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Assessing the Perspectives of the EU and ASEAN on China's OBOR Initiative

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Abstract

This study discusses how China's ''One Belt, One Road" (OBOR) initiative has been received in two different regional contexts: the EU and ASEAN. President Xi Jinping's Chinese Dream involves expanding the economic and the military capabilities of China globally under the banner of the "China Goes Global" strategy. In line with this strategy, the OBOR initiative proposed by President Xi Jinping encompasses two main components: the land-based "Silk Road Economic Belt" (SREB) and the oceanic "21st Century Maritime Silk Road" (MSR). Historical records show that what became known as the Silk Road was created when Chinese emperors sought to expand their economic power to the Middle East and Central Asia. The fabled Silk Road still projects an image and impacts the world today. How, then, is China trying to extend its strategies amid global and regional uncertainty? For the completion of OBOR, cooperation and engagement with both the EU and ASEAN will be indispensable. These two regional organizations face dilemmas in dealing with China's position and intentions. ASEAN has been divided on the South China Sea dispute; the EU has been divided as regards China's OBOR. ASEAN's concerns related to political and security matters rather than economic factors, whereas the EU's concern over OBOR involves economic factors.

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Introduction

China's OBOR (''One Belt, One Road") Initiative, begun in 2013, is the largest and most ambitious agenda initiated by President Xi Jinping (China Energy Fund Committee, 2015: 5). It was launched at the right time, during a slowdown in the world economy. This initiative targets Euro-Asian and African markets which the Chinese want to support and invest in infrastructure. The aim is for China to become an economic powerhouse, with new trade opportunities. This 21st Century Silk Road is composed of two routes: the first one includes all land-based economic corridors, and is known asthe Silk Road Economic Belt. It is planned to connect Northwest China (Xi'an) to Central Asia, and then onwards to the Middle East and northeast through Europe by means of modern rail transport. The second route is based on sealanes passing through the South China Sea to the Indian Ocean and the Mediterranean Sea, and is called the Maritime Silk Road (ibid.: 9). It further aims to connect countries like Myanmar and India via rail, road, pipelines and canals,by developing deep-sea ports with Chinese support.China also intends to support its southern corridors (going through ASEAN), with similar facilities, like ports and modern railways, that can attract a market of over 600 million people. As for Central Asia, China is planning a New Euro-Asian Land Bridge, connecting Russia as well as Poland, Germany, and the Netherlands. China's strategic planning is indeed far-ranging and highly ambitious.

This study focuses on the responses of ASEAN and the EU, comparing their perspectives on China's OBOR. This study has two main parts. The first part examines the ASEAN perspective on OBOR by examining the positions of the CLMB countries: Cambodia, Laos, Myanmar and Vietnam. In the second part, the EU's perspective on OBOR will be examined and the positive and negative implications of OBOR for the EU identified. Furthermore, the potential for splitting the EU will be examined by pointing out the attitude towards OBOR of the Central and East European Countries (CEEC).

The ASEAN perspective on OBOR

ASEAN is composed of two groups: the founding members and the latecomers. The founding members are Brunei, Indonesia, Malaysia, Singapore, Thailand and the Philippines. The latecomers, also known as the CLMV (Cambodia, Laos, Myanmar and Vietnam) are China's immediate neighbors and are therefore strategically important. Cambodia and Laos seem to have responded enthusiastically to OBOR. Myanmar and Vietnam, however, find themselves in a dilemma: both have welcomed OBOR and become founding members of AIIB, but they also face issues in their relations with China.

The ASEAN member countries sometimes view China with mistrust, for several reasons. China's

exaggerated claims in the South China Sea, implementation of the Chinese Dream and modernization of the PLA towards 2050 have heightened the sense of insecurity in ASEAN members, not least because a fundamental objective of ASEAN is to keep Southeast Asia free from dominance by any internal or external power. Economically,the ASEAN countries are bound deeply together with China, but they worry about Chinese power projection Southeast Asia (Shambaugh 2013: 102).

The main objective of OBOR is to tackle socio-economic imbalances between China's flourishing coastal provinces and its less-developed western and central provinces. For OBOR to succeed, China is dependent on pragmatic implementation of the Strategic Partnership with ASEAN.

Views on OBOR differ within ASEAN. Some ASEAN scholars identify three categories of responses from individual member countries: *enthusiastic, cautiously positive and skeptical*. Cambodia, Laos and Thailand, which have strong economic ties with China, are in the 'enthusiastic' group (Chan and Li Mingjiang 2015: 21). The countries seen as 'cautiously positive' are Brunei, Indonesia, Malaysia, and Singapore, whereas the Philippines, Vietnam and Myanmar are seen as 'skeptical'. Although Myanmar has no territorial disputes with China, there are negative sentiments among the people concerning Chinese investments. The cases of Cambodia, Myanmar, and Laos illustrate the high infrastructure risk levels among ASEAN countries, as several Chinese projects were halted in the past (ibid.: 2).

ASEAN as such has been divided regarding Chinese intentions, as with the South China Sea disputes. Unlike the case of the EU, all decision-making in ASEAN takes place on a consensus basis. China hopes that ASEAN would reach consensus on engaging with OBOR. This has proven difficult, but ASEAN is trying to find out how OBOR can fit into the Master Plan of ASEAN Connectivity. The ASEAN Connectivity Coordinating Committee and its counterpart, the Chinese Working Committee of the China-ASEAN Connectivity Cooperation Committee, (CWA-CACCC) have held several meetings concerning OBOR (Zhao Hong 2016: 38).

Trust is important for the ASEAN countries in engaging with China. In the case in point, that became evident during a ten-day April 2015 study tour on OBOR, in which this author participated (with various representatives of academia, civil society, the media and political parties), on invitation from the Chinese People's Association for Peace and Disarmament in order to promote better understanding of China.[1] Some important questions were raised: Who draws up the OBOR plans? Will China discuss with ASEAN member countries in deciding how to develop OBOR? Study tour

[1]This was labelled as an ASEAN study tour; however, five member-states were not represented due to their disagreements with China over the South China Sea issue at the time of the invitation.

participants also queried the possible consequences of the OBOR initiative in dealing with environmental pollution and degradation, and the implications for daily life in local communities. Myanmar is always alert to changes and development in China that may have implications for Myanmar. Myanmar–China relations soured after Myanmar's democratization and reforms undertaken under the U Thein Sein administration in 2011. Central developments here include the suspension of China National Petroleum Corporation's (CNCP) investment in the Myitsone Dam hydropower project, local opinion on the gas pipeline project from Rakhine to Yunnan (see *Weekly Eleven 2016)*, severe environmental degradation in the copper mine project in Monywa (Walker 2014), land-grabbing in many areas of Myanmar, illegal trading of jade in Northern Kachin and the influx of ethnic Chinese into the Mandalay area (Tatlow1999). Moreover, the Railways Ministry of Myanmar cancelled the railway project linking Kunming to Myanmar's Rakhine coast in 2014, due to strategic concerns. This railway would give China access to the Indian Ocean, making it a major concern not only for Myanmar but also for India.

After the 2015 elections, China–Myanmar relations were restructured with State Counselor Daw Aung San Suu Kyi's visit to China in September 2016. This visit paved the way for signing agreements on the implementation of two infrastructure development projects worth USD 20 billion: one for electrification in Myingyan Township of Mandalay Region; the other for a highway to run from Shwe Li-Mandalay-Nay Pyi Taw-Mon State, under the framework of the Asian Infrastructure Investment Bank (AIIB). However, negative sentiments among people in Myanmar regarding major Chinese investments remain high. Even though the central government is willing to embrace OBOR, it would be difficult for Myanmar to work with China on major infrastructure connectivity projects. In response to these anxieties, the Chinese government has begun using media like Xinhua News Agency as a tool to better understand attitudes towards OBOR by compiling data, including the distribution of questionnaires on OBOR.[2]

In Southeast Asia, Vietnam is the first in line, functioning as a gateway for the Maritime Silk Road. Many officials and analysts in Vietnam hold that accepting China's Maritime Silk Road initiative would reduce Vietnam's territorial tensions with China in South China Sea (Chan and Mingjiang 2015: 2). In addition, because Vietnam needs to upgrade its seaports, land and rail links as connectivity to ASEAN, OBOR is seen as an opportunity to support Vietnam's economic development and integration within the ASEAN Economic Community (*Workshop on CLMV Connectivity* 2016: 26).

[2] Questionnaires were sent to this author by Xing Hua News Agency

However, in Vietnam there are similar concerns as in Myanmar, relating to issues like the influx of Chinese goods, Chinese immigrants along the border, and natural resource extraction from incoming Chinese investments. Also the Vietnamese have problems with public opinion towards Chinese companies, workers and their treatment of local communities. When Jason Morris-Jung, a visiting fellow at ISEAS, did field research on the Chinese–Vietnamese mineral sector partnership in a remote region of northern Vietnam,he found a lack of transparency and regulation from the Chinese side operating in the mineral sector in Vietnam, and that the influx of Chinese workers gave rise to anti-Chinese sentiments (Morris-Jung 2015:1). In addition, Vietnam might worry about the changing diplomacy of the Philippines, whose relations with the USAare becoming strained as relations with China improve correspondingly.

Unlike Myanmar and Vietnam, neither Laos nor Cambodia has territorial disputes with China; indeed, both countries have strong economic ties that have benefited their trade and investment. When, as non-claimant state to the South China Sea, Laos chaired the ASEAN Summit in 2016, it allowed no opportunities for the South China Sea issue to be raised at the Summit. Cambodia has been the most China-friendly country in ASEAN, especially after it chaired the 2012 ASEAN Summit and averted the release of a joint communiqué on the South China Sea (Hunt 2012). Connectivity under OBOR can increase the connectivity of landlocked Laos, which would boost the country's economy and tourism. Both Laos and Cambodia are positive towards Belt and Road (BRI) initiative but on the other hand, they are concerned about financing as it is still unclear how infrastructure projects will be funded – by bilateral means, or within the framework of the Asian Infrastructure Investment Bank (Workshop 2016: 17).

Stances towards OBOR among the ASEAN member-states can be divided into four categories: 1) countries that are willing to engage with China; 2) countries that have already engaged with China to implement OBOR, 3) countries that are reluctant to engage with China; and 4) countries that have been waiting, studying and monitoring developments related to OBOR. Although the CLMV welcome and support OBOR, concerns remain about China and whether it is using OBOR as a vehicle for other purposes, and employing a carrot-and-stick approach to cajole neighboring countries into going along with OBOR. The workshop hosted by Myanmar ISIS issued a recommendation to establish a multilateral mechanism among the CLMV to overcome the asymmetric relationship between China and these four states (Workshop 2016: 21). Although most of the CLMVs have no option for maneuvering as regards OBOR, Myanmar has geostrategic advantages which could enable it to play an active diplomatic role.

EU perspectives on OBOR

Although the EU is located much further away from China, individual EU member-states have divergent interests in dealing with China, just as the ASEAN states do. As China is the EU's second largest trading partner, the EU pays attention to China and OBOR. For example, both sides includedOBOR on the agenda at the 2015 EU–China Summit in Brussels (EU–China Summit Joint Statement 2015).

Since the 2008 financial crisis, China has been attempting to help revive the world economy, a point crucial for its own export-driven economy. While some EU members and the USA have been interfering in domestic matters in the Middle East at high economic, military and political cost, China has been moving forward with its own Chinese Dream. Now, the EU faced with Brexit, as well as the impact of the war in Syria and the refugee crisis, China is elaborating OBOR.

When President Xi Jinping came to power, he introduced a new Chinese foreign policy agenda focused on four pillars: relations with major powers, neighborhood diplomacy, relations with developing countries, and multilateral diplomacy. China started to promote OBOR among the EU member-states by frequently conducting workshops and seminars like the Silk Road Forum throughout Europe: Turkey in 2014, Spain in 2015, then Poland in 2016. The main purpose of these events was to promote trade and investment by Chinese businesses.[3]

For the EU, there are advantages and disadvantages in engaging with OBOR. The advantages can be achieved through the EU-China Connectivity Platform, initiated in September 2015. EU connectivity initiatives such as the Trans-European Transport Network policy can be partly achieved in conjunction with OBOR. The EU's Juncker Plan[4] aims to relaunch European growth, in part by building transport infrastructure. It would represent an opportunity for both the EU and China if the Chinese Silk Fund and the Juncker Plan could be accommodated together.[5]

On the other hand, there remain several constraints for the EU. One concerns the differing responses to China's OBOR among EU members in terms ofthe EU Common Foreign and Security Policy (CFSP), which represent a possible threat to intra-EU cohesion. Critics of OBOR have held that China practices a divide-and-rule strategy among EU members, exemplified by China's preemptive strategy in the 16+1 format (comprising 11 Central and Eastern European EUmember-states, five

[3] Silk Road Forum 2015 hosted by Center for International Relations and Sustainable Development, Madrid, Spain, attended by author

[4] Jean-Claude Juncker has been President of the European Commission, the executive branch of the EU, since 2014.

[5] Interview with Liliana Silvia Strugariu, China, Hong Kong, Macao, Taiwan and Mongolia Division, 10-11-2016 at European External Action Service

Western Balkan countries, and China)[6] set up in 2012. There is the potential threat of the EU becoming split over the issue of Chinese foreign direct investment, with some welcoming Chinese investmentswhile others are more hesitant (van der Putten and Verlare 2015: 2).

Divergent policies could also be observed when China announced the Asian Infrastructure Investment Bank (AIIB), which was designed to be a lending institution to developing states. The UK's accession to the AIIB in 2015, followed by some other EU members, was highly unpopular in the USA, which is the major trading partner of the EU (Lanteigne 2016: 93).

A second constraint concerns economic factors and implications, such as trade imbalance, international standardization of Chinese products, and dumping of Chinese steel products. The EU might be apprehensive about the potential use of Chinese Commercial Diplomacy as a diplomatic tool to influence government policy in trade and investment (ibid.: 63).

A third possible constraint might be related other issues such as sustainable development in the context of OBOR. Reflecting this concern, UNIDO headquarters in Vienna hosted a workshop on OBOR, "Inclusive and Sustainable City Exhibition and Dialogue", October 17–21,2016. The main intention was to facilitate cooperation among countries along the Silk Road and the Maritime Silk Road with regard to aspects such as green industrial development. The EU will remain cautious of Chinese strategies by looking to other countries, and seeing how people react to Chinese investments that might lead to elite–society conflict. While the political elite is willing to accept such loans and investments, many ordinary citizens are apprehensive that the result will be loss of national sovereignty and jobs (Aris2016: 3).

Already before the OBOR was initiated, China had established policy coordination mechanisms with some countries among the older EU member-states: we may note the China–Germany high-level financial dialogue, the China–France economic and financial dialogue, the China–UK economic and financial dialogue, and the China–Italy economic cooperation mixed committee. The new EU members from Central and Eastern Europe(CEECs) have developed closer relations with China in the context of 16+1 framework, established when Chinese Premier Weng Jiabio visited Poland in 2012 (Kong Tianping 2015).

Although the CEECs joined the EU with great expectations, in recent years the picture has become increasingly lackluster, with the CEECs hard hit by the global financial crisis and the debt crisis in Europe. The connectivity brought by OBOR could diversify the international economic

[6]Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, and Macedonia, plus China.

relations of these countries, reducing their dependence on the EU. Therefore, they see the Chinese "Go Global Strategy" as an opportunity for their economies to recover. Among the CEECs, Hungary was the first EU member-state to sign a bilateral memorandum on the upgrading of the rail link between Budapest and Belgrade in Serbia. The plan is to extend this to the Greek port of Piraeus. Serbia and Hungary have been working together to become the two Central European countries with the largest share of China's trade to Europe.

Why are these countries working closely with China? One reason is related to the EU's implementation of a Core Network known as the "Corridor Approach." There are nine economic corridors that stretch from the EU's borders in the east to the ports in the west, from the North and Baltic Seas to the Mediterranean Sea, and from the Atlantic Ocean to Central Europe. Amongthe missing links is precisely the Budapest–Serbia rail link, which can be financed by the Chinese. A further motivation for the CEECs is to balance the major powers (the EU, China and Russia) in the region. Here it can be noted that Hungarians take a positive view of Chinese cultural cooperation, as ethnic Chinese have won prizes in Hungarian language contests.[7]

The ties between Greece and China can be traced back to the Greek debt crisis, when Chinaheld onto the country's bonds. In return, China's COSCO and China Shipping won a 35-year concession for the major Greek port of Piraeus (Lanteigne 2016: 186). Older EU member-states with important ports, like Belgium, Germany, and the Netherlands,might see this as a threat to their own economic interests. To avoid such developments, the EU would like to develop a comprehensive and cohesive response to OBOR –but Beijing has ignored the EU's position on this matter. Furthermore, China's recent bilateral approach to the CEECshas become a divisive factor within the EU.

Conclusions

There are similarities and differences between the perspectives of ASEAN and the EU on OBOR. From the EU point of view, the main concern is economic rather than strategic and political, due to the remoteness of China. Although the EU as a whole sees China as threat to intra-EU cohesion, the CEECs view China as an opportunity for them to balance the major powers in the region. The lack of consistency in EU guiding policy became a factor favorable for China in engaging with the various EU member-states, and also paved the way for China to maneuver in its bilateral approach with EU member-states.

Even though ASEAN and the EU are two very different organizations, there are striking

[7]Interview with Professor Peter Balaz, Director of Center for EU Enlargement Studies at the Central European University,Budapest, November 14, 2016.

similarities between their perspectives on OBOR, and on China's divide-and-rule strategy towards them. Myanmar and Hungary, as latecomers to ASEAN and the EU, respectively, have similar foreign policy outlooks on balancing the major powers in order to avoid overdependence on one powerful country.

The views of the ASEAN member-states on China combine suspicion with some cautious optimism. Threat perceptionsof ASEAN's members have always been influenced by the historical, geographical and cultural factors of China. Although the OBOR connectivity plan may appear positive, anxieties among some ASEAN member-statesremain concerning China's carrot-and-stick approach. During the Cold War period, Southeast Asia was drawn into the competition between the USSR and the USA, at immense cost. Now in the 21st century, there is power competition between the USA and China, and the Southeast Asian countries may be seen as lying within the US orbit. If the Chinese OBOR strategy is meant as China's pivot to the West, then the ASEAN member-states, CLMV in particular, will find themselves drawn into a game of great-power competition.

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