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Since Xi Jinping came to power, important changes have taken place in China's domestic and external affairs. Some Chinese scholars even predict that China's foreign policy will be much more proactive in the foreseeable future.¹ It is also believed that China is trying to establish "big country diplomacy with Chinese characteristics".²

During his visit to Central Asia in September 2013, President Xi delivered a speech at the Nazarbayev University in Astana, Kazakhstan. He said that, more than 2,100 years ago, during China's Western Han Dynasty (206 BC-AD 24), imperial envoy Zhang Qian was sent to Central Asia twice to develop friendly relations between China and Central Asia through the transcontinental Silk Road linking East and West, Asia and Europe. Kazakhstan, as a major stop along the ancient Silk Road, has made important contributions to the exchanges and cooperation between different nationalities and cultures. "In order to make the economic ties closer, mutual cooperation deeper and space of development broader between the Eurasian countries, we can innovate the mode of cooperation and jointly build the Silk Road Economic Belt step by step to gradually form overall regional cooperation," said the Chinese leader.³

Less than one month later, President Xi visited Indonesia. During his address to the People's Representative Council of Indonesia on October 3, he said, "Southeast Asia has since ancient times been an important hub along the ancient Maritime Silk Road. China will strengthen maritime cooperation with ASEAN countries to make good use of the China-ASEAN Maritime Cooperation Fund set up by the Chinese government and vigorously develop maritime partnership in a joint effort to build the

¹ <http://edition.cnn.com/2015/02/15/asia/china-foreign-policy/index.html>

² "Xi Outlines 'Big Country Diplomacy' Chinese Foreign Policy", December 1, 2014. www.bloomberg.com/news/articles/2014-12-01/xi-says-china-will-keep-pushing-to-alter-asia-security-landscape

³ http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesjgtfhshzzfh_665686/t1076334.shtml

Maritime Silk Road of the 21st century.”⁴

The Silk Road Economic Belt and the 21st Century Maritime Silk Road, known as the One-Belt-One-Road (ORBO) is the most ambitious initiative by China since the new leadership was established at the 18th Congress of the Communist Party of China in November 2012. The significance of this initiative is self-evident. However, various risks, challenges and difficulties can also be expected in its implementation.

According to the “Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road” (hereafter referred to as the “Vision and Actions”), jointly issued by the National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce, in March, 2015, the initiative will “run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developed European economic circle at the other, and encompassing countries with huge potential for economic development.” Separately, the Silk Road Economic Belt “focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean.” At the same time, the 21st-Century Maritime Silk Road “is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other.” That is to say, Europe will play an important role in turning the OBOR initiative into reality.

I. Significance of the OBOR Initiative

Since the OBOR initiative was proposed, mixed comments have appeared. There are praises, criticism, misunderstanding and also doubts. In Europe, quite a few people misinterpreted the initiative. For example, the European Council on Foreign Relations, a think tank, believed that, the OBOR initiative is an “offensive” of China on geopolitics and diplomacy. It states, “But money also talks, and a strategy largely based on loans and aid is building China’s financial power, in addition to the trade power it already possesses...Intense debate is being carried out about the Silk Roads in countries that have reason to worry about some of their implications.”⁵

On all accounts, the significance of the OBOR initiative should not be underestimated.

First, the OBOR initiative is conducive to building a harmonious world. As an important member of the international community and the biggest emerging economic

⁴ http://www.chinadaily.com.cn/china/2013xiapec/2013-10/02/content_17007915.htm

⁵ European Council on Foreign Relations, “One Belt, One Road”: China’s great leap outward, June 2015. http://www.ecfr.eu/publications/summary/one_belt_one_road_chinas_great_leap_outward3055

entity in the world, China adheres to the UN Charter, and also the norms and principles guiding international relationship. In the process of cherishing a harmonious world, China is ready to make its contributions to world peace and development. The OBOR initiative is open, inclusive and win-win that follows market operation and international practices. It is also a bold attempt to explore a new pattern of promoting international cooperation and global governance. Therefore, it will greatly benefit the efforts to build a harmonious world.

Second, the OBOR initiative is likely to deepen China's reform and opening to the outside world. Over the past three decades, China has made great achievements in implementing reforms and opening to the outside world. Now it is the second biggest economy in the world. In order to prepare itself for the outcome of reaching the status of the largest economy, China wishes to implement more measures to reform and open to the outside world. As the "Vision and Actions" clearly shows, the OBOR initiative is composed of many more ambitious and bolder actions towards this end.

Third, the OBOR initiative will help enhance the soft power of China. The so-called soft power is the ability to influence the behavior of other countries. On the one hand, China upholds the Five Principles of Peaceful Coexistence, and will not exert hard power to submit other countries;⁶ on the other, China will need to invest a great amount of resources in implementing the OBOR initiative. This will surely defuse some people's prejudice and misconception towards China. The outside world will understand that a powerful country like China will be unlikely to turn into hegemony.

Fourth, the OBOR initiative will enable China to play an important role in international affairs. China is sometimes regarded as "a free rider", and even accused of behaving like an "irresponsible big country".⁷ The OBOR initiative will not only correct or lessen these wrong perceptions, but also demonstrate that China is willing to undertake more global responsibility in pushing forward global governance.

Fifth, the OBOR initiative will help improve China's relationship with its neighboring countries. It is said that, for some countries in East Asia, God is far away, but China is close. Indeed, any country's geographical setting is not able to be changed. The neighboring countries have obvious geo-strategic significance to China. It is not difficult to understand that some countries in East Asia are concerned about the economic rise of China. However, they need to know that China's basic policy towards its neighbors is four words, i.e., friendly, honest, benevolent and tolerant. On the one hand, a friendly neighbor is good for China's objective to pursue its economic

⁶ The Five Principles of Peaceful Coexistence are mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

⁷ <http://www.nytimes.com/video/opinion/100000003047788/china-as-a-free-rider.html>

and social development; on the other, a prosperous China has and will continue to offer many benefits and opportunity of development for its neighboring countries. Implementation of the OBOR initiative will serve this purpose, and it can be expected that China will greatly improve its relationship with its neighboring countries.

Sixth, the OBOR will enable China to play an important role in international production capacity cooperation. It is well-known that the world economy needs to restructure so that global production capacity can be better arranged in a more efficient way.

Industrial structures tend to change with economic growth. China has imported industrial production lines from the outside world. Combination of the foreign technology and management skills with domestic innovation and endogenous skill has greatly increased China's domestic production capacity.

On the one hand, China is now one of the largest producers of many manufactured goods; on the other, some developing countries, particularly those in the early stage of industrialization, need to import production capacity to boost their domestic manufactured output. As a result, the OBOR initiative will furnish the later-comers on the industrialization path with China's industrial production lines, technology, know-how, management skill, etc. It is beyond doubt that this cooperation will reap a win-win result and can also stimulate world economic recovery in a sustainable and balanced way.

Seventh, the OBOR initiative will contribute to safeguarding China's energy security. According to the *2014 Report on Global Development of Oil and Gas Industries*, published by the Economic and Technology Research Institute of the China National Petroleum Corporation in early 2015, China's dependence on petroleum imports was 59.5% in 2014. The Strait of Hormuz and the Strait of Malacca are the two most important routes for China to transport petroleum from the Middle East and Africa. If these two straits were blocked, overseas supply of petroleum for China would be cut off. Therefore, cooperation with other countries in the energy sector, an important part of the OBOR initiative, would help protect China's energy security.

Eighth, the OBOR initiative can offer China a bigger say in writing/re-writing "rules of the game". It is regretful that, in today's world, many rules governing the international regimes are in favor of the developed countries. No wonder that the developing countries have been calling for modification of these rules.

The United States has been either mistakenly accusing China of violating rules or showing concern of losing the power to writing the rules. Fareed Zakaria's words vividly convey this concern: "The world we live in is one of rising new powers and declining old norms. The struggle is on to write new rules - for trade, cybersecurity, intellectual property and much more. Let's hope we don't look back 20 years from

now, under new rules written by China, and wish we had been more assertive when we had the chance.”⁸ Even President Obama says, “If we don’t write the rules for free trade around the world, guess what, China will...And they’ll write those rules in a way that gives Chinese workers and Chinese businesses the upper hand.”⁹

The OBOR initiative is expected to deepen economic relations between China and other countries, and will also raise China’s position on the world stage, thus making it possible for the largest emerging economy to acquire a bigger say in making the international rules. This is particularly inevitable as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), which exclude China, Russia and many others, are going to play an important role in setting “new rules for a new era”. It is believed that, by implementing the OBOR initiative, China and other countries are likely to act as “rule makers”, “rule followers” and sometimes “rule breakers”.

Ninth, the OBOR initiative might improve the South-South and North-South Relations. Among the many countries directly or indirectly covered by the initiative, there are both developing and developed countries. China is still a developing country though its economic size has increased greatly over the past three decades. As a developing country, China never forgets to provide opportunities for other developing countries to develop. The OBOR initiative will engage China more closely with these countries, thus benefiting South-South cooperation.

China’s relations with the developed countries are good although they agree to disagree on certain issues. As the OBOR initiative will provide them with more opportunities of engaging with China and other developing nations, North-South Relations will be further strengthened.

In sum, the OBOR initiative will make China a more important player on the world stage as well as create more windows of opportunities for development. As the “Vision and Actions” points out, as long as all countries along the OBOR make concerted efforts to pursue their common goal, there will be bright prospects for its success, and all of them can benefit from it.

However, it must be pointed out that the path towards the success of the OBOR initiative is far from smooth and flat. There are so many “country risks”, challenges, threats and dangers ranging from debt default to distrust among the partners, from geopolitical uncertainty to gaps of development levels, and from terrorist attacks to technological and technical problems. Even investment returns are not a guarantee for every project, let alone the issues of raising enough funds and sharing the financing

⁸ Fareed Zakaria, “You can’t stop the trade machine”, May 14, 2015. https://www.washingtonpost.com/opinions/you-cant-stop-the-trade-machine/2015/05/14/208d74a2-fa6e-11e4-a13c-193b1241d51a_story.html

⁹ Paul Koring, “China will have to play by TPP rules to join world’s biggest free-trade league”, *The Globe and Mail*, July 29, 2015.

burden.

II. How to realize the “*Wu Tong*” with European Countries

OBOR is an initiative and also a concept. According to the “Vision and Actions”, its substantial content is composed of five areas: Policy coordination, facilities connectivity, trade facilitation, financial integration and people-to-people exchanges. In Chinese it is summarized as 五通 (Wu Tong).

Whether China can enable European countries to benefit from the OBOR initiative depends on how the two sides can cooperate in the *Wu Tong*.

1. Policy coordination. As the “Vision and Actions” points out, “Enhancing policy coordination is an important guarantee for implementing the Initiative. We should promote intergovernmental cooperation, build a multi-level intergovernmental macro policy exchange and communication mechanism expands shared interests, enhance mutual political trust, and reach new cooperation consensus. Countries along the Belt and Road may fully coordinate their economic development strategies and policies, work out plans and measures for regional cooperation, negotiate to solve cooperation-related issues, and jointly provide policy support for the implementation of practical cooperation and large-scale projects.”

In the “Vision and Actions”, only 146 Chinese characters are used to describe the meaning of policy coordination, much shorter than the description for other areas of cooperation. But this does not mean that policy coordination is the least important. On the contrary, policy coordination is put at the first place in the *Wu Tong*. Needless to say, without proper policy coordination, other areas of cooperation would not be fruitful.

It should be pointed out that, before the OBOR initiative was put forward, China had already established different policy coordination mechanisms with quite a few European countries, such as the China-Germany Inter-Government Consultations, China-Germany High Level Financial Dialogue, China-France High-Level Economic and Financial Dialogue, China-UK Annual Prime Ministers' Meeting, China-UK Economic and Financial Dialogue, China-UK High-Level People-to-People Dialogue, China-Italy Governmental Committee, China-Italy Economic Cooperation Mixed Committee, and the China-Central and Eastern Europe Summit (16+1).

Moreover, the China-EU 2020 Strategic Agenda for Cooperation, announced at the 16th China-EU Summit in November 2013, also attached importance to policy coordination. In this Agenda, “policy coordination” as well as “policy exchange” and “policy dialogue” are mentioned 25 times. This shows that both China and the EU recognize the necessity and importance of policy coordination.

Policy coordination is a form of dialogue at the highest level of government. In

the development of China-Europe relationship, policy coordination has been functioning well. It is not necessary for the two sides to give up the existing dialogue mechanism simply for the purpose of implement the policy coordination laid out in the OBOR initiative. Therefore, the key issue is how to strengthen the efficacy of the existing policy dialogue mechanism so that it can better serve the OBOR initiative. To this end, it is necessary to take the following issues into consideration:

(1) Multi-lateral vs. bilateral. Many of the OBOR projects would entail more than two partners. Therefore, the existing bilateral dialogue mechanism may not be able to meet the needs. Especially in the infrastructure field such as road construction, a project will usually cover a number of countries. This means that policy coordination should not be limited to the bilateral level. As a result, more emphasis needs to be attached to the multilateral level.

(2) Scope of policy coordination. The existing policy dialogues mainly serve bilateral relationship, but the OBOR initiative goes far beyond the scope of this relationship. For example, cooperation in the OBOR initiative will be closely related not only to trade and investment, but also to other areas and even to international rules, non-traditional security, etc. That is to say, policy coordination in the framework of the OBOR initiative needs to cover a wider scope of cooperation.

(3) Role of think-tanks. To make policy coordination more fruitful and effective, it is necessary for China to present sound and reasonable policies to its partners. These policies must be the results of careful thinking, taking into account all factors. It is true that the making of China's foreign policy is increasingly smart and proper, but it does not mean that the important role of the think-tanks can be downplayed. As a matter of fact, it is not realistic for the Ministry of Foreign Affairs to understand everything about all the countries relevant to the OBOR initiative. Consequently, the think-tanks must play an important role in this regard.

2. *Facilities connectivity*. According to the "Vision and Actions", facilities connectivity is more than building roads. It will focus on the key passageways, junctions and projects and also prioritize linking up unconnected road sections by removing transport bottlenecks, advancing road safety facilities and traffic management facilities and equipment, and improving road network linkages. At the same time, facilities connectivity will also include customs clearance, reloading and multimodal transport between countries, port infrastructure construction, more sea routes and the number of voyages, information technology in maritime logistics, civil aviation infrastructure. It will cover energy infrastructure, oil and gas pipelines, cross-border power supply networks and power-transmission routes, regional power grid upgrading and transformation, cross-border optical cables, international communications, spatial (satellite) information passageways, among others.

At present, there are many maritime, land and air links between China and

Europe. In order to increase facilities connectivity between the two side, the following issues are important: 1) how to determine the important projects of common interest so as to get a win-win result; 2) how to follow the internationally accepted rules and norms; 3) how to make good use of both the market and the government as well as private and public enterprises; 4) how to locate the source of capital for the huge investment needs; how to guarantee profitability of the investments; 5) how to make the infrastructure construction green and low-carbon; and, 6) how to overcome the technological problems.

3. *Trade facilitation.* Trade facilitation covers both exports/imports and investment, the two most important forms of external economic relations between China and other countries. According to the “Vision and Actions”, great efforts will be made to remove investment and trade barriers; enhance customs cooperation; promote bilateral and multilateral cooperation in the fields of inspection and quarantine, certification and accreditation, standard measurement, and statistical information; improve the customs clearance facilities of border ports; reduce customs clearance costs; lower non-tariff barriers; develop cross-border e-commerce and other modern business models, etc.

In 2014, two-way trade between China and Europe exceeded US\$ 600 billion, 250 times larger than that in 1975, the year China established diplomatic relations with the European Community. Bilateral investment also grew steadily. By the end of 2014, EU’s direct investment in China had totaled US\$ 96.63 billion, and Chinese investment in the EU had reached US\$ 49.86 billion.¹⁰ Undoubtedly, if trade facilitation as envisaged by the OBOR initiative can be realized, China-Europe economic relationship will surely be further upgraded, and the China-EU trade will be able to increase to US\$1 trillion by 2020, a goal set at the 16th China-EU Summit in 2013.¹¹

In order to engage Europe in OBOR’s vision of promoting trade and investment relations between China and Europe, it is necessary for the two sides to cope with the issues of trade frictions. China’s expectations for the EU are not high: Recognizing China’s market economy status; reducing anti-dumping charges against Chinese products; increasing more high-tech transfer from Europe to China; completing the negotiations on investment treaty as soon as possible; starting feasibility study of the negotiation of a China-EU free trade agreement at an early date.¹²

4. *Financial integration.* Financial integration is an important underpinning for implementing the OBOR initiative. As envisaged in the “Vision and Actions”, great

¹⁰ http://www.fmprc.gov.cn/mfa_chn/gjhdq_603914/gj_603916/oz_606480/1206_607640/sbgx_607644/

¹¹ http://news.xinhuanet.com/fortune/2013-11/22/c_118245382.htm

¹² http://www.mfa.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/lzlcxblsfgom_672454/zxxx_672456/t1277064.shtml

efforts will be redoubled to deepen financial cooperation; expand the scope and scale of currency swaps and settlement; issue bonds in both Renminbi and foreign currencies outside China; strengthen financial regulation cooperation; and create a regional financial risk early-warning system, among others.

At the 17th China-EU summit on June 29, 2015, in Brussels, leaders of both sides confirmed their strong interest in each other's flagship initiatives, namely the OBOR Initiative and the Investment Plan for Europe. They decided to support synergies between these initiatives, and directed the China-EU High-Level Economic and Trade Dialogue in September 2015 to develop practical avenues for mutually beneficial co-operation, including through a possible China-EU co-investment vehicle.¹³

On the same day, At the China-EU Business Summit, Premier Li Keqiang said in his keynote speech, "China will actively consider establishing a China-EU joint investment fund to support the European Fund for Strategic Investment (EFSI). China will increase the purchase of EIB bonds. We may fully tap the pan-European investment cooperation platform, China-CEEC framework for investment and financing, AIIB and other financial arrangements, and expand cooperation with Europe through the Silk Road Fund in high and new technology, infrastructure, financial departments and other areas. The two sides may make good use of the currency swap arrangement of over 700 billion yuan, give play to the role of the four Renminbi clearing banks in Europe and improve the RQFII scheme to ensure that financial cooperation become a bond that link our common interests."¹⁴ EU Commission President Jean Claude Juncker also said, "If we can make it work – and I hope we can – I see huge benefits for both China and the EU."¹⁵

EFSI sets out five types of projects that are eligible for financing: 1) They must have high societal and economic value contributing to EU policy objective; 2) They must attract private capital by addressing market failures; 3) They must come on top of existing EIB and EU financing possibilities; 4) They must be economically and technically viable; 5) They must be consistent with EU state aid rules.¹⁶ It seems that these types of projects are compatible with the OBOR initiative.

¹³ "China-EU Summit joint statement: The way forward after forty years of China-EU cooperation", June 29, 2015.

http://www.fmprc.gov.cn/mfa_eng/topics_665678/lkqcxdsqczgomldrhwsfblsdfgjzsfwbfwjhzyfzzzb/t1277467.shtml

¹⁴ "China and Europe: Working Together for New Progress In China-EU Relations", Keynote Speech by H.E Li Keqiang at the China-EU Business Summit, 29 June 2015, Brussels.

http://www.fmprc.gov.cn/mfa_eng/topics_665678/lkqcxdsqczgomldrhwsfblsdfgjzsfwbfwjhzyfzzzb/t1277193.shtml

¹⁵ <https://euobserver.com/eu-china/129318>

¹⁶ Some examples of key growth-enhancing areas being targeted by the EFSI are: Infrastructure (transport, energy, digital, environment, urban and social sectors); education and training, health, R&D, ICT, innovation; renewable energy and energy efficiency; and support to SMEs and mid-cap companies.

http://ec.europa.eu/priorities/jobs-growth-investment/plan/efsi/index_en.htm

It is reported that China could invest up to €10 billion in the EU's new infrastructure fund; but a final decision is being held up by the complex mechanics of a deal to give Chinese technology companies a greater role in Europe.¹⁷

But some Europeans have the “fear of Chinese money”. At a workshop in Brussels in early June 2015, one audience member from Austria was wary of Chinese investment. She said, “It’s quite sensitive to speak about Chinese money coming into the region. We don’t want to need money which does not come from Europe, or not from Austria, or not from the region.”¹⁸

5. People-to-people exchanges. Deepening mutual understanding can contribute to better relations among nations by eliminating misconception and misunderstanding. The “Vision and Actions” points out, “We should carry forward the spirit of friendly cooperation of the Silk Road by promoting extensive cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges and volunteer services, so as to win public support for deepening bilateral and multilateral cooperation.”

The “Vision and Actions” even lays out a detailed framework towards this end. The specific and concrete measures include: sending more students to each other’s countries;¹⁹ promoting cooperation in jointly running schools; organizing all kinds of cultural activities such as arts festivals, film festivals, TV weeks and book fairs in each other’s countries; making films; jointly applying for as well as protecting World Cultural Heritage sites; enhancing cooperation in tourism, sports, medical care and public health, poverty reduction, science and technology, biodiversity, ecological protection, youth employment, entrepreneurship training; promoting vocational skill development, social security management and public administration; increasing dialogues between political parties, legislative bodies and non-governmental organizations; encouraging major cities to become sister cities, etc.

People-to-people exchanges are two-way streets. Chinese people should understand the people of other countries, and vice versa. One of the reasons why Chinese civilization can live on till today is that it can absorb or learn from other civilizations around the world. However, it is not easy for China to make itself known to others. This reality might be explained by the following facts: 1) China’s political and social systems are different from most of the countries in the world; 2) China’s soft power is not strong enough; 3) China is not very good at telling its own story; and 4) many people tend to view China through tinted lenses. In Europe, misconceptions, misunderstanding and even wrong judgment from politicians to scholars, from

¹⁷ <http://www.euractiv.com/sections/innovation-industry/chinas-bid-eu-investment-fund-trips-complex-rules-316244>

¹⁸ <https://euobserver.com/eu-china/128971>

¹⁹ China agrees to provide 10,000 government scholarships to the countries along the Belt and Road every year.

businessmen to students, and from newspapers to books, about China are not rarely heard.

China and Europe account for one fourth of the world population. As a matter of fact, the nature of China's "harmony without uniformity" and the EU's "unity in diversity" is identical. Moreover, China is the representative of the Oriental civilization and Europe is the origin of Western civilization. Therefore, interactions through people-to-people exchanges, exemplified in the OBOR initiative, will deepen mutual understanding between the two sides, thus contributing to the promotion of world peace and development.

III. Conclusions

The OBOR initiative will deepen China's reforms and opening to the outside world, help enhance its soft power, enable it to play an important role in international affairs and also in making "rules of the game", safeguard its energy security, improve its relationship with its neighboring countries, and contribute to the efforts to build a harmonious world by promoting South-South and North-South Relations as well as cooperation in upgrading international production capacity. The road ahead is bright, but there are also many "country risks", challenges and dangers.

The OBOR initiative covers many European countries. In other words, Europe can join hands with China in implementing the "*Wu Tong*" embodied in the initiative. It is likely that the two sides can work together to create synergies between the Investment Plan for Europe and the OBOR initiative. Indeed, as Gianni Pittella, President of the Progressive Alliance of Socialists and Democrats in the European Parliament believes, synergies between the two initiatives could be very close in various strategic sectors like energy, telecoms, digital agenda, research, logistic, culture and environment.²⁰

²⁰ "Interview: Important synergies exist between Juncker Plan and 'One Belt One Road' initiative, says MEP", July 4, 2015.
http://news.xinhuanet.com/english/2015-07/04/c_134380717.htm