

Zentrum für Europäische Integrationsforschung
Center for European Integration Studies
Rheinische Friedrich-Wilhelms Universität Bonn



Ludger Kühnhardt

**The New Silk Road:
The European Union, China
and Lessons Learned**

Discussion Paper

**C245
2018**

Prof. Dr. Ludger Kühnhardt, born 1958, is Director at the Center for European Integration Studies (ZEI) and Professor of Political Science at Bonn University. Between 1991 and 1997 he was Professor of Political Science at Freiburg University, where he also served as Dean of his Faculty. After studies of history, philosophy and political science at Bonn, Geneva, Tokyo and Harvard, Kühnhardt wrote a dissertation on the world refugee problem and a second thesis (Habilitation) on the universality of human rights. He was speechwriter for Germany's Federal President Richard von Weizsäcker and visiting professor at prestigious universities all over the world.

His recent publications include: Europäische Union und föderale Idee, Munich 1993; Revolutionszeiten. Das Umbruchjahr 1989 im geschichtlichen Zusammenhang, Munich 1994 (Turkish edition 2003); Von der ewigen Suche nach Frieden. Immanuel Kants Vision und Europas Wirklichkeit, Bonn 1996; Zukunftsdenker. Bewährte Ideen politischer Ordnung für das dritte Jahrtausend, Baden-Baden 1999; European Union – The Second Founding. The Changing Rationale of European Integration, Baden-Baden 2008 (2nd enlarged edition 2010); Crisis in European Integration. Challenges and Responses, 1945-2005 (ed.), New York/Oxford 2009; Region-Building, 2 volumens, New York/Oxford 2010; Africa Consensus, Washington D.C. 2014; Bonner Enzyklopädie der Globalität (with Tilman Mayer), 2 volumens, Wiesbaden: Springer VS, 2017; The Global Society and Its Enemies: Liberal Order beyond the Third World War, Cham: Springer, 2017.

Ludger Kühnhardt

The New Silk Road: The European Union, China and Lessons Learned

I.

On its way to become a global power, the European Union is facing the claim to global power status by others, especially China. While the European Union is incrementally expanding its presence, scope of action and the underlying strategic objectives, China is dynamically filling the gap that always existed between the country's formal global status and its factual content.

On June 28, 2016, the first ever “Global Strategy” of the EU has been published, defining “principled pragmatism” as the EU's policy method.¹ The EU tries to turn its long-standing claim of being a normative power into a cautious and realistic set of policy preferences combining its traditional multilateral creed with a more robust assessment of hard power necessities. China, in turn, has been a member of the United Nations Security Council since 1949 and one of the great powers of the world. As consequence of its exceptional socio-economic transformation since the late 1970s, China is increasingly projecting its global presence to confirm its role as a big power contributing to stability and development around the globe. In doing so, China wants to realize the doctrine of its Head of State

1 European Union, Global Strategy (2016), online at: [https:// europa.eu/globalstrategy/en/global-strategy-foreign-and-security-policy-european-union](https://europa.eu/globalstrategy/en/global-strategy-foreign-and-security-policy-european-union).

and Communist Party Chairman, Xi Jinping: “A Community of Common destiny” for all mankind.²

The “Belt and Road Initiative”, Xi’s signature foreign policy project, launched in 2013 and ever since evolving conceptually, in content and objective, embraces 65 countries in Asia, Africa and Europa. The “Belt and Road Initiative”, a unilateral Chinese initiative, sees China in the service of a wide set of network-based partnerships. It claims to be a pragmatic alternative to alliance formations, yet recognizing different power centers in the world. It claims equal treatment of partners while simultaneously trying to reconfigure power relations in the world. This approach – with a definite undercurrent of challenging US global hegemony – is not without contradictions. Yet, the “Belt and Road Initiative” has to be taken seriously in itself.

In many ways, it encounters the European Union: conceptually, economically and culturally, in terms of policy preferences and regional self-images. The European Union needs to develop a pro-active position toward the “Belt and Road Initiative”. Moreover, it has to develop a pro-active strategy to engage with China on the “Belt and Road Initiative”. This engagement with China cannot be done, and will not be done, as substitute for Europe’s indispensable ties with the United States, as some in China may hope for. Rather, the EU and China would be advised to advance a global triangular agenda of leadership with the United States. On all possible accounts, mistrust is still looming large as the biggest obstacle to do so. Time has come to search for clarification and a reasoning that supports trust, the most precious resource in international relations.

The sources of mistrust between the European Union and China in the context of the “Belt and Road Initiative” begin with different expectations, inconsistent perceptions and, most importantly, lack of clarity about semantics and concepts. Squaring the circle seems to be the most rewarding

2 See Xi’s world vision: a community of common destiny, a shared home for humanity, in: CCTV.com, January 15, 2017, online at: <http://english.cctv.com/2017/01/15/ARTIjfECMGRxn4TrII0UqAcl170115.shtml>.

The New Silk Road

hope to overcome conceptual dissent. Yet, more than once this method remains limited. Hence, an honest confrontation and possible clarification of conceptual dissonance is the better recommendation for a better beginning between the European Union, the United States and China – not the least on matters related to the “Belt and Road Initiative”.

As the “Belt and Road Initiative” is a Chinese project, China has to clarify matters related to the scope and objectives of the “Belt and Road Initiative”. It begins with semantics: Is the “Belt and Road Initiative” an invitation to genuine economic cooperation or is it a national Chinese strategy to advance geo-economic and geo-political objectives?

The “Belt and Road Initiative” has been perceived as response to former US President Obama’s policy announcement of an US “Pivot to Asia”. Suspicion about the “Belt and Road Initiative” as an instrument of Chinese power projection has accompanied the project ever since, not the least since the Trump administration has taken center stage in Washington.³ Competing geopolitical claims to hegemony however, is not a favorable constellation to sooth mistrust in Europe. It is China herself who has to clarify whether or not the “Belt and Road Initiative” is an instrument to replace existing functional elements of the current global order, including the connectivity programs (i.e. in the field of logistics or transnational border crossings) of the United Nations Economic Commission for Europe.

Beyond political mistrust in Europe about the objectives of the “Belt and Road Initiative”, and especially its “Balkan Silk Road” leg, a thorough academic clarification is indispensable: It relates to the very concept of region-building.⁴ Chinese analysts understand the “Belt and Road Initiative” as a contribution to an externally induced regionalism. They assume a positive effect of China’s initiative on the promotion of regional

3 See the plea for a constructive engagement of the US with China: Ziad Haider, Can the U.S. Pivot Back to Asia?: How Trump Should Respond to China’s Belt and Road Initiative, in: Foreign Affairs, May 23, 2017, online at: <https://www.foreignaffairs.com/articles/china/2017-05-23/can-us-pivot-back-asia>.

4 See Ludger Kühnhardt, Region-Building: The global proliferation of regional integration, Oxford/New York: Berghahn, 2010.

cooperation and integration elsewhere. This assumption is questionable: Nowhere, neither in the EU, in Central Asia, in Africa or in the Balkans, will regional integration work if not owned by the respective local states and societies. Moreover, overlapping regional groupings will almost inevitably face contradictory effects (i.e. on external tariffs or on policy preferences). Here is a serious field for consultation between the European Union and China in order to clarify conceptual dissonances and misunderstandings.

Up until now, the “Belt and Road Initiative” has triggered mixed reactions in the European Union. The emerging or already ongoing European participation in the “Belt and Road Initiative”, including the railway transportation hub between Duisburg, Germany, and Chongqing, China, is not echoed by a focused conceptual engagement in the EU. Fear and mistrust seem to prevail, but a belated sense of strategy on the EU side is also evident. Critical remarks about possible Chinese intentions to split the EU or to promote a decoupling of the EU from its transatlantic partnership with the United States and Canada (representing 40 percent of global trade) dominate media coverage. Minimizing the future political influence by China seems to be the unspoken political attitude, if there is any. The more fundamental problem of the European Union is the lamentable fact that China has a far-reaching strategy while the European Union has none to respond to and engage with the “Belt and Silk Road Initiative”.

To address the double trust deficit on the “Belt and Road Initiative “– China not being unequivocally clear in its intentions, the European Union remaining ambivalent in its attitude – honesty may help to clarify matters. In light of the matured partnership between the EU and China, an honest stock-taking is possible and necessary. Often, the “Belt and Road Initiative” is understood as the “New Silk Road”. This sounds somewhat romantic.⁵ It opens avenues for a comparative look at experiences and

5 See Jean-Pierre Drège, *Seidenstrasse*, Zurich: Silva, 1993; Colin Thubron, *Shadow of the Silk Road*, London: Vintage Books, 2007; Xinru Liu, *The Silk Road in World History*, Oxford: Oxford University Press, 2010; Valerie Hansen, *The Silk Road: A New History*, New York/Oxford: Oxford University Press, 2012.

The New Silk Road

lessons learned. This paper suggests five lessons that can be learned by comparing the ancient and medieval Silk road with the potential of the Belt and road Initiative” to become a win-win-win project for the EU-China-US triangle, the main pillars of the emerging multilateral global order.

II.

The first lesson learned from the experience with the historic “Silk Road”: Geopolitics matters and has not been irrelevant at any time. Already the original label Silk Road went beyond a romantic assessment of the Eurasian landmass. German Geographer Ferdinand von Richthofen, professor at Bonn University between 1875 and 1883, created the term “Silk Road” after expeditions to explore Chinese coal resources in the hope to bring them under imperial German influence.⁶ Halford Mackinder’s “Heartland”-theory of 1904 has never lost attention, understanding Eurasia as the “pivot of history”.⁷ The 19th century “Great Game” between imperial Russia and imperial Great Britain involved in particular ways Xinjiang (Kashgar) and Tibet (Lhasa).⁸ Against this background it is not surprising that the contemporary Chinese “Belt and Road Initiative” triggered fear in the West of a return of its own geopolitical past. China assuages such fear by claiming in President Xi’s words during the 2017 “Silk Road Forum” in Beijing that China will not engage in “games between foes”.⁹ Such a perspective, of course, does not exclude geopolitical intentions.

The European Union is taking note of Japanese and Indian efforts to counter China’s belt and road expansion, thus confirming suspicion of a new geopolitical race. The 12th Japan-India Summit in September 2017

6 See the reprint of his original diaries: Ferdinand von Richthofen’s *Tagebücher*, Aus China, Neuilly-sur-Seine: Ulan Press, 2012.

7 See the reprint: Halford J. Mackinder, *The Geographical Pivot of History*, in: *Idem, Democratic Ideals and Reality*, Washington, DC: National Defense University Press, 1996, pp. 175–193.

8 Peter Hopkirk, *The Great Game: The Struggle for Empire in Central Asia*, London: John Murray, 1990.

9 Cited in: Neil Connor, *Hammond says Brexit Britain must back China’s new Silk Road*, in: *The Telegraph*, May 14, 2017, online at: <http://www.telegraph.co.uk/news/2017/05/14/hammond-says-brexit-britain-must-back-chinas-new-silk-road/>.

ended with a commitment of Japan to finance a speed train between Bombay and Ahmedabad and with the joint creation of an “Asian-African Growth Corridor”. India is already the fifth investor in Africa, while Japan announced a \$200 bio additional investment in Africa on top of the existing \$32 bio Japanese investment in the continent.¹⁰ Such geo-economic counter-measures by third parties naturally raise questions in the EU about the geopolitical nature of China’s “Belt and Road Initiative”.

It is in the interest of the European Union to assess the effect of the “Belt and Road Initiative” on the balance between regional and global trends. In the meantime, the EU has finalized or is about to finalize Free Trade Agreements with all those Asia-Pacific countries which belong to the failed Trans-Pacific Partnership, buried on the first day of President Trump’s work in the White House in January 2017. China, on the other hand, has risen to be the biggest investor in the ASEAN region. As long-standing partner of ASEAN, the EU sees the importance to clarify the relationship between ASEAN’s objective of consolidating its own ASEAN Economic Community (AEC) and ASEAN’s relationship with the China-driven “Regional Comprehensive Economic Partnership” (RCEP). While the US is receding from its Asia-Pacific role, the EU and China need to improve their presence and possible conflicts of aims in the ASEAN region. Otherwise, geo-economic interests may easily translate into a new geopolitical rivalry there.

The lesson learned from experiences of the original Silk Road is evident: reliability and predictability grow if all partners explain their genuine interests as transparent as possible. The European Union and China should engage – among themselves but also with the US and other interested parties – in a conceptual dialogue: Can the “Belt and Road Initiative” support multilateralism or does it merely serve a multipolar global order? How can the “Belt and Road Initiative” become a positive trigger to

10 Cf. Africa-Asian Growth corridor launched, in: Times of India, May 25, 2017, online at: <https://timesofindia.indiatimes.com/city/ahmedabad/asia-africa-growth-corridor-launched/articleshow/58830900.cms>; Ministry of Foreign Affairs of Japan, Japan-India Summit Meeting, September 14, 2017, online at: http://www.mofa.go.jp/s_sa/sw/in/page3e_000747.html.

The New Silk Road

overcome suspicion about not being more than a unilateral Chinese instrument of power projection by geo-economic means? Up until now, the European Union is no formal partner to the “Belt and Road Initiative”. The rejection of the Final Communiqué of the “Silk Road Forum” in Beijing in May 2017 by all EU member state delegations present (including from Germany, France, and Great Britain) demonstrated ongoing suspicion about incompatible trade interests.¹¹ The EU and its member states consider the Shanghai-based “Asian Infrastructure Investment Bank” (AIIB) as a welcomed tool for global partnerships in economic diplomacy.¹² Yet, clarifications remain necessary about the AIIB role in the “Belt and Road Initiative”. Moreover, Chinese objectives under the banner of “Made in China 2025” and the “China Dream” project linked to the 2049 centenary of the People’s Republic of China require a more intensive dialogue with Europe, the US and other international actors.¹³ This alone, however, is not good enough: The EU itself needs to embrace more forward-looking ambitions to better project its own potential for economic diplomacy in Asia and Africa. In the absence of a genuine “European Dream”, the EU often is trapped between its own myopic approach and complaints about China’s dynamic drive. A more proactive engagement with China on the geopolitical and geo-economic dimension of the “Belt and Road Initiative” demands from Europe a much more global psychology and perspective. Remaining unclear about its own ambition and staying on the sidelines does not serve the EU. China’s perception of a timid, too often re-active and over-cautious Europe is not helpful either. No less than in the 19th and 20th century, perceptions are realities in the 21st century global age.

11 EU backs away from trade statement in blow to China’s ‘modern Silk Road’ plan, in: *The Guardian*, May 15, 2017, online at: <https://www.theguardian.com/world/2017/may/15/eu-china-summit-beijing-xi-jinping-belt-and-road>.

12 Vasilis Trigkas, *The Asian Infrastructure Investment Bank: A Win-Win for China-EU Relations*, in: *CarnegieTsinghua Center for Global Policy*, June 16, 2015, online at: carnegietsinghua.org/2015/06/16/asian-infrastructure-investment-bank-win-win-for-china-eu-relations-pub-60383.

13 See Eva Pejsova, *China futures: Horizon 2025*, Paris: European Union Institute for Security Studies, 2017.

III.

The second lesson learned from the experience with the historic “Silk Road”: The trade potential along the Silk Road is irresistible but it requires reciprocity to alleviate existing trust deficits. Since Chinese silk reached Rome via India and Arabia in the first century and opaque glasses from the Roman Empire reached China, economic and social concern existed on both end of the Silk Road in parallel to the reciprocal fascination. In his “Annals” Tacitus described Roman fear in the 2nd century: too much silk garments used even by men would increase decadence. Today, Europe is concerned about Chinese-made robots and too much investment from China. Problems of copyright are not new either: While today, Europe laments the fact that sixty percent of faked goods imported into the EU originate in China, it should not be forgotten that in the early days of the Silk Road the printing of books and the knowledge of black powder reached Europe via obscure ways. As for knowledge-transfer of the silk production in the early days of the Silk Road, it is fair to talk of India, Turkey and Greece as cocoon copy-cats.

Today, the first matter of dispute about an imbalanced relation between the EU and China concerns Chinese investment into the EU. In 2016, €35 bio Chinese investment has reached the EU, similar to the aggregated Chinese direct investment into the EU between 2006 and 2016.¹⁴ The EU investment in China has declined consistently over past years. This satiation confronts the EU with a substantial policy alternative: Some focus critically on China’s dynamic outbound investment pattern and advocate investment control in fear of a growing strategic influence of China. Others favor an open door policy for the EU which is likewise benefitting from access to markets elsewhere. Indeed, the EU needs to balance its approach to this situation. While it claims to promote open global trade, it must recognize that Chinese FDI is a driver of growth in the EU. The European market, still on its road to a sustained recovery after the dire years of crises, has all reason to welcome Chinese and other FDI. On the other hand, the

14 MERICS (Mercator Institute for China Studies), Chinese Investment in Europe, 2017, online at: <https://www.merics.org/en/tags/chinese-investment-in-europe/>.

The New Silk Road

EU, like any other player in the global economy, is entitled to protect strategic interests from uncontrolled external acquisition.

In his “State of the Union Address” on September 13, 2017, EU Commission President Jean-Claude Juncker announced a new framework for investment screening.¹⁵ Juncker’s statement (“we are not naïve traders”) was understood primarily as anti-Chinese. This perspective would be a simplification. WTO regulations hinder already wild FDI takeover policies in the global economy whenever “national interests” are at stake. 13 of the 28 EU member states have promulgated national investment screening measures. Juncker’s initiative shall bring regulatory consistency to the Single Market. It is indeed an unacceptable contradiction, if a Chinese (or any other non-EU) buyer would try to purchase, let’s say, German technology via buying a Portuguese outlet of a particular German company. The EU has good reason to eliminate contradictions that may arise between its own competition policy and possible national interests of member states. The quest for internal coherence in regulatory governance across the whole of the EU is more than a vulgar cover-up for an anti-Chinese initiative. Should China see it this ways, there is only one logical recommendation for both sides: The EU needs to better engage China more in explaining European regulatory governance – also in the interest of being predictable and reliable to its external partners, China including. China, in turn, should be encouraged to do the utmost in enhancing transparency in the relationship between market initiatives of its private companies on the one hand and state interests related to national banks granting credits to private and public enterprises on the other hand. Trust is a currency which can be expanded with good will and honesty.

15 Jean-Claude Juncker’s State of the Union speech, annotated, in: Financial Times, September 13, 2017, online at: <https://ig.ft.com/juncker-speech-annotated/>.

IV.

The third lesson learned from the experience with the historic “Silk Road”: Optimizing trade potential is in the interest of all but in order to achieve its potential joint EU-China regulatory governance initiatives are required in third countries.

The omnipresent lack of knowledge about each other was a continuous source of mistakes in the times of the original Silk Road. The false views of China in Pliny’s “Natural History” or in Strabo’s “Geography” were as notorious as the strange labelling of the Romans as “Da Qin” (= big Qin) by the Chinese of the Han dynasty who saw themselves as “Qin”. In both directions, the Pamir Mountains were a natural border for real encounter of China and Europe. The publication of Francesco Pegolottis “La Pratica della Mercatura”, a handbook on production patterns in China, published in 1340 showed a better and still relevant direction: Regulatory manuals along the “Belt and Road Initiative”, touching after all on 65 countries, will be of the essence.

The EU-China “Connectivity platform” is a first step to make better use of functional procedures and regulations. They are meant to improve transnational border crossings and related logistical issues.¹⁶ But regulatory cooperation ought to go beyond this EU-China initiative. In each country and between all countries along the “Belt and Road Initiative” huge socio-economic asymmetries exist. Environmental issues, labor conditions, matters of energy, water supply or road construction, but likewise matters of compliance and accountable governance impact sustainable achievements in any “Belt and Road Initiative”-related project. Joint EU-China activities to stabilize Central Asia and Africa could genuinely be in the service of the weakest along the Belt and Road Initiative. If done well, those initiatives could be transformative by turning the existing trust deficit

16 On the current state: European Commission, EU-China Summit: moving forward with our global partnership, June 2, 2017, online at: http://europa.eu/rapid/press-release_IP-17-1524_en.htm; Sebastian Schiek, Bewegung auf der Seidenstraße. Chinas „Belt and Road“-Initiative als Anreiz für zwischenstaatliche Kooperation an Zentralasiens Grenzen, Berlin: Stiftung Wissenschaft und Politik, 2017.

The New Silk Road

into a more reliable EU-Chinese partnership. Intensified and pro-active cooperation with EU-based regulatory agencies, the key players of successfully implementing the Single Market, and academic regulatory experts can be a game-changer in many places along the “Belt and Road Initiative”.¹⁷

Cooperation in regulatory governance would facilitate a more open and constructive discussion between the EU and China on matters of transparency, standards and norms, and, more principled, on the limits of the debt-given growth model underlying the development model of the “Belt and Road Initiative”. Backlashes as China has faced them in Sri Lanka and in several African countries point to the usefulness of comparing notes with the EU on matters of regulatory governance and the very debt-based growth system China is promoting.¹⁸ Regulatory governance, in the eyes of the EU, is more than a technical and functional exercise. Regulatory governance is at the root of what EU leaders mean when they advocate rule-based multilateralism.¹⁹ So far, neither the concept nor its purpose and usefulness have been incorporated in its fullest potential into EU-China relations. Obviously, there is a wide space for improvement in trust. While the EU is currently overhauling its Central Asia strategy (the original one dating back to 2007) the potential of regulatory cooperation with China in Central Asia should find high priority in the new Central Asian strategy.²⁰ It is here where functional cooperation with Russia is also meaningful.

17 See Christian Koenig/Bernhard von Wendland, *The Art of Regulation: Wealth and Wariness*, Cheltenham: Edward Elgar, 2017.

18 See Yogita Limaye, *Sri Lanka: A country trapped in debt*, BBC News, May 26, 2017, online at: <http://www.bbc.com/news/business-40044113>.

19 See Ludger Kühnhardt/Christian Koenig (eds.), *Governance and Regulation in the European Union: A Reader*, Baden-Baden: Nomos, 2017.

20 On the current situation see: European Union External Action Service, *The European Union and Central Asia: the new partnership in action*, July 7, 2016, online at: https://eeas.europa.eu/headquarters/headquarters-homepage/4890/the-european-union-and-central-asia-the-new-partnership-in-action_en.

V.

The fourth lesson learned from the experience with the historic “Silk Road”: Protectionism is bad for all and damage travels faster than all efforts to contain its negative effects.

In the 14th century, the “Mongolian pest” reached Europe through fur trade. Its effects were disastrous. Fear of increased cooperation with China has extended to the possible spread of epidemics via bacteria that have come to Europe along with food and other goods from China. This, of course, is not a phenomenon related to interactions with China as European travelers import bacteria from all over the world. The challenge to cope with epidemics as a fallout of globalization should support more practical cooperation and consultation with any country and region in the world, China including. Issues of food security, health and hygiene standards are of the essence to enhance human security anywhere.

Trust travels and mistrust travels even faster whenever the promotion of self-interest is perceived as an ambition unduly combined with protectionism. Negotiations for a comprehensive EU-China Investment Agreement started in 2013.²¹ Ongoing differences have prevented an early conclusion of these negotiations. It is regrettable that the investment dossier is decoupled from trade matters. Negotiations for an EU-China Free Trade Agreement are even less achievable in the near future. As long as this situation prevails, the “Belt and Road Initiative” will be accompanied by mistrust and dissonances. A particular serious case in point is the EU mistrust about China’s “16+1 Initiative” in Central and South Eastern Europe.²² While the EU is recognizing, for instance, with sympathy China’s direct investment in Southeast Europe, complains are permanent

21 For details see European Commission, DG Trade, China, online at: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>.

22 See Jens Bastian, The potential for growth through Chinese infrastructure investments in Central and South-Eastern Europe along the “Balkan Silk Road”, London/Athens July 2017 and the related article by Vanora Bennett, What China’s “Belt and Road Initiative” means for the Western Balkans, September 11, 2017, online at: <http://www.ebrd.com/news/2017/what-chinas-belt-and-road-initiative-means-for-the-western-balkans.html>.

The New Silk Road

and rather mushrooming on the content of these investments. Issues in this regard touched on environmental standards in the establishment of a thermal power plant in Bosnia-Herzegovina, on transparency in procurement matters related to the Belgrade-Budapest railway project, and on the political influence ensuing from the investment of China's company Cosco into the port of Piraeus. The suspicion on this issue was confirmed when Greece sidelined the usual EU consensus and rejected a UN Human Right Commission resolution on China, Greece's biggest investor, on July 17, 2017.²³ China, in turn, is furious when blamed to pursue of policy of divide and rule by splitting of the EU with its "16+1 Initiative" (Balkan Silk Road). Separating trade from investment and remaining without a negotiated frame agreement on both fronts without mediation and arbitration mechanisms is guarantee for ongoing – and possibly mounting - disputes in this regard.

The second dispute in the area of damage control relates to financial policy, especially to the Chinese protectionism of its capital markets. The EU constantly demands the comprehensive opening of China's capital market. This request for reciprocity is more forward-looking and constructive than efforts to curb or limit China's FDI's in Europe. However, the process in China to open the country's capital markets has certainly been too slow. In the meantime, it is evident that the trend in the Chinese position on these matters points to a Chinese self interest in further opening the country's capital markets. In 2017, FDI into China has gone down by at least 6.5 percent, a phenomenon not welcome by China and potentially undermining the effort to consolidate and improve its growth rates. A statement of the Vice-Chairman of the China Securities Regulatory Commission, Fang Xinghai, in September 2017 that it should be in China's self-interest to open up the future market was a first good step welcomed in the EU.²⁴ Only a few days later, "China Finance Form 40", a think tank, proposed

23 See Nick Cumming-Bruce/Somini Singupta, In Greece, China Finds an Ally Against Human Rights Criticism, in: New York Times, June 19, 2017, online at: <https://www.nytimes.com/2017/06/19/world/europe/china-human-rights-greece-united-nations.html>.

24 Meng Fanbin, Future to be opened up in: China Daily, September 18, 2017, p. 17.

publicly to substantially reduce restrictions on foreign investors in the self-interest of China: The notorious ceiling of a 25 percent stake of foreign investors should fall in banks and securities companies. Domestic and foreign bond markets should be connected in better ways and the Chinese stock market should be opened for foreign investment, the think tank stated.²⁵ Of the essence is the direction taken by the new Governor of the People's Bank of China.²⁶

How much this issue is about trust, can be seen when comparing the Chinese situation to that of its Northeast Asian neighbors. While the Chinese stock market includes a 5 percent foreign share, the Korean stock market includes a 30 percent foreign share. The Chinese bond market includes a 2 percent share, the Japanese bond market a 10.5 percent share.²⁷ The best way forward for Chinese-EU-economic relations – and hence for more trust in the Belt and Road Initiative too – would be a level playing field based on shared investment and trade principles. The systemic difference between China's state-managed capitalism and the EU's Single Market with strong regulatory governance market economy remains the structurally biggest, albeit not insurmountable wall between the EU and China. Where there is a will, there were always ways to overcome the Pamir Mountains.

VI.

The fifth lesson learned from the experience with the historic "Silk Road": The cultural discovery of "the other" has only just begun and it contains enormous potential to overcome "other-ness" stereotypes in both directions.

25 Wang Yanfei, China should reduce restrictions on foreign capital, senior economists say, in: China Daily, September 25, 2017, p. 3.

26 See: These Are the Five Biggest Tests Facing China's Next Central Bank Chief, Bloomberg News, November 23, 2017, online at <https://www.bloomberg.com/news/articles/2017-11-22/china-s-next-monetary-chief-will-face-to-do-list-topped-by-debt>.

27 Ibid.

The New Silk Road

Since the first encounters of Chinese and Europeans along the Silk Road, the main feature of these encounters was more or less diplomatic and hence defined by distance. A sense of alien-ness was never overcome since Gan Ying was sent by the Chinese Emperor to the Roman Empire in 98 D.C. and since a Roman merchant introduced himself 166 A.D. as envoy of Emperor Antoninus, Hadrian's stepson overlooking the last peace period of the Roman Empire, to the Chinese Court. The respective "import" of external religions and their civilization and fabric continuously remained abridged, one-dimensional and incomplete, as a few examples show. Buddhism has arrived in China since the fourth century from India and soon generated impressive cultural expressions of highest standard (i.e. the Bingling Grottos near Lanzhou on the Yellow River or the Dunhuang Grottoes in Western Gansu province). It is surprising, however, that Buddhism never traveled to Europe. Wu Cheng'en's 16th century "The Journey to the West" one of the four classic novels of China, ended at the Pamir Mountains as if there was no further West. Islam entered both China (in Kashgar and Xian, then called Chang'an) and Europe in the 7th century, but remained somewhat alien and controversial in both regions to this day. In China, concern about secessionist aspirations in Xinjiang prevails. In Europe, Islam is critically perceived in the context of migration. Fear of Islamist terrorism is a common denominator both in China and in the EU. As for Christianity, it is surprising that the religion with the largest support around the globe has remained somewhat alien in China. In the meantime, more Chinese citizens are said to be baptized (estimated 100 mio) than there are members of the Communist Party (85 mio).²⁸ China has ongoing difficulties with the Vatican about fully normalized relations – Pope Francis not being the first Catholic pontiff waiting for an invitation to visit China. Underground churches in today's China contrast with Marco Polo's

28 See Antonia Blumberg, Inside China's Secret Churches: How Christians Practice Their Faith Under An Atheist Government, in: Huffington Post, October 17, 2014, online at: https://www.huffingtonpost.com/2014/10/16/china-secret-churches_n_5997532.html; Wang Zhicheng, The miracle of conversions and baptism in China, in: AsiaNews.it, March 29, 2016, online at: <http://www.asianews.it/news-en/The-miracle-of-conversions-and-baptisms-in-China-37068.html>.

Ludger Kühnhardt

experience: In his 13th century writings (“Il Milione”) he was surprised to openly find so many Nestorian Churches wherever he went in China.

In turn, it is astonishing how slowly Confucius’ wisdom reached the West. Only in the second half of the 19th century, James Legge translated his “Li Ki” (Book of Rites) into English. In the meantime, “Confucius Institutes” promote his teachings – and their interpretation in contemporary China – around the world. More than in religious terms, the West finds its underlying political philosophy challenged by Confucian perspectives: The 8th World Confucian Conference, held in Qufu in September 2017, discussed among other issues the theory of political meritocracy “as an alternative to democracy in the governance of a country”.²⁹

Many facts are reciprocally known about each other’s cultural history, religion, literature and the arts. Yet, what is it that we still do not know about each other and ourselves in relation to “the other”? For the past 2,000 years interactions, let alone processes of inculturation remained structurally weak in Chinese-European encounters. Could the new “Silk Road” be used to a more substantial people-to-people encounter and intercultural discovery? Can the “Belt and Road Initiative” become a two-way Silk-Road beyond cultural exchange programs, Confucius Institutes and European Art Festivals? An intellectual Silk Road encounter has to dig deeper than at the level of formal exchange programs and the effort of translations. It would be an amazing contribution to cultural globalization, in fact to globality, if respect for each other and curiosity would substantially overcome the level of stereotypes prevalent today in the field of most cultural and intellectual discourses along the Silk Road.

29 According to Zhang Zhao, Scholars: Confucianism offers modern-day, global solutions, in: China Daily, September 25, 2017, p. 12.

The New Silk Road

VII.

The potential of the “Belt and Road Initiative” will remain untapped unless lessons learned from the past will be fully included in the contemporary agenda. In the past, efforts to instrumentalize “connectivity” for power purposes failed in both directions. Han farmers experienced this already in the 2nd century when they looked for alliances with the Yuezhi, the enemies of their enemy, the Xiongnu nomads. Pope Innocence IV failed when he sent a delegation to the Mongol Court in the 13th century not only aimed to Christianize the Mongol Khan, but to form an alliance with him against the Muslims. Today, Europe and the West at large should study Xi Jinping’s idea of global network-based partnerships without prejudice. However, one should not be naïve: Contemporary power asymmetries, fragile states and security challenges will not disappear in the foreseeable future. Hence, power equations need to be taken into account in any realistic assessment of the reciprocal trust deficit along the new Silk Road. The past offers one other last lesson worth reflecting: Expeditions without clear objectives, without being rooted in domestic legitimacy and without fully embraced out of self-interest by possible partners will most likely fail as history teaches. Missionary bishops send by the Vatican tried to Christianize China in the 13th century. When the Jesuits arrived in China in the 16th century and 17th century, they were surprised to see how little was left of those efforts who had remained one-sided, unilateral and hence alien. The seven impressive Sea Expeditions under Admiral Zheng He in the 15th century opened China to the world. However, this unilateral approach to global inclusion abruptly stopped when the Ming dynasty turned inward again and closed China more or less from the outside world. These and other experiences are on the back of people’s mind – both in Chinese and Europe – when they resort to the “Belt and Road Initiative” as a driver of interaction, but also as an obstacle to an honest and viable partnership. Time will tell what will come out of the “Belt and Road Initiative” as game-changer in EU-China relations.

For now, two facts are certain. *First*, since the revolutionary recognition of Deng Xiao Ping about the fundamental mistakes of the Chinese Communist

Party in the first thirty years of the People's Republic, China has consistently opened up to the world. Its intention to contribute, but also to shape and develop the existing global order from within is legitimate. It is the logical and legitimate aspiration of a great people. Instead of simply responding with Western skepticism and mistrust, China's opening to the world should be echoed by a much more pro-active and global view of the European Union, its policy-makers, institutions and societies. *Second*, in the meantime, China is contributing enormous resources to stability in the world. This is unprecedented in modern Chinese history. It comes with reciprocal learning processes but entails promising perspectives for global development. China's engagement in Africa has been extended to the constructive support of the G20 effort ("Compact with Africa") launched in July 2017 at the Hamburg Summit.³⁰ Of all the five permanent member states of the UN Security Council, China claims to provide the largest contingent of peacekeepers to nine UN missions (2,609).³¹ These developments do not mean that Chinese policies are not without flaw, contradictions or, at times, intransparent. But it has to be recognized that China is among the fastest learning communities on earth, also in its international performance. All in all the Western response to China should overcome a certain masochistic soul-searching about a declining West faced by a limitless rising China.

The global future is no zero-sum game. To turn it into a win-win-win for the EU, China and the US as the three unquestionable pillars of global leadership, it is essential to take China seriously and to take it by its word. This is the best way forward for the European Union (and for the United states, too) to overcome fear, anxiety and mistrust and to advance a world order of shared responsibility. The more the New Silk Road can become a two way, reciprocal, trust- and rule- based Silk Road, the more it will serve the world at large and the citizen's, societies and countries along its way.

30 G20 Compact with Africa (2017), online at: <https://www.compactwithafrica.org/content/compactwithafrica/home.html>.

31 Xi gives boost to global security governance, in: China Daily, September 30, 2017, p. 5.

Das **Zentrum für Europäische Integrationsforschung (ZEI)** ist ein interdisziplinäres Forschungs- und Weiterbildungsinstitut der Universität Bonn. *ZEI – DISCUSSION PAPER* richten sich mit ihren von Wissenschaftlern und politischen Akteuren verfassten Beiträgen an Wissenschaft, Politik und Publizistik. Sie geben die persönliche Meinung der Autoren wieder. Die Beiträge fassen häufig Ergebnisse aus laufenden Forschungsprojekten des ZEI zusammen.

The **Center for European Integration Studies (ZEI)** is an interdisciplinary research and further education institute at the University of Bonn. *ZEI – DISCUSSION PAPER* are intended to stimulate discussion among researchers, practitioners and policy makers on current and emerging issues of European integration and Europe's global role. They express the personal opinion of the authors. The papers often reflect on-going research projects at ZEI.

Die neuesten ZEI Discussion Paper / Most recent ZEI Discussion Paper:

- C 231 (2015) Karl Magnus Johansson
Europarties – A Research Note
- C 232 (2015) Hannelore Kraft
North Rhine-Westphalia and the European Union
- C 233 (2016) Carla Manzanos
Movement, Security and Media
- C 234 (2016) Rike Sohn
EU environmental policy and diplomacy from Copenhagen to Paris and beyond
- C 235 (2016) Ludger Kühnhardt
Maturing beyond Cotonou: An EU-ACP Association Treaty for Development.
A proposal for reinventing EU relations with the African, Caribbean and Pacific
(ACP) Group of States
- C 236 (2016) James D. Bindenagel
America and Europe in the Twenty-first Century
- C 237 (2016) Matthias Vogl/Rike Sohn
Nachhaltige regionale Integration in Westafrika und Europa. ZEI
Forschungskooperation mit dem West Africa Institut (WAI) von 2007 bis 2016
- C 238 (2016) Matteo Scotto
Transatlantic Trade and Investment Partnership (TTIP). An Insight into
Transatlantic Relations and Global Context
- C 239 (2017) Michael Gehler
Revolutionäre Ereignisse und geoökonomisch-strategische Ergebnisse: Die EU-
und NATO-„Osterweiterungen“ 1989-2015 im Vergleich
- C 240 (2017) Tapio Raunio/Matti Wiberg
The Impact of the European Union on National Legislation
- C 241 (2017) Robert Stüwe
EU External Energy Policy in Natural Gas: A Case of Neofunctionalist Integration?
- C 242 (2017) Ludger Kühnhardt
Weltfähig werden. Die Europäische Union nach dem Biedermeier
- C 243 (2017) César Castilla
Perspectives on EU-Latin American Cooperation: Enhancing Governance, Human
Mobility and Security Policies
- C 244 (2017) Joe Borg
The Maltese Presidency of the European Union 2017
- C 245 (2018) Ludger Kühnhardt
The New Silk Road: The European Union, China and Lessons Learned

Die vollständige Liste seit 1998 und alle Discussion Paper zum Download finden Sie auf unserer Homepage: <http://www.zei.de>. For a complete list since 1998 and all Discussion Paper for download, see the center's homepage: <http://www.zei.de>.



Rheinische
Friedrich-Wilhelms-
Universität Bonn

Center for European
Integration Studies

Genscherallee 3
D-53113 Bonn
Germany

Tel.: +49-228-73-1810
Fax: +49-228-73-1818
<http://www.zei.de>

ISSN 1435-3288

ISBN 978-3-941928-86-2