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SOME VIEWS, REMARKS AND GEOPOLITICAL THOUGHTS ABOUT OBOR AND “16+1” INITIATIVE

It is interesting, that China Initiative for cooperation with CEE countries, named "16+1" Initiative even originated before OBOR.

"16+1" Initiative was introduced in April 2012, almost one year before China officially announced “Silk Road Economic Belt and 21 st Century Maritime Silk Road” (referred as One belt one Road - OBOR) in September and October 2013.

CEE countries represent an end and beginning, that is, an opening window of opportunity for China “go west” connections to Europe, and vice versa. It is beginning of OBOR from Europe to China. Thus “16+1 Initiative” is seen as important part of China vast project, connecting three continents and several sub regions. When completed, like the ancient Silk Road, it will connect three continents: Asia, Europe, and Africa.

The OBOR potentially involves an area that covers 55 % of the world GNP and 70 % of its population, as well as 75 % of known energy reserves and represents one of the biggest foreign policy initiatives ever undertaken by China.¹

¹ EURASIAN COUNCIL ON FOREIGN AFFAIRS, December 2015, The New Silk Road: A Path to Regional Security? p.15 <http://www.eurasiancouncilforeignaffairs.eu/blog/2015/12/17/new-silk-road-path-regional-security/>).



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The chain of infrastructure projects will create the world's largest economic corridor, presumably covering a population of 4.4 billion and an economic output of \$21 trillion.

There was a lot of discussion about this Initiative, a lot of questions, interpretations in both sides of “16+1”, among political experts, medias, business communities, think tanks, regions, local communities, and so forth. A general positive response to China Initiative was followed by political statements, declarations about relatively - on one side general and comprehensive-and other side, still relatively vague concept.

Finally, China in March 2015 officially published document called “Visions and Actions on Jointly Building Silk Road Economic Belt and 21-st Century Maritime Silk Road.”²

Three points in this four-chapter long document are especially important.³

First, authors stress the inclusiveness of Initiative. This is probably also the reason, why China in this document consistently use term Initiative and not strategy, which somehow presumes some blocks, counter blocks, confrontation, and sort of alliance. Basically, Initiative is open to everybody willing to cooperate in building infrastructure, energy, communication, transport trade and stronger integration for financial markets.

Second, document clarify and open space of cooperation, including specific economy corridors and new trade routes, financial instruments, AIIB, New Development Bank (former BRICS), Silk

² http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

³ Nadine Godehardt, Chinas Vision einer globalen Seidenstrasse, SWP-Ausblick 2016: Volker Perthes (Hg.) Begriffe und Realitäten internationalen Politik, Januar 2016, Berlin, p. 33-34. http://www.swp-berlin.org/publikationen/swp-studien-de/swp-studien-detail/article/ausblick_2016_begriffe_und_realitaeten_internationaler_politik.html



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Road Fund, including multilateral mechanism as Shanghai organization for Cooperation, 16+1 mechanism, and Eurasian Economic Union.

Third, new Silk road has also internal socio-economic dimension, basically for development of key and border regions such as Xinjiang, Fujian, Guangxi or Yunnan.

It became clear, that OBOR is not only about traditional infrastructure programs (although this is still a major aspects) but also includes for instance environmental issues, question of urbanizations and the built up partnership between key cities along the OBOR.

OBOR Initiative represents flexible concept. In centre is the cooperation between China and states on the road infrastructure.

It is interesting, that until now there is no official map of OBOR Initiative, and on the same time this is understandable, if we take into consideration the very nature of the Initiative: flexibility, inclusivity, openness. Most maps do not even show national borders, but rather various corridors, regions and cities. So basically all maps in use are actually graphically interpretation and elaboration of OBOR, from different think tanks, political experts, economists and so forth in order to present and make understandable OBOR Initiative to own public and policy makers (TABLE 1, 2).



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TABLE: 1



By Richard (Rick) Mills, Asian Gold Market: Golden Dragons Grand Strategy, By CoinWeek November 17, 2014: <http://www.coinweek.com/bullion-report/asian-gold-market-golden-dragons-grand-strategy/>



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TABLE 2



Zofeen T. Ebrahim, DAWN, China's new silk road: What's in it for Pakistan?
<http://www.dawn.com/news/1177116>

Namely, OBOR is in fact very different from our European, rule-based Eurocentric model of international order.⁴

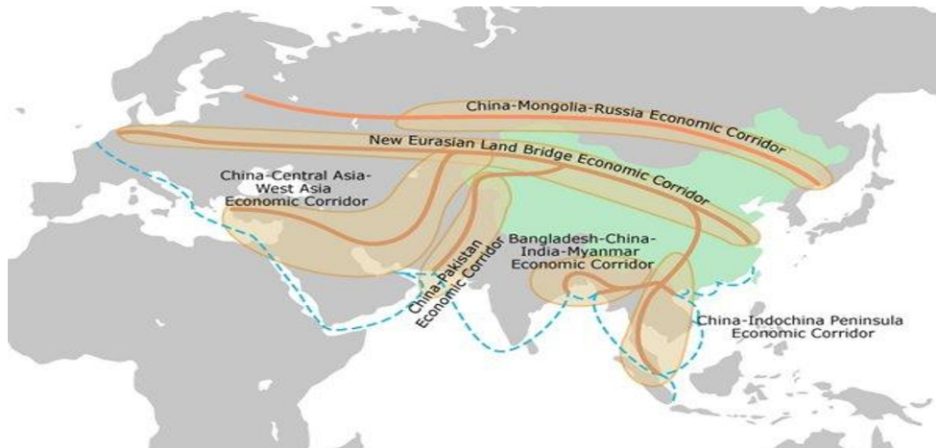
⁴ Nadine Godehardt, No End of History, A Chinese Alternative Concept of International Order?, SWP Berlin, January 2016, page 20, http://www.swp-berlin.org/en/publications/swp-research-papers/swp-research-paper-detail/article/no_end_of_history.html



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TABLE 3

The OBOR Initiative aims to connect Asia, Europe and Africa along five main routes



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<http://china-trade-research.hktdc.com/business-news/article/One-Belt-One-Road/The-Belt-and-Road-Initiative/obor/en/1/1X3CGF6L/1X0A36B7.htm>

Basically (TABLE 3), The Belt and Road Initiative aim to connect Asia, Europe and Africa along five routes. The Silk Road Economic Belt focuses on: (1) linking China to Europe through Central Asia and Russia; (2) connecting China with the Middle East through Central Asia; and (3) bringing together China and Southeast Asia, South Asia and the Indian Ocean. The 21 st Century Maritime Silk Road, meanwhile, focuses on using Chinese coastal ports to: (4) linking



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China with Europe through the South China Sea and Indian Ocean; and (5) connecting China with South Pacific Ocean through the South China Sea.

China has pledged more than 150 billion dollars to various activities such as the AIIB, OBOR Initiative and Development Bank with plans of spending as much as 1, 25 trillion globally by 2025.

Experts say the OBOR will face risk and challenges similar to other initiatives such as US New Silk Road Initiative: that is security threats on the main routes, geopolitical rivalries, as well as bureaucracy and unfriendly trade regulations adopted by countries it crosses.

There are several sub regions been involved in OBOR Initiative. South Pacific, Southeast Asia, South Asia, West Asia, Central Asia, Persian Gulf, MENA region, Baltic region, Russia (TABLE 2).

There are few challenges, but basically we would like to expose Central Asia Region and Middle East. First one is important, because it represents China's vicinity, immediate neighbourhood, window of opportunity, and entering gate for OBOR. The region also shares security and stability concerns of almost all global geopolitical players.

The second is relatively remote, but is important energy supplier for China growing needs. Middle East is more European vicinity and neighbourhood, but because of its internal conflicts, reflects instability in broader sense and thus making Middle East dimension of OBOR route more complicated.



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Central Asia

By social scientists Central Asia is defined as one of the most vulnerable regions to natural hazards and complex emergencies. Vulnerability of the region is also connected with Fergana valley, which is one of the most densely populated area and the same time it is prone to natural hazards (earthquake, landslides, flooding) and complex emergencies (ethnic conflict, border tensions and territorial disputes).

Besides, three of the Central Asian countries are bordered with Afghanistan whereas situation in Afghanistan directly influences for the stability in the region. All of those above-mentioned security challenges require regional approach and without partnership and cooperation it is hard to work out any formula for establishing peace and stability in the region burdened by extremism, border disputes, inadequate cooperation and internal instability.

TABLE 4:



https://commons.wikimedia.org/wiki/File:Map_of_Central_Asia.png



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It is positively that Central Asia is one of the regions where EU tries to be a (non-competitive) player. Last year EU reviewed its Strategy for central Asia for the period 2014-2020, planning to spend roughly 1 bn euro. Central Asia is also one of the potentially important alternative sources for Europe, to reduce predominant energy independence from Russia.

There are more geopolitical players in Central Asia, but basically we could say that all of them would like to have stable and peaceful region and this goes especially for Afghanistan.

USA New Silk Road Initiative-NSI

There is another Silk Road initiative in this region, namely USA New Silk Road Initiative introduced in 2011 (TABLE 5).

TABLE 5



Paksir ,Thursday, December 15, 2011,Nato's freight roads to Afghanistan.

<http://paksir.blogspot.si/2011/12/natos-freight-roads-to-afghanistan.html>



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Basically, this initiative put the focus on the stabilizing Afghanistan. NSI uses the Northern Distribution Network (TABLE 5), and it should help to open of Central Asia and Afghanistan to South Asia. NSI is aimed to connect Central Asia to India and Pakistan via Afghanistan.

Are the NSR and OBOR competing each other's? Conditionally, there is a sort of division of labour, NSR is preferring reform of entrepreneurship, technological exchange, private investment and so forth, soft areas, OBOR put the weight more on hard infrastructure. In principle this two initiatives are not excluding or competing each other's, OBOR namely put the focus on the direction east to west, while USA initiative emphasize the direction from north to south.⁵

It is also true, that no one could compete with enormous financial resources China can expose for OBOR: state OBOR Fund, China Development bank, special OBOR fund, potential private investors and international donors including resources from last year created Asian Infrastructure Investment Bank (AIIB).

At least half money from special OBOR fund (16 bn dollars) will spend China directly in Central Asia.

Middle East

Represents the most problematic and challenging region.

Since the beginning of Arab Spring, on 17. December 2010 in Tunisia, there were 3 revolutions (Tunisia, Egypt, Yemen), 2 civil wars (Libya, Syria), one Cou d'état (Egypt), 2 foreign

⁵ EURASIAN COUNCIL ON FOREIGN AFFAIRS, December 2015, The New Silk Road: A Path to Regional Security? <http://www.eurasiancouncilforeignaffairs.eu/blog/2015/12/17/new-silk-road-path-regional-security/>



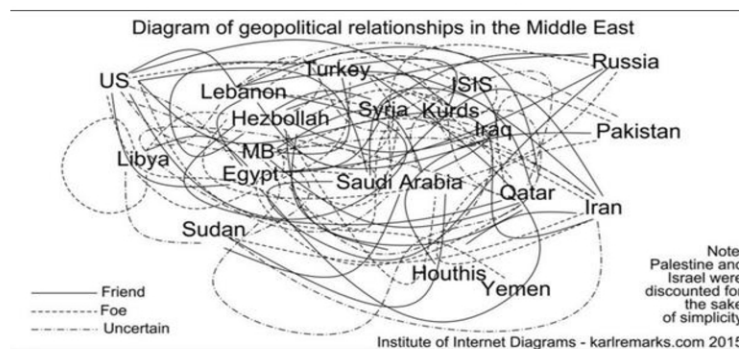
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interventions (Bahrain, Libya) and few dramatically political reforms (Morocco, Algeria, Jordan etc.).

Syrian conflict is not the “mother of all conflict” in the region, but represents the most acute instability and security challenge in the region, with strong and present geopolitical rivalries (TABLE 6) and also proxy war dimensions (TABLE 7).

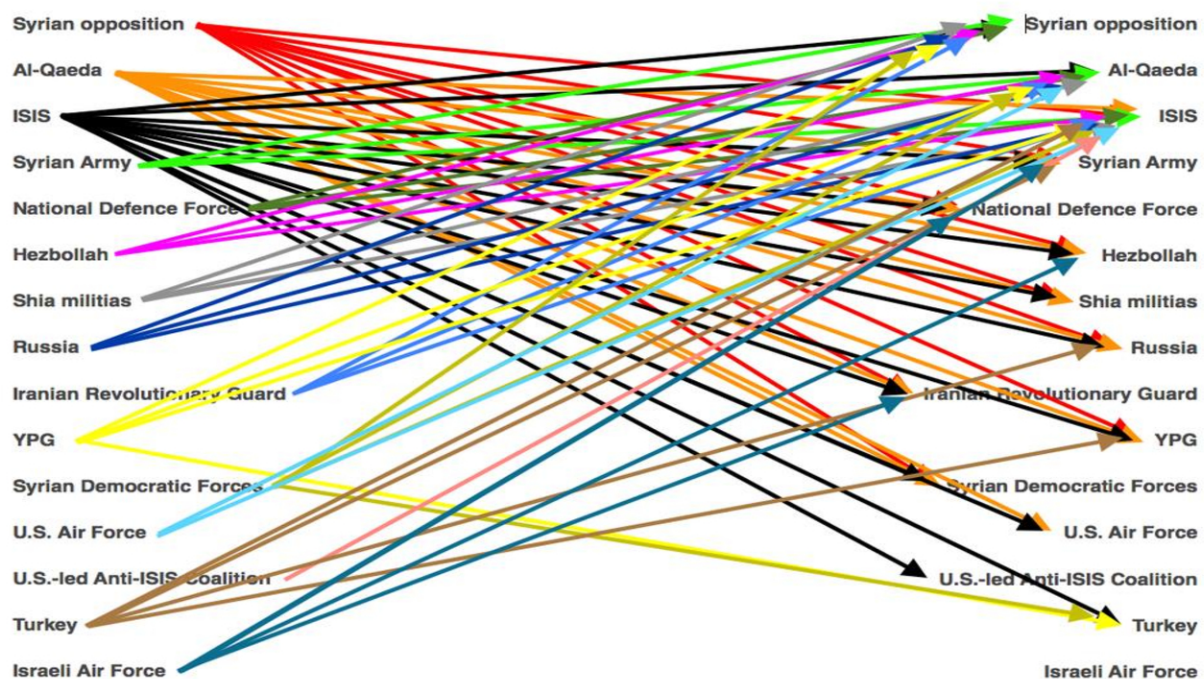
TABLE 6

Geopolitical relations in the Middle East





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TABLE 7

<http://indy100.independent.co.uk/article/this-very-simple-chart-should-clear-up-the-whole-war-in-syria-for-you--WyBZZEIz0g>

Conclusion and Remarks

Last year we celebrated important jubilee the 40th anniversary of the establishment of diplomatic relations between China and the EU.



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For the last 11 years, the EU has been the China biggest trading partner, and EU become stable second most important trading partner for China lot of people do not know, that our trade volume is about 1 Billion Euro per day. In 2014, we traded goods over 470 billion euro although the preconditions for having increased trade volumes were worsening.

In 2014 exchanges of personnel amounted to nearly 600 million people. There are more than 70 flights a day connecting two ends of the Eurasian continent.

As Chinese Vice premier Liu Dandong mentioned in Brussels in 2015, “As always, China advocates harmony in differences, whereas the EU emphasizes the Unity in diversity-both principles are of the same nature. Although the two civilizations are separated by thousands of miles, they are capable of staying close in spirit, despite their difference in the way of doing things.”

As great Chinese thinker Confucius said, the best way to understand each other’s (TABLE 8) is by doing together. Or in modern terms, we could say, learning by doing and cooperating.



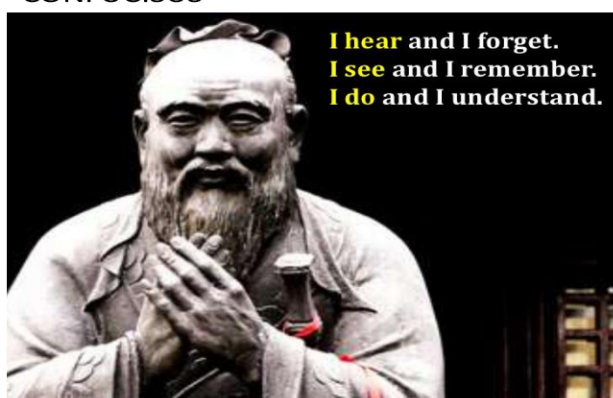
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TABLE 8



Cooperation between China
and Central and Eastern European Countries
中国—中东欧国家合作

CONFUCIUS



The following sectors were identified as areas of priority importance in the framework of 16+1 Initiative:

- construction and modernisation of transport infrastructure, including motorways,
- development of the network of railways, airports and sea ports,
- energy, in particular renewable sources of energy, and nuclear energy,
- companies trading in commodities,
- the food production sector

OBOR is the important step in the right direction. Not just from the East to the West, but vice versa. It is long way to go, to create New Silk Road, from which Europe, China and Asia could benefit.

The following sectors were identified areas of priority importance in the framework of “16+1” Initiative (TABLE 8): construction and modernization of transport infrastructure, including motorways, development of the network of railways, airports and sea ports, energy, in particular renewable sources of energy an nuclear energy, companies trading in commodities, the food production sector. The focus of infrastructural cooperation, which is one of the priorities, is



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connected with the problem of backward and insufficient developed infrastructure in countries, as seen from Beijing's perspective.

There is still a lot of space to work. CEE countries would like to see more Chinese attention to large Greenfield investment and not just predominantly investments in branding companies.

On the other side Chinese partner face the lack of willingness on the part of CEE partners to carry out more coordination task (which is sometimes even contradictory replaced by competition). CEE states "are used" to have competed for direct investments from developed countries for years.

Chinese companies are sometimes inexperienced in pursuing these model of cooperation, the credit line worth of 10 billion US dollars devoted to CEE countries has been used only in infrastructural projects carried out in non EU member states in Western Balkans specialized investment fund known as China CEEc investment Cooperation Fund turned out to be more successful (investment varied under this fund in Poland, Hungary and Bulgaria are worth a mere half billion US dollars). It is expected that other more tailored made models of financing OBOR investment in the CEE will be introduced.

Companies and public institutions from EU states had access to more attractive forms of funding, including EU structural funds, thus China will be seeking new models to finance, as AIIB.



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Cooperation between China
and Central and Eastern European Countries
中国—中东欧国家合作

MORE ATTENTION TO LARGE GREENFIELD INVESTMENT

**MORE COORDINATION TASK AND LESS COMPETITION
AMONG CEEC**

INEXPERIENCE IN PURSUING MODEL OF COOPERATION

**MORE TAILORED MADE FINANCIAL MODELS FOR OBOR
INVESTMENTS IN CEEC**

Due to the fact, that 12 out of 16 European states are EU members, the dynamics of China directs and infrastructural investment in CEEC also depends on the state of EU-China relations.

The signing of bilateral investment treaty between China and EU could be an important stimulus for Chinese investment in the region. In most cases, bilateral agreements between individual CEE states and China were signed more than 20 years ago, and are no longer appropriate for current economic situation.



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The main challenges for the 16+1 governments involve insufficient experience in business cooperation between China and CEE, limited knowledge of regulatory requirements and business practice among Chinese companies, and insufficient number of investment project proposal authored by CEEC companies and presented to Chinese investor. Moreover, Chinese FDI is also limited by relatively small recognizable brands and proper technology in CEE countries.

The weakness of the multilateral credit instrument has boosted the role of funding offered in a bilateral formula.⁶

Hungary last year as first country signed memorandum of understanding promoting China OBOR initiative, Poland and some other countries joined these model later.

Comprehensive Agreement on Investment to continue negotiations Chinese last year decision to participate in the European Fund for Strategic investment would help kick-start the master plan into action by injections funds into sectors such as energy, digital, transport, and innovation.

China has taken its time in putting flesh on the bones of the OBOR in explaining its many facets to a closely-watching world. It is of utmost importance that last year China joined EU in common “connectivity platform” (TABLE 9). This we all now, is not an easy, and always simple task. However, this will, on one side, positively prevent CEEC countries for losing energy on persuading other EU partners that those EU countries joined 16+1 are not anti EU oriented, and

⁶ Jakub Jakóbowski, OSW, 27.11.2015, Commentary, China’s foreign direct investments within the ‘16+1’ cooperation formula: strategy, institutions, results <http://www.osw.waw.pl/en/publikacje/osw-commentary/2015-12-03/chinas-foreign-direct-investments-within-161-cooperation>



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on the other side, it will help to coordinate connectivity activities and projects, thus making synergies stronger.

TABLE 9**NEGOTIATIONS ON COMPREHENSIVE AGREEMENT ON INVESTMENT**

2015: CONSENSUS HAS BEEN REACHED BETWEEN CHINA AND EU TO COOPERATE IN FIVE NEW AREAS:

- DRAWING SYNERGIES BETWEEN OBOR INITIATIVE AND EU INVESTMENT PLAN
- ESTABLISHING NEW CONNECTIVITY PLATFORM (SYNERGY WITH OBOR)
- COLLABORATING IN DIGITAL ECONOMY AND CYBER SECURITY
- LAUNCHING A LEGAL AFFAIRS DIALOGUE
- FACILITATING PEOPLE-TO PEOPLE EXCHANGE

The shape of China's investment in the region will depend on the development of the New Silk Road project, on the development of China-EU relations, and on the strategic goals defined in the new 13th Five Year Plan.



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China increased influence on creation of trade routes between Europe and China, could also influence on internal structure of EU, if, especially European countries from the edge will enhance their own economies, and get rid of some sort of marginal role inside EU. China's initiatives could help the European development and development of European neighbourhood, and this could importantly contribute to there's stability, and also contribute to larger economic growth of EU.

It is important to know, and understand Initiatives as OBOR, and "16+1", and recognize incremental opportunities for cooperation.

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