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**China's New Silk Road and its implications
for European integration**

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Index

Abstract	3
Keywords:	3
List of Abbreviations	4
1. Introduction	5
2. Literature Review	7
3. Methodology	11
3.1 Methodological Approach and Sources.....	12
3.2 Structure	12
3.3 Limitations.....	13
3.4 Terminology	14
3.5 Motivation	15
4. Theoretical Framework	16
4.1 Liberal Intergovernmentalism	16
4.1.1 National interest	19
4.1.2 Intergovernmental bargaining	20
4.1.3 Institutional choice	21
4.2 Theory selection	22
4.3 Assumptions	22
4.4 Limitations.....	23
5. Background	24
5.1 What is the New Silk Road?.....	24
5.2 What motivates China to pursue this initiative?.....	27
5.2.1 Internal motivations	27
5.2.2 External motivations	30
6. Analysis	33
6.1 China's diplomacy towards the EU	33
6.1.1 Bilateralism and the CEE 16+1.....	33
6.1.2 China's political influence in Europe.....	38
6.2 Economic implications	42
6.2.1 Direct economic consequences	42
6.2.2 Economic corridors and their benefits for integration	46
6.3 Political implications	51
6.3.1 The New Silk Road: to divide-and-rule Europe?.....	51
6.3.2 A rise of Sinophobic populism?.....	56
6.3.3 A unified response to the New Silk Road for greater benefits.....	58
7. Conclusions	66
8. Bibliography	67
9. Annex	76

Abstract

The intent of this thesis is to discuss the consequences of the development of the Chinese New Silk Road for European integration. This initiative was launched in 2013 by President Xi Jinping, and aims to consolidate the role of China as a global power as well as to address some of its most important internal and external challenges.

The New Silk Road, also known as “One Belt, One Road” (OBOR), plans to foster trade and strengthen economic ties between the Middle Kingdom and Europe by integrating markets and knitting a vast net of infrastructures -including seaports, airports, railways and pipelines-, in Eurasia and some African regions. Because of its magnitude, the New Silk Road will have major political, economic and security implications for all those countries involved in it and even beyond. Therefore, and given the uncertainty surrounding this project, it is necessary a constant research on the consequences that its development may entail in several areas.

Chinese authorities claim that this project is intended to be mutually beneficial for all participating countries, and some experts predict that it will be especially positive for European economies, since it is expected to increase trade, investment and facilitate access to new markets, as well as to improve connectivity by creating and modernising infrastructures. However, others believe that the New Silk Road will be a platform to allow Beijing to increase its influence in the Old Continent and add centrifugal forces to the EU by spurring competition among Member States. This MA Thesis argues that there is room for Europe to gain from the development of this initiative. However, the EU and its Member States should not underestimate the challenges posed by the New Silk Road and they should reach a common and convincing position to use all their bargaining power to be able to reach better agreements with China at the negotiating table.

To analyse the repercussions of the New Silk Road to European integration this research applies and tests Liberal Intergovernmentalism, a theoretical framework developed by Andrew Moravcsik in the 1990s and designed to explain the dynamics behind regional integration processes. This theory allows the research to focus on the national dynamics behind the attitudes of Member States towards the EU and investigate the possibility to reach such unified European response to the New Silk Road.

Keywords: *New Silk Road; One Belt, One Road; European Union; China; European Integration; Liberal Intergovernmentalism*

List of Abbreviations

- AIIB – Asian Infrastructure Investment Bank
- BCIMEC – Bangladesh-China-India-Myanmar Economic Corridor
- BFR – Belt and Road Forum for International Cooperation
- BRI – Belt and Road Initiative
- CCP – Communist Party of China
- CEE – Central and Eastern Europe
- COSCO – China Ocean Shipping Company
- CP – Connectivity Platform
- CPEC – China-Pakistan Economic Corridor
- EC – European Commission
- ECJ – European Court of Justice
- EEAS – European External Action Service
- EFSI – European Fund for Strategic Investments
- EIB – European Investment Bank
- EU – European Union
- FDI – Foreign Direct Investment
- FTA – Free Trade Agreement
- GDP – Gross Domestic Product
- IMF – International Monetary Fund
- LI – Liberal Intergovernmentalism
- MES – Market Economy Status
- MSR – 21st Century Maritime Silk Rout Economic Belt
- NSRIP - New Silk Road Institute in Prague
- OBOR – One Belt, One Road
- PPA – Piraeus Port Authority
- SEZ – Special Economic Zones
- SOE – State-Owned Enterprise
- SREB – Silk Road Economic Belt

1. Introduction

In 2013, Chinese President Xi Jinping officially announced that China would pursue in the following decades a pharaonic and unprecedented strategy to interconnect this country with Western Europe, two of the most important economic poles. Framed within the rise of China as an economic and political global power and responding to several internal and external motivations and challenges, this initiative is inspired in the ancient Silk Road that once allowed trade and exchange of ideas between the Old Continent and the “Middle Kingdom” (zhong guo, 中国), as it is named in Mandarin Chinese. This strategy, the “One Belt, One Road” (OBOR, yidai yilu, 一带一路), does not only intend to build a range of infrastructures throughout Eurasia, following the routes of its ancient predecessor, but it involves more than sixty countries from East, South, South East and Central Asia, Middle East, Africa, East Europe and Russia. Better known in the West by “New Silk Road”, this initiative is divided in two main routes: The Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Rout Economic Belt (MSR), which plan to build roads, railways, ports and airports, and foster economic interdependence. Therefore, the potential implications derived from the development of this China-led strategy call for research, in order to foresee their challenges and opportunities and devise which are the most suitable strategies to tackle or take advantage of them, respectively.

The European Union (EU), as the ultimate destination of the New Silk Road, is directly involved in and affected by this project. Due to the size of this initiative, which is still in its early stages, potential for benefiting from economic cooperation with China must be assessed. However, it is also necessary for the EU to analyse the likely challenges that the development of this endeavour represents for the future of this supranational framework. As it will be discussed in the literature review chapter, some scholars and experts have already warned about the negative consequences of the increasing inflow of Chinese capital and the perilous implications for the integration of the EU. There is a spread conception among academia that Chinese investment does not only intend to enhance and strengthen ties between European and Chinese civilizations, but it also has ‘obscure’ intentions aiming to undermine EU’s integrity by ‘dividing-and-ruling’ the Old Continent.

This project aims to investigate the implications of the development of the OBOR to the integration of the EU. To do so, this thesis assesses the most important aspects of the

contemporary Sino-EU relations and investigate how they have affected and are expected to shape the unity of the EU with the development of the OBOR based on the explanations provided by Liberal Intergovernmentalism (LI), a theory developed in the 1990s by Andrew Moravcsik. This research will use this framework designed to explain regional integration processes, considering the implications of domestic and national preferences within the EU, as well as the importance of the economic interdependence and institutions among its members, to answer the following question:

What are the implications of the development of China's New Silk Road for European integration?

We believe that room for the EU and its members states to benefit from cooperating with China developing OBOR exists. Fostering economic ties with China has potential to benefit European trade and industries, release Brussels from financial aid burden to some European crisis-stricken countries, and provide members states, especially those in the EU periphery, with new infrastructures that may give a momentum to their weakened economies. Notwithstanding, such benefits are likely to happen or to be higher if Member States can give a common and solid response to the development of OBOR. As it will be discussed, it is hard to unite European capitals in this issue. This research also argues that if national preferences prevail over a common response, the likelihood for Europe to benefit from this initiative may decrease significantly, and it could even worsen intra-European dynamics and add centrifugal forces within the EU.

After this introduction, a literature review presents most existing debates in academia surrounding the topic of this thesis. After that, a methodology chapter explains the methodological approach and sources used in this project, as well as the limitations of this research. The following section presents the theoretical framework stated in the problem formulation, explaining its basic assumptions, why it has been chosen to carry out this project and its potential limitations. Before investigating and discussing the implications of the OBOR for the integration of the EU using the theory in the Analysis chapter, a background section introduces the most important aspects to understand this initiative, as well as the context where it is being developed. Finally, the conclusions summarise the findings of this research and points out which aspects could be further studied by academia.

2. Literature Review

This chapter intends to review some of the existing literature and debates dealing with the New Silk Road as well as its implications for Europe. Even though China launched this strategy in 2013, it has already generated vivid debates among scholars and media.

In a nutshell, when it comes to Europe, the debate shows a dichotomy between ‘Pro-China’ experts, those who consider that Chinese presence in Europe responds to an honest will for cooperation and foresee mutual benefits, and those scholars who fear the so-called ‘China Threat’ and its ‘obscure’ motivations. Nevertheless, there are also some that remain more cautious, expecting further details and development of the initiative given the current uncertainty surrounding this project.

Chinese experts are usually within the first group. For instance, Wang Yiwei, an OBOR expert at Renmin University of China, considers that Europe should fully embrace this initiative, which “advocates equal and friendly economic and cultural exchanges among countries along the lines” (Wang, 2016: 41), while Zhao Lei states that the New Silk Road “is an attempt to increase China’s contribution to the global commons” and its goals “do not in any way compete with other countries” (Zhao, 2016: 55). From this point of view, Chinese inflow of capital in Europe is a way to release European crisis-stricken countries from their financial needs and debt pressures, as well as to finance infrastructures and develop new economic corridors in certain areas of the Old Continent, such as East Europe, where the New Silk Road will pass through. Islam (2015), believes that enhancing connectivity between China and Europe, “will increase bilateral trade, facilitate investments, create new business opportunities for European and Chinese enterprises and boost employment, growth and development in Europe and China”. Garcia Herrero and Xu (2016) also consider that the benefits of the Belt and Road to Europe overcome the challenges, since their economic projections foresee benefits in most scenarios analysed in their article *China’s Belt and Road initiative: can Europe expect trade gains?* Other authors believe that the inflow of Chinese capitals to certain regions of the continent can “provide important simultaneous stimuli for economic development across different sectors in Europe” (Hanemann and Huotari, 2015: 28).

Instead, other experts have expressed their concerns for what they consider a threat to the European Union’s unity. Philippe Le Corre, co-author from *China’s Offensive in Europe* (2016), states that Beijing’s economic intentions “are about spreading influence on

weakened and somewhat divided continent” (Browne, 2016). In this regard, many experts stress that China is pursuing ‘divide-and-rule’ tactics within Europe using Foreign Direct Investment (FDI) as a hook, and it has even been labelled by some as a ‘Trojan horse’ or even depicted, by a Bloomberg columnist, as an ‘octopus’ seizing European assets (Bershidsky, 2015). The main point of this argumentation is that a ‘scramble for Chinese money’ would raise –or it is already raising- fierce competition among EU members with centrifugal effects. In other words, “scramble for Chinese money could further divide EU Member States and make it difficult for Brussels to fashion a common position vis-à-vis Beijing” (Casarini, 2015: 9). In the same vein, Müller-Markus (2016: 4) believes that “in pursuit of their national interests, European countries compete among themselves”. Meunier warns about the effects of Chinese FDI over Europe in several articles (2014a, 2014b, 2014c), and considers that “for the moment, Chinese investment seems like money falling from the sky, but it could turn into a Trojan horse introducing Chinese politics and values into the heart of Europe” (Meunier, 2014a: 2).

Other authors warn that Chinese capital inflow could lead to a populist backlash in some of the EU countries (Casarini, 2015: 9; Washington Post, 2017), where nationalist and xenophobic discourses are on the rise. Hanemann and Huotari (2015: 30-31) believe that “combined with the increasingly politicized debate about international investment agreements, there is a real risk of popular political backlash against Chinese investment, particularly if it grows further and we see acquisitions opposed by domestic interest groups or hostile takeover bids”. Indeed, Chinese presence in Europe has been increasing during the last few decades. For example, *Financial Times* points out that “Chinese direct investment in the EU surged 76 per cent to €35.1bn in 2016. EU acquisitions in China, by contrast, fell for the second consecutive year, to €7.7bn” (Mitchell *et al*, 2017). In addition, there is a widespread feeling that current Sino-European relations are far from being fair due to its lack of reciprocity. Some authors stress that China is investing in some sectors where European companies are not allowed in the Middle Kingdom (Mitchell *et al*, 2017), or that the increasing economic ties are mostly based on a one-way trade –from China to Europe.

Another issue widely debated in academia has been the formation in 2012 of the China-led multilateral forum between Beijing and 16 Central and Eastern European Countries. Even though this platform was set up before the OBOR was officially announced in 2013, most scholars agree on its importance developing the last stage of this initiative in Eastern

Europe. For example, it is a forum where talks for further development of transportation infrastructures from Greek Piraeus Port to Western Europe are being held, such as the construction of the Chinese-funded Belgrade-Budapest high-speed railway. For Liu Zuokui, the growing exchanges between China and CEE countries “cannot be disconnected from China’s flagship foreign policy endeavor, OBOR. Indeed, CEE fits nicely into China’s grand plan for enhanced Eurasian connectivity (...). CEE sits right between the Mediterranean end of the ‘21st Century Maritime Silk Road’ (...) and Europe’s highly attractive inland market” (Liu as quoted by Kratz, 2016: 7). Other experts directly consider that “China has used the CEE 16+1 mechanism to boost OBOR. At the core of this mechanism are the annual summits that involve China’s Premier Li Keqiang and the leaders of sixteen CEE countries” (Van der Putten *et al*, 2016a: 6). By some, this responds to the alleged Chinese goal to undermine EU’s power over the continent by using concrete diplomatic approaches and strategies that have already been applied by Beijing in developing countries. They consider that this interferes into Brussels’s policies and sphere of influence, since from out of the 16 joining states, 11 are EU members, so it creates, they believe, a ‘pro-China’ lobby within the EU. For Van der Putten, “While [OBOR] is mostly welcomed by these [CEE] countries and could certainly provide benefits, there are signs that China’s increasing significance has boosted its capacity to influence the choices of European states and has complicated EU diplomacy, threatening to undermine EU standard setting power in newer EU Member States and neighbouring countries” (Van der Putten, 2016a: 10). Moreover, he exemplifies that Hungary and Greece, two key countries for the development of the New Silk Road, pushed for a softer European positioning regarding the pronouncement of the Permanent Court of Arbitration in The Hague on the status of land masses in the South China Sea in July 2016 (Van der Putten *et al*, 2016: 10a). In this regard, some experts acknowledge that Chinese interest in the region grew since these countries joined the EU, in which they have gradually gained influence over its decisions (Kaczmarek and Jakóbski, 2015: 2). The ones favourable to Chinese capital inflows in Europe stress the need for the EU and China to joint forces and cooperate to take full advantage of the OBOR and Sino-European relations. A briefing from the European Parliament states that “most countries receiving Chinese funds for new infrastructure will ultimately be drawn deeper into China’s trade and finance orbit and be expected to support its rise in all respects” (Grieger, 2016: 6-7). In addition, Saverio Montesano and Okano-Heijmans (2016: 4) consider that OBOR “could also jeopardize future integration plans, as it might lure candidate countries into

accepting Chinese investment-oriented loans far beyond their own economic sustainability”.

Some scholars, such as Long Jing, have warned that “a cold war mentality has emerged, which is also triggering suspicion of China’s possible geopolitical intentions in establishing OBOR” (Long as quoted by Stanzel, 2016: 3; Matura, 2016a: 142). Mações (2016: 3) stresses that “the Chinese authorities know that allowing the Belt and Road to be captured by such a logic would make the project’s realization much more difficult or even, in its most ambitious versions, impossible”. This might be the reason why the official narrative rejects comparisons with the Marshall Plan and always presents the New Silk Road using soft diplomacy and concepts and words such as “cooperation”, “collective” or “mutual benefit” (for example, see Ministry of Foreign Affairs of the PRC, 2015 or Chinese experts such as Wang, 2016). To counterbalance such suspicions about ‘16+1’ platform some scholars have tried to refute their theories. Liu Zuokui believes that “China’s interest in the region is genuine” (Liu as quoted by Kratz, 2016: 8), while Pavličević (2016) aims to debunk ‘conspiratorial’ argumentations in his article *China in Central and Eastern Europe: 4 Myths*. Supporting this perspective, Turcsányi (2014: 6) argues that concerns in western European capitals exist because they have “poor information” about the 16+1 framework and its intentions.

Even if some regard the New Silk Road as a Chinese “master plan” to split Europe, most scholars agree that this initiative responds more to a wider idea, a strategic vision and a broad concept such as the *Go Out* policy (走出去战略, *Zouchuqu Zhanlüe*) launched by Chinese authorities at the turn of the century. Some experts believe that Beijing develops its plan using a brainstorming approach to foreign actors (government and business representatives, but also academics and individuals from NGOs, etc.), “which are invited to propose ideas and specific projects under the OBOR framework, or asked to formulate criticisms and comments” (Van der Putten *et al*, 2016a: 7). This opinion is shared by Matura (2016a: 143), who states that “it is a common story nowadays that European experts do not understand why the Chinese are asking them how to build OBOR when it is a Chinese plan. Because there isn’t any plan!”. He believes that Beijing is using an “inductive approach” to carry out OBOR, so there is room for European actors to influence the development of this initiative (Matura, 2016a: 144). Wacker (2015: 7) stresses that “there is little understanding that –unlike other concepts launched in China

in the reform era- OBOR was first an abstract vision, which has to be filled with substance”.

Last but not least, academia has also discussed the response from Brussels and EU Member States to the growing Chinese presence in Europe, as well as to the developing OBOR. Most experts agree on the need of a unified European response to such challenges. Müller-Markus (2016: 4) states that “various political analysts sound the alarm at the lack of EU coordination when forming a joint policy to face the new changes to the international order on European soil”. De Jonquières says that, so far, “short-term national opportunism has prevailed over longer-term strategic considerations” and adds that “the EU must learn to speak with one voice” (Jonquières, 2015: 3).

In short, there is a wide range of debates and opinions about the intentions, opportunities and challenges that OBOR offers to the participating countries and regions. So far, much research has been focused on the implications of the growing Chinese FDI in Europe. Even though OBOR implications to the EU have been analysed by some scholars especially in the fields of trade and investment, further research is required to assess its implications for EU’s integration, especially in its current spread of disillusionment in some Member States. Moreover, since the New Silk Road, as defined by Rudolf (2016: 87), “is not embedded into an overarching international framework and remains primarily an evolving concept, a meta-strategy without concrete details”, it is necessary for scholars to keep researching its implications as OBOR keeps developing and mutating, and more aspects of this strategy are disclosed by Chinese policymakers. Therefore, this project aims to update existing research in this issue, adding new findings that contribute to understand the foreseeable consequences for the European Project.

3. Methodology

This section describes the methodological approach used in this project to reach a conclusion to the problem formulation previously defined. In this chapter, it will be explained what sort of investigation has been carried out in this project, specifying and justifying the sources used in this research as well as the procedures for collecting data and analyse the final results. Moreover, this chapter will also point out the reasons to pursue this research, its limitations, as well as the steps taken to anticipate or take them into account.

3.1 Methodological Approach and Sources

To reach a conclusion to the problem formulation previously defined in the introduction chapter, this project will investigate the most important aspects of the relations between China and both the EU and its members in relation to OBOR. It will also discuss what are the economic and political implications of the development of the New Silk Road that might affect the integration of Europe. To do so, this research will carry out an investigation based on a qualitative research, considering literature as well as appreciations from media and other experts. In addition, it has been carried out a semi-structured interview to Manuel Pérez García, associate professor from Renmin University of China and expert on Sino-European International Relations, in order to have an updated analysis on the issues discussed in this research, as well as to use a primary source and make an original contribution to knowledge. In addition, when necessary, this research will also use charts and maps to give better explanations and illustrate the argumentation of this thesis.

Therefore, this project will be mostly based on secondary sources, such as academic papers, articles in specialised journals, books and existing data, among other archival texts and information. This research will also use articles published in newspapers, since the development of the New Silk Road and its implications have been discussed in mass media such as The New York Times, Bloomberg or China Daily. In addition, as mentioned above, this research will also use a primary source, a semi-structured interview to an expert on the development of OBOR. Besides, it will also use official documents, such as EU briefings and policy papers and official announcements from the Chinese government to enrich the project with different sorts of sources.

3.2 Structure

In order to explain the implications of the development of China's New Silk Road to the integration of the EU, this thesis is structured as follows:

After the introduction, literature review and methodology chapters, the following section explains the theoretical approach used in this project to respond the problem formulation previously explained. The Liberal Intergovernmentalism (LI) theory formulated by Andrew M. Moravcsik is described, detailing its basic assumptions and all aspects that should be considered to understand the discussion in the analysis chapter, as well as its potential limitations. Subsequently, a background section introduces the topic

investigated in this thesis, describing what is the New Silk Road about, giving a general framework to better understand the context where it is being developed and the reasons that motivated Beijing to launch this initiative.

The analysis and discussion about the implications of the New Silk Road for the integration of the EU is carried out in the following chapter. In that section, it is analysed which are both positive and negative repercussions of this initiative through the lenses of LI. To do so, this project structures the analysis by factors. In other words, by the elements that the author believes, after considering the arguments presented in the literature review, that may have a direct implication in the development of the European integration process in relation to the tripartite analysis of preferences, bargaining and institution-building described by LI, as it will be explained in the following chapter. Since these factors might not be uniformly relevant in all Member States, an analysis by country is not the best way to explore such repercussions, so the most relevant cases will be studied in order to illustrate the analysis.

The research first investigates the Chinese diplomacy towards the EU, pointing the risks associated with bilateralism, explaining the role of the CEE+16 platform and the Beijing's increasing influence within the EU. Then, this Master's Thesis discusses both the positive and negative economic implications of the development of this initiative for European integration. Finally, the political consequences are assessed, investigating the alleged Chinese intention to undermine the power of the EU, the possibility of an increase of 'Sinophobic' populism, as well as the prospects for a common European response *vis-à-vis* the New Silk Road. The conclusions chapter will summarise the findings of this research.

3.3 Limitations

This thesis seeks to find out what are the implications of the development of the New Silk Road for the integration of the EU. However, some considerations must be taken into account to carry out the analysis. This strategy was officially launched in 2013 by incoming Chinese President Xi Jinping. Since then, official plans for the development of this strategy have been disclosed in small doses. There is uncertainty about many of the details of this project due to the intrinsic nature of this initiative. For Rudolf (2016: 87), OBOR "is not embedded into an overarching international framework and remains primarily an evolving concept, a meta-strategy without concrete details". Van der Putten

also shares this point of view and states that the New Silk Road “is not a formal policy or a well-defined strategy, but rather a very broad conceptual framework for policies that aim at contributing to greater economic integration within Asia, between Asia and Europe, and between Asia and Africa through a diversity of activities and projects” (Van der Putten *et al*, 2016a: 3).

As it has been explained in the literature review chapter, OBOR is considered by many as a wide project with no deep and concrete details. Therefore, its ‘inductive nature’, as Matura (2016a: 144) describes it, has the potential to make the project evolve in certain and unexpected directions that may respond to the current international geopolitical and economic context and to the needs of Beijing, which may consider the inputs Chinese officials receive from external actors. This means that the scenarios described by academia have the risk of not being precise if a big shift in the development of this strategy was to happen. This, in turn, makes the constant research in this field more necessary, in order to keep the assessment of its implications updated. For instance, in May 2017, while writing this project, Chinese government held the Belt and Road Forum for International Cooperation (BFR), which was described by Chinese State Councillor Yang Jiechi as “the highest-level forum under the Initiative since its launching over three years ago” (China Daily, 2017). In this sort of events, the disclosure and announcement of new changes, agreements and details may have an impact in the eventual development of the New Silk Road, so it should motivate researchers to keep investigating issues related to this project, rather than preventing them from doing so.

3.4 Terminology

Before moving on to the substance of this project, it is necessary to clarify some aspects concerning the terminology used in this research. As mentioned before, there is a wide uncertainty surrounding the implementation of the New Silk Road. Matura (2016a: 143) points out that “the name of the project has been changed multiple times in recent years, simplified to ‘One Belt, One Road’ initiative (OBOR)” (Matura, 2016a: 143). However, its nomenclature also differs by country and language. As Van der Putten stresses, ‘One Belt, One Road’ is the literal translation of the Chinese term ‘yidai yilu’ (一帶一路). But even Chinese authorities have used an alternative way such as ‘Belt and Road Initiative’ (BRI) when speaking in English. According to a Clingendael report, “Chinese sources are gradually replacing OBOR with the new acronym BRI” (Saverio Montesano and Okano-

Heijmans, 2016: 1). Indeed, many Chinese scholars have also referred to this initiative in this way. For instance, Renmin University of China's professor Wang Yiwei used this terminology in his book *The Belt and Road Initiative: What will China offer the World in its rise* (2016). In French and Spanish, the nomenclature chosen to refer to this project refers to the new version of the ancient Silk Road: *Nouvelles Routes de la Soie* and *Nueva Ruta de la Seda*, respectively (Van der Putten *et al*, 2016a: 3), an alternative that also exists in English: "China's New Silk Roads" used by scholars such as Van der Putten (2016b). This thesis mostly uses the last option because for the general public it is easier to understand what is this initiative about. "The New Silk Road" refers to an updated version of the ancient trading route and it implies the creation of bridges and promote connectivity throughout Eurasia. Most newspapers do also use this nomenclature because of its quick association to the idea behind this initiative. Nevertheless, this research also uses, for narrative purposes, "One Belt, One Road" or its acronym (OBOR) because it is the literal translation of the Chinese name of the initiative and it is well-known among scholars.

3.5 Motivation

The driving force behind this research is the personal interest the author has in the EU, its current integration process and the rise of China as a global power. Nowadays, the legitimacy of the EU is contested by internal dynamics of its Member States that have the potential to threaten its future. Recent economic and political turmoil has undermined its solid grounds founded decades ago. Therefore, it is crucial to discuss the implications of both endogenous and exogenous dynamics in relation to the future of this institution. Since the project launched by Xi Jinping's cabinet in 2013 has global consequences due to its pharaonic size, we find relevant to investigate its implications for an evolving and challenged process such as the regional integration of Europe.

The writing of this thesis is a mandatory final assignment of the Master's Degree in Development and International Relations from Aalborg University (Denmark). However, the author has carried out the entire research at Renmin University of China as a graduate exchange student. Therefore, this topic, as the Silk Road, links both China and Europe in a research and investigates a very important project for the future of the Middle Kingdom and the Old Continent.

4. Theoretical Framework

This section aims to explain the theoretical framework used in this project to give an answer to the problem formulation stated in the introduction chapter. Liberal Intergovernmentalism and its basic assumptions will be summarised, as well the reasons supporting the selection of this theory as the lenses to carry out this project, its contributions to the research and potential limitations.

4.1 Liberal Intergovernmentalism

Liberal Intergovernmentalism (LI) developed by Andrew Moravcsik in the 1990s is the theoretical framework used in this research to explain the implications of the development of the New Silk Road to the integration of the EU. The creation of this institution in the aftermath of the Second World War motivated academia to study the regional integration processes, especially the case of Europe. During its first decades, the functionalist and neo-functionalist explanations described by scholars like David Mitrany and Ernst Haas were dominant in this field, being successful in explaining the gradual supranational integration of Europe. From a neo-functionalist point of view, “European economic integration would be self-sustaining” due to the concept of “spillover”, whereby initial steps toward integration trigger endogenous economic and political dynamics leading to further co-operation” (Moravcsik, 1993: 474-475). However, as Schimmelfennig (2015: 177) points out, “both deep crises and major progress in European integration have regularly triggered and reshaped debate between theories of integration” and he adds that “from the mid-1960s, the ‘empty chair crisis’ and the subsequent period of stagnation in supranational integration did much to boost ‘intergovernmentalism’ as an alternative to the dominant neofunctionalist paradigm” (Schimmelfennig, 2015: 177).

The first version of intergovernmentalism, known as ‘traditional intergovernmentalism’, was developed by Stanley Hoffmann as a critique to neofunctionalist paradigm. His approach “emphasized the importance of the national governments and their roles in shaping the EC’s [European Community] structure”, and he “underlined that national governments would always endorse their interests within a broader system” (Moga, 2009: 800). Hoffmann did also stress the relevance of “*low politics*, which comprises areas such as the economic welfare policies and the vital national interests or *high politics* such as foreign policy, security and defense, where national governments are less willing to transfer their authority to a supranational body” (Moga, 2009: 801). From this point of

view, integration is perceived as a “zero-sum game in which the winner takes all, claims that it is limited to policy areas that do not touch on fundamental issues on national sovereignty, and argues that ‘European integration is driven by the interests and actions of nation states’” (Hix as quoted by Cini, 2009: 87).

In the decade of the 1990s, Moravcsik developed a new intergovernmental approach called Liberal Intergovernmentalism which intended to better explain the reasons behind the regional integration of Europe from an alternative perspective. The new dynamics derived from the development of the Internal Market Programme to Monetary Union revived neo-functionalist argumentations and prompted Moravcsik to reformulate traditional intergovernmentalism to adapt it to the new contexts (Schimmelfennig, 2015: 177-178). Moravcsik did not include Hoffmann’s dichotomy between *low* and *high* politics, and stressed the relevance of the convergence of national interests among Member States, which are shaped by domestic preferences, to understand integration. In his own words, “the state behaviour reflects the rational actions of governments constrained at home by domestic societal pressure and abroad by their strategic environment” (Moravcsik 1993, as quoted by Moga, 2009: 802). LI quickly acquired the status of ‘baseline theory’ in the study of regional integration, building a framework that gathered assumptions and concepts from different schools of thought, “incorporating within it both realist and neo-liberal elements” (Rosamond as quoted by Cini, 2009: 96). Indeed, Moravcsik elaborated a new framework “by fitting a liberal theory of state preferences and a neoliberal theory of international interdependence and institutions to earlier –predominantly ‘realist’- approaches”, quickly establishing itself “as the most elaborate version of intergovernmentalism (Moravcsik, 1993; 1998 as quoted by Schimmelfennig, 2015: 178).

LI has two basic assumptions about politics: states are (1) ‘actors’ and (2) ‘rational’. According to the first supposition, institutions such as the EU can be better understood and studied “by treating states as the critical actors in a context of anarchy”, since “states achieve their goals through intergovernmental negotiation and bargaining, rather through centralized authority making and enforcing political decisions” (Moravcsik and Schimmelfennig, 2009: 68). However, both scholars reject labelling this assumption as ‘realist’, since they consider that “national security is not the dominant motivation, states power is not based on coercive capabilities, state preferences are not uniform, and interstate institutions are not insignificant” (Keohane and Nye, 1977 as quoted by

Moravcsik and Schimmelfennig, 2009: 68). For Moravcsik (1993: 481), states are not regarded as “billiard balls’ or ‘black boxes’ with fixed preferences for wealth, security or power” as realist and neo-realist approaches consider, “but on the basis of goals that are defined domestically”.

According to the latter assumption, which treats states as rational entities, “actors calculate the utility of alternative courses of action and choose the one that maximizes (or satisfies) their utility under the circumstances” and, therefore, “collective outcomes are explained as the result of aggregated individual actions based on efficient pursuit of these preferences” (Moravcsik and Schimmelfennig, 2009: 68). In other words, “state action at any particular moment is assumed to be minimally rational, in that it is purposively directed toward the achievement of a set of consistently ordered goals or objectives” (Moravcsik, 1993: 481).

For Moravcsik, the European institutional framework “is best seen as an international regime for policy co-ordination, the substantive and institutional development of which may be explained through the sequential analysis of national preference formation and intergovernmental strategic interaction” (Moravcsik, 1993: 480). From LI perspective, the EU is regarded as an institutional framework to deal with economic interdependence among its members through bargaining and negotiated policy coordination. According to LI, to understand European integration it is necessary to take into account the *demand* side and the *supply* side for cooperation. The former comes from the intra-state dynamics and pressures pushing for co-operation; the latter arise out of inter-state negotiations. (Cini, 2010: 95-97). The connexions between both concepts are explained by Moravcsik in a three-stage framework: (1) states first define preferences, then (2) bargain to substantive agreements, and finally (3) create (or adjust) institutions to secure those outcomes in the face of future uncertainty” (Moravcsik and Schimmelfennig, 2009: 68-69). This procedure was summarized by Moravcsik as follows:

EU integration can best be understood as a series of rational choices made by national leaders. These choices responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of states stemming from asymmetrical interdependence, and the role of institutions in bolstering the credibility of interstate commitments (Moravcsik, 1998 as quoted by Moravcsik and Schimmelfennig, 2009: 69).

Subsequently, this chapter will explain the three elements of this sequence to understand the details of the integration process according to LI.

4.1.1 National interest

The first element of Moravcsik's framework is national preference formation. He believes that different domestic interests by several actors in a certain country, which are conditioned for economic interdependence, generate an aggregated national interest defended by the state, which is perceived as a unitary actor. These preferences may shift and evolve over time and are not conceived as fixed and immutable. This scholar understands that "foreign policy goals of national governments are viewed as varying in response to shifting pressure from domestic social groups, whose preferences are aggregated through political institutions" (Moravcsik, 1993: 481). Moreover, he adds that "national interests (...) emerge through domestic political conflict as societal groups compete for political influence, national and transnational coalition form, and new policy alternatives are recognized by governments" (Moravcsik, 1993: 481). For Pollack (2010), "national preferences are complex, reflecting the distinctive economics, parties, and institutions of each member state, and they are determined domestically, not shaped by participation in the EU, as some neo-functionalists had proposed".

Therefore, within each society, diverse actors with different, often opposing interests, struggle to shape the aggregated national preference, delegating powers to or constraining the national government. The eventual governmental position is normally the outcome of the interests of these actors on the issue discussed, as well as their relative importance and influence, which may change over time. However, while in some issues societal groups can have clear positions, derived from having vested interests at stake, for example; in other issues, positions may be more ambiguous or divided (Moravcsik, 1993: 482-483). If the key national actors and interest groups feel that international policy co-ordination is to threaten their interests or they feel disadvantaged, they are more likely to oppose such negotiations, even if the outcome is likely to benefit most societal groups. Nevertheless, to better predict the likelihood and the outcome of policy co-operation it is necessary that the interests of each domestic and national actors are as much clear and defined as possible. If they are ambiguous, the chances to determine the result of this process are less likely.

Even though LI attaches so much weight to domestic preferences when it comes to define

aggregated national interests, Moravcsik (1993: 484) states that his theory is “consistent with a number of plausible motivations for governments to support (or oppose) European integration. These include federalist (or nationalist) beliefs, national security concerns and economic interests”. Therefore, a wide range of variables have the potential to influence the eventual position of a government towards the European integration process.

4.1.2 Intergovernmental bargaining

The second element in the LI framework is the intergovernmental bargaining to co-ordinate policies internationally. This theory understands that vulnerability to externalities derived from economic interdependence provide incentives to national governments to co-ordinate policies with other countries. For Moravcsik (1993: 485), “international policy externalities arise where the policies of one government create costs and benefits for politically significant social groups outside its national jurisdiction. These incentives are normally higher when these externalities are negative (for instance, when a certain country is imposed costs due to the behaviour of a second country), and policy co-ordination offers incentives to mitigate its effects. Pollack (2010: 20) considers that in this stage, in the case of the EU, “national governments bring their preferences to the bargaining table in Brussels, where agreements reflect the relative power of each member state, and where supranational organizations such as the Commission exert little or no influence over policy outcomes”.

When states are willing to integrate because they all expect benefits from policy co-ordination, conflicts may arise due to the power asymmetry in the negotiations. Final agreements are likely to “reflect the constellation of national preferences and bargaining power” (Schimmelfennig, 2015: 178). In the case of the EU, this implies that most decisions will not be taken as long as all Member States are Pareto-efficient, so they consider that they will benefit or, at least, not impose costs to them. For instance, the Council of the European Union needs unanimity of all its members in a number of “sensitive” issues, such as common foreign and security policy, granting EU membership to candidate countries or providing new rights to EU citizens, among others (Council of the European Union, 2014). However, this does not mean that benefits from policy co-ordination are evenly distributed among negotiating countries. In many issues, the EU’s biggest and most influential members like Germany and France have higher leverage in a negotiation within the EU framework than other smaller and/or peripheral Member States. For Moravcsik and Schimmelfennig (2009:71), “states must overcome

collectively suboptimal outcomes and achieve coordination or cooperation for mutual benefit, yet at the same time they must decide how the mutual gains of cooperation are distributed among the states". Therefore, most negotiations are likely to reflect the relative bargaining power of the Member States. In addition, final agreements are usually reached on a lowest-common-denominator basis, since each member state bargains to get an agreement that fulfils its needs, while limiting the transfer of sovereignty to supranational entities (Cini, 2010: 97).

Those countries that have more interests at stake in a negotiation and can benefit more from economic co-operation, are more willing to assume greater costs to achieve it than those which can accept a non-agreement. The latter, may use hard bargaining tools, such as threats to veto proposals, to withhold financial side-payments, and to form alternative alliances excluding recalcitrant members, to force them to make concessions in other areas. This hard-bargaining scenario usually appears "if stakes are high and the distribution of costs and benefits is clear" (Schimmelfennig, 2015: 184).

4.1.3 Institutional choice

The last element described by LI explains the reason why national governments are willing to establish and design international institutions. From this perspective, institutions are tools that "help states reach a collectively superior outcome by reducing the transaction costs of further international negotiations on specific issues and by providing the necessary information to reduce the states' uncertainty about each other's future preferences and behaviour" (Schimmelfennig, 2015: 72). Moreover, LI claims, like neofunctionalists, that when states delegate powers to a supranational entity such as the EU, they are exposed to subsequent unintended and unwanted decisions taken by such institutional framework. However, Pollack (2010:20) points out that, according to this rational-choice theory of institutional choice used by LI, Member States delegate sovereignty to the EU and co-ordinate their policy "to increase the credibility of their mutual commitments" in order to prevent a "strong temptation to cheat or 'defect' from their agreements". To do so, these supranational bodies lock in the substantive negotiation outcomes and can have to power to sanction states that do not comply their duties stipulated in the agreement.

Linked with the second element of this theory, even if there is a necessary common interest to integrate policies among Member States, institutional designs tend to follow

the institutional preferences of the states with superior bargaining power. In the case of the EU, Germany, or other countries like France, have high influence in the outcome of many negotiations, as exemplified by Schimmelfennig (2015) during the Euro Area crisis, when Berlin managed to design an institutional framework that matched its preferences.

4.2 Theory selection

This thesis is going to analyse the implications of OBOR to European integration through the lenses of Liberal Intergovernmentalism. This theory was specially designed in the 1990s to understand the logic behind a regional integration process. Since this research will put special emphasis on the national dynamics that have the potential to affect the integration process, and they mostly involve national governments, LI offers a framework that stresses the behaviour of Member States, their bargaining dynamics, and their domestic and national preferences. We believe that national governments and their national and domestic preferences play a key role in determining their position towards the New Silk Road and their attitude towards a unified European response to deal with such initiative. This theory helps to understand to what extent are national governments willing or unwilling to co-operate internationally, delegate sovereignty and integrate to supranational institutions. It is notably useful to take into account the incentives that would facilitate, slow down or prevent the integration of certain policies at the supranational level. Therefore, it has the potential to explain whether OBOR offers room to Member States to co-ordinate their policies and strategies at the European level, or if, otherwise, the Chinese initiative spurs centripetal forces and fosters divisions among Member States.

4.3 Assumptions

This thesis is built upon the idea that the development of the New Silk Road will have an impact on the integration of the European Union. LI provides the lenses to discuss to what extent this Chinese strategy has the potential to shape intra-European relations and facilitate, delay or prevent the political integration of Europe. In this regard, we believe that it has the potential to benefit and challenge the EU, assuming two basic and somehow contradictory assumptions that will be tested in this thesis. On the one hand, we consider that the development of the New Silk Road can have positive effects for Europe, especially in economic terms, fostering the integration of peripheral and less developed regions in this continent. On the other hand, we expect that the New Silk Road may have potentially negative geostrategic consequences for European integration, leading to the

split of EU members, especially in issues concerning China. Therefore, this theory will be useful to determine to what extent these assumptions are accurate.

4.4 Limitations

LI may have some shortcomings explaining the issue researched in this thesis. First of all, this project is analysing what implications OBOR –an external variable- has over the integration of Europe. LI was mainly designed to understand the dynamics behind integration, and did not take so much into account the effects of an exogenous factor like the New Silk Road. In addition, LI can provide solid explanations when, as mentioned before, interests of domestic and national actors are clear, and when benefits and costs of policy co-ordination are clearly defined. However, due to the fact that this initiative is still on its early stages, its intrinsically uncertain nature, and the fact that in some countries the key national actors and interest groups have not shown a clear position regarding OBOR, it might be more difficult to foresee implications for integration in some cases. In addition, LI puts a lot of emphasis on economic factors to explain why states commit to integrate or not. This may prove beneficial when dealing with a project such as OBOR, the nature of which is largely based on trade and economy. However, the implications for European integration may also be political (a rise of “Sinophobic populism”, for instance). Another example is the case studied by Jensen and Snaith (2016), who investigated the dynamics behind the Brexit through the lenses of LI. They found out that, even though most influential British economic actors were in favour or remaining in the EU, political motivations and dynamics within the Conservative Party facilitated the call for the referendum carried out in June 2016. Even if, as mentioned before, Moravcsik states that LI is consistent with other alternative explanations rather than economic to explain integration, such as ideological beliefs or national security concerns, for these scholars, “the analysis shows that [LI] underestimates political factors and overestimates economic factors with regard to national preference formation”. Other scholars have pointed out that “Moravcsik’s account is too simplistic when it focuses solely on economic and (to a lesser extent) geo-political concerns (Wincott as quoted by Cini, 2010: 100). Therefore, this theory needs to be tested in this aspect to see whether it can provide a solid explanation for such political dynamics.

A common critique towards LI is that this theory underestimates the role of supranational institutions such as the European Commission (EC) or the European Court of Justice

(ECJ). In addition, it has been also criticised that LI usually works because it tends to pick the specific cases that do help its argumentation. For Cini (2010: 99), this theory “has been applied only to those cases that will (almost inevitably) result in proving that the theory is correct”. Notwithstanding, this project seeks to explain the implications of the New Silk Road to European integration taking into account a wide range of variables, which will test whether LI is able to provide a solid explanation to the problem formulation.

5. Background

The aim of this section is to introduce some of the basic concepts and contextual information to help the reader to better understand the topic and argumentation of this research. This chapter describes what is the New Silk Road about and the reasons, both internal and external, that have motivated China to pursue it. Even though OBOR is an enterprise that will have global implications, it is to a large extent still unknown for the public and we believe it is necessary to explain it in detail.

5.1 What is the New Silk Road?

Mentioned for first time in September 2013 at Nazarbayev University in Kazakhstan, the ‘One Belt One Road’, as it was named by Chinese authorities, is a geopolitical and economic initiative inspired in the ancient Silk Road that once allowed the economic, cultural and knowledge exchange between China and Europe. As mentioned before, the New Silk Road is better defined as a Chinese strategic vision, a wide policy aiming to solve great internal and external challenges, which will be discussed in this section, and not as a concrete plan or well-defined strategy.

The basic idea of this initiative is to build a dense network of infrastructures facilitating the exchange of goods, knowledge and culture not only between China and Europe, but also among those countries in Eurasia, Middle East, Africa and Eastern Europe involved in it. For d’Hooghe (2016: 49), this platform “seeks to facilitate the movement of goods, services and people between Asia, Europe and Africa with the aim of boosting intra-regional trade and investment while simultaneously stimulating economic development”. To do so, Beijing is willing to assume a total financial commitment of around 1.4 trillion dollars (Casarini, 2015). The Asian Infrastructure Investment Bank (AIIB), which includes some EU Member States, and a 40 billion dollars Silk Road Fund will play a key role financing the most important projects of this initiative. However, OBOR should not

be merely regarded as a network of infrastructure, but as a platform to promote and bolster economic integration among those countries. There is no official list of which states are participating in this initiative. Notwithstanding, experts and Chinese official sources claim that more than 60 countries are supposed to take part in it. Even though there is a wide consensus on which are the most important ones participating in this plan, experts usually differ when listing all of them, since there are states the involvement of which is not as obvious as others. Therefore, when talking about the New Silk Road, aggregated data usually differs. For Casarini (2015: 2), this initiative is to include 55 per cent of the world's GNP, 70 per cent of global population, and 75 per cent of known energy reserves. Instead, for Garcia-Herrero and Xu (2016: 2), the bloc between the EU and China accounts for 64 percent of the world's population and 30 percent of global GDP. Stephen L. Jen calculates that the New Silk Road will gather 64 countries, 4.4 billion people and around 40 percent of the global economy. He adds that this project will be 12 times bigger in absolute dollar terms than the Marshall Plan, the 9 percent of China's GDP, the double of what Washington invested in boosting the post-war Europe (Jen as quoted by Curran, 2016).

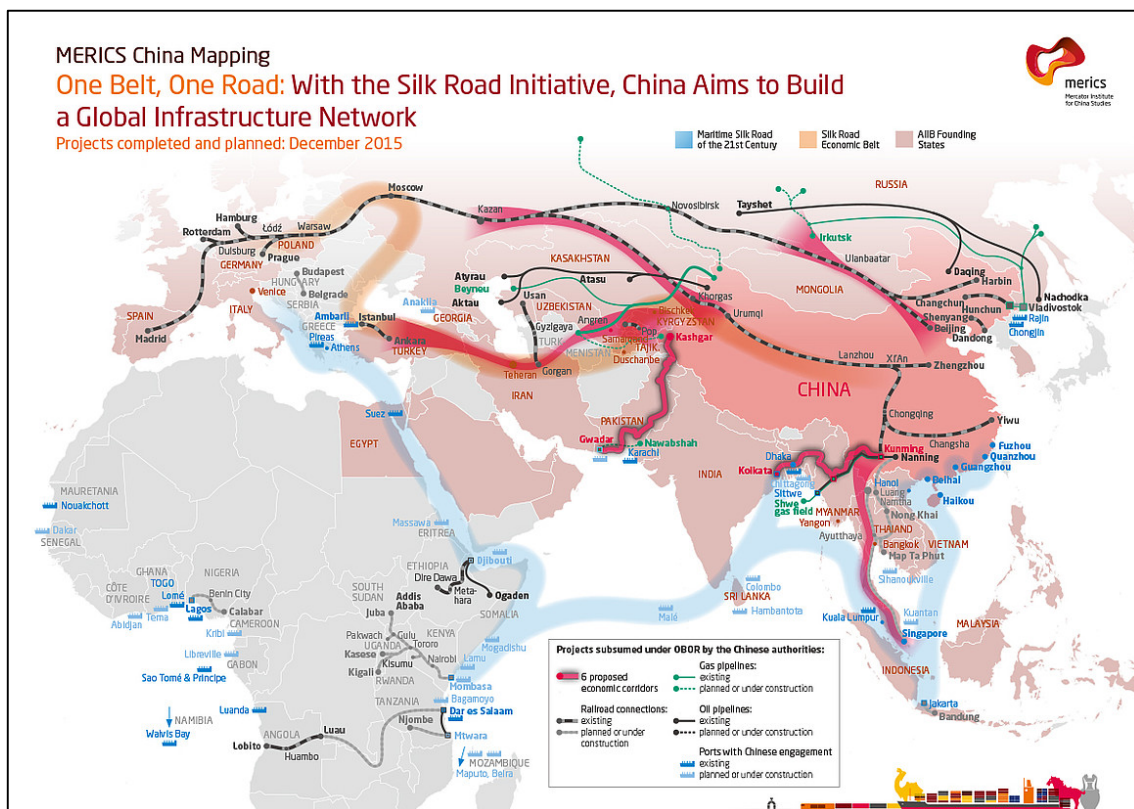


Figure 1 shows the network of infrastructures that China intends to build under the One Belt, One Road strategy (Rudolf, 2015).

The New Silk Road consists in two main roads or economic corridors: the Silk Road Economic Belt (SREB) and the 21st Century Silk Road Maritime Belt (MSR). As Figure 1 shows, the former road plans to set up a range of infrastructures connecting China and Europe through Eurasia. According to Maçães (2016: 4), “the land element is called a belt to pinpoint that its ultimate goal is the creation of a densely integrated economic corridor rather than a transportation network linking two points”. The route of this plan does not only follow its ancient path, but also includes other regions. Wang Yiwei, a Chinese expert on OBOR from Renmin University of China, specifies that the SREB has three routes through Eurasia: “the Northern Route with the Eurasian Land Bridge as its main part (Beijing-Russia-Germany-Northern Europe), the Middle Route with oil and gas pipelines as its main part (Beijing-Xi’an-Urumqi-Afghanistan-Kazakhstan-Hungary-Paris), and the Southern Route with transnational highways as its main part (Beijing-Southern Xinjiang-Pakistan-Iran-Iraq-Turkey-Italy-Spain)” (Wang, 2016: 24). It is remarkably relevant the importance of railways in the SREB. For China, this sort of transportation offers a faster and alternative to the currently overdependence of maritime freight transportation. In fact, since 2013, Chengdu, the capital of the Chinese inland and highly populated province of Sichuan is connected with the Polish city of Łódź via railway. However, as Shepard (2016) points out in Forbes, nowadays some twelve Chinese cities have direct connections with nine European ones. For example, “Suzhou is now directly connected by rail to Warsaw, Lianyungang to Rotterdam, (...) Chongqing to Duisburg, Yiwu to Madrid [and] Zhengzhou to Hamburg”. In this way, cargo trains, which are still less competitive than ships when it comes to price, are increasingly relevant in EU-China trade.

When it comes to the maritime road, OBOR intends to improve the current sea transportation and is inspired by the Chinese admiral Zheng He’s naval expeditions to Africa during the Ming Dynasty (1368-1644). However, this route goes beyond those explorations. Wang (2016: 25) points out that “China will work with other countries to build large transport channels that are secure and efficient, enhance exchanges with neighboring countries and regions, establish a market chain connecting major economic plates such as ASEAN, South Asia, West Asia, North Africa and Europe”. In the Old Continent, China has already made some important investments to build this maritime network that will enhance transportation between China and Europe. The most relevant is probably the acquisition of the Piraeus seaport in Greece, followed by the construction

of railway infrastructures from the Balkans to Central Europe to facilitate such trade. This set of infrastructures in the southeast of the continent is meant to reduce considerably the transportation time from China to the continent. As some experts explain, many OBOR-labelled projects date, in fact, from before the launching of this initiative, but they have been ‘repackaged’ and adapted to this new platform (Van der Putten, 2016a: 5).

5.2 What motivates China to pursue this initiative?

The development of the New Silk Road is the answer to multiple and complex needs that China is facing in the context of its rise as a global power. Official documents and some Chinese experts elude to explain any geostrategic, political or economic motivation behind OBOR. However, many scholars point out that Beijing regards the New Silk Road as the main tool to solve a different range of internal and external challenges. In other words, this plan “contains strategic, economic and geopolitical calculations meant to preserve high priority national interests” (Schaefer as quoted by Müller-Markus, 2016: 3).

5.2.1 Internal motivations

First of all, as Figure 2 shows, the Middle Kingdom has recorded an unprecedented double-digit growth since the Chinese leader Deng Xiaoping started reforming the economy after Mao Zedong died and the Cultural Revolution was over. This trend was accentuated in the 1990s, when the pace of this opening up process speeded up. The ‘Going-out’ strategy and the joining of the World Trade Organization (WTO) in 2001 were a momentum for Chinese economy, which was the target for vast amounts of FDI and gradually became the ‘factory of the world’, concentrating a remarkable share of the global industry. Its economy was so powerful that it did not even suffer to the same extent the consequences of the financial crisis that has hit the West since

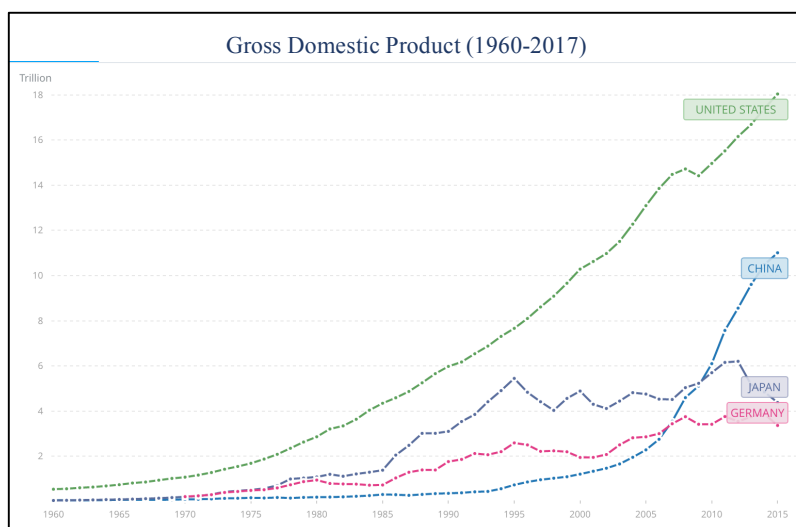


Figure 2 shows the evolution of the current four biggest economies since 1960 (World Bank, 2017).

2008. However, at the turn of the first decade of the 21st Century, such growing pace started to slow down, entering to a new stage that was named “The New Normal”. In this new scenario, the double-digit growth of the GDP was reduced to an increase of 6-7 percent, which was positive, but still painful for an economy used to rise much faster. For Grieger (2016: 8-9), China’s slowdown is the result of the transitioning of the Chinese economy “from a growth model driven mainly by exports and foreign direct investment (FDI) to one led by domestic consumption, innovative industries and services”.

In this context, the New Silk road offers the chance to the Chinese economy to open new markets for its products, which have no place in the saturated domestic ones (Markus-Müller, 2016: 3). Improving the facilities to transport them, as well as reaching better trading deals with a big number of countries is expected to boost its industry and solve the serious problem of overcapacity production that it has been facing lately. Lowering the transportation costs for its goods will also help to offset the rising production costs of the Chinese industry (Casarini, 2015: 4). In addition, apart from being able to better – cheaper and faster- export its products, the New Silk Road is meant to provide improved access to energy and primary resources. The new connections planned with surrounding countries may guarantee a safer access for Chinese industries to such resources. For instance, the infrastructures connecting the Middle Kingdom with Central Asia and Russia can be useful for such purposes. To this aim, the ‘Power of Siberia’ project plans to build pipelines to deliver 38 billion cubic meters of gas annually from Russia’s eastern regions to China (Russia Today, 2015). Building infrastructures in the countries participating in OBOR will guarantee demand for the goods of the Chinese heavy industries –such as iron, steel, cement, aluminium and glass, which suffer from overcapacities, since the domestic urbanization and modernisation projects are not enough to absorb their production (Grieger, 2016: 9).

Müller-Markus (2016: 3) points out that Beijing must face “growing domestic pressures due to the slowdown of the 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”. Chinese political elites expect that OBOR may contribute to solve some issues that may threaten the stability of the Chinese society and potentially undermine the credibility of the Chinese Communist Party (CCP). In this regard, its legitimacy is considered by many experts to be built upon the outstanding economic performance of China, since the ideological communist justifications of the

People’s Republic of China were left aside after the Cultural Revolution (1966-1976), coinciding with the death of the leader Mao Zedong, and the start of the reform period in 1978. Guaranteeing a steady economic growth, high employment rates and better living standards and prospects is of critical importance to Chinese elites, since keeping stability and a ‘harmonious society’ –a concept used very often by Chinese officials- is one of their main obsessions. In other words, if the central government is not able to maintain a reasonable growth and eventually experiences sustained stagnation or even recession, the likelihood of popular unrest can potentially increase and endanger the basis of its legitimacy.

In addition, the New Silk Road is expected to benefit the central and western regions of China, the economic development of which has been arguably neglected for many decades. As Ratfrey (2017) explains, “China cannot be conceived of as a single, unified economy. Each province possesses differing demographics, a unique culture and history, and a distinct economy. Levels of development are inconsistent from province to province”. Nowadays, the capital and the modern Chinese economy, as well as the population- is mostly concentrated in the coastal areas in the east of the country, as Figure 3 shows. The economic reform especially spurred the growth in these areas, for example, with the creation of Special Economic Zones (SEZ). For decades, millions of Chinese people have migrated to the coast to look for greater opportunities. Nowadays, there is the need to retain people in inland areas and balance the existing inequalities among Chinese provinces. Since the turn of the century, the attempts to spur economic growth in western regions have not

been completely successful, and the gap between the inland and coastal areas has been actually widening (Ratfrey, 2017). In this context, OBOR offers the chance to create new corridors from the east of the country to the west, spreading wealth and economic growth to these poorer areas and mitigate disparities. Important inland

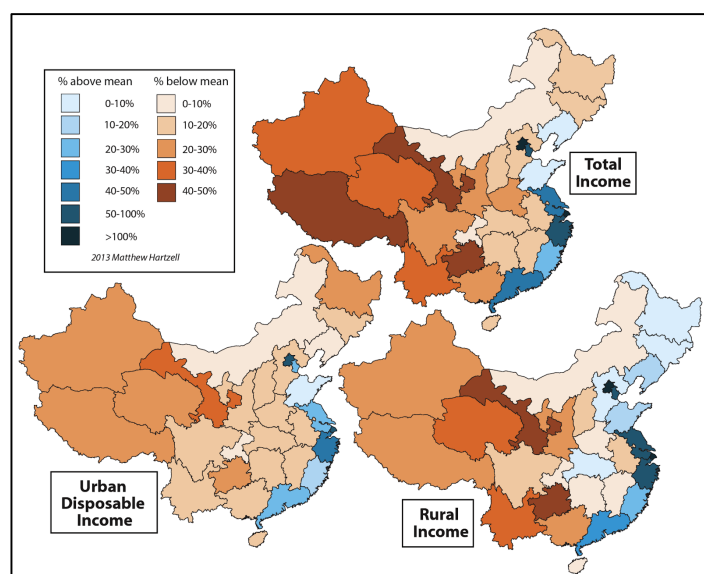


Figure 3 shows the distribution of income in China (by province) (Schiavenza, 2013).

metropolises like Chengdu (Sichuan), Chongqing (Chongqing municipality) or Xi'an (Shaanxi), and other cities such as Lanzhou (Gansu) or Urumqi (Xinjiang), among others, have the potential to become economic hubs of this project and benefit from its development. In this regard, the development of the New Silk Road and its redistribution of wealth is seen by many as a tool to tackle 'terrorism', 'separatism' and 'religious extremism' that Beijing faces in the western regions of the country, especially in Xinjiang (Grieger, 2016: 12).

5.2.2 External motivations

This initiative must be understood within the context of the rise of China as an economic and political superpower, and in an international environment of increasing multipolarity. For Maçães (2016: 6), this initiative seeks "to change the rules organizing the global economy, by granting China a set of tools with which it can reorder global value chains". For Van der Putten, "OBOR has come to symbolize China's growing significance in international affairs, reshaping regional dynamics in geographical areas close to or even inside Europe" (Van der Putten *et al*, 2016a: 10). When it comes to the Chinese government, it states that OBOR "[embraces] the trend towards a multipolar world" (Ministry of Foreign Affairs of the PRC, 2015). In fact, since the beginning of this decade, this country is already the second world's economic powerhouse, only surpassed by the US, as shown in Figure 2. Ever since Chinese leader Deng Xiaoping started opening up China's economy in 1978, Beijing has been progressively gaining quotas of power both in political and economic terms. In the launching of this project it is especially relevant and central the leading figure of the Chinese president Xi Jinping, who is commanding the Chinese Communist Party since 2012, only one year before the first mention of the OBOR. By many, Xi Jinping has become the most powerful Chinese president since Mao Zedong, who passed away in 1976. In this context, OBOR is Beijing's crown jewel, the instrument designed to restore the pride lost during the Century of Humiliation (1839-1949), when China suffered from European powers and Japan's imperialism. Müller-Markus (2016: 1), states that "His [Xi Jinping's] credo, the Great Renaissance of the Chinese Nation – The Chinese Dream (中国梦) has dominated his political agenda for the past three years", and that OBOR will attempt to place China "in 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". Other scholars consider that the New Silk Road is "arguably Beijing's major diplomatic outreach in decades" (Casarini, 2015: 1).

Nowadays, the PRC, once an isolated autarchic regime suffering from famines and a stagnated economy, has become one of the most committed and powerful advocates of global trade. Beijing knows that its economy relies to a large extent on the development of global value chains and OBOR is the key to boost its recently weakened economy.

The New Silk Road has been compared by some (for example: Curran, 2016 and Sabin, 2017) to the American Marshall Plan that boosted economic growth in the post-war Europe. However, as *The Economist* (2016: 5) points out in an extensive report, “OBOR and Marshall Plan differ in critical ways” since “China’s Belt and Road is not based on aid or even foreign direct investment, but on loan financing”. Notwithstanding, Shen (2016) points out that both American and Chinese initiatives have similarities working as a tool to achieve geostrategic goals, including boosting exports, exporting currency, undermining rival’s influence, fostering strategic divisions and gaining diplomatic support. In addition, “the initiative also marks a transition for China toward a more proactive foreign policy that seeks to influence the character of its broader environment — something the United States has been engaged in for decades, but which is a new development for China” (Chance, 2016).

Externally, China wants to use the New Silk Road to tackle some issues and challenges that threat or potentially threat its national interests. For example, the development of the SREB through Eurasia, or the construction of an economic corridor from the westernmost Chinese areas to the Indic ocean through Pakistan, the so-called China-Pakistan

Economic Corridor (CPEC), they are both expected to give transportation alternatives to Chinese trade. Nowadays, as Figure 4 illustrates, “an estimated 85% of China’s imports and between 70-85% of its energy supplies (...) are sea-borne and pass through several maritime chokepoints such as the Strait of Malacca in the South China Sea” (Grieger, 2016: 8). The CPEC

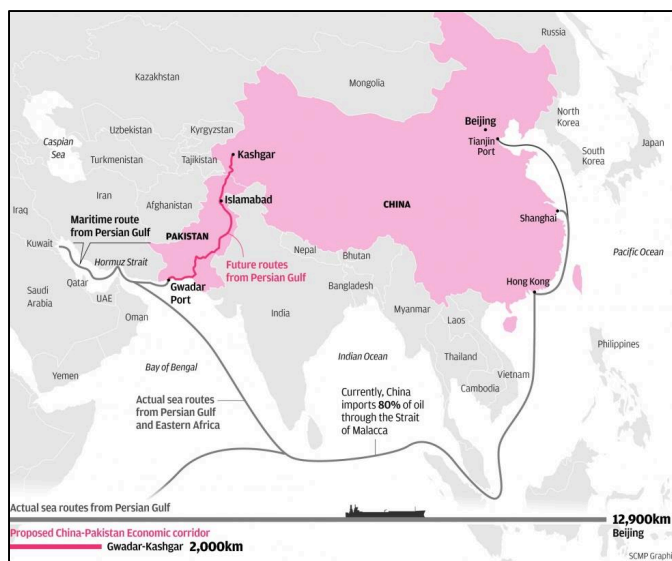


Figure 4 illustrates the geostrategic importance of the China-Pakistan Economic Corridor (South China Morning Post, 2013)

would allow China to pump oil resources coming from Persian Gulf and transport goods

coming from the Middle East, Africa and Europe (Global Risk Insights, 2017). This enclave presents a range of potential challenges to Chinese interests. First, this area is under the influence of the United States, where it has allied countries. Therefore, in the hypothetical event of a US-China war, Beijing's energy security could be at stake (Grieger, 2016: 8). Second, it is an area where pirates and maritime crime are commonplace. Finally, the Malacca strait is next to a potentially conflictive region, the South China Sea, where Beijing has disputes over the sovereignty of a number of small isles and their vast water extension with the adjoining countries in this area. To this point, a briefing from the European Parliament points out that China may use its OBOR leverage to persuade some countries in these regions to withdraw their territorial claims (Grieger, 2014: 7). Moreover, to have another alternative to Malacca strait, some experts have even pointed the possibility that China builds a Panama-like canal in Thailand, in the Kra isthmus from the Malaysian peninsula, an infrastructure that would have serious implications for a tiny country but important trading hub in the region, Singapore (Scutt, 2015 and Goldstein, 2016). Both the CPEC and the Thai Canal are clear example that show to what extent the development of OBOR does not only pursue innocent "mutual benefit" and "cooperation" goals, as claimed in the official statements from Beijing (Ministry of Foreign Affairs of the PRC, 2015), but also intends to tackle some Chinese economic, political and security issues. Other ambitious projects also exist in the region, such as the Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC) and the China-Mongolia-Russia Corridor.

However, there are other purposes for developing this plan. According to a briefing from the European Parliament about the New Silk Road, this initiative "is likely to expand significantly China's political and economic leverage over its neighbourhood, since most of the countries receiving Chinese funds for new infrastructure will ultimately be drawn deeper into China's trade and finance orbit and be expected to support its rise in all respects" (Grieger, 2016: 6-7). Furthermore, OBOR has also implications for major powers, since it directly involves Russia and India –which is developing Mausam project, its own Maritime Silk Road (Pillalamarri, 2014). When it comes to the US, this country is *de facto* excluded from the initiative, even though it is formally open to everyone, and it has the potential to affect some of the American geostrategic interests in the region.

6. Analysis

The aim of this section is to analyse the implications of the development of OBOR for the integration of the EU through the lenses of Liberal Intergovernmentalism (LI). This chapter will analyse and discuss several factors related to the development of the New Silk Road that can facilitate, delay or prevent European integration. To do so, this section will discuss some of the factors presented in the literature review in addition to our own observations, relating them to the theoretical framework developed by Andrew Moravcsik.

6.1 China's diplomacy towards the EU

6.1.1 Bilateralism and the CEE 16+1

A key element to understand the implications of the increasing Chinese presence in Europe is to comprehend China's diplomatic approach on its relations with the Old Continent. Chinese officials constantly emphasise that OBOR initiative has no other intention than fostering mutual development and enrichment, stressing that it is meant to be implemented under the so-called "Five Principles of Peaceful Coexistence": (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; and (5) peaceful coexistence. Indeed, the official document *Vision and actions on jointly building Silk Road Economic Belt and 21st-Century Economic Belt* (Ministry of Foreign Affairs of the PRC, 2015) reiterates the goodwill behind this project, which seeks to "promote the economic prosperity of the countries along the Belt and Road", "strengthen exchanges and mutual learning between different civilizations, and promote world peace and development". This friendly narrative is commonplace when China approaches its relations with other countries and intends to create welcoming environments for its investments and mitigate suspicions about its alleged real geostrategic goals.

One of the elements that has arisen many concerns is China's enthusiasm for bilateral relations to implement OBOR. Mações (2016: 6) explains that Beijing pursues its diplomatic ties with other countries following a 'Chinese model', which is "to conduct this organizing process as much as possible at the political level, through agreements reached directly between national governments". This, of course, means that often China overlooks existing multilateral frameworks that would be suitable forums to discuss the development of this initiative or other sorts of activities that involve a number of countries.

Officially, the Chinese government does usually show its willingness to cooperate multilaterally, but on the ground the realities are sometimes different. This diplomatic approach might be used to create divisions among neighbouring countries in a certain region, which need to compete against each other in downward auctions to get Chinese deals, which have already been dubbed as ‘bidding wars’ (Meunier, 2014a). Godement (2011: 9-11) already pointed out this fact before OBOR was launched, in relation to the Chinese investing policy in Europe. He considered that China’s bilateral approach to each Member States and the pull of short-term national interests “is leading to a fragmentation of EU-China policy” and “adding to the centrifugal forces already at play in European politics”. This ‘Chinese model’ is also well explained by Saverio Montesano and Okano-Heijmans:

Indeed, OBOR ticks all the characterizing boxes of Chinese foreign policy under Xi’s rule: bilateralism, as evident in its emphasis on ‘partnerships’ rather than more multilateral alliance structures; multilateralism ‘when it suits’, meaning Beijing’s willingness to rely on multilateral initiatives only when it is able to initiate and therefore control the process, as embodied by the growing role played by the AIIB; fait accompli, meaning that China tends to present other countries with ‘ready-for-implementation’ initiatives, without providing preliminary information or involving them in the earlier stages of the decision-making process (Saverio Montesano and Okano-Heijmans, 2016: 4).

The use of these strategies by Beijing is not new. Before OBOR was started, China was already applying in the EU’s periphery some of the strategies used in its relations with some developing countries in Latin America, Africa or the Middle East (Godement *et al*, 2011: 2). As mentioned, Beijing often overlooks regional mechanisms and stresses its bilateral ties with national governments. In In this situation, Beijing’s bargaining power is much higher than approaching it multilaterally, since China is likely to be more influential and assertive in economic and political terms, due to its size and power, than most individual countries in the world. There is the risk that bilateral relations end up being translated into an increased situation of interdependence where one of the parts is much more dependent than the other one. This is why a common position aggregating the power of the EU Member States could be the way to get a better deal, especially for the smallest and peripheral EU countries, when negotiating with China.

It has also been pointed out by some scholars that Beijing usually offers ‘ready-to-implement’ projects that lack consultation with other countries and stakeholders. According to Wong (2017), some European countries refused to sign a trade statement at the Belt and Road Summit celebrated in May 2017 in Beijing because they are sceptical towards China. They argue that the document drafted by China lacked discussions among the participating nations. A European diplomat stated in the *South China Morning Post* that “The way the trade declaration was drafted, without really consulting anybody, suggests a Sinocentric mind-set” (Wong, 2017).

Another important aspect of this Chinese Model is that, through soft diplomatic means and rhetoric as well as investing in concrete sectors China builds up chains of influence that, in terms of LI, shapes domestic preferences and, eventually, the attitudes of national governments *vis-à-vis* Beijing. Godement (*et al*, 2011: 2) supports this point of view stating that in Europe “China buys or builds infrastructure projects, snaps up ailing companies or collects assets from quasi-insolvent states, gets a foothold in the distribution sector and uses local media to increase soft power”. To this aim, China has also been setting Confucius institutes worldwide, offering 10.000 scholarship programs to students and future leaders from OBOR countries, as well as inviting politicians from these states to conferences and events. This soft diplomacy strategy, which has been traditionally been successfully applied by great powers such as the US, has already given some positive outcomes to Beijing. However, recently, this policy has been accentuated and the future benefits are expected to be higher. For example, Ethiopian president Mulatu Teshome studied twelve years in China, where he got a Bachelor and Master’s degree and a PhD. Negasso Gidada, president of Ethiopia between 1995 and 2001 stated that “Teshome’s Chinese education played a role in informing the country’s reform policy. At present, China is Ethiopia’s largest investor as well as trading partner” (Cai, 2016). Another case is the Karim Massimov, the current prime minister of Kazakhstan, a country of critical importance for Chinese interests. Massimov studied at Beijing Language Institute and at the law faculty at Wuhan University and “is fluent in Chinese and widely considered to be a China expert” (Cai, 2016).

In addition, China is rather appealing for some governments because it always sticks to its official policy of not interfering into domestic affairs of other countries. This means that, unlike Europe or the US, Beijing does not include on its deals with other governments conditions on human rights issues, for instance. Therefore, authoritarian

countries usually feel comfortable when negotiating with Chinese officials, since the negotiations do not go beyond economy and trade. While this has been the case with many countries from Africa and the Middle East, this situation could please the governments of some EU Member States such as Poland or, most importantly, Hungary, which are increasingly showing unliberal attitudes.

When it comes to Europe, one of the Chinese initiatives that has been criticised the most among scholars and less welcomed within the EU framework is the establishment of the CEE 16+1 forum. This platform, established in 2012, gathers China and 16 states in central and eastern Europe, 11 of which are EU members. This group includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia, plus China. In their annual meetings, these countries reach agreements to strengthen dialogue and cooperation, as well as facilitate investment and the implementation of projects. To do so, Beijing set up a €10 billion investment fund to finance them. This multilateral forum has gradually been institutionalised by establishing a Permanent Secretariat at the Chinese Foreign Ministry in 2012, a Permanent Secretariat for Investment Promotion in Warsaw in 2014, and a range of associations and industry organizations coordinated by individual states. Even though it was launched one year before the New Silk Road was announced, it is currently a centrepiece of its implementation in this region and has achieved some results. In 2014, CEE-China trade was 86 percent higher than in 2009 (Yao as quoted by Kratz, 2016: 6). This platform can be regarded as a new Chinese diplomatic approach to develop its relations since it introduces multilateralism.

From LI perspective, there is the risk for the EU that CEE countries perceive the 16+1 framework as the most suitable forum to discuss the development of OBOR. Moravcsik's theory considers that national governments will be willing to integrate their policies at the supranational framework if, motivated by their domestic groups of interests, perceive that this one will give them a better outcome than acting unilaterally. However, if national governments in the CEE region believe that the 16+1 framework already fulfils the needs for cooperation with its neighbouring countries, they might ignore or be reluctant to work at the EU level. One of the reasons that would make these governments less willing to develop their approach *vis-à-vis* OBOR at the EU level is because they might suspect that the final agreement will not benefit them enough. Some small and less influential

countries within the EU can expect that through the intergovernmental bargaining, in terms of LI, the power asymmetries among them shape the outcome of the negotiations. In other words, that a European policy on OBOR reflects the interests and needs of the most powerful, industrialised and economically developed Member States, such as France or Germany, the needs of which can be dramatically different to theirs. Instead, within the 16+1 framework, the EU Member States might have a stronger say than in Brussels.

For a European diplomat quoted by *South China Morning Post*, “the 16+1 initiative is no more appealing to the EU than an EU initiative to develop a special relationship with, say, 10 of China’s provinces” (Wong, 2017). In addition, the 16+1 forum does not only have the potential to undermine the role of the EU in the region, but also to increase competition among the countries in this regional platform. As Saverio Montesano and Okano-Heijmans (2016: 4) note, “the fragmenting potential of these sub-regional dynamics are evident, in that not only do they foster a framework that is only partially overlapping – and thereby potentially conflicting – with the EU, but they also trigger internal competition within the framework, as members of the 16+1 seek to build stronger bilateral ties with China”, as it will be assessed in the third section of this analysis. Nevertheless, there are some voices that support the existence of this CEE 16+1 framework as an element of Beijing’s cooperation with the EU. For instance, Kaczmarek and Jakóbowski (2015: 2), “China’s knowledge of the principles of the European integration is at times insufficient” and they believe that, for Chinese experts, “the only goal of China’s policy towards the region is to strengthen Europe’s unity by offering it assistance in reducing gaps in development”. From this Chinese perspective, “the 16+1 formula can be seen as an element of Beijing’s cooperation with the EU”. While it is possible that the region benefits from the development of the New Silk Road in terms of economy, as it will be discussed in this analysis chapter, it is necessary to highlight that Chinese investments should not be naïvely considered altruistic. It is also important to keep in mind that, while OBOR can have positive outcomes in many aspects, is meant to address a range of Chinese internal and external challenges and needs. In addition, as it will be explained in the “Political Implications” section, Beijing could possibly be trying to form a ‘pro-China’ lobby within the European Union to favour its interests.

Nevertheless, some voices (Kaczmarek and Jakóbowski, 2015) have pointed out that this forum might not be eventually successful. First, the 16+1 formula gathers rather different states both in terms of population and economy (Stanzel, 2016 and Kaczmarek and

Jakóbowski, 2015). Some of them are part of the EU and the Eurozone, while others are not. The level of enthusiasm about the New Silk Road and eagerness to cooperate with China also differs. Secondly, not all members have equally benefited from Chinese activities. For instance, while Chinese investments between 2009 and 2014 have increased by 7.271% in Bulgaria, 955% in Macedonia and 471% in Hungary; Slovenia, Latvia and Montenegro have recorded no increase during the same period, and Estonia has even seen Chinese investments reduced by a 53%, what shows that Beijing has more interests in certain CEE countries than in others (Stanzel, 2016: 3). Third, while Chinese investors are more interested in buying companies in order to get access to the European market, acquire technologies and assimilate advanced skills, CEE countries are more interested in greenfield investments and boosting employment (Kratz, 2016: 8). Fourth, the EU legislation in some of these countries is an additional hindrance, since it forces Chinese actors to follow official procedures such as public procurement rules to pursue their goals, which are apparently not well understood by Chinese investors, who are often accused of lacking transparency and overlooking tender regulations. Fifth, some Chinese experts stress the need for Beijing to avoid conflicting with the EU in the region, since some voices consider the 16+1 formula a tool to pursue the mentioned ‘divide-and-rule’ strategy. In other words, “attempts challenging the EU’s unity and at ‘intervening’ in the region’s affairs should in particular be avoided. China’s activity in CEE should not antagonise Brussels or the major European capital cities” (Kaczmarek and Jakóbowski, 2015: 6). In this regard, China ought to implement the EU-China 2020 Strategic Agenda for cooperation in order to reassure the EU of its friendly intentions (Long, Feng and Song as quoted by Stenzel, 2016: 4). Finally, it has also been pointed out that China has been welcomed in this region due to the economic crisis. However, this ‘window of opportunity’ might be temporarily open until these countries grow again. All these factors make the possibility of creating a uniformed and lasting policy more difficult within this regional framework, so it might not be a long-term threat to EU interests. Nevertheless, it should be seen if more OBOR-related projects can give a momentum to this platform in the near future.

6.1.2 China’s political influence in Europe

Another challenge to the integration of the EU is that the increasing economic influence of China translates into political power affecting intra-European dynamics. The first aspect to be assessed is to what extent some Member States might be forming a ‘lobby’

within the EU to defend Chinese interests. The New Silk Road has the potential to bring important investments to several European countries. Nevertheless, while this is positive for the economic development of the EU, the allocation of these investments might have some side effects: China could increase its capacity to influence the political choices of those states more economically vulnerable and more dependent on Chinese investments. When attracting FDI, some countries might formally promote themselves by showing their comparative advantage in location, cheap labour or flexible regulation, while informally, “some countries may accept political conditions in exchange for investment, such as the taking of particular foreign policy positions” (Burgoon and Raes, and Meunier as quoted by Meunier, 2014c: 1001).

There is the risk that Chinese FDI is subject to political conditionality. In the case of China, this risk might be even bigger than the investments from other origins, since an important share of Chinese companies are owned and directly linked to Beijing. Therefore, these State Owned Enterprises (SOEs) are more likely to help and pursue foreign policy goals. The FDI in Europe is seen by some experts as a proxy for the rise of China, “an instrument of coercion to extract policy concessions from European governments and to transform the nature of Europe” (Meunier, 2014a: 4). Meunier (2014a, 2014b, 2014c) analyses the linkages between Chinese economic activities in Europe and Beijing’s foreign policy goals. For instance, she points out that Chinese premier Li Keqiang explicitly stated that, while China is an ally of Greece regarding its dispute with Turkey over Cyprus, he expected Athens to help the Chinese government to improve its relations with the EU, especially in light of the upcoming Greek presidency of the Council of the European Union in the first half of 2014 (Meunier, 2014b: 298). Another case is Iceland, a non-EU member, which granted China Market Economy Status (MES) at the same time negotiations for a bilateral Free Trade Agreement (FTA) were carried out along with promises of investments in that Nordic country. The connexions between Chinese investments and Beijing’s political goals has also been shown when countries get involved in sensitive issues for Chinese elites, such as Taiwan, Tibet or human rights. For instance, leaders that meet Dalai Lama have been punished by a temporary reduction of exports to China (Fuchs and Klann as quoted by Meunier, 2014a: 5).

Therefore, the most important problem here is that Beijing might be able to prevent the EU from taking certain measures or political positions *vis-à-vis* China, especially in the fields of trade and foreign policy. China has nowadays two important demands for the

EU and its members: first, it wants to be granted the MES to avoid that some of its exports are applied anti-dumping measures. However, both the European Parliament, almost unanimously, and the Commission, opposed this because they believe that many Chinese companies receive disproportionate funds from the government and compete unfairly in the European market. Second, Beijing seeks to remove the arms embargo that was applied in Europe after the Tiananmen massacre in 1989. For Van der Putten, “there are signs that China’s increasing significance has boosted its capacity to influence the choices of European states and has complicated EU diplomacy, threatening to undermine EU standard-setting power in newer EU Member States and neighbouring countries” (Van der Putten *et al*, 2016: 10). The countries that appear to have recently been lobbying for Chinese interests are, not surprisingly, the ones that already benefit the most from the development of the New Silk Road. Some experts feared that the creation of the 16+1 forum, which has been explained in the previous subsection, was Chinese strategy to create an important lobby within the EU, since the CEE region includes notably important Member States such as Poland, Romania or Hungary. They have pointed out that China is “exploiting the divisions existing between capital exporters and capital importers and notably woos aggressively the countries of Central and Eastern Europe separately from the rest of Europe, notably because of their lax, if not non-existent, regulatory conditions for entry” (Bran as quoted by Meunier, 2014c: 1011).

The capacity to influence the attitudes of some Member States became clear in July 2016, when the Permanent Court of Arbitration in The Hague ruled against Chinese interests regarding the South China Sea maritime disputes with its neighbouring countries. Few months before, in May 2016, the president of the European Council, Donald Tusk, stated at the G7 that the EU would take a “clear and tough stance” regarding this issue. After this summit, according to Fallon (2016), China targeted individual Member States to influence the eventual position of the EU and president Xi Jinping had meetings with his counterparts from Poland, Croatia and Greece. At that time, many experts believed that the EU and the US would make a joint statement to show their support to the resolution. However, the eventual position of the EU did not show a strong support to the court, but only an “acknowledgement”. The softening of the language was motivated by three EU Member States: Croatia, Greece and Hungary. The first country, apart from being interested to attract Chinese investments, has its own reasons to disagree with the court, since it has maritime disputes with Slovenia. However, the last two Member States are

centrepieces of the New Silk Road. While the most important countries in the EU were supportive of a tough stance against China, urging Beijing to uphold international law, Greece, Hungary and Croatia were unwilling to use strong language in the eventual statement. Therefore, China managed to achieve its acknowledged aim to neutralise the EU on this issue (Fallon, 2016).

This shows to what extent is Beijing able to shape European policies and create divisions among its Member States. There is the potential that every time that the EU seeks to take a common position on an issue affecting Chinese interests, especially if that requires unanimity, the OBOR countries in Europe block or soften the final agreement or position. Through the lenses of Liberal Intergovernmentalism, it can be said that it will be difficult to coordinate policies affecting Chinese interests at the EU level if there is a relatively important group of Member States that will block any initiative in this direction. Of course, this fact will be especially important when decisions must be taken by unanimity, and less effective if they are agreed by a qualified majority. While the increasing political influence of China in Europe is not only related to the development of the New Silk Road, but to the overall increasing Chinese presence in Europe, OBOR will accentuate this trend.

Another aspect that seems more and more evident is that China is an important ally for those Member States that are increasingly disillusioned with the EU, due to economic reasons or for the increase of populist movements. Greece, the country that suffered the crisis the most, elected in 2015 a government that was ideologically opposed to the EU. However, the most illustrative cases are Poland and Hungary, where nationalist movements have gradually made these countries reluctant to the EU. For instance, Hungarian president Viktor Orbán showed a clear shift in his policy towards China. Godement (*et al*, 2011: 9) explains that when Orbán was the Prime Minister in 2000, he had a meeting with Dalai Lama, what did not happen in 2010 when the Tibetan leader visited the country again. In addition, when Chinese premier Wen Jiabao visited the country one year later, Hungarian officials did not mention anything regarding human rights and silenced Tibetan protesters and pressure groups. There is the risk that those Member States that become increasingly Eurosceptic find an ally that allow them to gradually cut ties with Europe.

Those countries that have greater prospects to benefit from the New Silk Road in the current situation are unlikely to push for policy coordination at the EU level. Meunier reached some conclusions assessing the implications of the growing Chinese FDI in

Europe that can be applied to the development of OBOR. For this scholar, “Member States that are capital importers and benefit from this regulatory competition (mostly in Central, Easter and Southern Europe) have no incentive to push for a more cohesive approach to inbound FDI policy, especially when they see the Chinese investment that flows in” (2014c: 1012). Therefore, the New Silk Road could accentuate this situation and paradoxically prevent or delay an eventual position on this initiative. Through the lenses of LI, the different national interests of the Member States could block, if it was necessary, a unified and convincing European response to OBOR. It is arguably possible that the longer it takes to develop this solid position *vis-à-vis* the New Silk Road, the more polarised will be the national preferences of the Member States and the more vested the domestic interests will be, further delaying or preventing an effective common position. In other words, the more dependent some European countries to OBOR become and the more unevenly distributed its benefits are, the more unlikely it is to reach such agreement, since Moravcsik considers that national governments will only be willing to integrate their policies if they perceive that this will, at least, not bring them costs.

6.2 Economic implications

6.2.1 Direct economic consequences

One of the factors that at first sight could benefit the most to Europe in economic terms is the increase of trade and the opening of new markets in Asia and Africa. In a first stage, the New Silk Road would require the construction of a wide range of infrastructures in dozens of countries in Asia, Africa and Europe. It is important to stress that the regions between China and Europe currently lack critical infrastructures required for this initiative, so there will be a high demand for products, facilities and services. That could mean that EU companies could benefit if the construction of these facilities, such as trains, roads, ports and airports is open to them. Several sectors, such as heavy industry, construction, telecommunications and finance, among others, are supposed to be involved in the development of these projects. Europe could provide its technology and expertise to carry out such plans. Spain, for instance, has experience in the construction and management of large infrastructure projects (Esteban and Otero Iglesias, 2016: 56). This country has been involved in the construction of the new canal in Panama or high-speed trains in Saudi Arabia, for example. However, we should wonder to what extent will Beijing allow non-Chinese companies and investors to get contracts in OBOR-related projects, since one of the reasons behind this initiative is to solve the overcapacities of its domestic

industries. The ‘Chinese Model’ of approaching investments in third countries has been criticised by experts and media, as it is mentioned in the previous section, for not being transparent enough, especially when it comes to public procurement, so it is likely that Chinese companies and investors will benefit the most. Another potential gain for the economy of the Old Continent is that, as Meunier (2014a: 2) explains, “Chinese investment has given some European companies on the verge of bankruptcy a new lease on life, often making additional investment in order to improve operations and enable a turnaround and providing access to new markets for these companies”. In addition, Chinese acquisitions in Europe, apart from rescuing some failing companies, have brought an investment in equipment and facilities that have allowed these enterprises to modernise and become more competitive (Meunier, 2014a).

In a second stage, the New Silk Road could facilitate the access to new markets to European companies. As explained in the background chapter, the New Silk Road is supposed to include more than 60 countries and 60-70% of the world’s population. OBOR could both lower the transportation costs of importing materials and energy and exporting products to such countries. Scholars like Garcia-Herrero and Xu (2016) have developed economic models predicting the economic effects of OBOR according to different scenarios. They certainly appear to be optimistic, expecting Europe to benefit in almost all cases assessed. They believe that if this Chinese initiative was only to improve connectivity means and reducing transportation costs, what would allow Europe to have better access to Asian and some African markets, the Old Continent would benefit from its development. However, if the transportation costs remained unchanged but a FTA was established among OBOR countries, EU’s economy would slightly suffer. Instead, if this Chinese platform was to reduce transportation costs as well as establishing a FTA, Europe would benefit to some extent, even if less than Asian countries. Mações (2016: 5) also shares this opinion, stating that the consequences of the New Silk Road to the economy of the EU is likely to be positive if this platform improves transportation, but “modestly negative if trade integration with China reduces European exports to Central and South Asia”. In a nutshell, if the development of OBOR was in positive terms for European companies (they were allowed to participate in the same conditions than Chinese companies, for instance) they would have great chances to profit from it.

This, in turn, would also mean that the New Silk Road could be a momentum for the stagnated European economy due to the opening of new markets, increase of demand and

lowering of the costs of imports and exports. Chinese investments could spur the development of new sectors and tackle unemployment issues in crisis-stricken countries in Europe. According to Xinhua, a news agency subordinated to the Chinese government, “Chinese companies have made over US \$50 billions of investment and launched a number of major projects in countries along the routes, spurring economic development of these countries and creating local jobs” (Xinhua as quoted by Zhou, 2017: 6). This scenario would be positive for many European economic sectors. For instance, the creation of the train connexion between Yiwu (China) and Madrid in December 2014, the world’s longest rail link, can increase the demand for Spanish agricultural products in Asia (Esteban and Otero-Iglesias, 2016: 56). However, to do so, Europe should be able to tackle one of the most important issues that has been criticised the most in the West: the lack of reciprocity of the Sino-European trade. This question, that will be further assessed below, has the potential to undermine the competitive advantages of the European economy and only benefit Chinese interests. It will be important to see whether the New Silk Road will be a platform that will facilitate trade in a unidirectional or multidirectional way.

Another aspect that could be positive from the development of the New Silk Road is the possibility for China to cooperate with the EU under the existing schemes, helping to promote development in Europe. It can be argued that Beijing can pursue its interests while responding to the aims of the European Fund for Strategic Investments (EFSI), which is part of the ‘Juncker Plan’, the aims of which are boosting private investment in European infrastructure projects, as well as tackling unemployment and promoting research and education. As claimed by diverse experts, China has the chance to provide “its operational experience in building and financing infrastructure, or by investing in equipment manufacturing or distribution channels” (Kratz, 2016: 9) In addition, the Chinese government itself has stated that “OBOR is ‘complimentary’ to existing national and European plans (such as the so-called ‘Juncker Plan’ or plans promoted by individual EU Member States) to develop infrastructure and boost connectivity in Europe and beyond” (Van der Putten *et al*, 2016a: 5). In fact, China is participating into the European Investment Bank (EIB) and, in April 2016, Beijing agreed to inject 10 billion euros to the EFSI, what has placed China the largest investor in the Juncker Plan and the first non-EU country to do so (Müller-Markus, 2016: 148 and Duchâtel *et al*, 2016: 23). Other scholars claim that, nowadays, EU Member States are in an urgent need to increase investment

levels “to avoid a lost decade”, and stress that “foreign sources of productive direct investment that create and maintain jobs are therefore a pressing demand across Europe” (Hanemann and Huotari, 2015: 28). In this context, Europe has the chance to attract capitals from the AIIB and the New Silk Road Fund, which has a budget of 40 billion dollars.

The implications of the direct economic benefits from OBOR to European integration are difficult to be assessed through the lenses of Liberal Intergovernmentalism, at least in the current stage. This theory understands that regional integration processes are possible when national interests of different Member States converge, which are shaped by domestic preferences. In this case, it should be assessed in different EU countries which are the groups that are likely to benefit or suffer the most with the development of the New Silk Road, considering their relative importance within each member state. Moravcsik states that the clearer are the domestic preferences, the easier is to see the national attitudes to the integration. So far, there are few cases that are clear enough to foresee attitudes *vis-à-vis* OBOR. In many states, the New Silk Road is generally unknown by the general public and even by some elites.

However, experts have already pointed out some cases that can illustrate this issue. For instance, the growing importance of Piraeus seaport in Greece is likely to affect vested interests of the current most important maritime hubs in Europe, such as Rotterdam, Antwerp or Hamburg. This case, that will be discussed in the “Political Implications” sections of the analysis, can motivate confronting attitudes within Europe. The framework developed by Moravcsik understands that integration processes are more likely to occur when certain countries want to tackle negative externalities related to interdependence. In this case and from this perspective, it should be expected that those domestic actors, such as companies or trade unions, that already or are most likely to benefit from the current development of the New Silk Road, do not ask for integration mechanisms. They could see the intergovernmental coordination as a hindrance for its economic prospects. Domestic lobbies that benefit from OBOR within different Member States could push national governments to have reluctant and defensive positions towards an integrated policy on OBOR. Instead, those actors and Member States that have greater likelihoods to suffer negative externalities from the implementation of the New Silk Road, may push for policy coordination to attempt to establish credible commitments among competitors to save their vested interests. For example, if this initiative ends up being a logistic

platform to flood European markets of Chinese products and there is no reciprocity, the economic sectors negatively affected may demand a coordinated response at the EU level.

6.2.2 Economic corridors and their benefits for integration

The development of the New Silk Road can push for further European integration in several areas. Since this initiative intends to knit a network of infrastructures from the east to the west of Eurasia, it has the potential to create new economic corridors throughout its diverse routes or further develop existing ones. According to Chinese media, which usually assume the official rhetoric, the New Silk Road will focus on jointly building “economic corridors by taking advantage of international transport routes. Relying on core cities along the Belt and Road and using key economic industrial parks as cooperation platforms” (Zhou, 2017: 10). In addition, they also state that China, regarding transport infrastructure construction, “should focus on the key passageways, junctions and projects, and give priority to linking up unconnected road sections, removing transport bottlenecks, advancing road safety facilities and traffic management facilities and equipment, and improving road network connectivity” (Zhou, 2016: 10). Therefore, the New Silk Road can help to integrate different European regions and Member States by fostering trade, economic ties, interdependence and pulling development. This fact has already been acknowledged by experts such as Van der Putten, who explains that, while OBOR-related connectivity improvement in Europe is still limited, “new transport corridors are already emerging and the frequency of their usage is increasing fast” (Van der Putten *et al*, 2016a: 9).

The need to integrate the continent by knitting and strengthening a network of infrastructures is already in Brussels’ agenda. The EC has its own plans to develop economic corridors throughout Europe, which are detailed under the Trans European Transport Network (TEN-T) plan, as seen in Annex. In addition, the EU-China 2020 Strategic Agenda, which was established in 2013 and does not mention OBOR, states that both actors should “explore models of infrastructure cooperation, including project bonds, project shareholding, joint contracting and co-financing, and further coordinate the cooperation among China, the EU and its Member States” in order to “expand cooperation in interoperability of seamless supply chain logistics networks between Asia and Europe, maritime markets and routes, rail services, logistics, safety, and energy efficiency” (EEAS, 2013). In this context, OBOR should not be regarded as a competing initiative but the opposite. The Chinese platform can be adapted to existing European strategies,

finding out appropriate approaches to take full advantage of their possible synergies. Investment and financial resources in Europe are nowadays a scarce resource. Therefore, Chinese capital should be appropriately channelled to fulfil the development needs of certain regions of Europe, releasing a share of the financial burden from national and supranational institutions. To this aim, in 2015 the Connectivity Platform (CP) was established to improve synergies between the New Silk Road and European connectivity initiatives. So far, this body is the most advanced attempt in Europe to develop a coordinated response to OBOR. However, as it will be discussed at the end of the analysis, this platform has some intrinsic problems that seem to hinder its eventual success.

Despite the impact of the New Silk Road enhancing connectivity in Europe, and therefore economic interdependence and integration, is still limited, there are already some examples that show the potential benefits from its further development. However, before explaining further details it is important to reiterate that the benefits from the implementation of OBOR are likely to be unevenly distributed among Member States. The two most attractive European regions to Beijing to implement this initiative are Central and Eastern Europe (CEE) and the Mediterranean. This is why some countries, such as Poland, Hungary or Greece, the geostrategic location of which are highly valuable to Beijing, have a greater likelihood to take advantage of this initiative than OBOR-peripheral countries. A paradoxical case is Slovakia: while its location in the CEE region seem to allow this country to benefit from the New Silk Road, this Slavic country finds itself outside the main corridors that Beijing is planning to build in the region. Slovakia is a member of the CEE 16+1 platform and it is eager to cooperate with Beijing –it has proposed the construction of a new terminal in Bratislava airport and the construction of railways, among other projects. However, so far, the Chinese plans in the region such as the Duisburg-Xiamen and Belgrade-Budapest railway connexions circumvent this country (Pleschová, 2016). Therefore, OBOR-related integration advancement might be geographically unequal as well.

A first example of a country from the CEE region that has great chances to benefit from OBOR is Poland. Warsaw welcomes the implementation of the New Silk Road in Europe as a tool to increase its exports, narrow the current trade deficit and attract investment (Szczudlik, 2016b). Some experts even wonder whether Poland can become a ‘hub of hubs’ due to OBOR (Szczudlik 2016a). In 2013, as mentioned in the Background chapter, this country was the first in the continent to be connected by rail with China, becoming

an inland gate for Sino-European trade. The freight trains from Chengdu to Łódź are likely to be more and more common in the following decades, since China regards this option as a necessary alternative to its current overdependence on its maritime route through South China Sea and Malacca Strait. In addition, Polish government wants to find synergies between OBOR and the so-called Morawiecki Plan, a comprehensive national initiative for reindustrialization and connectivity improvement (Szcudlik, 2016: 47a). In this region, for instance, the New Silk Road could boost and enhance infrastructure projects such as Via Baltica, which links Finland, the Baltic states, Poland and Germany; and Via Carpathia, that unites Lithuania, Poland, Slovakia, Hungary, Romania, Bulgaria and Greece (2016a: 47). Therefore, Poland and its surrounding countries could become more interdependent if OBOR was to establish infrastructural links that facilitates increasing economic ties and interdependence among them.

There are other examples of existing connectivity improvement related to the development of the New Silk Road. As pointed out by Van der Putten (*et al*, 2016a: 9), this initiative has already had an impact in the “south-north corridor between Greece and the Baltic region via Central Europe, with Piraeus as a fast-growing hub in the Mediterranean and actors in Italy competing to boost their profile as part of an expanding south-north logistics network”. In this region, Beijing is developing its own economic corridor from Greece to Central Europe through the Balkans. The so-called ‘China-Europe Land-Sea Express Route’ (中欧陆海快线) is directly linked to OBOR (See Figure 5).



Figure 5 maps the China-Europe Land-Sea Express Route which intends to connect Greece with Central Europe through the Balkans (Xinhua, 2014).

One of the paramount infrastructures in this corridor is the Belgrade-Budapest high-speed railway, which is supposed to be extended to Greece through Macedonia (Brînză, 2016). However, the project between the capitals of Serbia and Hungary is currently under investigation by the EU, since it might have violated European tender laws (Kynge *et al*, 2017). This initiative has a competitor, the East/Orient Med Corridor, an EU project under the TEN-T which seeks to foster economic links and development from Piraeus to the north of Germany through Bulgaria, Romania, Hungary and Czech Republic, as shown in the [Annex](#). The Belgrade-Budapest high-speed railway is mostly financed by China, which provides a long-term loan for 85 per cent of the total budget. Even though important the details of the contract are not disclosed, some experts believe that the interest rate of this loan could be at or above 2 per cent, which is not favourable to Hungarian interests (Matura, 2016b: 35). Therefore, it should be taken into account that OBOR offers financial resources that may allow some countries to set up new infrastructures. However, as mentioned in the Background chapter, this initiative provides loans the conditions of which might be not so profitable if governments are weak *vis-à-vis* China.

One of the cases that has called most attention from experts studying OBOR is Greece, a Mediterranean country involved in most corridors previously mentioned. During the crisis that has hit Europe in the last decade, this country has been the EU member state that has suffered the most its consequences. Its sovereign debt problems and the resulting bailouts left Athens in a very weakened situation that almost motivated the so-called *Grexit*. However, the increasing presence of China in this country has the potential to change this situation. Beijing took advantage of the desperate situation of the Greek government, which was privatising public companies, to take control of the Piraeus seaport. The Chinese state-owned enterprise COSCO has invested 4.3 billion US dollars in two of the three piers at the Piraeus seaport and, since April 2016, COSCO has got a majority share of the Piraeus Port Authority (PPA) under a 35-year concession and has committed to invest 700 million euros over the next decade (Tonchev, 2016: 30). This has made this infrastructure to be, according to Tonchev (2016: 30) “the fastest growing container port worldwide”. Casarini (2015: 5) claims that it “could become as big a container port as Hamburg, Rotterdam or Antwerp” and COSCO Shipping Chairman Xu Lirong stated that their goal is “to help Piraeus Port become the largest container hub in Europe” (Xu as quoted by Tonchev, 2016: 31). If this was to happen, Greece could benefit

from Chinese investments in the country, since it would be able to set a new engine for economic development, pulling employment and enhancing its current deficits. For instance, since 2008, Chinese presence in Greece “has helped to attract other leading corporations to operate from Piraeus, such as Hewlett Packard, Maersk and the Mediterranean Shipping Company (MSC)” (Tonchev, 2016: 30). Other experts consider that the increasing Chinese presence in this country has the potential to boost tourism and real estate sectors (Tzogopoulos, 2016: 38). However, Chinese port companies have not only invested or have shown interest in investing in other seaports in Greece (Thessaloniki), but also in Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia and Lithuania (Van der Putten *et al*, 2016a: 4, and Tonchev, 2016: 32). Therefore, the New Silk Road can help poorer countries and regions in Europe to develop, to improve their economy and enhance their connectivity with the rest of the continent. The implementation of this initiative offers a chance to overcome some of the current great disparities in Europe, since the economic level of the west and north of Europe cannot be compared with the one in the east and the south, where Beijing has most of its OBOR-related interests.

As mentioned in the theoretical framework chapter, Liberal Intergovernmentalism regards the European supranational institutions as “an international regime for policy coordination” (Moravcsik, 1993: 480). This theory also perceives the European framework as a tool to deal with the effects of economic interdependence, which would increase among European countries if OBOR fosters economic ties and builds infrastructures throughout the continent. From this perspective, the New Silk Road could motivate that EU Member States had incentives to cooperate at the European level to take full advantage of the development of these corridors and deal with their higher economic interdependence derived from the construction of new infrastructures and the subsequent connectivity improvement. Since most of these projects do not depend solely on a single country, the European level has the possibility to be the framework where these countries, including China, can cooperate to coordinate their efforts, reach agreements and discuss the development of transnational infrastructures and their financing. For that to happen, according to LI, it is necessary that domestic actors in European countries push national governments to give a positive answer to the New Silk Road. In addition, it is necessary that domestic actors and national governments perceive that a common European response will benefit them more than dealing with China bilaterally to implement OBOR,

as it has been the case so far. Therefore, the attitudes of the EU Member States towards Chinese presence in the continent will be very important, and they will be discussed in the following subsection.

6.3 Political implications

6.3.1 The New Silk Road: to divide-and-rule Europe?

The development of the New Silk road in the Old Continent has not been evenly welcomed. While some governments and lobbies are enthusiastic with the economic prospects of this initiative, in the West, Chinese rhetoric that claims that this project is based on goodwill, equally beneficial to its participants and presents it as an altruist initiative. For example, Chinese media consider that this initiative “is a way for win-win cooperation that promotes common development and prosperity and a road toward peace and friendship by enhancing mutual understanding and trust, and strengthening all-around exchanges” (Xinhua as quoted by Zhou, 2017: 8). The official narrative claims that this platform upholds “the spirit of peace, cooperation, openness, transparency, inclusiveness, equality, mutual learning, mutual benefit and mutual respect” (Ministry of Foreign Affairs of the PRC, 2017). Instead, in the West many voices have considered that this platform is designed and implemented by Beijing to basically pursue its economic and geostrategic interests. In addition, as mentioned in the literature review, it is seen by some as a ‘Trojan horse’, a tool to weaken Europe while taking advantage of the access of its profitable market and acquiring European companies and assets. One of the most common arguments is that China wants to ‘divide-and-rule’ Europe, a strategy already described 2.500 years ago by its ancient philosopher Sun-Tzu.

Before explaining this point further, it is necessary to be reiterative to clarify one of the most common misconceptions about the New Silk Road. There is the idea that OBOR is a detailed and undisclosed master plan designed by Chinese officials to achieve national goals. While it is true that this initiative wants to tackle some domestic issues, as explained in the background chapter, by increasing Chinese participation at the global stage, it should be noted that the New Silk Road is not a concrete strategy. As mentioned before, this initiative is a general and evolving idea launched by Xi administration. Some have compared it to campaigns such as the ‘Going-out’ strategy that spurred the participation of China into the global markets at the turn of the century. However, this does not mean that Beijing will not manage the implementation of this initiative with its

own methods trying to take full advantage of its bargaining tools and defend its interests. Therefore, when China develops OBOR in Europe, it might look for the approach that optimizes the most its resources and maximises its benefits. While Beijing might not have a detailed blueprint on how should OBOR look like eventually, it might have a method, a ‘Chinese Model’ of diplomacy (see the subsection “China’s Diplomacy in Europe”), that allows it to reach its goals more efficiently while it might have side effects for its counterparts.

There are suspicions that Beijing is pulling national preferences, in terms of Liberal Intergovernmentalism, from different European countries to spur rivalries among them. Hanemann and Huotari (2015: 32) supports this claim saying that “the competition among nation states for foreign investment limits the potential for supranational efforts”. Saverio Montesano and Okano Heijmans (2016: 3) consider that “most EU Member States significantly increased their activism towards China, eagerly trying to win the prized role of ‘foremost gateway’ for the implementation of OBOR in Europe”. Moreover, if Member States do not coordinate their policies at the supranational level, the bargaining power of Europe derived from the access to the common market fades. When China allegedly fosters rivalries among European countries, these fiercely compete in a downward auction to attract Chinese projects and attention, decreasing their likely benefits. Many of them wish to become the most important gate and become a hub for Sino-European trade by giving tax breaks and other fiscal incentives, infrastructure improvements, education and training assistance, flexibility and ease of bureaucratic procedures, residency and citizenship, among other investment promotion measures, to the foreign investors (Meunier, 2014c: 1001). Therefore, OBOR could motivate a prisoner’s dilemma among Member States, which may decide not to cooperate at the supranational level *vis-à-vis* China, even if they could expect greater benefits derived from a larger bargaining power, spurred by self-interest attitudes that will eventually bring a worse outcome to most countries (Godement *et al*, 2016: 2).

This is not to say that Beijing’s final aim is to eliminate the EU. In fact, it is an important stakeholder in the ESIF and, during the Brexit campaign, China openly stated that it preferred a UK within a strong EU. Even after the 2016 referendum, Chinese Prime Minister Li Keqiang claimed that China “firmly supports the process of EU integration and believes that the EU's development will not stop, and furthermore is willing to see a stable, flourishing, and powerful EU” (Li Keqiang as quoted by Rajagopalan, 2016).

Indeed, China benefits from having the EU, which by 2015 was its biggest trading partner for eleven years in a row, by having access to its 500 million consumers. This European framework stabilises a historically prone to conflict continent, a necessary condition for long-term investing and keeping lasting trading relations. In addition, Trump's environmental policy and climate change negationism that has motivated the US withdrawal from the Paris Agreement seem to have given a momentum to the Sino-European cooperation. In other words, "with US President Donald Trump's antipathy towards NATO and his decision to withdraw the United States from the Paris climate accord, China has been angling to fill the gap in becoming the new ally for the European Union on various world issues" (Wong, 2017). Notwithstanding, it is also true that it is better for Chinese interests to deal with European countries bilaterally, pulling strings that may spur competition among them, to get better agreements. This fact was already described by some scholars even before the New Silk Road was launched, in relation to the increasing presence of Chinese investments in Europe, stating that "as Europeans compete with each other for Chinese business, they diminish their leverage and thus reduce their chances of collectively striking a better deal with China" (Godement *et al*, 2011: 2). In a nutshell, while Beijing does not aim to dissolve the EU and, in fact, has been officially supporting it, unlike other actors such as Donald Trump or populist movements in Europe, China might be interested in increasing intra-European competition to get better agreements.

Some experts, such as Le Corre, consider that Chinese intentions towards Europe "are not just about creating jobs and value: they are about spreading influence on a weakened and somewhat divided continent" (Browne, 2016). This fact has already been alerted by other scholars, who explain that Polish government is concerned about "the lack of benefit from OBOR due to rivalry between states for Chinese attention" (Mao as quoted by Szczudlik, 2016a: 47). A clear example is the visit to this country by Chairwomen of the Foreign Affairs Committee of the Chinese Parliament, Fu Ying. Szczudlik (2016a:47) emphasises that her visit "was evidence that Chinese active policy includes a form of stimulating rivalry between states for OBOR visits", because she urged CEE countries "to loosen administrative barriers for OBOR projects and said that the first country to deal with this problem has a great potential to become the Silk Road logistical hub". But this is not the only example. As Saverio Montesano and Okano-Heijmans (2016) point out, the harsh rivalries among EU countries has been shown "by the divisions over the antidumping

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". A European diplomat expressed his concerns about this initiative stating that, while it "is about promoting globalisation, which is good (...) it comes with Chinese characteristics. So, it's not really the liberal, market-oriented, rules-based globalisation that we would like to see. It seems to be more about hierarchy." (Wong, 2017).

Apart from increasing competition when allocating OBOR-related projects, Chinese investments could also spur rivalries when the new infrastructures and projects affect vested interests in Europe. A clear example is the increasing importance of Port Piraeus in Greece, which, as mentioned before, has the potential to become a first level transportation hub in Europe. By building a logistic network from Greece to Central Europe, Chinese exports will be able to avoid crossing the strait of Gibraltar to reach the most important ports of in the north of Europe such as Rotterdam, Antwerp or Hamburg. Of course, the development of this infrastructure is likely to help the crisis-stricken Greek economy to recover, while promoting integration among those countries which are directly involved in the surrounding region. However, it can also be expected that the current biggest seaports may suffer from this fact. For Van der Putter (2014: 31) "it seems quite possible that several multinationals –in particular producers of PCs and mobile phones- will in the near future service Central European markets from Piraeus". If the development of the Piraeus seaport is seen in a zero-sum perspective, the increase of the economic activity in Greece will produce a decrease in the mentioned ports, triggering animosity or, at least, increased competition among them. The same problem could spread to other economic sectors and countries.

Analysed through the lenses of LI, the countries which have greater chances to benefit from the New Silk Road in the current context may not be willing to cooperate at the EU level fearing an approach that reflects the power asymmetries, while the Member States that see their vested interests harmed might look for a European approach that regulates the implementation of OBOR and limits its damaging implications. This is because, for Moravcsik, countries are more likely to look for policy coordination and integration when they have to face negative externalities derived from economic interdependence. Instead, when national governments must deal with positive externalities, they are more likely to avoid changing the status quo. It is arguably possible that powerful logistic lobbies, from companies to trade unions, in rather small countries like Belgium or Netherlands push for

a reactive attitude from their national governments towards the New Silk Road if they see their businesses and employment threatened by the increasing importance of Piraeus. This can also motivate a scramble, a reverse auction among these logistic hubs, which would likely benefit China and harm European interests. So far, this is still not the case in the Netherlands, where “Dutch business sector tends to focus on opportunities, while Dutch government has mixed views, and the media often point at possible negative repercussions” (Van der Putten, 2016: 43). However, Moravcsik (1993: 481) states that “foreign policy goals of national governments are viewed as varying in response to shifting pressure from domestic social groups, whose preferences are aggregated through political institutions”. Therefore, the possibility that companies and an important share of citizens change their minds –and, therefore, the domestic preferences, in the near future should not be overlooked, especially in countries where the far-right populist ideologies have an increasing presence in the national politics, as it will be discussed at the end of this chapter. Current domestic preferences, and the subsequent national interests, should not be regarded as fixed, but evolving over time.

From the perspective of LI, it can be argued that the more time it takes for Europe to develop a strong common position *vis-à-vis* the New Silk Road, if eventually happens, the more difficult it will be to reach such agreement. This is because the countries that are benefiting the most will be less willing to make changes that threaten their profitable situation. Then, there is the potential that the polarization between them and those who suffer from its development increase. Therefore, achieving a common approach to OBOR as soon as possible could be a way to avoid this scenario, where competition undermine the prospects of European countries to benefit from its implementation. Through the lenses of LI, it can be argued that Member States should consider that integrating its policies at the European level could be the solution to these issues. Establishing a solid framework, such as developing further the CP and adapting it to their needs, can be the way to set credible commitments among European countries to tackle the current fierce rivalries for Chinese capital. Integrating competences at the EU level avoids that Member States compete against each other to attract Chinese investors. For instance, environmental policies are nowadays mostly regulated at the EU level, what avoids that national governments lower their standards to be more appealing to Chinese companies.

6.3.2 A rise of Sinophobic populism?

A last aspect that needs to be assessed is the possibility that the New Silk Road spurs populist or even xenophobic sentiments and movements throughout Europe. While FDI can be regarded as positive for most countries because it might give a momentum to the economic activity, lowering unemployment and increasing wealth, it might sometimes trigger fears in the society. Meunier (2014a) explains that Europe has been the target of different waves of FDI throughout the last decades, and most of them have been seen with suspicion by receiving countries. In the 1960s, with the so-called “coca-colonization”, and in the 1980s, with the “Disneyfication”, many in Europe, especially in France, considered that they were an “assault” to their values and culture. The same happened, also in the 1980s, with Japan, which economy was booming. Nowadays, capitals coming from the Persian Gulf and China are flooding Europe, and they have the potential to motivate the same attitudes.

Moreover, as previously mentioned, Chinese companies usually have close ties with Beijing, what gives more arguments to those wary of receiving their capitals. The perception that China, as a rising global power, is like an octopus taking European assets and knowledge and acquiring valuable companies and brands can fuel these ideologies. Both Chinese and Arab capitals come from authoritarian and non-transparent states, what may motivate further suspicions. For some experts, unlike American and Japanese FDI, Chinese investments might not bring so much benefits to the European economy. For Meunier (2014a) “there is something radically different about Chinese investment and that the economic benefits which historically have followed FDI, such as technological spillover and high wages, somehow might not happen this time”.

During the 2016 elections campaign in the US, current president Donald J. Trump used the “Chinese Threat” to gain support from certain layers of the population. For instance, in his 2015 book *Crippled America*, Trump stated the following:

“There are people who wish I wouldn’t refer to China as our enemy. But that’s exactly what they are. They have destroyed entire industries by utilizing low-wage workers, cost us tens of thousands of jobs, spied on our businesses, stolen our technology, and have manipulated and devalued their currency, which makes importing our goods more expensive – and sometimes, impossible.” (Trump as quoted by Starcqualursi, 2015).

Once in power, Trump has softened the tone. However, the same arguments could be used by political parties in Europe if they feel that blaming Chinese investments and companies can make them gain electoral support. If the development of the New Silk Road does not promote interdependence between participating countries, but their dependence to China, there is the peril that some European politicians take the same arguments used by Trump before being elected. Hanemann and Huotari (2015: 30-31) believe that “combined with the increasingly politicized debate about international investment agreements, there is a real risk of popular political backlash against Chinese investment, particularly if it grows further and we see acquisitions opposed by domestic interest groups or hostile takeover bids”. This might also be the case if OBOR only allows China to flood Europe with its products, harming European industries and workers. Manuel Pérez García, stated in the interview that “since the large migration waves of the last ten or fifteen years (...) China has been perceived for the importation of low-cost goods that harm the economy and the production at the local level” (Pérez García, 2017). Related to this, it is especially problematic a widespread practice carried out by Chinese business investing in other countries. “Chinese companies investing abroad, especially construction companies, have a tendency to bring their own labor with them, which not only does not create jobs in the host country but also can give rise to domestic and even potentially racial tensions” (Millner; Jacoby as quoted by Meunier, 2014). This has already caused conflicts in some African countries, such as Algeria or Zambia, and also in Europe. In Poland, a Chinese company attempted to hire workers from China instead of hiring locals, what violated migration regulations and provoked local resentment (Millner; Jacoby as quoted by Meunier, 2014).

Some voices have pointed out that the lack of reciprocity between the European and Chinese economies could also boost these tensions. For instance, German companies have reduced their investments in China due to increasing restrictions to access its market. This has made some enterprises such as Siemens to retreat, “what can feed an anti-Chinese sentiment” (Schaefer as quoted by Le Corre and Sepulchre, 2016: 25). Another question that should be answered is whether the New Silk Road will be only used to import raw materials and energy to China and export products to other Asian countries, Europe and Africa; or it will also allow non-Chinese companies to get access to these primary sources and consumer markets. So far, there are some examples of asymmetries in bilateral trade. Esteban and Otero-Iglesias (2016: 57) explain that, at the time of their

research, while China had sent by train 6,000 TEUs (a measure unit used cargo carrying capacity) from Yiwu to Madrid, Spain only managed to transport 366 to the Middle Kingdom. However, it should be considered that Spain mostly exports agricultural products to China, which require expensive isothermal wagons, and, in contrast to other European countries, it does not have many value chains involved with China. In addition, Russian sanctions on EU agricultural products hinder the transport of Spanish goods to East Asia. Pérez García considers in the interview that “if we look at the presence of Spanish products in the Chinese market, it is still very marginal. These goods are consumed by a new commercial elite. Therefore, in real numbers, the economic impact is minimum” (Pérez García, 2017).

Moravcsik (1993: 484) states that his theory is “consistent with a number of plausible motivations for governments to support (or oppose) European integration. These include federalist (or nationalist) beliefs, national security concerns and economic interests”. However, the limitations of this theory when it comes to consider ideological reasons behind regional integration processes are clear in this subsection. In fact, as seen in the Theoretical Framework chapter, this point has been pointed out by some experts as one of the most important weaknesses of LI, which provides no concrete framework to establish the linkages between ideologies and integration. However, through the lenses of this theory, it can be argued that the fears of a share of the population and companies to Chinese investments could prompt a change in the domestic preferences of some Member States. These influential groups of interests could motivate a shift of the national interests and shape national government’s attitude towards the EU. At this point it will be important to see whether national governments see a common European position as the most useful alternative to tackle the effects of interdependence, or they seek other options such as protectionism. However, it should be considered the possibility that the anti-Chinese sentiment could be capitalised by nationalist and isolationist movements like in the US. Xenophobic parties in Europe are generally opposed to the idea of the EU and are against the transfer of sovereignty to supranational institutions.

6.3.3 A unified response to the New Silk Road for greater benefits

After assessing the implications that the development of this platform can have for Europe in economic and connectivity terms, this point wants to evaluate the importance of reaching a common European position *vis-à-vis* OBOR and the current prospects to reach such agreement.

In academia, there is a widespread opinion that European countries need to reach a strong common position to negotiate the terms of the implementation of OBOR with China. Pérez García stated in the interview that “when there is no unified response, the Chinese strategy is to look for the weaknesses. The other party is perceived as a weak actor, so this always leads to a greater benefit for China, because if your counterpart does not have a unitary stance there are more flanks to exploit” (Pérez García, 2017). Saverio Montesano and Okano-Heijmans (2016: 4) consider that, regarding this initiative, “the EU and its Member States need to step up their game in order to foster win-win coordination. Specifically, they should incentivize network synergy with China in a proactive fashion, by developing more initiatives of their own that are aimed at increasing their steering power *vis-à-vis* Beijing’s economic dynamism”. In fact, this discussion is not new from this initiative and it already existed before the New Silk Road was announced in 2013. Many experts already stressed the need for European countries to unite their positions *vis-à-vis* Beijing to tackle some specific issues that could harm the EU and its economy. One of the most discussed aspects was the mentioned lack of reciprocity of the Sino-European trading relations. There has been a widespread perception that, while China had and has freedom to invest in Europe in ‘strategic sectors’ and buy valuable companies and brands, knowledge and assets, European investors are far from having similar conditions in China. In addition, many voices in Europe have asked for a common approach to tackle the effects of the increasing Chinese FDI in the last two decades.

Nowadays, a common, strong, convincing and clear position on that is still far from being a reality and European countries negotiate their own bilateral agreements with China in many fields. For Saverio Montesano and Okano-Heijmans (2016: 3), OBOR will “put under scrutiny whether the EU can be more than a collection of individualistic entities”. The main hindrance to a unified response is, on the one hand, the different ‘national preferences’, in LI terminology, among EU Member States. It should be considered that European countries have different strategies to develop, and the New Silk Road can play in favour or against them depending on the current and specific context of each country. On the other hand, some countries still need to take a clear stance on this initiative, since it is still on its early stages and it remains rather unknown by many. For Godement, “although a larger number of countries now have a stake in relations with Beijing and therefore want to take part in discussions on China, this is not leading to a more

coordinated and forward-looking European Policy” (Godement *et al*, 2011: 9). Müller-Markus (2016: 4) believes that this is because national interests of European countries “seemed to be ruled by the pure logic of economics and lack of strategic vision”. Indeed, Member States should avoid showing divisions as it happened with the Asian Infrastructure Investment Bank (AIIB), when some of them, such as the UK, rushed to join the new fund overlooking a coordinated response with its European counterparts and, therefore, showing clear divisions among them.

In many countries, the New Silk Road is still rather unknown and does not appear in their agenda; in others, a cautious wait-and-see approach is taken to assess how this initiative evolves (Saverio Montesano and Okano-Heijmans, 2016: 5). This fact depends quite a lot on the relative importance of OBOR on the interests of the country. The repercussions from the development of the New Silk Road are not likely to be evenly distributed throughout Europe, as mentioned before, so those who expect greater profits and losses are likely to develop faster national stances.

This initiative is, according to Chinese officials, non-exclusive to any country and it is supposed to welcome any state willing to participate. However, “China’s inclusive approach does not mean that it regards all EU Member States as equally relevant for OBOR”, being those countries in central and eastern Europe as well as in the Mediterranean the most appealing for Chinese geostrategic and economic interests (Van der Putten *et al*, 2016a: 6). This, of course, can prompt different attitudes within the EU regarding OBOR. Those countries that are supposed to profit the most from its development are likely to have supporting positions towards this initiative, especially if it is considered that many EU Member States in the mentioned regions have been notably hit by the economic crisis and their level of development is still low if they are compared with northern and western European countries. On the other hand, those states that are less involved in OBOR and have less interests at stake, are more likely to be more reluctant to the development of this initiative.

Even if some countries are likely to benefit from the New Silk Road, it does not necessarily mean that they want to cooperate with their neighbouring countries and integrate their policies at the EU level, since, as previously explained, a logic of fierce competition is spreading among Member States. According to LI, they are likely to only cooperate in this issue if they perceive, in a Pareto-efficient logic, that coordinating a response to OBOR will give them greater benefits, or at least no higher costs, than acting

bilaterally with China. In addition, some of the countries in the periphery of Europe, which are also the ones supposed to be engaged the most by OBOR, may fear that during the intergovernmental bargaining negotiations defined by LI to integrate their policies at the EU level, the final agreement reflects the power asymmetry of the EU, that is, the interests of the largest countries in the union.

Therefore, the different degree of interest that Member States have regarding the New Silk Road will shape their position towards its development and their willingness to coordinate efforts at the supranational level. To understand the likelihood to reach a common position about OBOR, it is of critical importance to first analyse the different attitudes *vis-à-vis* China. Van der Putten, along with other experts, have classified some EU Member States placing them in a diagram that show whether they are receptive to this initiative, if they concrete projects that have been planned under this initiative and whether the EU member state is strategically important to China to build the New Silk Road (see Figure 6). It is possible to see that those countries that have suffered the most during the economic crisis, such as Greece, Spain or Italy, are more receptive to the Chinese platform, while those Member States that are traditionally wealthier and more developed, such as Denmark, Sweden, France or Germany, tend to be less welcoming to Chinese investments.

A similar analysis was developed by the European Council on Foreign Relations (ECFR) before OBOR was even launched (Godement *et al*, 2011). They claim that “Europe is increasingly divided into “frustrated [China’s] market-openers” and “cash-strapped deal-seekers”. The former group gathers those countries that believed in a reciprocal trading relation with Beijing but had been discouraged by the continued restrictions to access to Chinese market. The authors of this report explain that these nations are starting to see the value of using the access to European market as a bargaining tool to enforce reciprocity with Beijing.

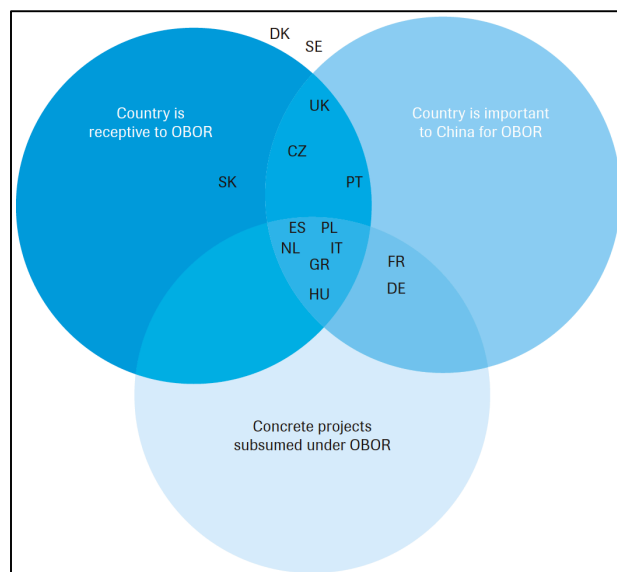


Figure 6 illustrates the attitudes of some EU members in relation to OBOR, their geostrategic importance to Beijing, as well as whether they have plans to develop projects related to this initiative (Van der Putten, 2016a).

This is especially the case of France, “which has always been the leading advocate of a strong common European bargaining position with China in order to protect its companies (...) from unfair practices by Chinese competitors” (Godement *et al*, 2011: 31). Notwithstanding, they point out that reaching this common position is being undermined by the second group, the cash-strapped deal-seekers, which gathers Greece, Portugal, Spain, Italy, Cyprus, Malta, Romania, Hungary and Bulgaria. These Member States used to be reluctant to Chinese activities, but after the crisis they increasingly see China “as a complement or even alternative to European or IMF loans” (Godement *et al*, 2011: 31). In addition, Meunier (2014c: 1011) points out that for trade export-oriented Member States, “the worry is great that a supranational regime that constrains investments will trigger restrictions on imports from Europe”. This is because they have the perception that being open to Chinese investments is a way to ensure that China does not take protectionist measures to access its enormous market. In addition, as Godement (2011:8) explains, less powerful countries in the EU may not see the aim to achieve reciprocal trading relations with China as appealing as other Member States. One Eastern European official stated, according to the same expert, that “our companies can’t compete in China, so it doesn’t matter to us if China opens up its public procurement market”, while a Southern European official said: “how can they [Germany and the EU] have the nerve to ask us to coordinate and unite our European interests on China when there is no common economic interest?”

Instead, other Member States have been developing strong ties with China even if they were not the ones that suffered the most the crisis. In Czech Republic, for instance, there is an “unusual” strong domestic consensus, according to Fürst (2016: 13), on the benefits of its relations with Beijing. In this country, there is a combination of a pro-Chinese political establishment, led by the populist President Milos Zeman, together with financial elites and business lobbies that welcome Chinese investments. Zeman, for instance, was one of the top European leaders that assisted at the Belt and Road Forum celebrated in May 2017 in Beijing. The Czech Republic is indeed interesting to Beijing, which is has still not implemented many projects in the country. So far, the only OBOR-related project is a canal within its territory that would connect the Danube, the Oder and the Elbe (Fürst, 2016: 12-13). Therefore, when analysing the situation of the New Silk Road in this country, it is possible to see that domestic preferences, according to LI, are clearly supporting a receptive position of the government towards Chinese investment. Creating

welcoming environments for Chinese interests in OBOR countries is without any doubt an important goal for Beijing's diplomacy. In the case of the Czech Republic, "Chinese diplomats and other actors continuously promote the theme of OBOR by inviting Czech delegations for conferences and meetings with think tanks, businesses and investment forums in China, while Czech politicians, lobbies, media and scholars accept this rhetoric on a very general level" (Fürst, 2016: 13). A clear example of this active diplomacy is that in this country was set in 2015 a New Silk Road Institute, which is a non-governmental organization that aims "to promote Euro-Asian cooperation, and to study and spread awareness of the OBOR initiative" (Fürst, 2016: 13). However, the same expert explains that the support of the elites may respond to other factors. The investments of a Chinese financial holding called CEFC have increased the influence of Czech and Slovakian oligarchs in aviation, media and financial sectors, and strengthen Czech political parties "that might, in turn, further back the Czech Republic's new pro-China political orientation" (Fürst, 2016: 14). Given the high level of influence of the elites in this country, it is likely that they will be able to shape national preference formation, which is the aggregation of domestic interests. Therefore, the position of the Czech government towards cooperating with the EU on OBOR will depend to an important extent on how these groups perceive it. This case shows that Beijing might have the power in some countries to "buy" the domestic preferences by satisfying the interests of the most influential groups. Subsequently, China might be able to shape the national attitudes towards integration, as it has been discussed in the first subsection of the Analysis chapter.

In 2015, the European Commission launched the EU-China Connectivity Platform (CP), which was created as a tool to promote synergies between the New Silk Road and European initiatives such as the TEN-T. This body is the most advanced attempt for policy coordination at the European level and, according to Saverio Montesano and Okano-Heijmans (2016: 6), who have studied this entity, it "has quickly grown to become a procedural centrepiece of EU-China Relations". The same authors consider that the CP has two clear objectives for the European side: first, it has focused the meetings on infrastructure planning, trying to create and take advantage of the synergies between OBOR and European initiatives, while preventing that the Chinese actions undermine the success of the existing connectivity plans, namely the TEN-T. Secondly, the CP attempts to make China understand the wide EU regulatory framework and the importance to

follow the European rules and standards when it comes to public procurement, competition or environment, for instance.

However, this body is not yet developed and strong enough to coordinate a unified European response to OBOR. The CP has an intrinsic problem that may hinder its prospects of success from the perspective of LI. The most important one is that this body is a Brussels-based initiative that lacks the close involvement of Member States. In other words, the CP “needs to develop in a more inclusive sense, particularly with regard to the EU Member States, which are largely oblivious of its existence and activities at this stage” (Saverio Montesano and Okano-Heijmans, 2016: 7). For LI, the EU is considered an institutional framework to deal with economic interdependence among its members through bargaining and negotiated policy coordination. Therefore, initiatives such as the CP, have the potential to become a successful tool to control the effects of interdependence, coordinate the actions to better develop OBOR in Europe and make China follow the European regulatory framework. However, this platform relies on the management of the Directorate-General for Mobility and Transport and the European External Action Service (EEAS). This means that, as a Saverio Montesano and Okano-Heijmans (2016: 5) explain, “while this centralized nature could certainly add to the CP in terms of coherence and efficiency, the lacking involvement so far of the Member States – crucial for effective output and ultimately the success of any EU initiative – is a liability that requires major attention”. This point perfectly fits within Moravcsik’s theory which regards states as rational actors that use European institutions as a platform to coordinate their interests, and underscores the entrepreneur role of the supranational entities. In other words, through the lenses of LI, the EC should promote the role of national governments in the bargaining table, in order to build a joint position, better coordinate transnational connectivity initiatives and look for synergies with OBOR.

In a nutshell, from the perspective of LI, there is room for a common European response to China’s New Silk Road, but, so far, it seems that national interests prevail. However, EU Member States should consider some of the potential benefits from coordinating their policies. First, they could use the access to the European market, the biggest interest for China, as an important bargaining tool to get reciprocal access to Chinese markets, reach a better deal and make Chinese capitals follow European regulatory rules and standards. Secondly, as the Institutional Choice assumption of LI theory explains, integrating their policies related to OBOR and China at the EU level, could allow European countries to

have credible commitments from the other Member States, avoiding a scramble for Chinese investment that would prevent them from reaching profitable deals with China. Fourth, delegating powers to EU bodies such as the CP could be beneficial for those countries within the EU that lack information about OBOR and cannot allocate enough resources and personnel to develop a comprehensive policy on this issue. In addition, as suggested by many experts (Godement *et al*, 2011; Meunier, 2014c; and Hanemann and Huotari, 2015), some policies such as vetting Chinese FDI in strategic sectors, which already happens in some Member States and the US, or a coordinated system for government debt purchases by China, could be integrated at the EU level to address security issues. Finally, it is important to keep in mind that OBOR is a tool designed and launched by Beijing to reach Chinese interests. Therefore, as several authors (Mações, 2016 and Saverio Montesano and Okano-Heijmans, 2016) point out, Europeans should create and promote together their own initiatives to respond to OBOR and its rhetoric, avoiding being passive actors waiting for ‘ready-to-implement’ Chinese projects.

7. Conclusions

This project has attempted to answer the following question: *What are the implications of the development of China's New Silk Road for European integration?* To do so, we have applied and tested Andrew Moravcsik's Liberal Intergovernmentalism theory. Even though it has shown some limitations, this author has provided a suitable framework to understand the current European internal dynamics that may shape both the implementation and a possible EU response to the New Silk Road.

The role of national governments, which mostly follow a zero-sum approach and are constrained by domestic preferences, will remain critical to give an answer to this challenge and they will likely delay a unified response, as long as competition for Chinese investment among Member States remains. While Europe can benefit from the New Silk Road in economic terms and by enhancing connectivity and integration throughout the continent, it will also have to deal with several negative issues. Europe might have to face, as some symptoms have already shown, a prisoner's dilemma where the need for financial resources and the appeal of Chinese investments increase competition among European countries for Chinese funds, preventing that they reach a coordinated policy to deal with OBOR, what will mostly benefit China's interests. It is possible and likely that Beijing will keep accentuating this competitive environment, since it allows its investors to reach better agreements. Another factor of concern is China's increasing capacity to shape political decisions of certain European countries, as shown in the cases of Hungary and Greece, what could eventually lead to Chinese authorities being able to hinder European politics, especially when they are related to Chinese interests. Finally, the potential spread of a "Sinophobic" populism, which was already noticeable in the West during the 2016 US presidential campaign, should be assessed once OBOR and the investments and trade related to this initiative have a real and palpable impact in the European economy.

To reach a common and effective response to the New Silk Road, it is necessary that the EU and its Member States work together to find a position that not only satisfies the interests of the biggest countries, but also the demands of those in the periphery that have interests at stake. Otherwise, dealing with China bilaterally will only accentuate power disparities, add centrifugal forces to the integration of the continent and appealing aims such as getting access to the growing and dynamic Chinese market will remain being chimeras.

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9. Annex



THE TEN-T CORE NETWORK AND CORRIDORS

REGULATION (EU) No 1316/2013 of 13/15/2013, O.J.L348 - 20/12/2013

