



Future Impact of the New Silk Road

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Abstract — The Chinese New Silk Road was developed and launched by President Xi Jinping in 2013. China designed the road with the aim of consolidating its role as an international power and also to address external and internal challenges that it faced. The road also referred to as the ‘one belt, one road’ had the sole purpose of not only fostering trade with other countries but strengthening economic relations between China and its trade partners which included Europe and the Middle East. The Silk Road would integrate the markets and incorporate a variety of infrastructures such as airports, seaports, pipelines, and railways in the participating regions in Europe, Asia, and some parts of Africa. The road is one of the essential pieces of infrastructure, and its effects are bound to be significant economically and politically. There are also implications in regards to security of the countries involved.

Keywords — New Silk Road, Belt and Road, China, Europe, European Union, (future) impact, (international) trade, infrastructure (projects), transport, connectivity, investments, free trade agreements, trade barriers, bilateral ties.

I. THE NEW SILK ROAD

When developing the Silk Road, China envisioned the project to be mutually beneficial for each of the participating countries, and they predicted that it would ensure positive returns, especially to the European economies, due to increased investments and trade, while also facilitating connections to new markets. The road would also enhance connectivity through the modernized infrastructure [1]. However, some critics view the Silk Road as a platform for China to strengthen its influence on the European continent, while also increasing centrifugal forces within the European Union by stimulating competition between member states. The Silk Road poses challenges which should be examined. As such, the European Union and its member states should ensure they maintain a position which is convincing and familiar to their interests using all the bargaining power at their disposal to reach equitable agreements with Beijing [2].

As the primary destination of the New Silk Road, the European Union is adversely involved and affected by the project. Due to the magnitude of the infrastructure required, the European Union must assess the potential for any gains from economic cooperation with Beijing. The EU should also analyze the challenges likely to occur during development of this endeavor, and what it represents for the future of the international framework [3]. Experts and scholars alike have provided early warnings for adverse effects of the influx of

Chinese capital and the inverse implications it would have on the continued integration of the European Union. They warn that the real intention of Beijing’s Investments is to not only enhance and strengthen relations between Chinese and European markets but also to undermine the integrity of the European Union by applying divide and conquer tactics on the whole continent [4].

The massive project could regionally have an effect on more than 63 countries, which makes about 60% percent of the global population. This project is centered in two critical routes through which it will generate its connectivity on land and sea. Focus on land is energy and transportation infrastructure, while on the sea the main pillars of the project involve investing in new trade routes and ports [5]. Both of these routes will have a significant impact on trade in Europe. One reason is that the land routes all end up in Europe, while the sea routes currently are the most heavily used to facilitate trade between China and Europe. There is no doubt the effect the belt and road network will have in the European Union and its member states. There is a potential for easing any shortcomings which may arise from cross-border transportation through the massive investments in infrastructure.

Relations between China and the European Union that are also referred to as the Sino-European links have been in place for a long time, with areas of cooperation ranging from prosperity, peace, people-to-people exchanges, and sustainable development. The European Union is the most significant trading partner for China, while inversely China is the second largest trade partner for the European Union after the United States. Most of this trade is carried out in manufactured and industrial goods. Vehicles and machinery also dominate the trade with regards to both imports and exports [6]. The relations also include trade over services which is a critical aspect of modern economies. The European Union and China are both parts of the World Trade Organization, and both parties are involved in engagements over the Trade in Services Agreement, which aims at increasing the volume of services traded by analyzing and tackling any barriers existing in the trade framework. The agreement aims at generating new opportunities for existing service providers to ensure growth, jobs and also prosperity to all participants [7].

Sino-European relations include trade security projects which test safety standards of containers based on the recommendations of Custom Organizations, while also facilitating the data shared between customs, cooperation on risk management policies and mutually recognizing custom control and existing partnership programs. Additionally, there

are partnerships in science and technology, with the aim of connecting research organizations, universities, industries, and individual researchers in projects financed by the European Union. The partnership exists in areas such as aeronautics, agriculture and biotechnology, food, health, and others [8].

II. FUTURE IMPLICATIONS

While the new belt and road initiative is aligned around building infrastructure, there are areas cited as having the potential to grow. One possible future impact of the Silk Road is dismantling of trade barriers between China and European Union countries. Chinese authorities have begun consideration of free trade agreements with countries on the belt and road network. Most of the countries in the European Union are not involved directly in the New Silk Road initiative, and China's only way to make it possible for these European countries to trade is by entering into free-trade agreements with them [9]. This, in the long-run, would not benefit the European Union with regards to the FTA. Trade barriers would have to be the sole focus of the belt and road initiative rather than the present focus on transport infrastructure [10]. These FTA would benefit European countries as the investment would be made by China by financing the infrastructure, hence opening up trade on more fronts and between more nations. There would also be more integration between the countries as elimination means more business between them.

The New Silk Road would also be beneficial to the European Union and China in regards to the transportation costs. In comparison to regional statistics, the European Union is the most prominent winner from the Silk Road Initiative, with improvements in trade increasing by more than 6%. Trade in the Asian region is projected to respond positively by reducing the costs of transportation, with trade growing by about 3%, which is almost half of the EU's figure [11]. The expenses of maritime transit will reduce moderately, while the costs of transporting goods by rail will also be reduced, which will increase the movement of foodstuff to Europe, and specifically for countries which are landlocked. The gains, as a result, will outweigh any losses which may be felt in other regions of the world due to deviations in international trade, and would, in turn, increase the amount of trade going in either direction whether imports or exports [12].

Another aspect which would improve the Sino-European relations would be a possibility for China to cooperate with the European Union under existing policies which would help to promote growth and development in Europe. These partnerships would be in areas such as private investments in European Union infrastructure projects, tackling unemployment issues and also improving education [13]. China and Europe could cooperate in the provision of operational experience in the building and architectural field through financing or even by investing in manufacturing and distribution of equipment. China could increase its involvement in the European Investment Bank by increasing funding to boost infrastructure and connectivity.

There are also political impacts which may arise. As stated earlier, the development of the Silk Road was not welcomed evenly; there is Chinese rhetoric claiming that the initiative

they deem as a sign of goodwill is nothing but an altruistic project. These narratives could affect Europe's interests; building mistrusts while eroding any gains for mutual learning and benefit. These allegations foster rivalries among European countries, which creates fierce competition in an attempt to attract investments from the Chinese government, this in the long-run entails reduced any likely benefits [14]. European Union member states might aim to become a hub for Chinese-European trade by giving fiscal incentives and tax breaks to foreign investors. This may cause some countries to make decisions not to cooperate at the European Union level in regards to China if they are assured of more benefits. But despite all the allegations, the European Union has put in place policies which would reduce intra-country relations with China, by ensuring maximum benefits for each country in future, while also reducing adverse political effects on countries with lower bargaining power [15].

CONCLUSION

The New Silk Road provides opportunities for both China and European Union Member states. The initiative should be used in future to strengthen bilateral ties between all participating countries. Each state also has a chance to develop unique relations with China. Any uncertainties should be addressed using proper foreign policy channels. There should also be procedures and regulations to counter any capitalism that may arise from the project.

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