



Following the Forum

China's Belt and Road Initiative and the EU

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- The Belt and Road Forum elicited eight pages of Belt and Road Initiative (BRI) agreements, but few specifics on projects, suggesting that before new concrete cooperation is realized, strategic messaging will be key.
- To control the narrative and challenges, Chinese security firms, government bodies and institutes are mapping security risks like corruption, protests and migration, but offering little if any access to external participation in this process, indicating concerns over sensitivity and the level of confidence.
- Chinese lobbying has intensified through former European officials, as well as businesses and think tanks, arguing for a new world order of stable authoritarian development and positioning China as a champion of globalization, in spite of its largely closed domestic market.
- China's stance on non-interference is shifting, in part through its military and private security firms in Pakistan, Turkey, Mozambique, Cambodia, Malaysia and Thailand, which seek to cover an estimated 50 countries along the BRI.
- European business unions, such as the Association of European Chambers of Commerce and Industry, Federation of German Industries, International Council of Swedish Industry, as well as organisations like the Border Management Staff College of the Organization for Security and Co-operation in Europe (OSCE) could be better leveraged to provide insights based on China's experiences on the ground.

Foreword

The Belt and Road Initiative (BRI) is an ambitious foreign policy initiative of the President Xi Jinping administration which intends to reactivate the legendary Silk Roads with new hard, soft and digital infrastructure; better trade policy coordination among participating states; financial cooperation; and multilateral institutions that facilitate transit of goods, energy and people.

The BRI—which consists of the land-based Silk Road Economic Belt (hereafter the Belt), and the sea-based 21st Century Maritime Silk Road (hereafter the Road)—is a long-integration and cooperation vision for the Eurasian continent and beyond. For the European Union (EU), the Belt offers economic opportunities as well as possible avenues for further economic and security cooperation with China and other states along the Belt in, among other (sub)regions, Central and South Asia. At the same time, given the precarious security situation in a number of states along the Belt and the competing objectives of regional powers at times, the Belt could be confronted by domestic and geopolitical challenges, and in turn exacerbate some of these.

Analyses of the security dimensions of the Belt are so far limited in political and academic discourse, as most of it has focused on its economic implications. To address this gap in research, the Stockholm International Peace Research Institute (SIPRI) and Friedrich-Ebert-Stiftung (FES) have launched a project to explore the security implications of the Belt, and possible avenues for security cooperation between the EU and China in two integral Belt regions, Central and South Asia. To this end, a series of track 1.5 workshops and many additional interviews took place in Asia and Europe over the course of 2016. In Spring 2017, FES and SIPRI co-hosted a Re-thinking Asia Forum at the “Evangelische Academy Tutzing” in Germany. On the occasion of the Forum, FES and SIPRI launched their

joint report titled “Silk Road Economic Belt: Considering Security Implications and EU-China Cooperation Prospects.” The outcome of a one-year project by FES, the report examines the impact of the “Belt” on local and regional security and political dynamics in Central and South Asia, and its interactions with EU interests in the region. Attendees included representatives from the European External Action Service, the Conference on Interaction and Confidence-Building Measures in Asia, and the EU’s Special Representative to Central Asia, as well as senior officials, scholars, experts and civil society organizations from China, Pakistan, Afghanistan, India, Kazakhstan, and Kyrgyzstan.

Building on a number of recommendations that the SIPRI-FES report has put forward for EU policymakers to consider, we explored additional cooperation avenues through which China, the EU, and local states could pursue mutual benefit, common development, and shared security. These recommendations and findings, also building on further research and interviews in Brussels, Berlin and China, are now being published in this policy brief.

I want to thank Lora Saalman, Director of SIPRI’s China and Global Security Programme, for the fruitful cooperation and for her outstanding analytical work. I also would like to express my gratitude to all interlocutors who met with us in course of this project and shared their valuable insights.

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Introduction

On 14-15 May 2017, the leaders of 29 countries and heads of 10 international organizations participated in the Belt and Road Forum in Beijing to discuss China's vision of expanding links between Asia and Europe over the land-based Silk Road Economic Belt (SREB) and the sea-based Maritime Silk Road (MSR), with a purported US\$1 trillion of infrastructure investments. While this meeting produced eight pages of agreements, these are largely aspirational in nature and merit further concrete analysis.¹

This policy brief builds on the workshops and interviews leading up to the February 2017 release of the report "The Silk Road Economic Belt: Considering Security Implications and EU-China Cooperation Prospects," by Friedrich-Ebert-Stiftung and the Stockholm International Peace Research Institute.² It is meant to provide context for European decision makers as they encounter one of China's most pervasive diplomatic and development vehicles to date, as well as some targeted suggestions on ways ahead.

Messaging

One of the key drivers behind the BRI is its narrative, which remains focused on economic aims, with often diminished emphasis on political and security considerations. Facing economic slow-down and declining investment,³ it will take China time to build up and deliver on a new set of BRI projects. In the time to the next Belt and Forum in 2019, China's messaging will only increase in importance, as it seeks to carve out a new space for the next phase of development. This explains China's efforts to re-brand and re-invigorate engagement on infrastructure, trade, financial and people-to-people connectivity following the Belt and Road Forum of 2017.⁴

As it does so, China is walking a fine line between transparency and criticism. Chinese officials and experts remain largely opposed to calling the BRI a "strategy" (战略), which has geo-political undertones. The avoidance of geo-strategic rhetoric is in part to prevent

branding of the BRI as neo-imperialist or neo-colonialist to avoid the re-emergence of criticisms that China has faced in Africa.⁵ But it is persistently difficult to isolate the initiative from strategic concerns, as indicated by protests in Kazakhstan and Sri Lanka, as well as concerns expressed in India and other countries, over Chinese military and security personnel to be deployed at ports and bases along the BRI route.

To regain control of the narrative, the Chinese government has mobilized lobbying at the domestic and international levels. At the domestic level, the Chinese government has already funded an array of BRI-related mapping projects from Chinese universities and think tanks.⁶ In fact, a director of one of the many new think tanks cropping up throughout China notes that there are only two primary arenas of Chinese government investment among domestic research institutes, namely Belt and Road research and US-China research.⁷

The 2016 and 2017 iterations of the annual political science conference hosted by Tsinghua University point to this trend, featuring a total of over 100 talks on One Belt One Road (一带一路)⁸ and nearly 20 on the Maritime Silk Road (海上丝绸之路). Among these, some panels focused specifically on the security risk assessment (安全风险评估) of these BRI projects. Notably, while one session in 2016 was open to external participation, by 2017, the entirety of these panels was closed to foreign participation and required pre-registration by Chinese participants.

This approach reveals cracks in the level of confidence and heightened sensitivities as Chinese experts expand their sphere of interest on ways to address the economic, social and security fallout from corruption, protests, labour migration and local employment, as well as from the basing of security firms and military personnel in such countries as Sri Lanka, Pakistan, Somalia, and Afghanistan.

Demonstrating the breadth of this coverage, speakers and participants on these panels hailed from several categories of institutions:

- Security firms like the Huaxin Zhongan Security Group, the Eastern Ruiyan Risk Management Company and the Intellectual Property Research Centre;

- Government and economic bodies like the One Belt One Road Security Risk Group of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the National Development Research Centre of the State Council, China International Trust Investment Corporation (CITIC) Reform and Development Foundation, Gwadar Port Planning and Construction Agency; and
- Research institutes like the Zhiyuan Strategic and Defence Research Institute's International Research Centre for Counterterrorism and Overseas Security, Shanghai Institute for International Studies, Beijing Aerospace University Strategic Research Centre, the One Belt One Road Research Institute of the Centre for China and Globalization, Wanli Chang'an Research Institute, Phoenix International Think Tank, Pangea Think Tank Academic Committee of the International Relations and Public Affairs College of Shanghai Foreign Language University, the Maritime Silk Road Institute at Huaqiao University and the One Belt One Road Strategic Research Institute of Tsinghua University.

At the international level, Europe also increasingly serves as a target of BRI messaging. This is occurring at all levels of society. China has seemingly engaged former European officials, at the rank of retired prime minister and foreign minister, to conduct outreach on behalf of the BRI among European governments and businesses.⁹ European private enterprises have also been presented with reasons to tout the promise of BRI deals. While there is a strong business rationale for engaging European voices to lobby on behalf of Chinese interests, there are also political implications. Within these channels, former European officials propound the need for a pragmatic approach towards authoritarian stability and development along the route of the BRI, in light of democratic instability and uncertainty.¹⁰

Whether through retired leadership forums such as the Marco Polo Society or such think tanks as the Schiller Institute, Chinese mantras like “win-win” and a “new world order” devoid of geopolitics and Western imperialism are common throughout Europe.¹¹ Officials and experts cite Chinese president Xi Jinping's speech at the January 2017 World Economic Forum as part of China's commitment under the BRI to be a champion of globalization and free trade, even when its own

domestic market remains highly controlled regarding foreign investments, remittances and information flows. The contradictions between China's speech and practice, as well as between BRI aims and European norms, indicate the importance of the EU undertaking a sober and independent evaluation of the BRI and what it means for inclusion of European interests and values.

Mapping

Beyond messaging, China has been exporting not only capacity, but also its development model throughout its corridors into Central Asia, South East Asia, South Asia, and Europe. More recently, these efforts have expanded to include Africa and the Americas as targets for BRI infrastructure and investment. While many of these current cooperative agreements and projects preceded the 2013 inception of the BRI, their inclusion under its framework gives concrete shape to Chinese ambitions.¹² This tangibility distinguishes the BRI from China's previous, less specific slogans, such as “harmonious society” (和谐社会) and “peaceful rise” (和平崛起), which were little more than guiding principles and are now outmoded.

The BRI development model has longer-term and more far-reaching regional and global implications. The political and economic leverage offered to China from these partner countries' rising debts to and dependence on the Chinese government and its enterprises promises to reshape these regions for decades to come. The changes are not only in terms of how other countries do business. China's long-held stance on non-interference in the domestic affairs of other countries has already begun to shift under the BRI construct. China's military and private security firms are increasingly featured along the land-based and sea-based corridors to protect its far-flung investments, infrastructure and citizenry.

Among these, the Chinese Overseas Security Group reportedly plans to expand its coverage beyond its current work in Pakistan, Turkey, Mozambique, Cambodia, Malaysia, and Thailand to cover 50-60 countries along the BRI corridors.¹³ Furthermore, Chinese security firms such as Control Risks and the company G4S are thought to employ staff with military backgrounds to secure foreign-based projects and personnel, while the Shanghai-based Weldon Security and Dewei Security train local guards to protect Chinese investments and

contractors.¹⁴ While still nascent, China's military bases in such locations as Djibouti are part of efforts to protect China's estimated US\$1 billion in daily exports to Europe that traverse such MSR channels as the Gulf of Aden.¹⁵

European experts are sceptical as to the capacity of the European External Action Service (EEAS) to create a new mechanism or to engage in additional dialogues to better understand these activities.¹⁶ But there are other pre-existing institutions that can be tapped for mapping and monitoring BRI trends. European business unions, think tanks and a range of non-governmental organizations could be mobilized to provide a more practical and practitioner-oriented approach for evaluating the BRI. Among these, the Association of European Chambers of Commerce and Industry, the Federation of German Industries (Bundesverband der Deutschen Industrie) and the International Council of Swedish Industry (Näringslivets Internationella Råd) serve as just a few examples.

To maintain independence from external lobbying, these groupings require greater investment and mandate from their national governments. Further ensuring the integrity and utility of their work, evaluation of specific case studies along the BRI would offer a more realistic assessment of the local conditions and potential avenues for involvement. A pre-existing example would be the United Nations Economic Commission for Europe's Studies on Regulatory and Procedural Barriers to Trade.¹⁷ Rather than simply focusing on barriers, the proposed BRI mapping would dissect the points of entry for infrastructure projects, fulfilling the following three criteria.

First, the mapping would detail the scope of specific BRI infrastructure projects. Each case study would include official memoranda of understanding and statements, cost and terms of investment, issues with securing sites, number of local and foreign employees at facilities, among other data. Research carried out by the US National Defence University on "China's Global Activism: Strategy, Drivers and Tools" serves as a possible template for this approach.¹⁸ Second, the mapping would itemize difficulties encountered by Chinese companies on entry into specific markets and projects. These would include cases of corruption, abrogated deals and lost investments. Third, the

mapping would include a final section analysing how Chinese companies have navigated these barriers, with lessons learned for European companies.

Ideally, the final section would integrate the maps to provide an analysis of the obstacles and experiences faced by Chinese entities, as well as a comparison with those of European firms.¹⁹ Aspects of Chinese lessons learned could then be incorporated into European company outreach, bearing in mind that European companies lack the economies of scale and financial state backing received by their Chinese counterparts. This approach would also take into consideration the actual conditions on the ground, providing nuance to grandiose claims of intended investment that often mask such issues as China's alleged failure to act on inefficiencies and gaps in implementation.²⁰

Ownership

Among the issues confronting the BRI is the reported lack of local capacity to facilitate absorption and maintenance of the new built infrastructure.²¹ While local capacity has improved, there remains a tendency for BRI initiatives to use Chinese labour, equipment and processing. Thus, while Chinese-driven projects offer economic growth through greater connectivity and infrastructure, they may not adequately address local development demands. If Chinese workers and technical training leave after the end of installation, this threatens the functionality and survivability of the infrastructure. Further, if the BRI is overly focused on permissions and profits for the upper echelons of society, it has the potential of exacerbating inequality and the chances of corruption and destabilization of vulnerable states.

Still, there are a few outliers. Media analyses predict that the China-Pakistan Economic Corridor (CPEC) will create anywhere between 700,000 and 2.3 million jobs between 2015-2030.²² If even a portion of this turns out to be true, this would be of economic benefit to the local Pakistani population. But any such growth would still have to be traded off against the possibility of expectations not being met, the longer-term debt burden, and the exacerbation of pre-existing local concerns over inequalities and security.²³ Given the fact that the authors of the joint field report on risk assessments regarding CPEC from the Chinese magazine *Caijing* and Renmin University's Chongyang Financial Research Institute

were part of the aforementioned security risk panels at Tsinghua University's annual conference, these concerns have not gone unnoticed within China.

When it comes to Central Asia, Kyrgyz analysts also tend to hail the estimated 40 different projects under the BRI as facilitating movement of goods, capital, labour and resources. But they also point to the influx of Chinese workers as weakening the local labour market.²⁴ With the growth of connectivity, this can also lead to porous borders through which extremism may flow throughout the region and beyond. Kyrgyz experts have further argued that increased trade with China can slow or even hamper local industrialization, as dependencies develop and China garners greater economic and geo-political leverage. Others have argued that these worker flows are unidirectional, with recent limits placed on the visa permits for Kyrgyz traders crossing into China.²⁵

Diversification of partners is one way to mitigate some these trends as they evolve in South Asia and Central Asia, as well as in other regions along the BRI. In this regard, the EU and its member states could serve as partnership options. There seems to exist a wide agreement on the ability of the BRI to stimulate economic development, with the UN's sustainable development goals (SDGs) serving as a common platform for maximizing the positive social and developmental impacts. In terms of capacity building, training and education, enhancement of border management, combating of corruption, stemming of environmental degradation and strengthening of public and private institutions, the EU can provide its own best practices with the goal of capacity building that will enhance regional stability.

For these goals to be truly viable, however, it is crucial to incorporate profit motive. The European private sector requires just as much of an economic incentive as Chinese entities for entering these often risk-prone markets. Since private European companies lack the capital and guarantees that Chinese enterprises receive from their central government, the European Economic and Social Committee and other such bodies could provide more streamlined and cohesive frameworks for European industry federations to thrive.²⁶ Such groups have to date understandably been more focused on interests within Europe, but extending a coordinated approach further

afield would allow investment into regions otherwise hindered by arbitrary regulations, fines, corruption and bottlenecks.

Standards

Part of this entails implementation of standards and processes for everything from container scanning to border crossing of personnel and goods. Inter-regional connectivity requires policy coordination on non-physical trade barriers, customs procedures and border management. On container scanning and border crossing, processes for migration and trade flows can be leveraged to counter terrorism and extremism, as well as contraband and smuggling, and the illegal entry of labourers that may be drawn in increasing numbers by the new trade corridors.

A crucial component of popularizing these standards is the enhancement of border posts and the training of border guards. EU members could further engage in outreach via the OSCE, which has a Border Management Staff College that provides training on anti-trafficking, as well as information exchange among its 57 participating states, many of which are along the BRI corridors.²⁷ The OSCE and the UN Economic Commission for Europe have issued a "Handbook of Best Practices at Border Crossings: A Trade and Transport Facilitation Perspective," which could be integrated as an open-source tool for legal frameworks, public-private partnerships, risk management planning, design of border crossing-points, as well as information and communications technology-based inspection.²⁸ Such outreach can be applied to facilitating trade, while stemming illicit trafficking that may be exacerbated by BRI connectivity.

Overall, other targeted functional bodies that are similar to the OSCE Border Management Staff College could all be better leveraged to bring together civil society groupings of security firms, enterprises and research bodies, such as Tir Carnet under the International Road Transport Union, the World Customs Organization, the International Union of Railways and the International Freight Forwarders Association. These could be integrated to secure safe and legal transit via these corridors through enhanced management and unified standards, in coordination with Chinese official and non-official agencies and mechanisms.²⁹ In doing so, the

EU and China would be better situated to coordinate on standards that would ultimately mitigate economic loss and security risk in emerging markets along the BRI corridors.

As another example of an existing mechanism that could be more fully utilized, a review of the Delegation of the European Union to Kazakhstan webpage reveals that efforts are limited when it comes to European industry representation and delegation travel to Central Asia.³⁰ The industrial engagement from China is more robust, even at the local government level, for example with business delegations from China's provinces and administrative regions of Shaanxi and Hong Kong. This could be replicated in the European context to a greater extent than is currently the case.³¹ The use of Chinese provincial authorities and private industry to carry out initiatives from the central government is a means of expanding the footprint of the BRI initiative, while mitigating the visibility of the central government.

This decentralized approach by Chinese private industries and provincial government actors also bolsters the argument in China that the BRI consists of widespread local efforts, rather than a highly-orchestrated, geo-strategic initiative from the Chinese government.³² It refutes the criticism that Chinese firms have an unfair advantage through official subsidies. But this approach also shows that the EU could use its own industry federations better to empower and to support not just European business delegations, but also local government entities within member states, such as the state of North Rhine-Westphalia, to engage in greater coordinated outreach.³³ This can occur through a variety of channels, including expanded official EU delegation visits that feature representatives of local government from member states.

To ensure that such outreach makes the most of limited EU resources, it is important that specific countries and corridors are targeted. It would be imprudent of European private and even public firms to attempt to compete with the investment coverage that China can leverage. Building on the Chinese and European mapping discussed in the preceding sections, a targeted roadmap of specific investment corridors could provide the political, financial and security costs of investment.

At the same time, it is crucial for European engagement to avoid being run entirely through China as the liaison. Direct contact with countries and industries identified as investment hubs would mitigate EU dependency on Beijing to open these channels.

Once these opportunity costs have been considered, applying direct EU support through official delegations that incorporate European industrial and local government representatives would provide a model that builds upon Chinese lessons learned. While asymmetries of capacity will remain, these efforts can be used to develop a matrix of specific improvements for future European projects and bids. Identifying European and Chinese convergences on everything from stability to profit motive will allow for the EU to manage its level of risks associated with investment along the BRI and to pursue its own sustainable development goals along these emerging corridors.³⁴ Nonetheless, divergences must also be addressed to protect EU long-term interests and to foster sustainability.

Conclusion

Within each of the above sections, the EU already has a variety of pre-existing organisations, dialogues, mechanisms and models for how to approach China's initiatives in a more systematic way. As in the case of China, the EU could benefit from greater harmonization of its tactical approach to operationalize its strategic interests. This policy brief has identified some of these channels. In identifying further nodes for development and engagement, there already exists a substantial body of statistical mapping in China. While access is increasingly limited, these baselines could be invaluable in evaluating how European interests can both penetrate and stabilize markets in the region. To this end, grass-roots-level European industry federations should also be better leveraged for greater exchange on issues of common interest between China and the EU.

Overall, while China's political system differs from those of EU members, there are issues upon which both generally agree, such as stability, anti-corruption, counter-terrorism, market access and development. Identifying these convergences and translating them into actionable projects serves the dual functions of meeting investment demands while expanding the provision of security in

these regions. This bottom-up and practitioner-oriented approach to addressing what many have called a top-down development model under the BRI has benefits for both China and the EU. Whether in terms of case studies, best practices, management and standards, there are concrete areas of investment in which Europe

can benefit using structures and mechanisms that are already in place. Doing so will lower the opportunity costs for Europe, while mitigating its dependence on China for longer-term market access along the Belt and Road.

Notes

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9. Based on Lora Saalman's participation in a meeting on the Belt and Road Initiatives with a former Prime Minister, former Foreign Minister, among other high-level attendees in Stockholm, Sweden in March 2017. The names of the former Prime Minister and Foreign Minister in attendance have been intentionally omitted. The former Prime Minister noted during the meeting that he was scheduled to meet with Chairman Xi Jinping the following week in China. This lobbying phenomenon was confirmed by several Chinese interlocutors during a follow-on visit to China in June 2017.
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