Can OBOR Bring the EU and China Closer Together?

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Introduction

Why OBOR? There are different motives to explain the OBOR initiative. Some view it as a means for China to deal with its over-production capacities, to reduce regional imbalances by promoting economic development in the Western part of the country, and to utilize its vast, albeit declining, foreign exchange reserves to secure access to new sources of raw materials and promote new markets for Chinese goods. Some consider it will improve China’s energy security while others see it as a master-plan to increase Chinese influence at a time when American leadership in Asia is questioned. China should also gain more influence in Central Asia, often viewed as Russia's backyard. Some see it as a clever attempt to divert attention from Chinese activities in the disputed South China Sea. Others take a more altruistic view comparing it to the Marshall Plan launched by the US after the Second World War to help restore the battered economies of Europe.

To date there has been very little detail about OBOR from the Chinese side and Chinese officials and experts have been struggling to define the concept and to come up with concrete projects. There is no deadline and there seems to be no exact geographical confines with projects in Africa, Australia and even Latin America all being placed under the OBOR umbrella. There is also an attempt to include free trade agreements that were started long before the OBOR initiative. On the European side there has been a cautious welcome for OBOR but political and business leaders have been waiting for evidence of concrete projects, which they could support. What is clear is the huge interest in OBOR with close to 100,000 articles about OBOR appearing in the past four years. This article reviews how OBOR has been presented and received in China and Europe and assesses its potential to strengthen EU-China relations.

Conclusion

OBOR has a strong domestic context helping the CCP to buy time in order to reform the unsustainable social and economic model. Although OBOR has never been defined, which is perhaps a plus, it continues to enjoy strong support at the highest levels in China although there are some experts who doubt that it will continue to receive the same priority after President Xi leaves office. European opinion is more cautious and waiting to see whether concrete projects materialize. For countries along the route OBOR is generally viewed with positive eyes. AIIB president Jin Liqun estimates that Asian countries need around $8 trillion in expenditure by 2020 just to reach the world average. The AIIB has already issued loans of $1.73bn to nine infrastructure and energy projects in seven OBOR countries. OBOR also ties in with the connectivity aims of the Asia-Europe Meeting (ASEM) and it would be useful to explore possible synergies. Equally there are several EU projects in central Asia (Inogate, Traceca, Bomca) that could be linked to OBOR.
OBOR is a grandiose initiative but there are many potential pitfalls and it is clear that far greater attention should be paid to political risk analysis for the successful implementation of OBOR. Some 70 countries have already joined the initiative and many have enjoyed a boost in trade with China. But many are under-developed countries and often demand Chinese commitment to bring in advanced technology regardless of their development stage. China’s shrinking foreign exchange reserves and the falling value of its currency may also affect the initiative. The Chinese should be wary of over-selling OBOR. Some official commentaries have tended to exaggerate the achievements to date.

Shared interests have led to China-Europe cooperation on OBOR. The popularity and success of OBOR initiative will depend not only on the economic gains and benefits, but also on successful cooperation on issues linked culture, tourism and people to people exchanges. The vision for OBOR is ambitious, but if well implemented, it has the potential to benefit the various countries and societies along the road, not least in promoting sustainable development. It could also have a major impact on EU-China relations.

OBOR is thus an ambiguous tool of Chinese domestic and foreign policy. It is powerful example of Chinese soft power. How China develops OBOR will help define the very nature of China as an actor in the 21st century OBOR will certainly be watched closely by the EU both for synergies to participate and to guard against threats to European interests. It has considerable implications on the political, security, trade, financial and environmental fronts. The EU will have to consider the best approach to engage with China in order to maximise synergies but one thing is clear – OBOR will figure as a major item in EU-China relations for the foreseeable future.

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