, providing thousands of grants and postgraduate programmes, and in the field of security (with Colombia the stand-out example).

## Despite growth, Chinese investment in Spain remains modest, and it does not figure among the European countries of strategic importance to China.

Therefore, the Spanish language and the traditional cultural and commercial links with Latin America are no longer an advantage. In this context, Spanish businesses are facing a fierce competitor in the region. China is making its presence felt in the civil engineering and infrastructure sector, challenging the position of Spanish companies in the market. The huge \$40bn investment in the construction of the Nicaragua canal is a clear example of the geostrategic importance of the region for China.

### Conclusions: One Belt, One Road and the start of a new international order

The international order has changed: One Belt, One Road, which, in a paternalist embrace takes in almost all European countries, is presented as the Chinese alternative to the Western model that dominated the world until now. The USA has been replaced as the world's leading economy and is losing its political hegemony to Chinese domination. This is shown by the reaction of Washington's most loyal allies in Europe, London and Berlin, signing up to the One Belt, One Road initiative without great hesitation and despite strong US opposition.

By contrast, Sino-European relations are not dominated by geostrategic or ideological rivalries, a fundamental premise for establishing mutually beneficial cooperation: China proposes to create, alongside Europe, a new international economic and financial order (*Xinhua*). The most notable mile-

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2.. Van der Putten, Frans-Paul and Meijnders, Minke. *China, Europe and the Maritime Silk Road*. Clingendael, Netherlands Institute of International Relations (March 2015). <http://www.clingendael.nl/sites/default/files/China%20Europe%20and%20the%20Maritime%20Silk%20Road.pdf>

stone in this close collaboration is the Chinese injection of up to €10bn into the EFSI, a decision agreed between Beijing and Brussels in April 2016, making China the largest investor in the so-called Juncker Plan. Together, they can generate economic growth and job creation, building and modernising infrastructure networks that improve intra-European connectivity. This could facilitate European products and services being exported to new markets and improve their entry conditions to the Chinese market itself. Europe could benefit from better connections with other regions that have thus far been unreachable to its companies, diversifying its energy supply. Beyond the field of trade, Europe and China have proposed to strengthen their collaboration agenda in terms of international relations, security and international challenges (EU-China Strategic Agenda 2020). It is in the hands of Brussels and Beijing to give the mentioned dialogue platforms practical utility. It is worth remembering that the EU and China share an interest in the stability of the regions to the east and south of Europe, whose wars and terrorist threats imperil European stability and security.

Faced with these changes to the international order, the EU must meet its partner at the same level, keeping several relevant factors in mind. First, by making use of its key role as

**Instead of unity, Europe cuts its nose off to spite its face and uses the “divide and conquer” strategy described by Chinese philosopher Sun Tzu 2,500 years ago on itself.**

a strategic distribution centre, without staying on the margins of the commercial route towards other regions. Second, by learning how to compete with its own products in equal conditions, avoiding trade imbalances with China. Third, by calibrating the implications for European security and independence of Chinese investment in strategic sectors. Fourth, by fomenting the creation and preservation of jobs in Europe following the acquisitions by Chinese companies. Lastly, One Belt, One Road is an enormous opportunity for China to familiarise itself with the EU regulations in terms of competition, intellectual property, data protection, labour rights, health, food security, consumer protection and the environment. Specifically, this adaptation could turn out to be beneficial for China itself, which uses the European model of social democracy and the welfare state as an example when seeking to fulfil the Chinese Dream of a great nation blessed with stability, prosperity and harmony.