



AN INQUIRY INTO SYNERGIES AND TENSIONS BETWEEN THE EU CONNECTIVITY STRATEGY FOR ASIA AND CHINA'S BRI

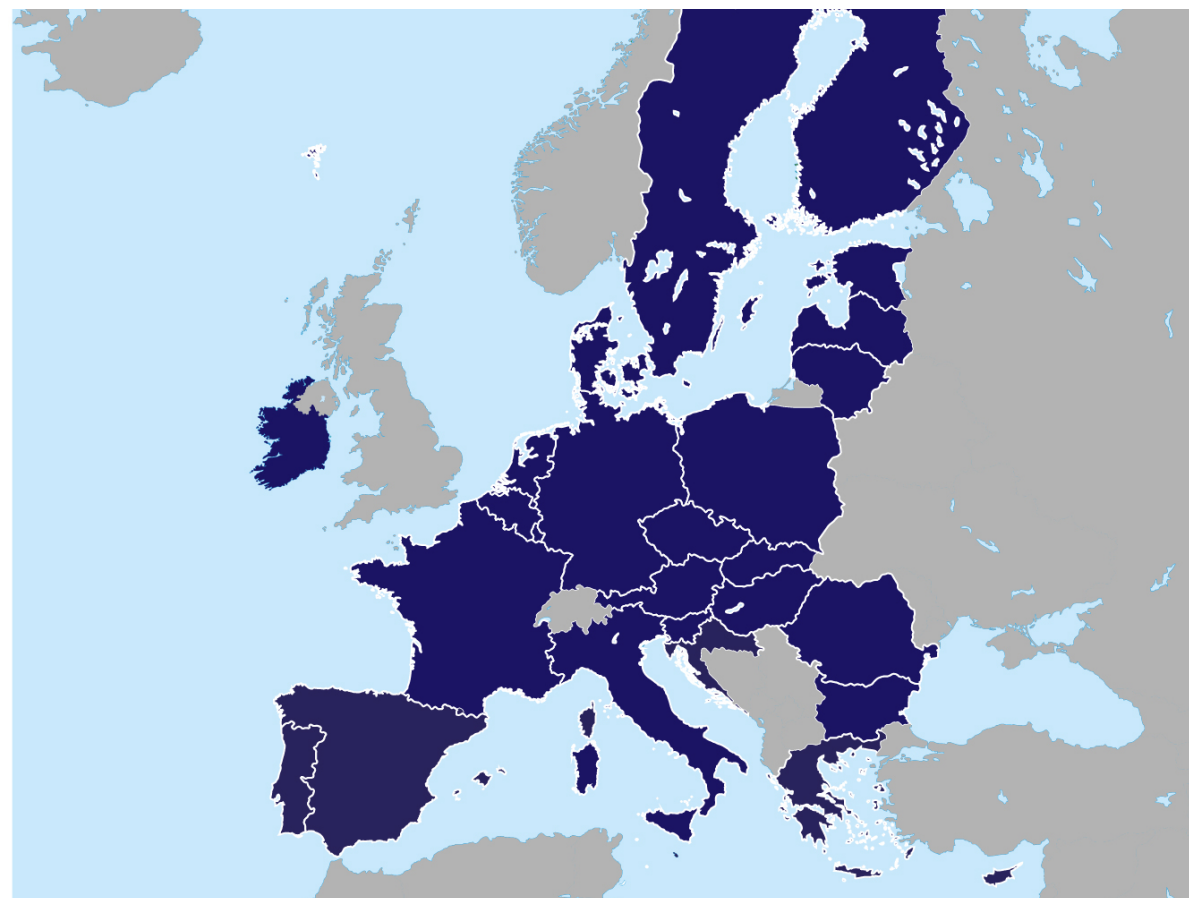
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THE BRI AND THE CONNECTIVITY STRATEGY



- China and the EU as key actors in Eurasian connectivity
- Have their own connectivity agendas with a strong demonstration effect for other countries
- Same concept, different approaches to connectivity
- Collaboration fraught with economic and geopolitical factors



AIM AND OBJECTIVE

- To identify synergies and tensions between the BRI and the Connectivity Strategy with a view to explore opportunities for collaboration

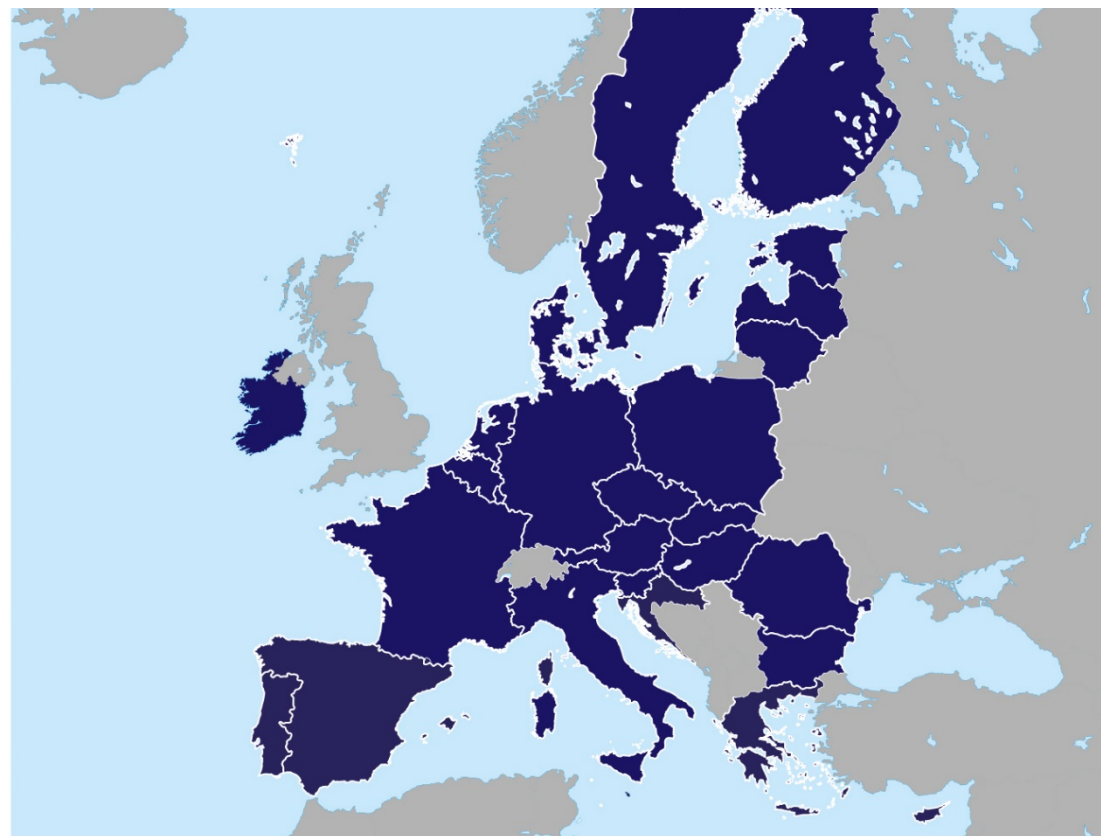
KEY OBSERVATIONS

- Behind the BRI and the Connectivity Strategy lie different principles and strategic approaches, one being predominantly state-driven and unilateral, the other one rules-based and multilateral.

CHINA AND THE EU – DIFFERENT PRIORITIES



- China wants to pivot towards Europe in an attempt to dampen the blow of strained relations with the US
- Europe wants to include China in a rules-based international framework
- China wants to secure access to resources, energy and markets to support its dual-circulation framework.
- Negotiations towards a CAI until the end of the year – different core interests



ASSESSING THE BRI



- High demand for infrastructure investment across BRI corridors.
- China investing in many countries and projects, which would not have been able to receive funding through multilateral or other bilateral partners.
- China's advantage of "vertical integration" of value chains – advantages in industrial coordination.
- Despite win-win and China's plea to multilateralism,
 - › more than 90% of companies in the BRI are Chinese
 - › Foreign companies only filling the gaps (niche technology)
 - › More than 50% of BRI financing by China's 4 largest state banks
 - › Most projects do not fulfil standards for multilateral funding (ADB, AIIB, WB)
 - › Selective or one-sided connectivity. China wants access to foreign markets and critical infrastructure, while keeping market access to its domestic tech and strategic industries either closed or highly restricted.
 - › Priority of "national security" also for economic exchanges and connectivity, international trade and technological innovation seen as a zero-sum game.

- The BRI for China is about more than connectivity, it is an overall framework for guiding economic engagement between China and other countries.
- Economic lifeline to global markets for China's dual-circulation economy, the 14th Five-year plan and beyond.
 - › Access to natural resources and energy
 - › Access to foreign markets and technologies
 - › Uphold international cooperation to achieve leadership in key industries (Made-in-China 2025)
 - › Co-defining international standards for new industries (China Standards 2030)
 - › Leveraging infrastructure projects and strategic investments to secure international trade routes

CONNECTIVITY STRATEGY



- Rules-based response to the BRI
- Focus also on soft infrastructure (international rules and norms, social and humanitarian standards, financial and environmental sustainability, alignment with multilateral platforms like ASEM)
- Addresses deficiencies of the BRI – complementarities for cooperation

THE BRI AND THE CONNECTIVITY STRATEGY IN COMPARISON



	China	EU
Strengths	<ul style="list-style-type: none"> - Comprehensive strategic vision - “Vertical integration” and full state support 	<ul style="list-style-type: none"> - rules-based and inclusive approach to connectivity
Common interests and synergies	<ul style="list-style-type: none"> - Connectivity is seen as essential public good for securing economic prosperity in the future - both China and the EU emphasize “successful experience” of own development model (state-led economic development vs. the rules-based common market and peaceful integration) - Currently limited overlap between BRI and EU Connectivity projects 	
Approaches to financing	<ul style="list-style-type: none"> - Loans by Chinese banks and state institutions 	<ul style="list-style-type: none"> - EU provides “seed funding” to help projects meet the threshold for private investment

	China	EU
Weaknesses	<ul style="list-style-type: none"> - Chinese companies are main beneficiaries - Weak international participation in BRI - Questions about debt sustainability of projects, environmental and social standards 	<ul style="list-style-type: none"> - The EU and its member states' level of political and financial commitment to the Strategy is not clear. - Weak branding - many companies and decision makers have not heard about the Strategy
Risks	<ul style="list-style-type: none"> - Unilateralism and state control risks alienating partners - Many BRI projects might not be profitable 	<ul style="list-style-type: none"> - Missed opportunities due to lack of speed and initiative. - Therefore weak signal to international partners

KEY QUESTIONS



- To what extent will the EU be able to make its rules-based response to China's economic ambition a global one?
- How will the EU deal with a selectively open and protectionist China, as well as a more inward-looking US?
- Will China be willing to transform the BRI into a multilateral initiative?

	China	EU
Suggestions	<ul style="list-style-type: none"> - Create a level playing field for international companies to participate in the BRI - Include market principles and have open, transparent tenders in BRI projects - depart from zero-sum thinking in trade and connectivity 	<ul style="list-style-type: none"> - Boost marketing of EU Connectivity Strategy, - Increase political commitment and invest a higher share of GDP in Connectivity - Promote rules-based connectivity to form a counterweight to unilateralism

CONNECTIVITY AS A COMPETITIVE FIELD



- Rules-based vs unilateral connectivity in the age of China-US geopolitical rivalry
 - › Larger, powerful countries generally favor unilateral solutions, smaller countries favor multilateralism
 - › Connectivity can create growth but also dependencies
 - › Cooperation with the BRI should be encouraged in third markets based on a level playing field, reciprocity, and transparency.
 - › Rules-based connectivity and the active promotion of clearly defined minimum standards should be a cornerstone of the EU's engagement with China.

HOW SHOULD THE EU POSITION HERSELF IN THE AGE OF CHINA-US RIVALRY



- Create alliances with countries and regions to counter big-power unilateralism
- Work towards the international endorsement of rules-based connectivity supported by international law
- Support stronger inter-European cooperation and coordination between key transport, communication and tech infrastructure providers, in order to strengthen European autonomy in critical sectors.
- Continue to better protect the EU's critical infrastructure including its digital sovereignty.



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