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The EU-China Strategic Partnership: Growing Need for Connectivity in Eurasia

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1. Introduction

Eurasia includes all the countries that sit on the geographical Eurasian plate. With the rise of Asia, the Eurasian ideology has been revived and there have been myraid debates, discussions and deliberations on the victory of the Eurasianist ideology on the scholarly front. It has also gained immense popularity amongst the leadership of the Eurasian region. Kazakhstan's President NursultanNazarbayev discussed about Eurasian Integration as early as 1994. In 2011 even Russia's Vladimir Putin launched the Eurasian Integration project. Amidst all the massive project proposals, there have been quite a few number of small projects focusing on infrastructural integration between Europe and Asia like the TRACECA project launched by the European Union, the New Eurasian Land Transport Initiative (NELTI), Central Asia Regional Economic Cooperation (CAREC) and so on. In order to understand the main theme of this study it is extremely important to first fully grasp the concept of Eurasia. As such the first section of this paper will discuss in details the Eurasian ideology and the various projects emerging from it. This section will also briefly discuss the only two IR theories that are based on geostrategy: the theories of Sir Halford Mackinder and Alfred Mahan. Amongst the various projects of Eurasian Integration, the one that has caught undivided attention is China's Belt and Road Initiative (BRI). The immense opportunity for trade in Eurasia was first realized by Kazakh President, NursultanNazarbayev when he talked of a Eurasian integration in 1994 (Kuchins,2015). In 1998, an attempt at reviving the Silk Road was made by the European Union with the creation of Transport Corridor Europe-Caucasus-Asia (TRACECA) project, dubbed as "the silk road of the 21st century". However, this project remained confined to Europe and Central Asia alone. Russia too attempted to integrate Eurasia with its Eurasian Economic Union (EAEU)[1] which aimed at generating free movement of goods, capital and services amongst its members (Bartsevich). Despite various diverse attempts at integrating Eurasia through trade corridors, this idea did not gain much attention until China's President Xi Jingping promulgated it on 7th of September, 2013 at Kazakhstan's Nazarbayev University in a speech titled "People-to-People Friendship and Create a Better Future"(Noor,2015). Since then the idea has been celebrated, expanded and researched. The favorable reception of Xi Jingping's idea rests on the need for infrastructural development in Asia.

Nevertheless, there are many apprehensions regarding China's intentions with regards this project. In South Asia itself there are many countries reluctant to be on board with this initiative. In keeping with the theme of this paper, the next section will discuss in details the BRI initiative and try to understand China's vision. There have been many speculations about China's intentions regarding the BRI. With the rise of China and cooperation in connectivity between the EU and China, the debate of land versus sea of Makinder and Mahan has been revived. As such, at the outset this paper will discuss how the plan fits into Eurasian integration theory.

2. Eurasian Ideology

The massive Eurasian supercontinent has witnessed a higher degree of economic growth compared to the rest of the world in recent years (Kuchins ,2014). Trade routes have existed between Europe and Asia since the historic times between Xi'an in China and the Roman empire (Otsuka, 2001). These trade routes were one of the busiest trade corridors between Asia and Europe used for trading goods like silk, gems, gold, silver and other valuable goods of that time. The Eurasian landmass was called "The heartland of the world" by Halford Mackinder[2] many centuries ago due to its geopolitical position. He pointed out that the Heartland was in the most advantageous geopolitical location. His doctrinesuggested that the geopolitical actor that dominated the Heartland[3]would possess the necessary geopolitical and economic potential to ultimately control the World Island[4] and the planet (Ismailov and Papava 2013). However, these trade routes died out when Sea routes were discovered and when the trader's mobility was jeopardized due to the changes in national borders. In the 16th century, the Europeans discovered a route to Asia around the Cape of Good Hope at the same time when America was being explored (Otsuka, 2001). By 17th century, Spain, Portugal and England were seen competing for maritime trade between Asia and Europe against the slower land route (Otsuka, 2001). However, after many decades there seems to be a revival of land trade corridors between the east and the west, this time by railways. The close ties between the Countries along the historical silk road will benefit not only the landlocked greater Central Asian countries but also India, Pakistan, Iran, China, Azerbaijan, and Russia (Norlingand Swanstorm, 2007). Ever since the collapse of the Soviet Union

[1] The EAEU came into force on 1st January, 2015 and it consists of the Russian Federation, the Republic of Armenia, the Republic of Belarus, and the Republic of Kazakhstan

[2]Halford John Mackinder was an English geographer, academic, politician, and is regarded as one of the founding fathers of both geopolitics and geostrategy.

[3]Heartland was the area from the Volga to the Yangtze and from the Himalayas to the Arctic. Mackinder's Heartland was the area then ruled by the Russian Empire and after that by the Soviet Union,

[4] The World-Island, comprised the interlinked continents of Europe, Asia, and Africa. This was the largest, most populous, and richest of all possible land combinations

in 1991, and its disintegration, the major economic powers like Europe, US, China have been showing keen interest to integrate the newly independent economies of Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan with their own as these states are rich in natural resources. The railway lines of the newly independent states were connected to the railways of the PRC and in 1998, this railway line was extended till the Persian Gulf. The US, was very much aware of the importance of this region as well. The 1990 document for national security strategy published by the first Bush Administration noted that "for most of the century, the United States has deemed it a vital interest to prevent any power or group of powers from dominating the Eurasian landmass" (Scott and Westenley 2008). As far as EU was concerned, it was also very much aware of the importance of this region, hence it initiated the TRACECA project which was launched in May 1993. TRACECA is an ambitious interstate program aimed at supporting the political and economic development in Black Sea Region, Caucasus and Central Asia by means of improvement of the international transport. The interest of the major powers seems to justify the century old theory of the heartland given by Halford Mackinder to some extent (Scott and Westenley, 2013). The basic premise of the theory is as follows.

"Who rules East Europe commands the Heartland;
Who rules the heartland commands the World-island;
Who rules the World-island commands the World."
(Halford Mackinder,1904)

After a century of almost constant conflict and ideological mishaps, countries located along the ancient silk road have started trading with each other to an extent envisaged by few during the Cold War (Norling and Swanstorm,2007).China has been on the forefront to develop a combined trade area. According to Atul Bhardwaj "The Chinese strategy is to build rail and road links over the Eurasian landmass to escape the vice-like grip over maritime trade routes exercised by the United States and its allies". Chinese president Xi Jingping has been promoting the idea of the OBOR project and China's media has been highlighting the slogan of revival of the Silk Road (Tatar 2013). Though the neighborhood is important for all the countries, China's focus on its neighbors could have a different meaning (Justyna Tatar 2013). According to the author, China seems to be building on what it calls the "Silk Road diplomacy" wherein it is trying to befriend all the countries along the historical silk route. The silk road diplomacy aims at building a strong trade area known as the "Silk Route Economic Belt".

3. EU-China Strategic Partnership

The European Union (EU) is a major player in international trade and investment. It is not only the largest economy (GDP €13 trillion) but also the largest exporter of the world (€ 1.6 trillion in 2012). The People's Republic of China on the other hand, is the world's second-largest economy by both nominal GDP of over $9 trillion on the basis of purchasing power parity. China is the EU's biggest source of imports by far, and has also become one of the EU's fastest growing export markets with a record of € 148.1 billion in 2013. China is the EU's biggest supplier with € 279.9 billion worth of imported goods in 2013. As a result, both have recognized each other as important trade partners in Europe and Asia respectively which is significant as they are very strong regional power. They have acknowledged each other as strategic partners since 2003 and trade relations between them is characterized by a strong increase although at present they are experiencing a little friction in their trade relation due to trade surplus in favor of China.

The growing trade and investment figures between these two countries portray their economic importance to one another. They both view each other as the gateway to Asia and Europe respectively. The large volume of trade indicates the prerequisite of transportation modes for the physical movement of goods from Germany to China and vice versa. There are three transit modes available to carry goods around the Eurasian landmass, which are air routes, rail routes and sea Routes. Each transit route has a time and cost factor. Shipping by sea is secure, predictable, and less expensive than road or rail but takes too long a time. Air transit is predictable, secure much faster but is highly expensive making it appropriate only for certain high value goods. Land transit is much faster than sea and spectacularly cheaper than air hence, the emergence of new silk routes involving transit and transport is taking shape in the Eurasian landmass. Though, at present more than 95 % trade between Europe and Asia is by sea, the deeper economic and political ties and increased maritime competition, busy traffic at the ports and territorial disputes may lead to further incentivizing of land routes. However, land transits are froth with political challenges and are vulnerable to crime and corruption but if the countries involved are able to sort out their customs, borders and political issues, land transportation could be a remarkable alternative, especially for goods which are significantly expensive and considerably imperishable, like laptops, vehicle parts and other electronic devices which are consistently transported between China and Germany. Hence, there has been an increase in the number of talks in favor of land transportation and already there are growing interests about pursuing them.

4. Need for an alternative transportation corridor between Europe and Asia

Geographically, Europe and Asia are parts of a single landmass with no distinct natural boundary dividing the two. As such, Eurasia enjoys the unique prospect of accessing all three modes of transportation; air, land and sea for trade between Europe and Asia. Though there are no natural barriers, there are many significant political and infrastructural hindrances that prevent Europe and Asia from being connected by means of land corridors. However, recently a growing need for land transportation has been felt owing to the weaknesses of marine transportation, a comparative advantage of roadways against sea and airways and Asia's need for increased trade corridors for its development.

As the volume of global trade increases, the physical movement of the goods transported increases as well. Currently, ninety percent of trade between Europe and Asia is through sea lanes (Khalid, 2015) and they are not coping well with the increased quantity of goods being transported to and fro. The traffic at the ports is raising significant concerns about

the competence of the Sea Lanes of Communications (SLOCS)[5] as there is a limit to the construction and capacity of ports while there is no limit to the ever-increasing volume of trade. Additionally, there are also concerns on part of the biggest trading Asian nations about the "vice like grip over maritime trade routes exercised by the United States and its allies" (Bhardwaj, 2015). Piracy is another major problem at sea and hence security becomes a challenge for transport by sea. Another problem with marine transportation is its unsuitability for goods that have a low shelf life. For instance, commodities like fruits can never reach Asia from Europe or Central Asia if there is no option of land transportation as they will not be able to withstand the time period at the sea, but grapes from Astana in Tajikistan can reach Amritsar in India just in 28 hours by train through Pakistan(Umarov, 2015). Hence, railroads will pave the way for transactions of perishable as well as new products. Additionally, there are many hidden costs involved in marine transportation and railways and roadways are an important part of marine transportation as without them Marine transportation remains crippled.

Various goods are suitable for transportation through various modes depending on their size weight and quality. In order to figure out the best mode of transportation for long distance freights, there are several criteria like cost, speed, transit time and reliabilitywhichneeds to be taken into consideration. Shipping by sea is secure, predictable, and less expensive than road or rail but takes a longer time. Air transit is predictable, relatively secure and much faster but is highly expensive making it appropriate only for certain category of high value goods. Land transit is much faster than the sea route and spectacularly cheaper than air transportation(Kuchins,2014). For instance, the railway line running from Rotterdam in Netherlands to Jiangsu Province of China significantly cuts down the transportation time. It runs through Central Asia and compared to 20-40 days by sea route, the cargo can be delivered in only 11 days via the second Euro-Asia land bridge. Although the cost of transporting by trains, the cost is covered with the journey time because trains from China to Germany are almost twice as fast as ships. Hence, railways are a better option for industries that deal in commodities like electronic equipment, heavy goods and textiles. Besides the time and cost factor, environmental issues are equally challenging in the present era and the use of railroads is going to help in curbing the dangers to the environment. For instance, the train running along the Yuxinou railway like from China to Madrid in Spain produces only 44 tons of CO2 compared to 114 tons of CO_2 by road as reported by the Guardian.[6]

In 2014, FDI received by developing countries was a record figure worth US$700 billion. It was 56 percent of the global share and four percent higher than that of 2013 which was also a record figure worth $778 billion. Amongst the developing countries, the FDI inflow was the highest in Asia.[7]Asia has been not only being an attractive investment destination but also a major trading region. In fact, exports were one of the factors that helped in Asia's recovery during the 1997-1998 financial crises (Brooks and Hummels, 2005). Though there is no doubt about the remarkable growth that Asia has seen especially during the era of globalization. It is still infamous for being a hub of poor and underdeveloped countries. Globalization has benefitted Asia only to a very limited extent. Though many of the Asian countries are said to be rich in natural resources, the countries lack the necessary infrastructure and economic policies to channelize these resources for their economic growth. As Bhattacharyay and De (2009) point out "There are many reasons for this, but, in particular, infrastructure bottlenecks within countries and lack of regional infrastructure connecting countries, such as transport and energy networks, have been key barriers to Asia's integration". Infrastructure plays an important role in shaping the country's economy. For instance Mongolia today would have been able to make full use of its vast mineral deposits and become a strong economy if its infrastructural facilities were adequate. Asia's port capacity was increased from 3 million to 62 million twenty foot equivalent units (TEU) from 1975 to 1995. In the same period airfreight shipments increased from two billion to more than thirty billion ton-kilometres (Brooks and Menon, 2008). However, there has been no improvement of overland transport facility as of now. If the countries of Asia could work out a plan which would smoothen and lower the cost of regional transportation, it would work wonders for the economy of Asia. As such China's BRI could have an important role to play in shaping Asia's future.

5. Conclusion

Many international conflicts have been instigated due to economic aspirations and economic imbalances; hence economic integration is a useful way to curb future conflicts and to increase economic growth in the region. Though cooperation between the EU and China with regards connectivity is a new development, the important that both sides give to connectivity initiatives highlights the importance of the need for integration. Despite criticisms, China's BRI project has played an important role in bringing China closer to many EU member states. With numerous projects in transportation and logistics, the EU and China have taken some very bold initiatives to integrate the Eurasian region. This implies that all of these countries have in some ways seen a huge potential for a larger integrated Eurasia.

[5]Sea Lines of Communication (SLOCs) are key maritime passageways that facilitate traffic volumes of ships in the sea. SLOCs are tremendously important for the strategic value of the trading nations. For instanceSLOCs are critical to China's growth and stability. 90% of China's foreign trade is carried by sea and over 80% of China's oil is imported through the Malaccan Strait.

[6] See Burgen, Stephen. 2014. 'The Silk Railway: freight train from China pulls up in Madrid', The Guardian, 10 December, http://www.theguardian.com/business/2014/dec/10/silk-railway-freight-train-from-china-pulls-into-madrid(accessed on 10 September 2015).

[7]See UNCTAD .2014.World Investment Report 2014, investing in the SDGs: An Action Plan. United Nations New York and Geneva.http://UNCTAD.org/en/PublicationsLibrary/wir2014_en.pdf (accessed on 1 September 2015).

The EU-China trade and investment was increasing at a rapid pace until 2013 and to accommodate this growth in the volume of trade new ways of transporting goods physically from one country to the other was felt. Hence, many new railway lines were opened between these two countries. Though trade figures might fluctuate – as it did between 2013 and 2014 – the strong economic relation between the EU and China is hard to be substituted. Additionally, these new initiatives in the transportation sector will serve as a major boost to EU-China trade and investment relations amongst other important changes. The EU's expertise in scientific know how of production of green energy, biomedicine, high-efficiency engines and information technology perfectly complements China's 12th five-year plan. China is proficient in producing consumer goods and has recently started investing in and acquiring German industries.

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