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THE SIGNIFICANCE OF EU-CHINA STRATEGIC PARTNERSHIP IN THE XI JINGPING ERA

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Abstract
Partnerships are an important vector of engagement in a polycentric world. These special partnerships reflect a country's foreign policy priorities. The European Union (EU) has established strategic partnerships with a total of ten countries amongst which four are in Asia namely, India, China, South Korea and Japan. China on the other hand has established Strategic Partnerships with forty-seven countries. The EU and China being two of the biggest traders in the world naturally desired a stronger and comprehensive partnership and as a result, they proclaimed themselves Strategic Partners in 2003. The aim of this article is to trace the EU-China strategic partnership from its inception and to highlight the efforts of President Xi and his policies in contributing to closer EU-China ties. The Belt Road Initiative will be studied in depth as President Xi's pet project which has become all the more significant after the National People's Congress' decision to do away with the two-year term rule for the President. Since the other end of the Silk Road which is the base for Xi Jingping's BRI belongs in Europe, the paper will discuss in detail the EU's stake and response to the BRI.

Key Words: EU-China, Strategic Partnership, BRI, Xi Jingping, President's term, Transport Corridor.

Introduction

On 12th March 2018, the National People's Congress of China voted to end the two-term limit for the office of the President of the PRC, thus paving way for Xi Jingping to hold office indefinitely. XiJingping first held office as presidenton 14th March 2013, and successfully completed his five-year term in 2018. During these five years of his reign, he left no stone unturned to lead China to a global power status and towards fulfilling the China Dream. Xi Jingping's reign so far is marked with his efforts to reach out to as many countries in the world for strengthening economic cooperation and political ties. China's presence during the last five years was not only felt stronger than ever in Asia, Europe and Africa but also in the often-neglected Central Asian countries. However, if a single project is to be pointed out as President Xi's very own pet project, it has to be the Belt Road Initiative which aims to bring together all the countries along the historical silk route for economic cooperation. While the world opinion is largely divided on the decision of China's legislature to end the two-year term mark for the Chinese President, this article aims to study the impact of this decision on the BRI and on China's relations with the EU. This will be done by first carefully understanding the concept of strategic partnership and figuring out its significance to both the EU and China. The article will then study President Xi's term in China for five years and assess the impact of his policies and visions especially in relation to the EU. As the article will provide an in-depth study of the EU-China economic relations after becoming strategic partners since Economics is at the core of their relation. Closely related to economics and Xi Jingping's vision, the next section will discuss in depth Xi's BRI and the EU's response to it.

Eu-China Strategic Partnership

The expression "strategic partnership" was first introduced to the EU's official vocabulary in 1998 when the European Council conclusions used the expression to identify Russia as a "strategic partner to the

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Union" (Cirlig,2012:6). The instrument of a strategic partnership represented the EU's response to an increasingly interdependent world, since cooperation with key powers was necessary to ensure that the EU's values and interests are preserved at the global level. In China too, the concept of strategic partnership emerged after the end of the Second World War China established its first strategic partnership with Brazil in 1993. Since then, building strategic partnerships has become one of the most notable dimensions of Chinese diplomacy. The country's partnership diplomacy underlines broader developments both within and outside China (Zhongping and Jing, 2014: 7). The establishment of EU-China strategic partnership indicated that their bilateral relationship had entered a new era. Such a relationship means that the two sides would develop bilateral ties in multiple areas from a long-term and strategic point of view. The domain of this relationship is comprehensive – covering political, strategic, economic, cultural and social areas. It has been hoped that no significant problem in any one area will disrupt the entire relationship, given that it is based on the principles of equality, mutual benefit, mutual respect and trust.

Both the EU and China are today viewed as global economic powers and both are keen on cooperating and collaborating with one another for more economic success. Europe's interest in China dates back to 13th century when Christian missionaries first arrived in China. By mid 1500s, the Portuguese traders had started accessing the ports of Macau and China's south east coast for trade suggesting strong trade linkages between Europe and China many years ago (Gewirtz: 2017). However, the trade relations were strained over the next few decades during the Qing dynasty from 1644-1912. Interaction between Europe and China after the formation of the Republic of China in 1912 was mostly negative. After 1949, China was preoccupied with its various domestic reforms for several years and it was only in 1975 that formal diplomatic relations between the EU and China was established. Since the Western European countries and China belonged to two different ideological camps during the Cold War, not much interaction was done aside from a trade agreement in 1978 and an economic cooperation in 1985 (Men, 2007:4). Soon after the end of the Cold War, the relationship between EU and China suffered due to the arms embargo on China as a result of the Tiananmen Square incident of 1989. Despite the political tension, there was still progress on the economic front since the countries of western Europe had realized the importance of a huge market that China provided. As a result, in 1994 the Commission published its report called Towards a New Asia Strategy followed by another document in 1995 called A Long-Term Policy for China EU relation. Further improvement in the EU-China economic partnership resulted in a strategic partnership in 2003. Till date, eighteen EU-China summits, numerous policy papers and joint agreements to enhance the Strategic Partnerships have been signed.

The strategic partnership of 2003 heralded a new era in the EU-China economic relationship. Both the sides began to emphasize on not only partnership in bilateral relations but also in global affairs. The policy paper of 2003 recognized that "the EU and China have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability". The Chinese government also issued its first policy paper in 2003 which was the first of its kind since Beijing had never issued any policy paper directed to a single country ever. This period was also marked by the exchanges of visits by important leaders in both the EU and China, for instance in 2004 there was a total of 206 visits of the EU officials in China. Despite these aspirations, the period of cordial relations was short lived. Issues of trade deficit, continued arms embargo and the question of granting market economy status to China created drifts in the relationship. Apart from these three main irritants, other problems such as human rights violation in China, the issue of dumping and complaints from the businessmen in Europe regarding the safety of their intellectual property rights created difficulties. Nonetheless, the EU and China are still important economic partners. The Asia-Europe meeting (ASEM) and China's Belt and Road Initiative (BRI) are likely to bring them even closer in the near future.

The Xi Jingping Era: A Brief Note

China's foreign policy in the Xi Jigping era can be aptly describes as being more present and proactive. At the Davos World Economic Forum in 2017, President Xi described China as pro free trade and pro globalization[1], this was a historic speech and many were quick to point out Xi Jingping's responsible statements in sharp contrast to the inaugural speech of Trump not very long ago. Such statements cannot but resonate extremely well with the EU's economic ambitions since the EU is one of the foremost icons of global free trade and globalization.

In 2014, during the APEC trade summit in China, the then US President Barrack Obama and President Xi Jingping announced one of the most important Climate change agreements that would the emissions of greenhouse gas to a third for the next fifteen-twenty years. This decision was taken by the two presidents as part of their responsibility for being two of the largest economies and energy consuming countries in the world. In the past China had been criticized for its greenhouse gas emissions but President Xi's stand in 2014 provided a fresh perspective on this matter. The EU being another major energy consuming economy has become actively involved in combating climate change. In fact, the EU and China have taken joint measures to combat Climate change. They have been working on a political framework for cooperation and dialogue on the issue of Climate change since 2005 but this resolution was enhanced further in the 2015 joint statement. In 2015, President Xi Jingping was given the royal gun salute and was greeted by the members of the royal family in the United Kingdom during his four-day visit. He also addressed both the houses of the British Parliament and talked about increasing trade and investment ties with the UK. [2] Xi Jingping was the first Chinese president to hold talks with Taiwan after the historic split in 1949[3]. In November 2015, the two presidents met in Singapore and it was an important step by the Chinese President in order to forge close ties with Taiwan. Xi was also declared the country's "core" leader in 2016. [4]China's growing influence in the disputed area in the south China sea along with China's increasing military might can also be accredited to Xi Jingping. His anti-corruption campaign coupled with many other foreign and domestic policy decisions has led many to believe that Xi Jingping is China's second most powerful leader after Mao. After the Eurozone crisis, many countries in Europe feel rescued by Chinese investments. The increasing out flow of Chinese Foreign Direct Investment has made sure that Chinese investments reached places where Xi Jingping himself did not reach. China is the second largest economy in the world and in 2017, China's economic structure continued to improve. Consumption, together with investment, was a main driver of growth, accounting for 59% of growth.The increasing FDI to Europe has in fact alarmed some of the European countries like Germany and France.

[1]Parker, Ceri (2017), "China's Xi Jinping defends globalization from the Davos stage", World Economic Forum URL: https://www.weforum.org/agenda/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stage/

[2]Elbagir, Nima and Ly, Elaine (2015), "Chinese President Xi begins 4-day visit to UK amid human rights concerns", CNN, URL: https://edition.cnn.com/2015/10/20/europe/china-president-uk-visit/

[3]Brumfield Ben, Hunt, Katie and Yang, Yuli (2015), "Leaders of China and Taiwan hold first talks since bitter 1949 split", URL: https://edition.cnn.com/2015/11/07/asia/china-taiwan-summit/

[4]Westcott, Ben (2017), "How Xi Jinping became one of modern China's most powerful leaders", CNN URL: https://edition.cnn.com/2017/10/17/asia/xi-jinping-profile-national-congress/index.html

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However, there are other EU members who do not mind the continuous flow of Chinese investments into their economy. The economic relations between the EU and China is the main force behind their strategic partnership.

The Eu-China Economic Relations: A Brief History

The EU and China established official diplomatic ties in 1975 and formal economic relations began with the trade agreement between the European Economic Community and the People's Republic of China, signed on 3 April 1978.[5] The trade agreement of 1978 contains eleven articles, all of which focuses on further developing economic relations between the EU and China. Article two of this agreement states that the two sides would accord one another the most favored nation treatment and is therefore the most important article. [6] After the successful completion of the trade agreement of 1978, the EEC and PRC signed another agreement on trade and economic cooperation in 1985. Inspired by their common will to promote and intensify trade between them, they agreed to encourage steady expansion of economic cooperation. Trade and development of economic ties has been an integral part of the annual EU-China joint summits ever since it started in 1998 but an important milestone for this economic partnership came in the form of 2020 strategic agenda for cooperation in 2013. This document laid down four major areas of EU-China cooperation out of which 'prosperity' [7] was one of the most important areas as it included initiatives on trade and investment, industry and information, agriculture and transport and infrastructure. In 2016, the joint communication to the European parliament and the council titled 'Elements for a new EU strategy on China'[8] emphasizes the implementation of a win-win cooperation between the two sides. This document stands out from the rest of the dialogues on China especially because it discusses about Comprehensive Agreement on Investment as an immediate priority for further strengthening economic ties. More recent documents such as the council conclusions on the EU strategy on China (2016) emphasizes on diverse areas of cooperation between the EU and China such as sustainable development and research and innovation. [9] The council also lays special emphasis on assisting China in its economic reform towards liberalization.

Eu-China Trade And Investment 2003-2017

The EU and China completed fourteen years of their Comprehensive Strategic Partnership in 2017. Since the EU and China became strategic partners in 2003, the two sides have made important headway on the economic front. The European Union and China are two of the biggest traders in the world. China has

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[5] UNCTAD (1985), "Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China – 1985", http://investmentpolicyhub.unctad.org/Download/TreatyFile/3104

[6] Europe Information (1978), Commission for the European Communities spokesperson group and Directorate-General for Information, "The People's Republic of China and the European Community", http://aei.pitt.edu/8243/1/31735055282234_1.pdf

[7] European Commission (2013), "EU-China 2020 Strategic Agenda for Cooperation", [Online: web] Accessed 7 January , 2018.URL: http://eeas.europa.eu/archives/docs/china/docs/eu-china_2020_strategic_agenda_en.pdf

[8] European Commission (2016), High Representative Of The Union For Foreign Affairs And Security Policy, "Elements For A New EU Strategy On China", Joint Communication To The European Parliament And The Council, 22 June, http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf

[9] Council of the European Union (2016), General Secretariat of the Council, "EU Strategy on China - Council conclusions",https://eeas.europa.eu/sites/eeas/files/council_conclusions_eu_strategy_on_china.pdf

been the EU's second-biggest trading partner for many years, second only to the United States. The EU has been China's biggest trading partner for more than a decade.[10]Both the EU and China provide vast markets to one another and both the sides are equally dedicated to expand trade relations.[11] Strong and stable economic relations have led to the development of bilateral relations on other fronts as well and at the same time trade disputes have had a negative impact on China-EU relationship. The EU is keen on ensuring that China trades fairly and China is keen on getting a Market Economy Status (MES) from the EU. Several issues such as intellectual property rights violations and protectionist tendency favoring local business hamper the EU-China trade relations. China is the EU's biggest source of imports and it is the second-biggest export market. China and Europe trade on average over EUR one billion per day.[12]

As far as products traded is concerned, the EU exports can be classified into two categories namely manufactured goods and primary goods. The EU mostly trades in manufactured goods. In 2016 they formed up to eighty-three percent of the EU’s exports and sixty-nine percent of EU’s imports. The EU categorizes manufactured goods under the following banners – 'Chemicals', 'Machinery and vehicles' and 'Other manufactured goods'. Studying the import and export figures of 2016, one can conclude that the major share of EU exports is in the category of machinery and vehicles followed by Chemicals. The United States, China, Switzerland, Turkey and Japan form five of the top trading partners of the EU. The chemicals sector includes organic chemicals, inorganic chemicals, plastics and pharmaceutical products. The largest category in exports, imports and trade balance is 'medicinal and pharmaceutical products'. China was the EU’s third largest export destinations for chemicals at seven percent after the US and Switzerland. The same countries also formed the top three importers for 'Chemicals' to the EU with China accounting for nine percent of the total imports in this category.

’Machinery and vehicles’ form an important category for the EU’s international trade. They also formed the largest trade surplus with EUR 193 billion in 2016. Machinery and Vehicles are divided into road vehicles, general industrial machinery and electrical machinery. China is second largest export destination for machinery and vehicles but the largest importer into the EU at thirty -one percent followed by the US at twenty-percent. ‘Other manufactured goods’ include, leather, rubber, wood, paper, textiles, metals, building fixtures and fittings, clothes, shoes and accessories, scientific instruments, clocks, watches and cameras. The EU has a large trade deficit in 'Clothing' and 'Footwear' and 'Non-ferrous metals' and trade surplus in 'Professional, scientific and controlling equipment', 'Non-metallic mineral manufactures' and 'Paper and related products'. The three biggest export destinations in this category was again the US (twenty-percent), Switzerland (eleven percent) and China (seven percent). As far as imports is concerned, China’s share of imports into the EU in this category was the highest at thirty-two percent followed by the US (ten percent) and Switzerland (seven percent).

Manufactured goods dominate both imports and exports. EU trade in goods with China is clearly dominated by manufactured goods, which accounted in 2014 for ninety-seven percent of total EU imports from China and eighty-six percent of EU exports to China.

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[10] Carter, Richard (2005), “EU becomes China’s biggest trading partner”, EU Observer, 10 January, https://euobserver.com/economic/18088
[11] Chen, Xin (2014), “China-EU Trade and Economic Relations (2003-2013)”, Geo, 2 (1): 41-55
[12] European Commission (2016), “ Countries and regions: China” http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/

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The EU categorizes primary goods under three heads namely food and drink, raw material and energy products. The category of ‘food and drink’ includes agricultural products such as food and live animals, beverages and tobacco. The US, followed by China and Switzerland are the top three export destination of the EU. In terms of supplying food and drink to the EU, China falls in the sixth place after Brazil, the US, Norway, Argentina and Turkey. Raw materials include non-manufactured goods like oilseeds, cork, wood, pulp, textile fibers, ores and other minerals as well as animal and vegetable oils. Metal ores formed the largest exported raw material and China was its main export destination at twenty-three percent followed by the US (nine percent) and Turkey (eight percent). Ever since the EU and China became strategic partners, the trade volume between them have increased to a large extent. Office and telecom equipment have become the largest product in Western Europe’s import from China and are more than two times larger than clothing imports from this country ($31.9 billion and $13.5 billion respectively). The sharp increase of China’s market share in Western Europe should be seen in connection with the declining share of other Asian suppliers.[13] The only years when trade volume decreased was in 2009 as a result of the sovereign debt crisis. [14]This can be clearly seen from the following graph. According to the Ministry of Commerce of China (MOFCOM), China’s export to the EU increased 4.6 times, from USD 72.16 billion in 2003, to USD 333.99 billion in 2012, and import from 42 the EU also increased almost four times, from USD 53.06 billion in 2003, to USD 212.05 billion in 2012. On the whole, the trade volume between China and the EU increased 4.3 times, from USD 125.22 billion in 2003, to USD 546.04 billion in 2012. Since 2004, the EU has been the biggest trade partner of China.

in 2013 the EU’s exports to China increased by 2.9 percent to reach a record € 148.1 billion and the overall EU-China bilateral trade in goods reached €428.1 billion in 2013.[15] In 2014, the EU imported goods worth Euro 302.5 billion and EU exported goods worth Euro 164.7 billion which was a sharp increase from the value in 2004.[16] In 2015, their annual bilateral trade in goods and services stood at €580 billion.

Services play a significant role in global trade dynamics. Trade in commercial services include transportation services, travel services, communication services, telecommunication services, construction, insurance services, financial services, computer and information services, royalties and licenses and personal, cultural and recreational services.[17]The EU was the biggest exporter and importer of commercial services in 2003 while China was ranked fourth (International Trade Statistics 2004: 22). China’s growth in services trade was positively influenced by its travel exports. the EU was the biggest exporter and importer of transportation services in 2003, It had exported services worth 867700 million dollars and imported services worth 831100 million dollars in 2003 (International Trade Statistics 2004, page 158).The top four importer and exporter of the commercial services in the EU in 2003 were Germany, Italy, France and the UK.

[13] WTO (2004), “World trade developments in 2003 and prospects for 2004”, https://www.wto.org/english/res_e/statis_e/its2004_e/its04_general_overview_e.pdf
[14]Chen, Xin (2014), “China-EU Trade and Economic Relations (2003-2013)”, Geo, 2 (1): 41-55
[15] European External Action Service (2014), “Facts and figures on EU-China trade”, [Online: web] Accessed 7 January, 2018.URL: https://eeas.europa.eu/sites/eeas/files/tradoc_144591.pdf
[16] Eurostat (2015), “EU trade with China significantly up in 2014 for both goods and services”, Eurostat News Release, 26 June. http://ec.europa.eu/eurostat/documents/2995521/6893875/6-26062015-AP-EN.pdf/44d4c87c-98dd-4061-bdf6-b292884a5073
[17] Rueda-Cantuche et al. (2016), “Trade In Services By Gats Modes Of Supply: Statistical Concepts and the first EU Estimates”, Chief Economist Note, European Commission, 3, November, URL: http://trade.ec.europa.eu/doclib/docs/2016/december/tradoc_155119.pdf

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According to the Eurostat, the data collected for 2016 indicates that the EU-28 recorded a surplus of EUR 10.9 billion in its trade in services with China. [18] This was the result of increased shares of EU-28 exports of services to China. In 2016, China was the third most important EU partner in services, after the United States and Switzerland. It accounted for slightly more than four percent of total extra-EU trade in services. The EU being one of the most advanced economies in the world is one of the top destinations for FDI and also one of the biggest global investors. Similarly, China which used to be one of the biggest destinations for FDI is now growing as a global investor. Though presently China's investments in the EU are in a miniature form, what is worth noting is the impact of Chinese FDI in the EU and the efforts made by both the sides to improve and increase the investment relations. Foreign direct investment (FDI) is an integral part of international economic relations. Rapid growth in global FDI flows has increased its importance in recent times. The EU-China investment relation too has become more intense with efforts from both the sides to strengthen investment ties. The EU recognizes China as a country with huge potential for attracting investors and China for its part has been much friendlier towards foreign investors after its accession to the WTO. In spite of frequent complaints from European investors in China both the sides are working together to conclude an EU-China investment agreement. In 2012, during the fifteenth EU-China summit the EU and China agreed to launch negotiations for a comprehensive agreement on investment and by 2013, negotiations on EU-China CAI was launched. The first round of negotiations took place in Beijing in 2014. Prior to this, the EU and China had launched a Joint EU-China Investment Taskforce with the aim of improving bilateral investment and evaluating the need for future negotiations on investment agreement.[19] The taskforce discussed in great depths the problems faced by the European investors in China and concluded with five possible options to deal with the issue. In 2014, the negotiations began with more robustness since both the sides realized the immense potential for investments which had been untapped so far. On one hand the EU and China differ on many significant issues but on the other hand they have strong reasons for settlement. The first round of negotiations was important since its success would ensure the replacement of twenty-five then existing bilateral investment treaties (BIT) with a single BIT between the EU and China. The negotiations are in their fourth year and is progressing at a slow but steady pace. Both the teams are determined to carefully discuss every minute details before reaching a common approach. In 2017, the representatives of the EU and China met four times in Beijing and Brussels alternately for the thirteenth, fourteenth, fifteenth and sixteenth round of negotiations. The main provisions discussed during these negotiations included setting up of licensing and qualification requirements [20], transparency rules,[21]expropriation, financial services, state owned enterprises, and most importantly, the two parties discussed the definition of investment. In the twelfth round of negotiations in September 2016 in Brussels, the negotiating teams began the exchange of views on the definition of investment but the exact meaning of the term is still under discussion. [22]

Historically, China was at the receiving end of FDI and its role as a global investor is relatively new. After opening up its economy in 1978, China started receiving huge FDI from the rest of the world. The EU's investments in China has been decreasing. The EU's investment in China in 2013 was twenty-one

[18] Eurostat (2017), "International trade in services: Main statistical findings", http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_services#Main_services_traded
[19] http://www.europarl.europa.eu/RegData/etudes/note/join/2013/514077/IPOL-JOIN_NT(2013)514077_EN.pdf
[20] *European Commission (2017), "EU-China Investment Agreement: Report of the 14th Round of Negotiations". http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155832.pdf
[21] European Commission (2017), "EU-China Investment Agreement: Report of the 15th Round of Negotiations". http://trade.ec.europa.eu/doclib/docs/2017/october/tradoc_156353.pdf
[22] European Commission (2016), "EU-China Investment Agreement: Report of the 12th Round of Negotiations", http://trade.ec.europa.eu/doclib/docs/2016/october/tradoc_155061.pdf

billion euros and in 2014it was nine billion euros. In 2015 it decreased further to six billion euros (Eurostat, 2017). According to China's ministry of commerce (MOFCOM) from January to September 2017, China's FDI inflow amounted to ninety-two billion dollars. This was a decrease of 3.2 percent compared to the same period in 2016. MOFCOM reports show that the utilized FDI from the EU economies decreased by 3.5 percent within a period of seven months from January to August 2017 compared to the same period last year. European FDI transactions dropped by twenty-one percent to 5.2 billion dollars from January to April 2017 compared to the same period in 2016. The drop in the EU's FDI to China during this period can also be attributed to the completion of two major greenfield projects – BMW's Shenyang plant upgrade and Airbus completion in Tianjin. What is noteworthy is that most of the EU investments in China are in sectors encouraged by the Chinese policy. The automotive sector is one such sector and has important projects such as Renault Nissan alliance's new joint venture with Dongfeng motor to build electric cars. UFI's automotive filler plants and Websato's automotive sunroof plant. Another sector that is attracting EU investments in China is the ICT sector and it includes important investments such as Siemens new robotic center or Salcomp's cell phone battery plant. EU investments in the automotive sector in China was dominated by German automakers. The graphs given below shows the EU's quarterly FDI transactions in China by industry over a period of three years from 2015 to 2016. A clear division can be seen amongst the EU members regarding Chinese M&A in the EU. While countries like Spain, Greece and Portugal are in support of the steady flow of Chinese capital into their economy, some other countries such as France and Germany are alarmed by the number of Chinese acquisitions in their country. Data from Eurostat reveal that Chinese investments account for a minute share of inward FDI for the EU28 (Clegg and Voss, 2012, pp 37). Nevertheless, they are growing, in fact in 2016, the flow of Chinese foreign direct investment (FDI) into the EU hit record levels. There was seventy-seven percent increase in Chinese FDI to the EU in 2016 compared to 2015 (WIR, 2017).

The Belt Road Initiative And The Eu

The Silk Route[23] from Asia to Europe was the most important of routes for international trade until the 13th century (Bhattacharyay, Biswa and De). After many centuries, the need for the revival of this historical trade route was felt. Attempts to revive this trade route have been made by the major powers of the Eurasian Region at different points of time. A project called the Transport Corridor Europe-Caucasus-Asia (TRACECA) initiated by the EU is one of the most significant contributions in this regard. The official TRACECA website of the European Union has nicknamed this project "the Silk Road of the Twenty First Century". This project was initiated in 1998. the most recent and the most extravagant of efforts in this regard has been made by China with its "One Belt, One Road" (OBOR) project which was initiated in 2013. China aims at collaborating with all the countries along the historical Silk Road in order to build an effective trade corridor in the Eurasian region. Two categories of stakeholders have been identified in relation with the OBOR project. The first category is the political stakeholders or the countries concerned. The second category is the industries like Hewlett-Packard (HP) and BayerischeMotoren Werke (BMW). These industries are involved in intense intercontinental trade and will hugely benefit if the OBOR project turns out to be a success. The legendary Silk Route used to be a major trade hub until the 13th century as it was home to ancient civilizations like the Chinese and the Indian civilizations. These historic civilizations are known for the discovery and production of silk, cotton, tea, herbs and spices. Today Asia's importance in world trade and investment is rising and a need to revive this ancient trade route is felt. In the Eurasian region Europe, China, Russia and India are the

[23] The Silk Road is a historically important international trade route between China and the Mediterranean. Because China silk comprised a large proportion of the trade along this ancient road, in 1877, it was named the 'Silk Road' by Ferdinand von Richthofen, an eminent German geographer. http://www.travelchinaguide.com/silk-road/

major economic powers. Among these, Germany and China stand out as the major traders of this region considering the trade figures of the last few decades. Since trade between these two countries is expanding in number and in form, a need for an effective transportation corridor was felt. At present almost, 99 percent of goods are transported by sea route between Europe and China (Davydenko, Maxta, Martens, Nesterova and Wark, 2012) but the increasing traffic at the ports and growing trade figures call for an alternative form of transportation.There are already several railway lines running from China to Europe and the number of trains running from Germany to China is increasing with the increase in trade agreements between the two countries. German investors in China are using this corridor successfully to transport imperishable goods like laptops, vehicle parts and other electronic devices.

The historical silk road was never a single route but a collection of paths both land and maritime all over Asia, trade along these routes were free as the division of Asia only came by later with colonialism (Noor,2015). However, since 2015 marks the 40th year of EU-China relations, progress in the formation of the Silk Road Economic belt could act as a defining moment for EU-China friendship. A two days seminar titled "The Silk Road Economic Belt International Seminar: An Opportunity to Work, Share, Prosper, and Succeed Together" was held in Urumqi, capital city of the Xinjiang on June 26th, 2014.[24]Government officials, economic specialists and businessmen from twenty- three countries were present in the conference. The main focus of the conference was to emphasize on the fact that though the countries along the Silk Road have different religious, cultural and historical background and are on different levels of economic progress, they are all tied together with the shared ambition of economic development. The conference also highlighted on the point that there are high chances of terrorism in Eurasia and the best way to tackle it is to devise ways for economic development and social upliftment. The Silk Road economic belt is important for not only prosperity but also peace in the region.

The Main Propositions of The Silk Road Economic Belt Are

1. To encourage friendship and harmonious relation in the region.[25]
2. To fight against terrorism, extremism, separatism, drug trafficking and organized crime.
3. To strengthen relation between Shanghai Cooperation Organization and Eurasian Economic Community.
4. To strengthen policy communication amongst the members of the silk road economic belt.
5. To develop roadways and start trade canal the pacific to the Baltic sea.
6. To encourage trade assistance.

Globalization has benefitted Asia as most of the Asian economies have been seen to grow during the era of Globalization. However, Asia is still largely a continent of developing states and a major populace still lives in poverty. 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

[24] Zhang Lulu, "Silk Road Economic Belt Int'l Seminar opens in Xinjiang", China.org.cn, June 26, 2014 http://www.china.org.cn/business/2014-06/26/content_32778702.htm Date of Access: 07/06/2015

[25] Nineteen Chinese and foreign cities along the Silk Road have already issued a declaration that they will jointly develop tourism along the ancient trade route. The 19 cities include some in China's Shaanxi, Gansu, Ningxia, Qinghai, Inner Mongolia, Xinjiang and Taiwan, as well as in Belarus, Ukraine, Bahrain, Cyprus, Kazakhstan, Kyrgyzstan, Saudi Arabia, Malaysia and Nepal.

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countries, such as transport and energy networks, have been key barriers to Asia's integration". 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. Therefore, as China is increasing its trade across continents, it is also very meticulously planning ways to enhance its formal trade relations. In the recent past China has been seen lobbying for the Silk Road economic belt with great enthusiasm, a project that will help its trade with Asia, Africa, Middle East and Europe to be easy. It has indulged itself in the construction of railway lines and has started new trains to Europe through Central Asia. It is also concentrating on enhancing the sea routes to help connect with the various ports from the South China Sea to the South Pacific and the Indian Ocean through a project called the 21st century maritime Silk Road. The Maritime Silk Road (MSR) is also referred to as the Silk Road Economic Belt's "twin half" (Chan,2015).Either by land or by sea, China seems determined to expand its trade worldwide specially with Europe. Together, the Silk Road Economic Belt and the 21st Century maritime silk road is called the "One Belt,One Road" project initiated by China. The MSR is China's plan for economic cooperation from the Pacific to the Baltic Sea. The plan involves building infrastructure on this stretch to work as a convenient trade corridor (Hutzier, 2015). According to China's economic planning agency and the Commerce and Foreign Affairs ministries, the expenses of this project is going to be covered by funds from the China led multinational Asian Infrastructure Investment bank which is expected to start later this year and the $40 billion Silk Road Fund[26] and the New Development Bank set up by Brazil, Russia, China, India and South Africa. Additionally, there is much more to this project than just railway routes and sea routes. This project includes oil and gas pipelines[27] as wellThe overall idea of the projects is to smoothen out any hurdles that hinder trade and investment (Hutzier, 2015).The New Silk Road, aims to connect China with three continents by land and sea. It involves connecting through rail lines, pipe lines and sea.

The Silk Road: Railway Line

Geographically, Europe and Asia are parts of a single landmass with no distinct natural boundary dividing the two. As a result, historically there have been many trade routes between Europe and Asia, culminating in the glorious fifteen thousand kilometers "silk road" between the Roman Empire and Xi'an in China (Otsuka, 2001). In the past, the road was used for trading various merchandise, for the exchange of culture and knowledge and for exploration and annexation of empires. Today however, the importance of this trade route has been surfaced not for military triumphs but for the development of trade relations amongst several countries. The point of origin of long distance railway connection in Eurasia was when the Trans Siberian railway line connecting Moscow and Vladivostok was constructed in 1916. It is the longest railway in the world stretching over 9200 kilometers (Rodrigue, 2015). For some time the Trans Siberian railway line faced serious problems like the political tensions in Russia and shortage of funds for maintenance however, after many decades, today with the rising interdependence of trade among nations and the growth of trade relation between Asia and Europe, traders are realizing the importance and a need for a railway line connecting the region. The Trans Siberian railway line is still functional. It is electrified with double tracked lines and has a capacity of carrying 100 tons per year. As a result, railway lines running through the Eurasian Land Bridge has been coming up with considerable speed over the past few

[26] The Silk Road Fund Co Ltd was established in December 2014 in Beijing, after President Xi Jinping announced the creation of the $40 billion fund in November.

[27] Chinese proposals to develop Kunming Railway that will connect China-Singapore and other countries in Southeast Asia, as also the recently commissioned oil and gas pipelines and and proposed railway line connecting the Rakhine coast of Myanmar with Kunming, underscore this thinking. The MSR proposal, thus, compliments such infrastructural initiatives and enables landlocked south-west China to access markets in Southeast Asia. Available in http://www.idsa.in/journalofdefencestudies

years. These railway lines connecting various parts of Europe and Asia are called by different names; Trans Asia Railway, Northern East-West corridor, the Eurasian land bridge and the New Silk Road (Rodrigue, 2015).

In 1991, with the disintegration of the Soviet Union, the east-west railway lines of the newly independent countries of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan were joined to the railway tracks of the People's Republic of China (Otsuka, 2001). The railway track of Turkmenistan was further elongated to join that of Iranian Islamic Republic's railways in 1996 thus stretching to the Persian Gulf. By 1993, the European Union had already embarked on its project to develop the transport corridor from Europe to China through the Caucasus, and Central Asia paving way for a successful transportation corridor between the East and the West. The five Central Asian Republics are rich in oil and natural resources but soon after their disintegration they experienced some years of negative GDP growth.[28] At the turn of the decade these economies developed and started showing positive GDP mostly due to the development in the energy sector. Their trade relation increased massively with China and considerably with Europe and is still increasing. China is now Central Asia's largest trade and investment partner, the growing trade figures of these countries call for development in land transportation along the region because all the five central Asia republics are landlocked countries with Uzbekistan being one of the only two doubly landlocked countries in the world[29] (Otsuka,2001). Since these countries are landlocked countries, railways are the only feasible option for Europe and Asia to carry on trade with them as the quality of roads is not good enough to serve as international trade highways. The Central Asian Republics are important in this equation firstly because of its rich energy reserves. Secondly and most importantly, peace and prosperity in Central Asia brings out the possibility of successful continental trade as these countries act as transit for East-West trade from Europe to China and North-South trade from India to Russia.

EU is one of the main trading partners of the region, accounting for about a third of its overall external trade. European Union's trade with Central Asia is still low but with the development of the transportation networks in the region, the trade figures are expected to increase. Currently the EU-Central Asia trade figures are as follows:

Time and cost factor also favors land transportation in comparison to airways and sea routes. 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 (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

[28] When these countries were under the Soviet rule, Moscow had divided the various production process amongst these republics in such a way that it would be impossible or very difficult for them to function independently.
[29] Doubly landlocked countries are those which are surrounded by other landlocked countries, there are only two doubly landlocked countries in the world, one is Uzbekistan and the other is Liechtenstein surrounded by Switzerland and Austria.

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cargo can be delivered in only 11 days via the second Euro-Asia land bridge according to the Asian Development Bank[30].

Although the cost of transporting by trains is more than transporting by ship as ships can carry more amounts of containers compared to trains, transportation by trains is still profitable. 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 like electronic equipments, 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 our environment. For instance, the train running along the Yuxinou railway like from China to Madrid in Spain produces only 44 tonnes of CO2 compared to 114 tons of CO_2 by road.

After sharing his vision of the "One Belt, One Road" plan for the first time in Afghanistan, President Xi Jingping formally disclosed his silk road vision in the Boao Forum for Asia, an annual economic dialogue held in China's Hainan Province, (Tiezzi, 2015). An action plan for the Silk Road project was issued by China's Foreign Ministry and Commerce Ministry. President Xi Jingping also stated that China is not shy of its elaborate plans and that trade between China and other countries along the Silk Road would "surpass 2.5 trillion U.S. dollars in a decade or so" (Tiezzi,2015). The plan as issued by the National Development and Reform Commission (NDRC), is summarized as follows:
"It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all" (Tiezzi, 2015).

As a part of China's plans for the resurrection of the Silk Road, it initiated an infrastructure fund specifically for the purpose of increasing transport connectivity across Eurasia. A new development bank was also created on 24th, October 2014 (Chen, 2014). The aim of the MSR is to connect China's ports to that of South Asia's. From South China Sea through the India Ocean to the Persian gulf, Red Sea and the Gulf of Aden (Chen, 2014). The Chinese Government has contributed $40 billion to this fund and the Asian Infrastructure Investment Bank (AIIB) is also expected to extend financial support to the project. Besides, the regional funds and banks, China also released a $79.8 billion infrastructure project in its Gansu province as this province falls on a strategic location in the proposed Silk Road plan. Gansu will be the region connecting Central Asia and China[31]. The $79.8 billion will be used for the construction of

[30] ADB, "Xinjiang Autonomous Region, PRC: Trade Facilitation and Customs Cooperation Project, Draft Technical Assistance Consultant's Report," November 2005, p. 30 (unpublished), provided by Craig Steffensen, head of ADB's Central Asia Regional Economic Cooperation (CAREC) unit. The first Euro-Asia landbridge runs on the Trans-Siberian Railway via Russia. There are still major trade impediments to be tackled in the further development of the second landbridge even though both Kazakhstan and China have devoted significant efforts lately to reduce these impediments. Corruption and the differing track gauge on Chinese and Kazakh railways are two examples of such barriers that impede efficient transport, delay transshipments, and add transaction costs.

[31] China kicks off $79.8 billion Silk Road infrastructure project in northwest province of Gansu, Mar 1, 2015, The Economic Times, http://articles.economictimes.indiatimes.com/2015-03-01/news/59642280_1_bcim-century-maritime-silk-road-province Date of Access: 02/06/2015

60,000 kilometers of road including 4,070 km expressways and for building twelve civilian airports[32]. Outside China, the Silk Road project is mainly concentrating on the railway line from Europe to China via Central Asia and the China-Pakistan corridor.

While China has close trade relations with Europe, it shares a very friendly relation with Pakistan. Before President Xi Jingping's first trip to Pakistan in April 2015, he stated "I feel as if I am going to visit the home of my own brother" (Panda,2015). During his visit, he discussed the importance of Pakistan in "One Belt One Road" plan as it is going to be the country where the Silk Road and the Maritime Silk Road meet.According to General Liu Yazhou of China's People's Liberation Army (PLA), "Central Asia is the thickest piece of cake given to the modern Chinese by the heavens." [33] China and Kazakhstan signed a 23.6 billion USD deal and launched the Shanghai Lianyungang project. According to the official website of the Embassy of the Republic of Kazakhstan, the two countries also reestablished the 1995 deal between China and Kazakhstan on the use of Lianyungang port for trade and during President Xi's visit to Kazakhstan, both the parties agreed to give a place in the port to build Kazakhstan's terminal. There were also agreements between the logistics arms of both countries on cooperation in the building of the terminal which led to "Kazakhstan- China International Logistics Company of port Lianyungang"[34].In Tajikistan, China has planned to invest $6bn (Farchy, 2014) and JamoliddinNuraliev, the Deputy Finance Minister and and son in law of Tajikistan's president stated that "the money would go towards the construction of a gas pipeline, cement plants and a railway" (Farchy, 2015).As far as Uzbekistan is concerned, it recently agreed to increase and expand its trade with China in June 2015.[35] China's head of the Commission for Political and Legal Affairs of the Communist Party of China (CPC) Central Committee, Meng Jianzhu and Uzbekistan's First Deputy Prime Minister Rustam Azimov agreed to strengthen and deepen relations under the framework of China's OBOR initiative when they met at the third China-Uzbekistan intergovernmental committee of cooperation. According to Deputy Prime Minister, Azimov "China is an intimate friend and trustworthy partner of Uzbekistan. Uzbekistan will actively participate in various projects under the framework of the "Belt initiatives" and expand and deepen all-round cooperation." [36]

Conclusion

After the EU and China established relations in 1975, the comprehensive strategic partnership in 2003 has been a landmark in their relation. Currently both the economies are focusing on EU-China 2020 Strategic Agenda for Cooperation which has the potential of taking this bilateral relation to a whole new level. The agenda is broadly compartmentalized into peace and security, prosperity, sustainable development and people to people exchanges. This study on the contemporary EU-China strategic partnership indicates cooperation as well as problems in this partnership. While economic interest has always been an important factor where the interest of both the sides converges, it is not the only factor.

[32] China kicks off $79.8 billion Silk Road infrastructure project in northwest province of Gansu, Mar 1, 2015, The Economic Times, http://articles.economictimes.indiatimes.com/2015-03-01/news/59642280_1_bcim-century-maritime-silk-road-province Date of Access: 02/06/2015

[33] See Pantucci, Raffaello and Petersen, Alexandros (2012), "China's inadvertent empire", *China in Central Asia*, 24 October 2012, http://chinaincentralasia.com/tag/mackinder/

[34] Construction of Kazakhstan terminal in Lianyungang port launched, 19 May 2014 http://www.inform.kz/eng/article/2659613 Date of Access: 22/12/2014

[35] See "China, Uzbekistan to strengthen cooperation under the Silk Road initiative", *Global Times*, 16 June,2015, http://www.globaltimes.cn/content/927262.shtml#.VYCN1CSurmc.twitter

[36] Ibid

Recently, both the EU and China have started dialogues on other important global issues such as sustainable development, climate change and terrorism where they share similar view points. Nevertheless, there are many bones of contentions between EU and China. One of the major issues is that of the Human Rights situation in China. However, the EU has not been able to do much to change the Human Rights situation in China. Trade between EU and China had reached its peak in the year 2007 when EU had officially become the largest trading partner of China but the 2008 trade figures showed that EU was experiencing the biggest trade deficit with China at €169 billion. At Present the growing deficit on part of China is questioning the relationship. Since 2005, the partnership is at a precarious spot. The arm embargo is still in place and EU has growing deficit with China. The EU-China policy paper of 2006 recognizes the problems like growing deficits, copyright issues etc. They have realized that the old 1985 framework can no longer be used and since January 2007 a new Partnership Cooperation Agreement (PAC) is under negotiation. On the whole all the scholars believe the relationship is fading be it due to trade issues or political. Nevertheless, the issues of convergences cannot be ignored. The BRI, though contentious is being carried forward steadily and Xi Jingping's infinite term in office only adds to the chances of its success. Thus leaving immense opportunities for RU-China partnership to become deeper and stronger in the future.As such, it is in the best interest of both the parties to proactively work towards these issues of contention.

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