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IL PROGETTO "ONE BELT ONE ROAD": PUNTI DI VISTA E SFIDE FUTURE

di Giovanni Balcet, Università di Torino e OEET

L'iniziativa detta "Nuova via della seta", ovvero "One Belt, One Road" (OBOR), lanciata dal Presidente cinese Xi Jinping nel 2013, rappresenta un'impressionante esempio di diplomazia economica di lungo termine, in grado di influenzare in profondità lo sviluppo euro-asiatico, le infrastrutture e la cooperazione finanziaria nell'area, con un potenziale impatto profondo sul commercio, gli investimenti diretti esteri e la crescita economica.

Tuttavia questo grande progetto resta impreciso sotto diversi aspetti, e non è chiaro se e come ridefinirà le relazioni economiche e di potere in Asia, Europa e nello scenario globale. Il dibattito è aperto e diverse interpretazioni sono state proposte. Quale sarà l'impatto dell'iniziativa OBOR sugli scenari globali aperti dall'avvento dell'amministrazione Trump negli USA, incluso il ritiro dall'accordo TTP? In quale misura contribuirà a rafforzare la leadership cinese in Asia? Risolverà alcuni dei problemi di sovracapacità produttiva dell'economia cinese?

Questa edizione di Economie Emergenti offre tre contributi, proposti in un interessante workshop organizzato da OEET a Torino il 9 e 10 maggio 2016.

Alessia Amighini introduce alcune nozioni e problemi chiave, in termini di connettività, direzioni e volume degli scambi tra i 65 paesi direttamente coinvolti dall'iniziativa, spostamento dal trasporto marittimo a quello ferroviario, creazione e diversione del commercio internazionale.

Xavier Richet offre un approfondito contributo sulla dimensione regionale dell'iniziativa OBOR, mettendo a fuoco il ruolo della Russia e delle Repubbliche asiatiche ex-sovietiche, come il Kazakistan. Cooperazione e, allo stesso tempo, competizione caratterizzano le relazioni sino-russe in quest'area per quanto riguarda le infrastrutture, il commercio, gli investimenti diretti esteri e le politiche energetiche. Infine le possibili interazioni tra l'iniziativa OBOR e l'Unione Economica Euroasiatica (EEU) vengono messe in luce.

Wang Xieshu e Joel Ruet mettono in luce il ruolo delle nuove istituzioni finanziarie messe in opera, quali la Asian Infrastructure Investment Bank (AIIB), fondata nel dicembre 2015, e il Silk Road Fund

(SRF), fondato un anno prima. Gli autori offrono utili spunti sul "triangolo Cina, UE, India", contribuendo a valutare il ruolo di quest'ultimo paese, la seconda potenza economica emergente dell'Asia.

Ci auguriamo che questa edizione di Economie Emergenti possa contribuire ad estendere e ad approfondire il dibattito tra ricercatori, operatori economici e policy maker su questi importanti temi.

THE "ONE BELT ONE ROAD" INITIATIVE: PERSPECTIVES AND CHALLENGES

By Giovanni Balcet, University of Turin and OEET

The "New Silk Road", or "One Belt, One Road" (OBOR), is an impressive and long term policy initiative, launched by Chinese President Xi Jinping in 2013. It implies a new economic diplomacy in the Euro-Asian trans-regional arena, huge investments in infrastructures, international financial cooperation and deep expected impact on trade, foreign direct investments and economic growth.

However, the project remains vague in several areas, and it is not clear to which extent this initiative will shape new economic and power relations in Asia, Europe and globally, nor how key actors will react and adapt their strategies. The debate is open and different interpretations have been offered until now, addressing crucial issues. How will the OBOR initiative affect the global scenario following the new policies by the Trump Administration in the US, including the withdrawal from the TPP agreement? To which extent will it contribute to build an economic and political Chinese leadership in Asia? Will this initiative solve some of the overcapacity problems of the Chinese economic system? This number of Emerging Economies proposes three contributions, based on a stimulating workshop organized by OEET and held in Turin on May 9 and 10, 2016.

Alessia Amighini introduces key notions and issues, in terms of connectivity, routes and volume of trade among the 65 countries directly affected by the OBOR initiative, switch from sea transportation to railway trade, trade creation and diversion.

Xavier Richet offers a deep interpretation of the Asian regional dimension of the OBOR initiative, focusing on the role of Russia and of the Central Asian former-soviet Republics, such as Kazakhstan. Cooperation and competition at the same time characterize the Sino-Russian relations in this area, involving infrastructure, trade, FDI and energy issues. Possible interactions between the OBOR initiative and the Eurasian Economic Union (EEU) are at the core of this problematic issue.

Wang Xieshu and Joel Ruet highlight the role of newly established financial institutions, such as the Asian Infrastructure Investment Bank (AIIB), founded in December 2015, and the Silk Road Fund (SRF), founded one year before, providing examples of their support to the OBOR initiative. The authors offer useful insights on the "China, EU and India triangle", helping to appreciate the role in this field of the last country, the second Asian economic giant, usually neglected.

This number of Emerging Economies will hopefully help to improve and extend discussion among researchers and policymakers on these crucial issues.

THE LIKELY IMPACT OF BELT AND ROAD ON INTERNATIONAL TRADE*

By Alessia Amighini, University of Eastern Piedmont

Sintesi

Questo contributo presenta l'iniziativa che porta i nomi di One Belt One Road (OBOR) o Belt and Road Initiative (BRI), proposta da Xi Jinping nel 2013 e proiettata al centro della diplomazia economica cinese negli ultimi anni. Tale imponente progetto ha l'obiettivo di rafforzare e fluidificare il commercio internazionale fra la Cina, le regioni dell'Asia Centrale e Meridionale e l'Europa. Si tratta di una complessa strategia di sviluppo nazionale delineata dal governo, che prevede di generare un enorme impatto sia a livello economico che geopolitico, declinandosi su cinque linee principali: il coordinamento di diverse politiche nazionali, la costruzione massiccia di infrastrutture per i trasporti, l'implementazione di politiche a sostegno dei flussi commerciali, l'integrazione finanziaria e la promozione di scambi a livello di capitale umano. La promozione dei flussi commerciali dovrebbe avvenire principalmente attraverso il rafforzamento dei legami bilaterali già esistenti fra paesi, lo spostamento massiccio dal trasporto per vie marittime all'utilizzo del trasporto su rotaia e la creazione di nuovi canali verso l'Asia Centrale, di alto interesse sia per la Cina che per l'Europa. L'articolo sottolinea gli elementi che rendono il progetto OBOR peculiare rispetto a iniziative e trend passati legati alla Via della Seta.

The so-called New Silk Roads proposed by Xi Jinping in 2013 is a commitment to ease bottlenecks to cross-border trade by building networks of connectivity along the existing and planned international routes from various regions of China across Central and South Asia to Europe as a terminal point. Under the label of 'One Belt, One Road' (OBOR), or 'Belt-and-Road Initiative' (BRI), the project has since become the centrepiece of China's economic diplomacy.

The BRI is much broader in scope than its predecessors, i.e. the ancient Silk Road(s) dating back to the Han Dynasty (206 BC –220 AD), labelled in that way by German geologist Baron Ferdinand von Richthofen only in the mid-nineteenth century, and the "Go Out" policy introduced by the Chinese government back in the late 1990s. Unlike the old Silk Roads between China and Europe, which included land routes and sea-lanes connecting Xian to Rome mainly through southern corridors crossing Iran and Turkey, the Belt and Road project should travel through Central Asia, Russia and Eastern Europe, with the aim to reach the main Northern European port of Rotterdam both from Southern and Central Europe. Unlike the ancient Silk Road, which was largely an unplanned outcome of the trading activities between China and its partner countries, the Belt and Road project is a comprehensive national development strategy designed by the government, with massive international development impact.

As securing commercial ties and flows with important partner countries has always been a major goal of international relations, the Belt and Road project has inspired lively debates in business, policy and scholarly circles all over the world about its impact on current international economic and political affairs. In fact, although trade is a key pillar of the project, the BRI is not just a way of reviving ancient trade links between Asia and Europe, but an ambitious programme with massive economic and geo-political impact on various regions in Asia, Europe and also Africa. By providing transport infrastructure and increasing connectivity, the Belt and Road project aims to stimulate economic development over vast areas of land from the least developed inner and western provinces of China to the so-called STAN countries in Central Asia, the region with the most promising development prospects in the next few decades.

The BRI specifically includes a 'Silk Road Economic Belt' and a 'Maritime Silk Road', both encompassing a number of corridors with the main aim to promote cross-border connectivity between China and Europe. Connectivity covers the five major areas of policy coordination, infrastructure construction (including railways and highways), trade facilitation, financial integration and people-to-people exchanges. As infrastructure construction is the dominant feature of the New Silk Road, its most evident and direct impact is likely to be on the routes of international trade between China and its trading partners. Moreover, because insufficient infrastructure acts as a major barrier to trade flows precisely along the land routes and sea-lanes where the BRI should develop, an additional impact will be on the volume of trade among the countries covered by the initiative.

According to the Industrialization of the Belt and Road Countries Report published by the Chinese Academy of Social Sciences, BRI will extend across up to 65 countries, accounting for over nearly two-thirds of the world's population and one-third of global GDP. Currently, 60% of China's trade (in value) travels by sea (and a much higher share in volume), due to the lower transport costs associated with international shipments compared to railway transport and to the lack of infrastructure for land transport across Central Asia. Therefore, the BRI is likely to have major implications on the routes of China's trade to the extent that it will improve regional and international land connectivity across Eurasia. BRI has the potential to significantly alter world trade routes and to become a game changer in international trade relations.

Under the current pattern of international trade routes, the Belt and Road initiative will have major trade-creating effects, to the extent that investment in infrastructure will be vital to increase the efficiency of maritime connectivity. Moreover, international cooperation and partnerships through the financing institutions related to BRI will allow overcoming the difficulties faced by individual countries who are not able to bear alone the financial effort required by infrastructure investment. International cooperation is also required to create incentives for shipping companies to serve destinations that are not profitable.

Trade creation along the Belt and Road will work through two major channels. On the one hand, one type of trade creating effect will work through the expansion of existing trade ties between pairs of countries that are already important trade partners, through the decrease of transport costs and trade barriers. Although some estimates exist, assessing the impact of BRI on trade is not an easy task because the most important impact will arise from the switch of trade routes from the current predominance of seaborne trade to railway trade. An additional type of trade creating effect will work through new trade routes that will unlock potential trade ties with new trading partners, most notably in the so-called STAN countries in Central Asia, large and growing markets where both China and Europe currently hold good trade relations, which could further improve based on the complementarities of their economic structures.

*This comment is part of a longer chapter forthcoming in the next Nomos and Khaos report edited by Nomisma.

THE NEW SILK ROAD: OBJECTIVES AND PRESENCE OF CHINA IN THE POST-SOVIET SPACE

By Xavier Richet, University Sorbonne Nouvelle, BRIC Seminar, MSH-EHESS, Jean Monnet Chair

Sintesi

Il seguente contributo presenta l'iniziativa One Belt One Road mettendo in evidenza la sua genesi, le motivazioni di fondo analizzate attraverso diverse chiavi di lettura, i metodi di finanziamento e i processi di implementazione. In seguito l'autore discute le ragioni e gli impatti della presenza cinese a livello economico e progettuale nello spazio post-sovietico. La Cina opera in tale spazio orientandosi da un lato verso i mercati maturi dell'Europa e dall'altro verso l'accesso alle materie prime dei paesi dell'Asia Centrale. Nella sua complessità il progetto OBOR presenta diversi aspetti di criticità che sarà necessario affrontare. Innanzitutto i canali commerciali coinvolti nel progetto attraversano uno spazio immenso che rientra principalmente nell'area post-Sovietica, la quale è attualmente frammentata in zone dalle caratteristiche istituzionali ed economiche radicalmente diverse fra loro. Inoltre, il progetto è costretto a confrontarsi con i piani di integrazione regionale della Russia. Infine il progetto mantiene dei tratti di indefinitezza per quanto riguarda il suo assetto istituzionale.

Introduction

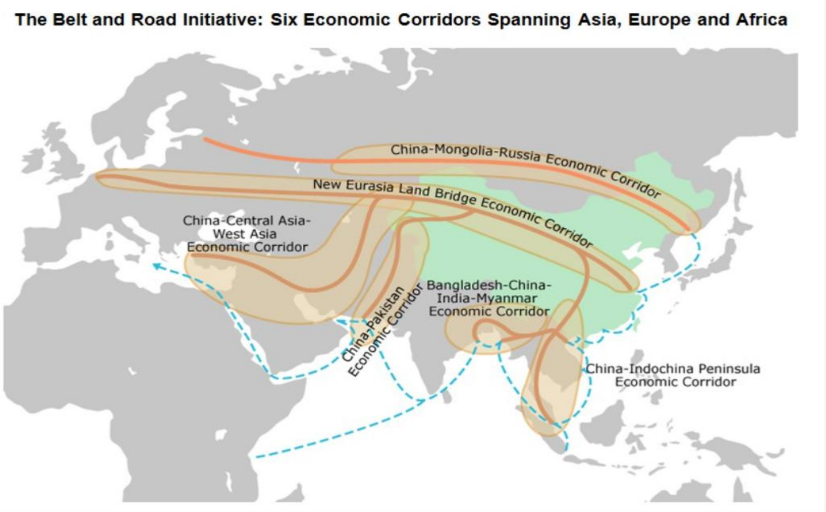
This contribution presents the general objectives of the ambitious project carried out by the current Chinese government, the One Belt, One Road Initiative (OBOR), its design, the motivations behind it, the financing methods and its implementation (first section). The project envisages two roads, one terrestrial and the other maritime. The land route, itself divided into several roads ("All roads lead to Rome" ...) crosses Central and Western Asia. It crosses into Asia large areas, economies rich in raw materials but sparsely populated and less developed, some of which were republics of the former Soviet Union. In Europe, it also crosses or runs along former Soviet republics and countries formerly under the control of the USSR (the "Eastern Countries"), now members of the European Union. In a second section, we discuss the motivations and impact of this Chinese presence in terms of exchanges, projects and industrial spin-offs in the post-Soviet space of Central Asia. In conclusion, we will highlight the variety of modes of entry, the differentiated impacts of the Chinese presence in the regions crossed by the New Silk Road which still remains a project whose realization raises many questions.

An ambitious and global project with variable geometry

In 2013 the Chinese leaders announced the launch of the OBOR Initiative or New Silk Road (NSR). It is an ambitious project with regard to its objectives, the scope covered, the resources mobilized, the associated partners, the conditions for its implementation, the necessary investments and the level of risks incurred. This project is part of the rise of the Chinese economy today which is one of the main engines of growth in Asia and the world. The level of development achieved over the past three decades and the level of accumulated financial reserves now makes China an indispensable actor in shaping trade and capital movements at the regional and global levels, and especially in the post-Soviet economic space.

This project would also be a response to recently signed trade agreements (TPPs) or negotiating agreements (TTIPs) developed under the initiative of the United States, which implicitly seeks to marginalize China. The future US administration intends to withdraw from the TPP agreement.

Figure 1 : The New Silk Roads



Source : Simola Heli (2016)

Who grasps at too much loses everything ? OBOR initiative encompasses, in a broad sense, 65 countries and concerns 4.4 billion people. Some commentators have drawn a parallel between the Marshall Plan implemented by the United States after the Second World War to rebuild the European economies. For others, the OBOR initiative would illustrate China's hegemonic ambitions.

Other explanations, of a Leninist type, point to the need for China to find outlets for industrial overcapacities in several sectors and provinces, in industries in which China has created certain competitive advantages (railway industry, steel, cement, aluminium) and whose profitability domestically is today is declining. It is estimated that an additional 60 billion dollars would be required to utilize surplus capacities in the steel sector alone.

The OBOR project is also the mean to perpetuate the export-led growth model by relocating intensive labor productions to nearby countries (Vietnam, Cambodia), as labor costs are rising in China. The project also has a regional dimension in seeking to involve the less developed provinces of western China and making them regional hubs from where the new rail routes will start to conquer markets through rail transport in Central Asia right to Western Europe.

The project has a strong regional dimension: for many years, China has secured raw material supplies by signing trade agreements with neighbouring countries (Mongolia, Kazakhstan, Laos, Burma and others). The implementation of this project allows it to intensify exchanges and integrate with its

Central Asia partners by creating a gravity effect. This raises the question of how to articulate development and regional integration and optimize the use of new railway lines with distant European markets.

Various types of financing are mobilized to support this , most of which are provided by Chinese institutions: the Asian Infrastructure Investment Bank, which has a capital of 100 billion dollars, The Silk Road Fund with an the amount of 40 billion dollars, financed by three Chinese banks: China Investment Corporation, Export-Import Bank of China and the China Development Bank. The New Development Bank, founded by the BRICS with a 100 billions dollars, can also contribute to the financing.

Western institutions participate in the financing: the Asian Development Bank, the EBRD, the World Bank. Financial institutions from Central Asia countries are also contributing. Currently, China has invested more than 890 billion dollars in 900 projects involving 60 countries.

This project raises many questions concerning the time horizon, the modalities of its implementation, the types of cooperation to be developed, the level of resources to be mobilized, their financing and their profitability, the level of sunk costs induced by risky investments in some coutries like Pakistan. Optimal infrastructure management is another technical and economic problem, in particular the creation of intermediate relays between several destinations, the full use of rail transport, and the control of their costs. If it is shorter to transport a container by rail than by boat (15-18 days against two months), the cost is twice as high. The trains currently traveling do not use their full load capacities. Finally, with what to fill Chinese trains back from Moscow? What can be loaded in Kazakhstan to supply the markets further west?

Lastly, we should mention the governance of this project. How associate partner countries which have different aims are involved in the project? Among the countries concerned, there are risky and economically weak countries (Pakistan), strong and suspicious countries (Vietnam, India, Iran), countries with unstable alliances (Turkey), countries under the umbrella of other great such as the countries within the Eurasian Economic Union recently created at the initiative of Russia.

The post-Soviet space and the New Silk Road

Among the 65 countries targeted (The Economist, 2016) by this ambitious project, the countries that make up the post-Soviet space are all present (may be with the exception of Ukraine). They are or will be, to varying degrees, concerned with its realization. These countries come today under different institutional configurations. Russia, along with Belarus, Armenia, Kazakhstan and Kyrgyzstan, founded the Eurasian Economic Union. The other former Central Asian Republics, like Tajikistan and Turkmenistan, are not members, neither Georgia nor Azerbaijan, while, in Europe, Ukraine and Moldova are not associated. The former Baltic republics (Latvia, Lithuania, Estonia) joined the European Union with the former « Eastern countries », which were formerly under Soviet trusteeship (the CEECs). With these countries and those of the former Yugoslavia, China founded, at the end of the road, an association called Cooperation between China and Central and Eastern European Countries (16 + 1).

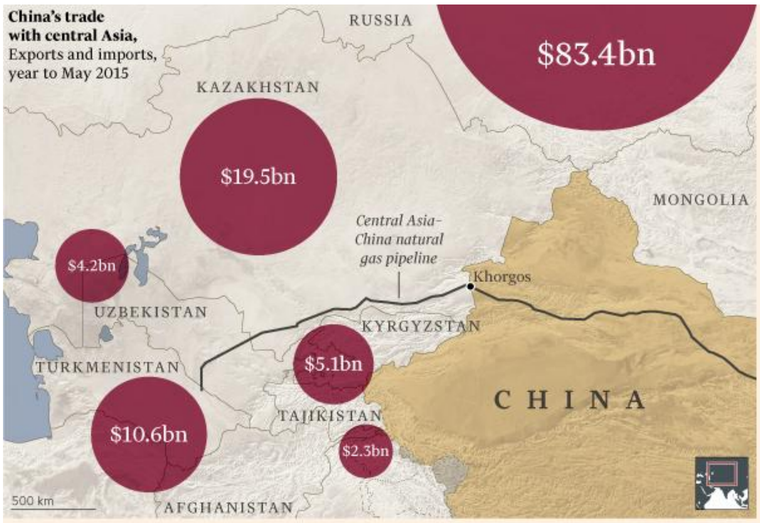
Finally, in 2001 China initiated the establishment of an Asian regional intergovernmental organization, the Shanghai Cooperation Organization comprising Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, and, since 2016, also India and Pakistan.

OBOR and the Central Asian Stans

Endowments of natural resources (gas, uranium, petroleum, etc.) attracted the Chinese presence in Central Asia well before the launch of the OBOR initiative. China has secured its supplies to fuel the strong growth of its economy. China's participation in the development of the energy sectors contributed to the strong growth of trade (Figure 2). Over the past decade, trade between China and Kazakhstan has increased from $ 5 billion to $ 20 billion, from $ 0 to $ 10 billion with Turkmenistan, from a few hundred million to nearly $ 5 billion with Kyrgyzstan, Uzbekistan, Tajikistan's $ 2 billion. Over the same period, Russia's trade with Kazakhstan grew from $ 8 billion to $ 20 billion; They have made very little progress, or even stagnated, with the other Stans (Financial Times 2015).

For these countries, cooperation with China is also a means of relaxing the dependence on Russia which was at the initiative of the creation of the Eurasian Economic Union (EEU). The countries of the region, notably Kazakhstan, are hard pressed to cope with this dual dependency: devaluation of the currency, the impact of the Russian economic crisis, and Chinese pressure to obtain benefits (leasing of lands). Today, in hydrocarbons, China represents more than 30% of investments in the country. For other countries such as Kyrgyzstan, cooperation with China allows for infrastructure development (Box 2), reducing dependency with Russia. The Kyrgyz economy is also strongly affected by the Russian crisis, especially with the drastic decline in transfers of remittances from Russia.

Figure 2 : Commercial exchanges between China and Central Asia.



Source : Financial Times (2015)

The relationship with Russia is certainly the most problematic because of the competition / cooperation relations that stem from the strong economic presence of China in this Union, and in the strong asymmetries that follow. China imports raw materials, it brings capital, infrastructure and actually integrates these economies, reducing the scope of the economic choices of each country, and their specializations. To the contrasting economic dynamics are added the level of resources available, the geopolitical stakes, the desired coherence between the construction of a new economic space (Eurasian Economic Union) and the linkage to the OBOR project. Recent negotiations between China and the Economic Commission of the new Union have addressed a number of issues related to trade and investment, leaving aside the issue of a free trade agreement, which is still a very sensitive issue for Russia and the countries of Central Asia because of the high level of protectionism. For Russia the benefits of EEU cooperation with the OBOR project are greater than the risks involved even though it is inevitable that China will become the main investor in Central Asia and the main market for the region's vast natural resources .

In addition, Chinese objectives, including the construction of fast rail lines to reach Europe, compete with the existing lines (Trans-Siberian). Russia intends to integrate in this project the development of the eastern regions of Siberia, as far as Vladivostok. The construction of a high-speed Moscow-Kazan train by China (originally to be financed by Russia and built by Germany) is the cornerstone of this cooperation between the UEE and the OBOR project. This high-speed train should link, in the future, Moscow to Beijing.

Table 1: Trade between China and Russia: moderate and unbalanced

Source : Simola Heli (2016)

At the moment, the Asian pivot envisaged by Russia does not yet translate into an increase in trade flows. Trade remains at a relatively low level, unbalanced in favor of China (Table 1). Foreign direct investment also shows a strong imbalance, with the Chinese investing in more diversified sectors, reflecting the practice in other parts of the world, notably in Europe (Richet 2016). Agreements for the conveyance of Russian gas to China involve large investments, notably the construction of a gas pipeline (Power of Siberia 2), but there are still differences of view on the roads to be borrowed. Ultimately, Russia should become China's gas supplier up to 30% of its needs. Strictly speaking, these agreements relate to bilateral relations between the two countries and not necessarily within the framework of the OBOR project.

Finally, further west, but still in the EEU, Belarus intends to benefit from the customs union established by the EEU, since trains from China and heading to Europe will only have to cross two customs posts (China-Kazakhstan, Belarus-Poland).

Again, account must be taken of the fact that bilateral investments or exchanges carried out in the countries crossed are not necessarily directly involved in the OBOR project. For example, the private Chinese automotive company Geely builds cars in Belarus. This investment is not included in the OBOR project but it is part of the outsourcing strategy of Chinese firms.

Box 1: Some projects in the field of infrastructure built with Chinese capital and Central Asian countries.

-High-speed train Moscow-Kazan. Construction of a 770 km high-speed railway line. US $ 375m contract won by a Chinese consortium to build the first tranche. Total cost of investment: $ 16.7 billion. The total cost of construction of the Moscow-Beijing line is estimated at $ 100 billion.
-Khorgos-Aktau Railway (Kazakhstan) and modernization of equipment, from the Chinese border to the Caspian Sea. Cost of investment: $ 2.7 billion funded by Kazakhstan which started work. This line will compete with the Trans-Siberian.
-China Central Gas Pipeline, total length 3300 km, started before the launch of the NRS. Built and financed by China, it ensures the connection between the Turkmenistan / Uzbekistan border and arrives in Jiangyin (Shaanxi province). Cost: $ 7.3 billion.
-Line D of the Central Asia-China gas pipeline. Agreement between China, Uzbekistan, Tajikistan and Kyrgyzstan for the construction of the 4th line of the pipeline which will increase the export capacity of gas from Turkmenistan to China from 55 billion to 85 billion m Cu. per year. The project currently has many delays. Its cost, borne by China, is $ 8 billion.
-China-Kyrgyzstan-Uzbekistan Railway. Construction of the last stretch across the ongoing Kyrgyzstan to Chinese capital.
-Khorgos. At the Sino-Khazak border, construction of a railway hub (a dry port) for container handling financed by Kazakhstan. The dry port is now operational. Investment of $ 600 million by the Chinese province of Jiangsu to develop logistics and build industrial areas.

Conclusion

From this brief description of China's presence in the post-Soviet Central Asian region, we highlight the following issues. The new silk roads cross an immense space which, for the most part, composes the post-Soviet space, now fragmented with several institutional contours, very strong asymmetries and differentiated economic dynamics. China operates in this space in two ways: a route to mature markets (Europe), and access to the needed raw materials (Central Asia). The economic repercussions for the countries they pass through are still difficult to assess, however it is clear that they will not fill the imbalances between these countries and China. However, the structuring and specialization effect they entail undermines the regional integration projects borne by Russia. The project, although ambitious and endowed with important resources, remains vague as to its choices, its duration, its institutional anchorage. It is largely dependent on factors internal to China (declining economic growth, new model of intraverted growth), and on uncertainties of the global economy.

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THE ACCENTUATED EU-CHINA COMPETITION-COOPERATION UNDER "ONE BELT ONE ROAD"

By Wang Xieshu (The Bridge Tank and CEPN University Paris 13) and Joël Ruet (CNRS, CEPN University Paris 13, The Bridge Tank, Observatoire des Emergents Paris, "Global Vision" Program - Institute for Sustainable Mobility Renault-ParisTech).

Sintesi

Tale contributo analizza il rapporto fra l'imponente iniziativa One Belt One Road (OBOR) e le relazioni economiche e politiche fra importanti attori globali come la Cina, l'Unione Europea, la Russia e l'India. Viene sottolineato come il progetto OBOR abbia un significato molto più ampio del semplice rafforzamento dei canali commerciali fra Cina, Asia Centrale ed Europa, in quanto mira più o meno esplicitamente a costituire una strategia cinese alternativa a quella guidata dagli Stati Uniti attraverso il WTO e il Trans-Pacific Partnership Agreement. Nei paesi dell'Asia centrale l'OBOR si inserisce in una delicata dinamica di interazione fra potenze economiche che esercitano influenza sull'area: la Cina, orientata al commercio e alla costruzione di infrastrutture; la Russia, focalizzata sulla sicurezza militare; l'Unione Europea, impegnata sul fronte della formazione del capitale sociale e dei diritti civili. L'India ricopre un ruolo di partner strategico dell'iniziativa, ma anche di potenziale generatore di conflitto in quanto in collisione con il Pakistan, anch'esso coinvolto in OBOR, e in quanto promotrice di progetti autonomi di connessione infrastrutturale e commerciale in Asia Centrale. Infine la collaborazione fra Unione Europea e Cina attraverso il canale di OBOR avrà ripercussioni sul ruolo di entrambi gli attori nella cooperazione internazionale, principalmente in Africa e Medio Oriente. Tali attori dovranno stabilire nuovi equilibri e forme di relazione che massimizzino il bene comune di fronte agli interessi particolaristici.

With the Trump-governed US likely to withdraw from the Trans-Pacific Partnership Agreement (TPP) at a time when trade contents is deemed to radically change out of ecological transition (in its energy and green techs contents for instance), it becomes even more crucial for Europe and China to work together to safeguard the advances of globalization. The Chinese "One Belt One Road" initiative, further accelerated with the Chinese presidency of the G20 that just ended, advocates for more inclusive regional cooperation platforms and offers ambitious plans to further tighten connections across Eurasian and North African continents. Under this perspective, the EU-China relation will certainly face new opportunities and challenges.

The initiative and its developments

"One Belt One Road" is generally considered as an alternative strategy of China to compete against the US led global systems, symbolized by Word Trade Organization, International Finance Corporation, World Bank and TPP. "One Belt One Road" is the term officially adopted in 2013 by the Xi Jinping led Chinese government in defining its new foreign policy legacy. "One Belt" refers to the inland "Silk Road Economic Belt" trade, infrastructure and economic corridor, which departs from China's westernmost region of Xinjiang, linking Central Asia, Russia, Middle East, to finally reach western Europe. "One Road" refers to the "21st Century Maritime Silk Road" that goes across South Sea, Indian Ocean to the Mediterranean Sea, connecting Eurasia and North Africa by ports. The initiative involves 65 countries and over 4 billion population. It is to be noted that the December 2015 China-Africa Summit offered to further extend it to Africa.

Under this initiative, four economic corridors were generated or planned at the stage: China-Pakistan Economic Corridor (CPEC), Bangladesh-China-India-Myanmar Economic Corridor (BCIM), China-Mongolia-Russia Corridor and a New Eurasian Landbridge. They all share the same logic of infrastructure-focused and trade-oriented regional “all-inclusive” collaboration.

Next, Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund (SRF) were established with the aim of financially supporting concrete projects from the “One Belt One Road” initiative. Besides, China is also offering free loans for some public infrastructure projects. The Export-Import Bank of China finances long term private investments at low interest rates of 5-6%.

AIIB was founded in December 2015 with $100bn capital subscribed by 57 country members, with China having a far leading share of 29%, followed by India of 8.4% and Russia of 6.5%. Non-regional members add up to 25% of total capital, among which Germany as the biggest subscriber owns only a 4.5% share. Until now, $829mn investments have already allocated by AIIB to six projects, including a power grid project in Bangladesh, a national slum upgrade in Indonesia, a motorway and a hydropower project in Pakistan, a road improvement project in Tajikistan and a power plant in Myanmar. Nearly half of them went into the CPEC. It is also interesting to note that these projects are generally co-financed by AIIB and mainstream financial institutions, such as World Bank, Asian Development Bank, International Finance Corporation and other European development banks. Long term Competition involves projects based cooperation.

The SRF, founded in December 2014, is actually a more powerful tool than the AIIB. With a total capital of $40bn, its first $10bn is from the Chinese State Administration of Foreign Exchange (65%), the Export-Import Bank of China (15%), China Investment Corporation (15%) and China Development Bank (5%). Its investments actually amount to at least $3.25bn, including a $1.65bn financing for another hydropower project in Pakistan and participation in the ChemChina purchase of Italian tire maker Pirelli. In addition, it is said that the fund is considering an investment of between €5-10bn into the European Fund for Strategic Investments under the Juncker Plan. This is without accounting for “third party country bilateral funds”, such as a Sino-French fund of 300 million euro devoted to Africa.

China, Russia and EU in Central Asia

Central Asia is at a very crucial location on the Eurasian thoroughfare. Central Asian countries have important energy and mineral resources. Their total reserves of oil and gas rank the 3rd in the world after the Middle East and Russia. Meanwhile, the economic level is much inferior to the EU zone and the Pacific economic belt, which seriously hinders deeper regional economic integration. In recent years, trade cooperation with China has greatly promoted energy production in Central Asia and led its rapid economic development. Since 2010, the Central Asian countries have become the world's fastest-growing economic region with an average economic growth rate of more than 7%. This policy gels with national policies of countries such as Kazakhstan or Azerbaijan to name a few.

China has long been a key driver of infrastructure investment and construction in Central Asia, investing heavily in the natural resource extraction of gas, oil, uranium, gold and copper. Chinese companies have built roads, railways, tunnels, power lines and refurbished oil refineries as well as special economic zones and are actively involved in agri-business and telecommunications investments. Railways is also a sector of Chinese interest. China's strong economic engagement in Central Asia is ultimately based on the assumption that building up economic prosperity will result in political stability in the zone, including Xinjiang, the northwest frontier region and home to a sizable Muslim population.

During the BRICS summit in India in October 2016, Xi Jinping and Vladimir Putin stressed that no external power would be allowed to interfere in Central Asian affairs. With the deepening connections under "One Belt One Road" and increasing capital investment, China could challenge Moscow's monopoly as security guarantor and increase direct engagement with Central Asian states in military spheres to protect its own interests. Meanwhile, Central Asia is the backbone of Moscow in confrontation with all major economic sanctions from the West. Russia could decide to concentrate its influence and strengthen its role as the dominant actor in Central Asia.

At the same time, the EU is also increasing its investment and engagement in Central Asia. The EU is allocating €245mn to regional cooperation projects in Central Asia in 2014-2020, a 74% increase compared to 2007-2013. Under this framework the EU provides support in areas related to border management, water security and drug prevention programs. The Investment Facility adds EU grants to loans provided by Financial Institutions up to €500mn per year. The EU is Kazakhstan's largest export market, mainly in oil and gas, presenting 36% in 2014, ahead of China (22%) and Russia (21%). It is also the largest foreign investor in Kazakhstan, representing over 50% of FDI in Kazakhstan in 2014. Kazakhstan acceded to the WTO in 2015 with EU's strong support. Furthermore, the EU is supporting judicial reform in Kazakhstan and implementing the UN Development program to help Kazakhstan's transition to a Green Economy Model.

Given the strategical importance of Central Asia, in the coming years, it is natural if we witness a heating competition among China, Russia and EU. Meanwhile, the three economic powers have quite different focuses: China is infrastructure and business oriented; Russia cares more about the military security; the EU is more invested in education and civil rights. The EU's strategy on Central Asia also provides opportunities of cooperation with China in areas such as connectivity, development assistance and the sustainable use of water and energy resources. With good design and open negotiations, different roles and charges can be divided among the three to assure collectively the stability of the region and its sustainable development.

China, India and EU triangle

The EU is China's biggest trading partner and China is now the EU's 2nd biggest trading partner behind the US. The strong economic connections between China and the EU are also manifested by EU's participation in the One Belt One Road and AIIB projects, against the disapproval of the US. According to European Commission, the EU's cooperation with China on its "One Belt One Road" initiative should be dependent on China fulfilling its declared aim of making it an open platform which adheres to market rules and international norms in order to deliver benefits for all. It is in the EU's interest to work with China to ensure that any Chinese involvement in these regions helps reinforce rules-based, commonly designed, governance and regional security.

The EU is India's largest trading partner, accounting for 13% of India's overall trade, ahead of China (9.6%) and the US (8.5%). The EU is also the largest investor in India and is the primary destination for Indian foreign investment. Given the significant potential in EU-India trade, the two parties have been negotiating an ambitious Free Trade Agreement since 2007, covering effective market access and investment. The EU's relationship with India has evolved from providing traditional development assistance to a mutually beneficial partnership. Following the conclusion of the EU-India Science & Technology Cooperation Agreement in 2001 India became very active participant in the EC Framework Programs. The India-EU Joint Steering Committee meeting held in November 2015 in Delhi paved the way for a further strengthening of cooperation in research and innovation, and developing concrete solutions to social problems such as water, health, energy, ICT and climate change. A Partnership Instrument project supports EU-India cooperation on ICT standardization, and a new "Startup Europe India Network" initiative has been launched in 2016.

India appears as an active partner in the One Belt One Road initiative and the founding of AIIB. However, it remains suspicious of China's motives in backing the project and raises concerns that China wants to use this greater connectivity as an influencing factor. Actually, India has its own regional infrastructure and transport connectivity plans. It launched its Connect Central Asia policy in 2012 to enhance trade and educational ties, and encourage more joint commercial and security initiatives with Central Asia. It is also building the North-South Transport Corridor, as part of its 2015-2020 Foreign Trade Policy, which will link St Petersburg with the Indian port of Mumbai via Europe and Middle East.

China's close relationship with Pakistan through its strong engagement in the CEPC might cause tensions to the BCIM, given the long time conflicts between India and Pakistan. Moreover, the CPEC has also experienced issues over internal political rivalries and China has learnt that abstention from any involvement in the internal affairs of the countries in which it operates is no longer feasible. It will be crucial for China to well handle its relation with India in the One Belt One Road projects, especially with the EU behind it as a strong partner. Or else, India could play a passive role in the initiative and instead concentrate its efforts on its own regional and global development plans.

The new EU and China relation

The first joint assessment of the implementation of the EU-China 2020 Agenda took place in Beijing in April 2016, observing the new EU-China relation development. There is a renewed interest in the EU-China relation as more balanced partners in a multi-polar world. Behind the "One Belt One Road" initiative lie largely economic and domestic considerations, but there will be major geostrategic consequences. China now has good reason for more active participation in global governance, security and defense issues. The challenge and the opportunity for the EU are to channel China's participation into positive areas such as cooperation on peace in Africa and in the Middle East. This latter point is most likely the fiercest challenge if one considers the role of Russia in the Syrian crisis, notwithstanding the role of regional powers such as Iran, Qatar, and Saudi Arabia.

With its growing economic and political importance, China seeks a more influential position in the global governance. China plays an increasingly important role in international cooperation and has increasing impact on development in third countries. The growing importance of the G20 in the wake of the global economic crisis demonstrates the need to work effectively with emerging market economies to find solutions to global challenges. It is therefore important that the EU and China have channels to discuss their respective approaches to development cooperation. China strongly needs the EU, now more than any other time, to be a firm partner in its new geopolitical and economic strategies. The EU, while promoting multilateralism, could encourage China to adhere to more global standards and institutions, dialogue on growth strategies, climate change, energy, oceans and resource efficiency, as well as help to resolve China's immense environmental problems. Good cross-institutional and cross-sectoral coordination is required in order to ensure that immediate interests are put behind the greater good.