



The Possible Choices of EU-China Cooperation under BRI

LI Miaoyan

Postdoctor, Chinese Academy of Fiscal Sciences,

(Room 1716 ,Xinzhi Building , Fucheng Road, No.28 Haidian District, Beijing,China, limiaoyan2012@126.com)

Abstract “One Belt and One Road” Initiative is aimed to create a new pattern of international economic growth with a roadmap that avoid to conflict with the existing trade division geographically. To break out the construction-destruction vicious historical cycle, the Silk Road map seeks to overcome global economic recession by helping the less developed economies so as to bridge the gap between the rich and poor and thus meet the potential demand. However, Chinese President Xi Jinping elaborated what had inspired him to come up with “One Belt and One Road” Initiative is to galvanize global cooperation and it is open to all. That means all the economies including the EU countries are not excluded of Belt and Road strategy but there is not a clear way for future cooperation.

This paper aims to put forward the suggestions of possible cooperation route between EU and China in the near future based on the world historical reflection, illustrating the historical significant background, guiding philosophy and goals as well as specific projects of “One Belt and One Road” Initiative. Then this paper points out cooperation path from three levels, namely, policy making, projects and implementation levels.

Key words “One Belt and One Road” Initiative; EU-China cooperation; Historical Significant Background;

1. INTRODUCTION

The Silk Road Economic Belt and the 21st-century Maritime Silk Road, also known as the Belt and Road Initiative (B&R) and The Belt and Road (B&R), is a development strategy proposed by Chinese President Xi Jinping that focuses on connectivity and cooperation between Eurasian countries, primarily the People's Republic of China, the land-based "Silk Road Economic Belt" (SREB) and the oceangoing "Maritime Silk Road" (MSR).^[1]

The reason why Chinese President Xi Jinping launched “One Belt and One Road” Initiative varies from different experts outside China. Someone gives it strong stance on national security, regarding it as economic initiative but with military intention(Franklin Allen,2017). Someone views “One Belt and One Road” Initiative as a strategy needed to support China growing economic might(Kuijs,2017). Many are still wonder the exact meaning and purpose of “One Belt and One Road” Initiative.

However, many others feel positive to the “One Belt and One Road” Initiative. The officials from Kazakhstan, Singapore, Estonia, Latvia and Tajikistan asserted that “Belt and Road” Initiative would bring new opportunities to both silk road countries and those countries who

catch the opportunity to strengthen cooperation and realize common development.^[2] As a visiting scholar of China Studies at Johns Hopkins School of Advanced International Studies in Washington put it, the significance of “One Belt and One Road” Initiative underrated in the U.S. and in the West is concerned by many people. It is a very positive initiative and a major vision of how China can collaborate with countries in its neighborhood, Europe, Latin America and Africa in a way that is in the long-term interest of China and the global economy (Pieter Bottelier ,2017).^[3]

The above are positive aspects of cooperation, but we still think it necessary to clarify the purpose of “Belt and Road” Initiative beforehand to get the common background of understanding.

2. The Historical Significant Background of “One Belt and One Road” Initiative

^[2] Xinhua(2016): "One Belt One Road" to bring new opportunities to silk road countries, , available at: http://news.xinhuanet.com/english/2016-OBORinitiative05/26/c_135388409.htm, (accessed: 26 May2016)

^[3] University of Pennsylvania(2017),Where Will China's 'One Belt, One Road' Initiative Lead? , available at: <http://knowledge.wharton.upenn.edu/article/can-chinas-one-belt-one-road-initiative-match-the-hype/>, (accessed: Mar 22, 2017)

^[1] Belt and Road Initiative : https://en.wikipedia.org/wiki/Belt_and_Road_Initiative

It is necessary to learn from the past and then look into future. Therefore this part will be developed from historical retrospection to political and economic perspective to expound the significance of “One Belt and One Road” Initiative.

2.1 The Historical Reflecting Background of “One Belt and One Road” Initiative

The first world war and second world war brought great tragedy to the human being which left us great room for introspection. Some long-term causes of World War II are found in the conditions preceding World War I and seen as common for both World Wars. The economic reasons especially the international relationship outweigh all. From my point of view, the second world war closed related to international resource allocation. During the great depression, the breakdown of financing system failed domestic resource allocation thus produced relative overproduction, which cannot meet the demand of the poor and lead to the difficulty of economic recycling. The great depression brought economic crisis and social chaos, with the underlined political causes, such as Italian fascism in the 1920s, Japanese militarism and invasions of China in the 1930s, and especially the political takeover in 1933 of Germany by Hitler and his Nazi Party and its aggressive foreign policy before the crisis broke out. The hard core of war is to enlarge market and compete for resource to get rid of the unsolved supply-demand crisis. Once the welfare system cannot impartially allocate the resource evenly over the world, the gap between the poor and rich enlarged, which in turn break out the existing allocation system and bring about extreme actions taking the forms of conflict, fighting and war. The common thought, that by destroying the political and economic existing sequence there came the new room for development, took history to the construction-destruction logic. People in chaos cannot seek the potential opportunity for development but to struggle for the equal pay in the existing social and economic structure which lead to the overwhelming destroy power in politics. The destroying power then takes the form of struggling for the existing market rather than exploring potential area. Since exploring the market demands investment and brings about risks outside, many countries with instinctive impulse would rather conservatively guarding the trading share internationally in downturn economic situation. If the notion of development goes like that without change, there will not be a new willing for cooperation in hard economic cycle but for the terrorism, separatism and extremism in despair.

In a word, war means destroy, break, block, disconnect and anti-cooperation. These only can be hampered by a new form of international cooperation mode.

2.2 The Political Background of “One Belt and One Road” Initiative

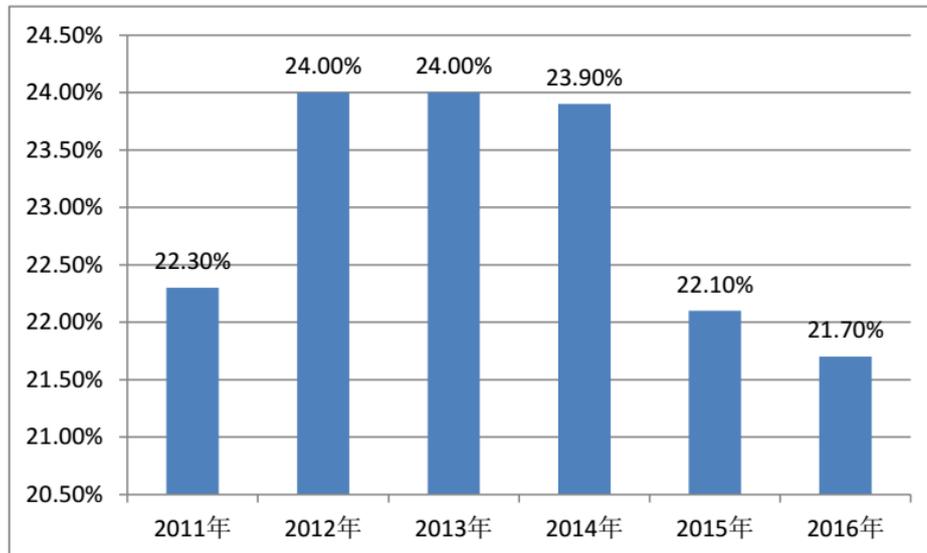
Chinese President Xi Jinping launched the OBOR initiative in 2013, two years after then-U.S. President Barack Obama initiated the Trans-Pacific Partnership (TPP) trading bloc across the Pacific region. Obama successor Donald Trump has carried out his pledge to withdraw from the TPP.[4] In 2016, the trend of Global trade protectionism and counter globalization began even worse. In the group of twenty (G20) finance ministers meeting, the new U.S. government declared veto resistance against Mr. Bush in his communique that he supported free trade; the Trump administration also formally introduced plans to renegotiate the NAFTA. In March 29, 2017, the British government triggered the “Treaty of Lisbon”(fiftieth version), formally launched a European process to break the tie with the European Union. This marks a major blow to the European integration process. The core of the policies of the far right parties in Europe is "against the EU integration process". While the “One Belt and One Road” Initiative aims to uphold free trade and helps to the integration process of Europe.

2.3 The Economic Background of “One Belt and One Road” Initiative

“One Belt and One Road” Initiative has been offered as an innovative mode of cooperation in global governance against the backdrop of a worsening economic situation and simmering geopolitical problems worldwide. China's foreign exports are subject to more severe challenges following eight years of slow recovery since the financial crisis of 2008, which witnessed the failure of “neo-liberalism” and its infamous economic reform recipe “Washington Consensus”. Since 2014, China's import and export trade has seen a remarkable decline, with imports and exports falling by 6.8% in 2016 compared with 2015, the export amount alone declined by 7.7%. With the aim to release the downturn trade pressure, China wants to explore the potential growth area globally. It is estimated that, as showed in bar-graph below of the total amount of GDP of 64 “The Belt and Road” countries is up to \$12 trillion, accounting for 16% of the world GDP. The total population of 64 “The Belt and Road” countries was added up to 3 billion 210 million, accounting for 43.4% of the global population; foreign trade amounted to 8788505 RMB Yuan. The “One Belt and One Road” Initiative has integrated a great economic resource and it has explored a new economic growth belt.

[4] *ibid*

bar-graph 1 The Belt and Road Countries Share of Global Trade



According to the Asian Development Bank, there is an annual “gap” between the supply and demand for infrastructure spending in Asia on the order of \$800 billion. Thus there is room for the “One Belt and One Road” Initiative to play a

3. THE GUIDING PHILOSOPHY AND GOALS OF “ONE BELT AND ONE ROAD” INITIATIVE

3.1 Ecological Sustainability Civilization Philosophy

“One Belt and One Road” Initiative advocates peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. In realizing the ‘five goals’ while embedded with the concept of seeking innovation, coordination, green, openness and sharing and committed to the joint efforts in process consultation and development, result sharing, equality and mutual benefit, “One Belt and One Road” Initiative prioritize the concept of ecological civilization and green development, focusing on the incorporation of eco-environment protection and socio-economic development, actively integrate the relevant strategies and plans with countries or regions along the route, strengthen policy dialogues on eco-environment protection, enrich cooperation mechanisms and exchange platforms, and promote the sharing of green development results.

“One Belt and One Road” Initiative aims to build pragmatic and efficient eco-environment protection cooperation & exchange systems, support and service platforms and industrial technological cooperation bases, formulate and execute a series of eco-environment risk prevention policies and measures and lay a solid foundation for green ‘Belt and Road’ Initiative within 3 to 5 years. Besides, “One Belt and One Road” Initiative aims to a relatively complete eco-environment protection service, support and guarantee system, implement a cohort of key eco-environment protection

constructive role in regional economic cooperation. Besides, the more sustainable and inclusive growth could help strengthen the close tie in the region and reduce the incentives and opportunities for terrorist movements.

projects and achieve favorable results within 5 to 10 years. ^[5]

3.2 Green Development Goals of “One Belt and One Road” Initiative

To 2025, Chinese government will integrate the concepts of ecological civilization and green development into Belt and Road Initiative and create a favorable pattern of well-grounded cooperation on eco-environmental protection. Focusing on six economic corridors, Chinese government will beef up cooperation platforms and personnel exchanges; formulate and implement a series of support policies and strengthen information support; foster a cluster of high-quality green brands in railway, electric power and other key areas; apply a set of green financial instruments into investment and trade projects and lead capital flow to socio-environmentally friendly industries; and establish a group of international platforms for environmental business cooperation, including industrial cooperation demonstration bases, environmental technology exchange and transfer bases, technical demonstration and promotion bases, and science and technology parks.

To 2030, Chinese government will promote cooperation on eco-environmental protection with higher standards and at deeper levels to accomplish the Sustainable Development Goals. Chinese

^[5] The Belt and Road Ecological and Environmental Cooperation Plan, available at: http://tradeinservices.mofcom.gov.cn/upload/2017/05/16/1494921532234_350643.pdf(accessed: May 2017)

government will deepen cooperation in key fields such as environmental pollution control, ecological protection, nuclear and radiation safety, and technological innovation in environmental protection; improve the comprehensive capacity in serving, supporting and guaranteeing eco-environmental protection, and build green, prosperous and friendly Belt and Road that benefit countries along the routes.

3.3 Major Projects in “One Belt and One Road” Initiative

“One Belt and One Road” Initiative looks forward to build “five connectivities” to create a community of nations with common destiny. The “five connectivities” are policy consultation, infrastructure connectivity, free trade, free circulation of local currencies and people-to-people connectivity that in sum denote “big trends” of economic globalization and socialization, information revolution and sharing economic growth.

The following total of 25 key projects are designed under the framework of the Belt and Road Initiative, which can be roughly classified in to six categories, including 6 projects for policy coordination, 4 for facilities connectivity, 3 for unimpeded trade, 2 for financial integration, 4 for people-to-people bonds and 6 for capacity building. These projects embody the “five connectivities” in detailed action plan.

Table 1 Green “One Belt and One Road” Initiative Projects

Category	No	Project
Policy coordination	1	International High-level Dialogue on Ecological and Environmental Cooperation under the Framework of the Belt and Road
	2	International Union for Green Belt and Road Development
	3	Environmental Policy and Standard Coordination and Convergence
	4	Nuclear and Radiation Safety Management Exchanges
	5	China-ASEAN Partnership on Eco-friendly Cities
	6	Exchange and Cooperation for Compliance with Environmental Conventions
Facilities connectivity	7	Study on Green Interconnection
	8	Industrial Park Sewage Treatment Demonstration
	9	Environmental Impact Assessment and Strategic Environmental Assessment in Key Areas under the Framework of the Belt and

		Road
	10	Biodiversity Conservation Corridor Demonstration
Unimpeded trade	11	Hazardous Waste Management and Import and Export Regulation Cooperation
	12	Eco-Label Mutual Recognition
	13	Green Supply Chain Management Pilot
Financial integration	14	Study on Green Investment and Financing
	15	Study on Green Belt and Road Fund
People-to-people bonds	16	Green Silk Road Envoys Program
	17	Lancang-Mekong River Environmental Cooperation Platform
	18	China-Cambodia Environmental Cooperation Base
	19	Exchange and Cooperation of Non-governmental Environmental Organizations
Capacity building	20	Platform for Belt and Road Environmental Big Data Services
	21	Eco-Environmental Monitoring and Early Warning System Development
	22	Local Cooperation on Eco-Environmental Protection
	23	Industrial and Technological Cooperation Platform for Environmental Protection
	24	The Belt and Road Environmental Technology Exchange and Transfer Center (Shenzhen)
	25	China-ASEAN Environmental Technology and Industrial Cooperation Demonstration Bases

4. THE POSSIBLE EU-CHINA COOPERATION CHOICES

China and the EU share common values: smart sustainable and inclusive growth; enlarging and deepening cooperation; the importance of networking in the framework of mutual dialogue. In fact, China has laid a solid foundation for mutual benefit.

4.1 The Previous Cooperation of EU-China Cooperation Choices

China and Central and Eastern European Countries have many cooperation practices. At present, Chinese has signed documents with 13 central and Eastern European countries to promote the "The Belt and Road" cooperation. First, trade between the two sides has developed steadily. According to Chinese statistics,

import and export trade between China and 16 central and Eastern European countries, has risen from \$43 billion 900 million in 2010 to 2016 of \$58 billion 700 million. The share of trade between the two sides in the Sino-EU trade continues to rise, accounted for 9.8% of China and European import and export trade in 2016. Second, mutual investment continues to expand. According to incomplete statistics, Chinese enterprises invest more than US \$8 billion in central and Eastern European countries. According to incomplete statistics, Chinese enterprises invest more than US \$8 billion in central and Eastern European countries. Third, cooperation in infrastructure construction has been fruitful. Chinese enterprises has completed the construction of the Serbia Belgrade bridge across The Danube, Coase Tuolaci power plant, Bosnia and Herzegovina Steiner in thermal power station, Poland city flood control project. Enthusiasm of the central and Eastern European countries to participate in the "The Belt and Road" construction is growing.

4.2 The Further Overall EU-China Cooperation Possibilities

As for EU-China overall cooperation, there are three broad levels of coordination: (1) the policy level of development aid coordination, which is about principles and standards, strategic approaches and allocation patterns; (2) the programming level, which is about approaches and strategies (such as a country specific strategy) during the aid programming phase and (3) the implementation level, which focuses on how aid is coordinated during the aid provision phase.^[6] Judging from these three levels, we put forward the following suggestions for further EU-China cooperation.

First, EU and China are building a sustainable multi financing mechanism from the policy level. The financing bottleneck is the key challenges to achieve interoperability. Financing is the important support to The Belt and Road construction. Faced with the huge development of financing needs, the Chinese government has initiated the establishment of the Asian infrastructure investment bank, the Silk Road Fund and other institutions, and deepened cooperation with other multilateral development institutions, such as the World Bank. The shape of the "One Belt and One Road" Initiative financing network has come into being. To more effectively promote the circulation of funds, finance departments of 27 countries including China, jointly approved "One Belt and One Road" Initiative financing guidelines. The EU countries who want to participate the "One Belt and One Road Initiative" should follow financing guidelines. For a long time, the formulation of the international tax rules is dominated by the developed countries. The demands of

developing countries are not fully reflected, which requires the reconstruction of the existing international tax rules. In recent years, China has actively joined the tax base erosion and profit transfer (BEPS) action plan, putting aspirations of the "One Belt and One Road Initiative" developing countries into the new international tax rules. China will resolutely safeguard the security of the national tax base and intensify efforts to combat international evasion of taxes with EU countries to create a fair and equitable international tax environment.

Second, China and EU Countries may cooperate in green PPP Projects. The public-private partnership (PPP) model is one which can be widely deployed in projects along the OBOR routes. China has laid a good foundation to the PPP cooperation.

(1)China PPP financing has a relative high starting expectation. In the top-level design of PPP, China has fully learned experience and good practices from countries that have a well-developed PPP market, and actively absorbed outcomes in terms of framework setting from international organizations including the World Bank, and Asian Development Bank etc. Based on the national conditions, China has initially built up a 3-in-1 regulatory framework that includes laws, policies and guidelines, giving full play to the function of consulting agencies, created a sound PPP policy environment and market environment, made efforts to establish a unified, well-regulated, transparent and efficient PPP market.

(2) China has a solid foundation in green financing. As for the cases, British company Gleeds has experience of PPP projects across China, some of which extend beyond Chinese borders into neighbours such as India, and then on to the Middle East, North Africa and Europe. Examples include Goodman's logistics hub at Chongqing Airport, the Mumbai International Airport metro project, a market investigation project for Dalian Wanda in India, Line 3 of the Riyadh Metro, the River Tower project in Ho Chi Minh City and the Palace of Peace project in Kazakhstan. Gleeds' role in these projects was advisory and many similar opportunities are foreseen for other UK companies as part of OBOR.

Third, China and EU may cooperate in high-tech development and evaluation system establishment.

(1)European countries may start cooperation in high-tech park with China, sharing the input-output evaluation system for high-tech. China encourage EU high-tech enterprises cooperate with Chinese enterprises so as to enhance their innovation ability. How to measure the innovation ability is a great project before Chinese government. With the help of EU enterprises, Chinese enterprises will learn to establish a market-oriented innovation system to monitor and evaluate their innovation ability.

^[6] Stephan Klingebiel,*, Mario Negrea and Pedro Morazán(2017): *Costs, Benefits and the Political Economy of Aid Coordination: The Case of the European Union*, European Journal of Development Research Vol. 29, 1, 144–159

(2) Chinese enterprises should learn from EU to develop environmental-friendly products. “One Belt and One Road” Initiative plans to encourage enterprises to develop low-carbon, energy-saving, environment-friendly materials, techniques and processes, increase reuse and reduce pollutant generation and discharge from production, service provision and product use. Chinese medium and small enterprises have little experience in eco-control, for which guidance will be needed on environmental impact assessment and environmental risk prevention by enterprises according to local requirements. The EU enterprises have abundant experience in pollution protection products and pollution treatment techniques which are useful for Chinese enterprises.

(3) China wants to cooperate with EU in terms of hi-tech management. Chinese government has provided various fiscal grant-in-aid in hi-tech innovation, but encountered with many cheat on subsidy activities. For example, the new energy automobile enterprises cheat on fiscal funds about 2 billion 300 million RMB Yuan, which has been taken back by the Ministry of Finance. How to build a scientific system to evaluate the effect of scientific subsidy is crucial to the hi-tech innovation.

5. CONCLUSION

Although the world full of uncertainty to hamper the recovery of global economy, China still searching for the possibility to avoid conflicts in trade and geopolitics. The “One Belt and One Road” Initiative is the clue for world economic development. On the basis of mutual benefit and win-win situation, China and EU can develop a multilateral mechanism for the interpretation of the new silk road through the success of the unilateral initiative.

As Hansen, a professor of history at Yale University, put it , “the silk road has changed the world a lot because people on the Silk Road spread their own cultures like exotic seeds that travel far away. “One Belt and One Road” Initiative follows the openness with China 5000 the civilization gene, continues further cooperation with European countries to make a better future while overcoming the difficulties all together.

6. REFERENCES

- [1] Belt and Road Initiative : https://en.wikipedia.org/wiki/Belt_and_Road_Initiative
- [2] Xinhua(2016): “One Belt One Road” to bring new opportunities to silk road countries, , available at: http://news.xinhuanet.com/english/2016-OBOR_initiative05/26/c_135388409.htm, (accessed: 26 May2016)
- [3] university of Pennsylvania(2017), *Where Will China’s ‘One Belt, One Road’ Initiative Lead?* , available at: <http://knowledge.wharton.upenn.edu/article/can-chinas-one-belt-one-road-initiative-match-the-hype/>, (accessed: Mar 22, 2017)
- [4] *The Belt and Road Ecological and Environmental Cooperation Plan*, available at: http://tradeinservices.mofcom.gov.cn/upload/2017/05/16/1494921532234_350643.pdf(accessed: May 2017),
- [5] Stephan Klingebiel,*, Mario Negrea and Pedro Morazán(2017): *Costs, Benefits and the Political Economy of Aid Coordination: The*