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Xi Jinping's long road to somewhere? China's OBOR initiative and how Europe should respond

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Brussels, Belgium, 31st May 2016 - The true nature and purpose of China's One Belt One Road (OBOR) initiative are subject to much speculation. The one certainty is that OBOR commands powerful high-level Chinese support and is backed by a large investment of political capital. It is no less than the personal signature initiative of President Xi, who has made clear that he regards it as central to his political legitimacy and as the tangible embodiment of his "China Dream" of rejuvenating the nation and its ruling Communist Party – which in his mind are probably the same thing.

However, the initiative faces formidable challenges. It remains unclear how much new investment OBOR has generated, how far it makes economic or geo-political sense or, indeed, how far China can afford to support it, given its current economic and financial difficulties. There has been fierce competition to win government support for OBOR projects but its political nature risks leading to serious misallocation of resources.

OBOR should not be expected to provide a financial bonanza for Europe or to re-energise the region's flagging economic performance and loss of self-confidence. Nor does the EU need Chinese investment or other resources to achieve those objectives: the solutions to its problems lie mostly in its own hands. However, it should not turn its back on OBOR. It should, rather, view the initiative as one in a series of small steps aimed at fostering deeper mutual understanding and engagement – and possibly even greater trust – between the EU and China. Though that could cause strains in its relations with the US, realistically, the EU has little option. It also has little to lose by trying to build bridges and make common cause with China in areas of mutual benefit, even though they may not pay off politically and economically in the longer term. Setting its face against China would not insulate Europe from the aftershocks if China suffered serious economic setbacks or entered a period of political and social turbulence. Whatever happens, China's economy is simply too big and too deeply integrated with the rest of the world, and the country's global impact too great, to be ignored.

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