

The EU-Asia Connectivity Strategy and Its Impact on Asia-Europe Relations

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INTRODUCTION

The EU is gradually adapting to a more uncertain world marked by increasing geo-political as well as geo-economic competition. Global power relations are in a state of flux, and in Asia an increasingly assertive and self-confident China poses a challenge to US hegemony. The transatlantic relationship is weakening, and question marks are being placed on the future of multilateralism, the liberal world order and the rules-based global system. At least as importantly, China is launching vast connectivity and infrastructure development projects throughout Eurasia, sometimes interpreted as a geostrategic attempt to re-establish a Sinocentric regional order. The Belt and Road Initiative (BRI) in particular, focussing on infrastructure development and investments in over 80 countries, including some within Europe, has been causing concern at regional as well as global levels. At the most recent BRI summit in April 2019 Chinese President Xi Jinping announced that China had signed new deals amounting to 64 billion USD, underscoring Beijing's continuing cheque book diplomacy.¹

It is clear that these ongoing dynamics potentially have important ramifications for Europe's own prosperity, in terms of trade and economy but also security. Overall however, the EU has been slow to react, in particular in formulating a response to connectivity challenges. In September 2018 the EU published its first coordinated attempt to formulate the European vision on connectivity and infrastructure development, in the form of a European connectivity strategy for Asia, officially entitled a Joint Communication on "Connecting Europe and Asia – building blocks for an EU strategy". This article explores the potential impact of this strategy on Asia-Europe relations.

¹ *Financial Times*, 29 April 2019.

THE EU'S CONNECTIVITY STRATEGY FOR ASIA

An EU strategy paper to form the basis for cooperation in the field of connectivity with and in Asian countries was long overdue. For a protracted period of time the EU stuck to a reactive wait-and-see approach. This was quite obvious in multilateral fora such as the Asia-Europe Meeting (ASEM), in which the EU and its member states as well as two other European countries interact with 21 Asian states. ASEM can be seen as an excellent “real-time observatory” for global power transformations. ASEM has shifted, for example, from a forum focussing on a region-to-region structure, to one placing more emphasis on bilateral relations (both state-to-state and EU-Asian state). The higher prominence of bilateral relations reflects the development of a more multipolar world, or even the crisis of globalisation and resurgence of nationalism and populism, as marked by Brexit, the election of Donald Trump as US president, and the failure of large-scale trade deals such as the Trans-Pacific Partnership (TPP). In other words, ASEM serves as a signpost of the “changing interlinkages of bilateral, regional and transregional relations that the EU has around the globe”.²

Even though ASEM is a forum for informal dialogue, the focussed initiatives launched by individual members in a particular field offer valuable insights into global transformations. China, for example, has been driving forward the ASEM connectivity agenda since 2014, not in the least to find synergies with its own BRI, conceived as “One Belt One Road” (OBOR) in 2013. According to the ASEM Connectivity Inventory, seven out of twelve events organised by China in the period 2014-2018 related to connectivity.³ Beijing sponsored the ASEM Industry Dialogue on Connectivity, held in Chongqing in 2015, floating ambitious ideas on improved Eurasian land bridges, transport corridors, sea routes and rail links, while at the same time promoting people-to-people exchanges, policy coordination, and trade and capital flows. China furthermore organised initiatives such as a Media Dialogue on connectivity in 2016 and a High-Level Forum on digital connectivity in 2017. It has also aimed to promote institutional connectivity through multiple events in the fields of food safety, sustainable development, small and medium-sized enter-

² Francis Baert, Tiziana Scaramagli, and Fredrik Söderbaum, “Introduction: Intersecting Interregionalism,” in Francis Baert, Tiziana Scaramagli, and Fredrik Söderbaum (eds.), *Intersecting Interregionalism. Regions, Global Governance and the EU*. Dordrecht: Springer (2014): 9.

³ Okano-Heijmans, Maaïke and Prakash, Anita. ASEM Connectivity Inventory. Clingendael and ERIA, June 2018, p. 20. https://cdn.aseminfoboard.org/documents/S02_ASEM-connectivity-study_FINAL-VERSION-11.10.2018.pdf.

prises (SMEs), and human rights, and people-to-people connectivity in the field of university-business partnerships, for example.

China's brisk activity in the field was met with a strongly ambivalent and reactive European stance based on a wait-and-see policy. The EU often seemed unable to choose between competing or cooperating with China in third countries. On the one hand, the EU was strongly aware of the importance of a connected Asia for European prosperity⁴, not in the least because trade between both regions amounts to 1.5 trillion euro. Furthermore there was the potential to connect the Trans-European Transport networks (labelled TEN-T) to networks in Asia. On the other hand however, the EU was aware of the challenges posed by China's connectivity project. First of all, China is investing strongly in integration towards the West, but a comparable flow from West to East is generally absent. Furthermore, China-funded projects most often are tied with Chinese companies, and are much more to the benefit of China than of the local countries. Frequently lacking a transparent bidding process, they are generally less open to local or international companies. Importantly, China typically provides loans to countries rather than investments, which can have a profound impact on national debt, as in the case of Montenegro. It can even result in a debt trap and loss of sovereign control, as was the case in Sri Lanka's Hambantota Port project. In addition, concerns have risen about standards, environmental considerations and social requirements, including labour rights or human rights, often lacking in China-sponsored projects.

The Chinese presence in Europe, including growing political influence, is certainly a key challenge. Chinese Foreign Direct Investments (FDI) in Europe amounted to 37 billion euro in 2016 and 29 billion in 2017.⁵ China's FDI are still mainly concentrated in Western Europe, in particular in the UK, Germany and France. However, an increasing share is going to Central and Eastern Europe. The Czech Republic, Hungary and Greece are often-quoted examples of countries where China's influence is said to be visible, causing intra-European divisions and blocking EU-level criticism of China. Additionally, the 16+1 framework⁶, a platform driven by China to promote cooperation between Beijing and 16 Central and Eastern European countries, is often seen as a tool for driving a wedge between the European Union and

⁴ "Shared vision, common action: A stronger Europe" - A Global Strategy for the European Union's Foreign and Security Policy, June 2016, p. 37. http://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf.

⁵ Hanemann, Thilo; Huotari, Mikko and Kratz, Agatha. Chinese FDI in Europe: 2018 trends and impact of screening policies. Rhodium Group and Mercator Institute for China Studies, March 2019, p. 9.

⁶ Or 17+1, after Greece expressed its willingness to join the forum.

its neighbourhood, and even within the EU itself. 14 out of 28 EU member states have now signed bilateral endorsements of the BRI. The Union seems divided between those member states that advocate a tougher stance against a “systemic rival”, and those that support closer cooperation.⁷ A further concern is that China’s investments can undermine EU rules, especially in sensitive industries such as steel and nuclear energy, posing a challenge in regard to transparency and technological and legislative standards.

The European Union’s Global Strategy (EUGS) endorsed in June 2016, can be seen as the starting point for a new European Asia strategy in terms of connectivity. The EU realised it is in its own interests to tap into Asian economies by deepening economic diplomacy and by striving for cooperative regional orders. ASEM, together with the EU-China Connectivity platform and the EU-ASEAN framework, is referred to as a key tool to pursue a coherent approach to China’s connectivity drives westwards. The EU-Asia security guidelines of 28 May 2018 further emphasised that connectivity and security go hand in hand.⁸ The EU’s connectivity strategy, published on 19 September 2018, then, denoted Europe’s ambitions to step up the EU’s engagement with Asia as for connectivity.

The strategy emphasises that connectivity has to be economically, fiscally, environmentally and socially sustainable, comprehensive across sectors and financial frameworks, and based on international rules and an open and transparent investment environment. As noted elsewhere, the implementation, and eventual success, of the strategy depends on the increased funding deriving from the EU’s investment framework for external action, as well as on the extent to which additional financial resources can be raised from the private sector and national, international and multilateral financial institutions.⁹ Even so, the document clearly puts forward a European model for connectivity and a blueprint for building up international support for the values and principles it promotes, allowing Europe to help shape the rules of the global marketplace. As such it offers an alternative to the BRI, while also forming the basis for cooperation with third countries, including with China in Europe’s immediate neighbourhood.

⁷ *Financial Times*, 26 April 2019.

⁸ Council of the European Union. Enhanced security cooperation in and with Asia – Council Conclusions (28 May 2018).

⁹ Gaens, Bart. “Europe’s connectivity strategy and the challenge of China: Rivalry, reciprocity, or both?” *FIIA Comment 22*, December 2018.

BUILDING ON FOUNDATIONS IN PLACE

Some of the groundwork for cooperation in connectivity is already in place. First and foremost there is the definition of connectivity. Connectivity is a very comprehensive and vague concept. Whereas for some it means essentially the same as globalisation but without the negative connotation of that term, for others it is the same as regional integration. For yet others, primarily as a result of the highly-promoted BRI, it is synonymous to Eurasian land bridges and maritime transport corridors. The EU's definition of connectivity is rooted in work conducted in the context of the Asia-Europe Meeting. A so-called ASEM Pathfinder Group on Connectivity (APGC) held its first meeting in Brussels in June 2017. The APGC, basically a Working Group consisting of Senior Officials, concluded that the definition of connectivity should cover all 3 ASEM pillars (security, economy, social/culture), and should include both hard connectivity (infrastructure projects) and soft connectivity (people-to-people or digital connectivity), and all links: land, sea, air, cyber, and educational connections, as well as customs cooperation and trade facilitation. The Pathfinder Group meeting proposed four clusters in which ASEM could work in strengthening Asia-Europe connectivity, namely transport connectivity, customs and trade facilitation, investment financing and quality infrastructure, and digital connectivity including e-commerce. Second, connectivity has to be in line with international standards and based on full transparency. Third, sustainability needs to be a quality benchmark, and there should be a link with the implementation of the Sustainable Development Goals (SDGs). Fourth, work on connectivity should build on existing forms of regional cooperation, while avoiding duplication. Fifth, connectivity should function as a means to foster deeper economic and people-to-people links.¹⁰ The 13th ASEM Foreign Ministers' Meeting in Nay Pyi Taw in November 2017 followed this comprehensive definition, including the importance of market principles and agreed international rules, norms and standards, and the link with sustainable development for achieving the 2030 Agenda. This definition thus formed the basis for the 2018 Strategy paper.

Second, in addition to a definition, other groundwork has been laid in ASEM. ASEM has connectivity as one of its core tasks, bringing together and connecting the people from the two regions and 51 countries, including political leaders, but also businesspeople, academics, civil society representatives and non-governmental organisations (NGOs), parliaments, labour fora, and youth. As of 2014 and the 10th

¹⁰ ASEM Pathfinder Group on Connectivity. *Chair Summary*. 21 June 2017. https://eeas.europa.eu/sites/eeas/files/chair_summary_apgc_21_june_2017-final.pdf.

ASEM summit in Milan, ASEM has started emphasising connectivity as a core objective and even as a guiding concept that should drive all ASEM initiatives, making the forum the “institutional home of connectivity”.¹¹ Also, before 2014, connectivity had already been addressed in ASEM. For example, the Trans-Eurasia Information Network (TEIN), launched at the ASEM3 summit in Seoul in 2000, has successfully enhanced interconnectivity between European and Asian research and education networks, and is currently in its fourth phase. TEIN4 provides a large-scale research and education data-communications network for the Asia-Pacific region. It connects Asian researchers to each other and with their counterparts in Europe via direct links to Europe’s GÉANT network¹², providing the Asia-Pacific countries with a gateway for global research collaboration. It currently connects twenty-three countries in the Asian and South Asia region. The TEIN project has been co-funded under the EU Development Cooperation Instrument since 2004. The EU contribution has been about 21 million euro under TEIN2 and TEIN3. TEIN gives researchers better internet access, at increased speed and capacity, and it enables exchanging big amounts of data and makes international research collaboration possible. TEIN4’s applications include supporting disaster-warning systems, e-learning, and tele-medicine (e.g., conducting surgeries with the remote consultation of experts in other countries).

A third foundational basis is a set of data, which can point to further possible areas of focus for cooperation. The ASEM Sustainable Connectivity Portal, in place since October 2018, is an online tool to measure physical, economic/financial, political, people-to-people and institutional connectivity between Asia and Europe, as well as to provide data on social, economic/financial and environmental sustainability. The Portal is accompanied by complementary publications, including a survey of ASEM connectivity activities since 2014,¹³ and a study indicating areas for further cooperation.¹⁴

¹¹ Asselborn, Jean. “Connectivity as the key feature of ASEM’s third decade”. Asia Europe Foundation, 28 March 2016. <http://www.asef.org/press/corporate/news-3798-connectivity-as-the-key-feature-of-asems-third-decade>.

¹² A pan-European data network for the research and education community.

¹³ Okano-Heijmans, Maaïke and Prakash, Anita. ASEM Connectivity Inventory. Clingendael and ERIA, June 2018.

¹⁴ Becker, William et al. *Exploring ASEM Sustainable Connectivity – What brings Asia and Europe together?* Joint Research Center (JRC), September 2018. http://publications.jrc.ec.europa.eu/repository/bitstream/JRC112998/asem-report_online.pdf.

COOPERATING WITH OTHERS

Building on this groundwork, the EU-Asia Connectivity Strategy sets out the conditions for Europe to cooperate with other countries, including China, bilaterally and in multilateral fora, and to find synergies, not least in the EU's immediate neighbourhood. The document can be seen as a blueprint for building up international support for the values and principles it promotes, allowing Europe to help shape the rules of the global marketplace. To a certain extent an impact may be visible already, at least at the level of rhetoric. China committed to more sustainable and transparent financing and to "supporting open, clean and green development and rejecting protectionism".¹⁵ The document therefore defines the EU's interests and principles as a basis for flexible and trust-based cooperation with China, including in the EU's immediate neighbourhood.

Furthermore, emphasising sustainable, comprehensive and rules-based connectivity, the strategy offers scope for cooperation with like-minded Asian countries such as Japan and ASEAN. Japan launched its "Partnership for Quality Infrastructure: Investment for Asia's Future" in 2015. Furthermore, in 2017, Japan and India proposed their jointly envisioned "Asia-Africa Growth Corridor" (AAGC), focussing on connectivity and "quality infrastructure", including large-scale strategic projects conducted together with the Asian Development Bank (ADB) and the private sector. The values and norms behind the AAGC dovetail with the EU's own norms as for connectivity, opening up vistas for cooperation, especially in regions such as Africa where China is increasingly present and where the EU and Japan can provide an alternative model based on quality infrastructure and sustainability. This is especially salient in the light of the gradual convergence between EU and Japanese development aid practices, for example. The EU now increasingly emphasises the need to shift from aid dependence to self-reliance, as well as strongly supports private sector involvement in development and an emphasis on economic infrastructure rather than social/administrative infrastructure, similar to Japan's traditional aid philosophy.¹⁶ This offers opportunities for cooperation in promoting sustainable connectivity in order to tackle the SDGs. The recently concluded EU-Japan Economic Partnership Agreement (EPA), signed in tandem with a Strategic Partnership Agreement (SPA), offers a solid base in this respect.

¹⁵ *Financial Times*, 28 April 2019.

¹⁶ Cf. Gaens, Bart. "Comparing Japan and the European Union: The Development Cooperation Policies of Two Civilian Powers", in Asplund, Andre and Söderberg, Marie (eds.), *Japanese Development Cooperation. The making of an aid architecture pivoting to Asia*. London: Routledge, 2017.

As for ASEAN, the bloc is projected to become the fourth largest economy in the world by 2050. The EU has already concluded free trade agreements (FTAs) with Singapore (2012) and Vietnam (2015), and is continuing negotiations with the Philippines, Malaysia, Thailand and Indonesia. In March 2018 the EU and ASEAN agreed to revive their efforts, abandoned in 2009, to integrate these bilateral FTAs into a more comprehensive region-to-region FTA. The evolving US engagement in the region, including its withdrawal from the TPP, offers opportunities for the EU to intensify commercial links and further promote free trade with Asian partners. Connectivity is one particularly promising area for cooperation, with an EU-ASEAN Comprehensive Air Transport Agreement currently being negotiated.

UTILISING ASEM

ASEM can provide a further venue to promote European and Asian connectivity. Continuing ongoing work, the forum can serve as a level playing field in order to share experiences, best practices and expertise, build a common agenda, and set further objectives. Furthermore, it can contribute to the creation of partnerships at the bilateral, minilateral, region-to-region, or multilateral levels. Importantly, ASEM brings together multiple stakeholder groups including government officials, the private sector and civil society. Utilising this set-up to the full, ASEM could establish a dedicated “Connectivity Forum”, bringing together the private sector, media and civil society organisations to discuss infrastructure-related issues with an impact on sustainable development, security and climate change.¹⁷ ASEM’s role in promoting “hard connectivity”, in the form of transport connections or infrastructure projects, will remain limited. However, the forum can do a lot to promote dialogue on procedures, standards, and transparency as a basis for further cooperation at other levels. Soft connectivity is also an area where results can be achieved, building on success stories such as ASEM’s cultural, social, and educational exchanges. Especially education as a field of cooperation is given added importance because of its crucial impact on sustainable development. The recent EU-Asia Connectivity Strategy is important here as it helps to set objectives and determine the added value of dialogue. It can also steer the EU in launching new initiatives based on European priorities. The EU strategy importantly looks beyond investment in in-

¹⁷ As proposed by Werly, Richard (2015). “ASEM initiatives and challenges - Surfing the Asia-Europe waves”, in Bart Gaens (ed.), *The Future of the Asia-Europe Meeting (ASEM): Looking Ahead into ASEM’s Third Decade*. Brussels: European External Action Service (2015), p. 91.

frastructure, pointing the way to niche markets in which the EU has a comparative advantage, such as green technology or educational mobility.

As a possible next step, the plan on areas for cooperation on connectivity, as drawn up by the ASEM Pathfinder Group on Connectivity, points out useful future directions in order to achieve tangible results.¹⁸ The “Tangible Areas of Cooperation in the Field of Connectivity” (TACCs) focus on (1) best practices and international standards in connectivity policies; (2) quality infrastructure and sustainable connectivity; (3) trade and investment connectivity including customs clearance facilitation and transport connectivity; (4) future connectivity and digital economy including e-commerce; (5) people-to-people mobility including educational exchanges, sustainable tourism and the empowerment of women; and (6) security challenges linked to connectivity. Combined with the “the European way” outlined in the Europe-Asia Connectivity Strategy, dialogue and cooperation in these fields can help the EU establish partnerships in and with Asian countries. These could help the EU become a norm provider in the field of sustainable connectivity, as well as promote European priorities.

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¹⁸ ASEM Pathfinder Group on Connectivity. “APGC Plan for Areas of Focus and Related Actions on Connectivity”. Brussels, 19 October 2018. <https://cdn.aseminfoboard.org/documents/APGC-Plan-for-Area-of-Focus-and-Related-Actions-on-Connectivity.pdf>.