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THE ROLE OF CHINA IN GEOECONOMIC INTEGRATION OF ASIA AND EUROPE

As my topic here is “The Role of China in Geoeconomic Integration of Asia and Europe”, it obliges me to remind the meaning of main notions — geoeconomics and geopolitics, two fundamentally different methods of coping with international conflicts. Geopolitics aims at mastering political space, i.e. to take control over certain territories and population that lives on them, by the use of violence, including military and economic ones, as blockade and embargo.

Geoeconomics as applied science is “cross-border transfrontier political economy” aimed at mastering economic space without the use of military or economic violence — as blockade and embargo are. The goal of geoeconomics is not to take control over certain territory but to ensure trade and technological advantages. Geoeconomic makers are states and large companies that adhere to world strategies having economic goals.

Edward Luttwak, the author of the neologism “geoeconomics”, has primarily started from the thesis that geoeconomics is a method for overcoming economic conflicts among Western countries. Among those countries, conflicts considering territories are over and, therefore, the use of weapons is unthinkable. Thus, geoeconomics is overwhelming among Western countries. Therefore, geopolitics is a method for coping with conflict outside the West. But just the experience of China with the European Union checked out this concept.

BUILDING A CHINA-EU GEOECONOMIC AXES

China has been relying on geoeconomics with great success. The best evidence is development of its relationships with a very important part of the West — the

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European Union. That is not to say that the relations between China and the European Union are out of reach of geopolitics. Two sides are among the most powerful participants in the geopolitics on global level. Almost all members of the European Union are members of NATO. China as a big power is a candidate for one of most important poles of world politics. At the same time, China is a member of Shanghai Cooperation Organisation that is important factor of geopolitics, although not being a military pact as NATO. While China and the European Union are indirectly in a geopolitical conflict on world level, the geoeconomic dimension of their direct relationship prevails. China is now sufficiently powerful to enforce such a stand, and the European Union is too much interested in economic relations with China to contest such a choice.

In a nutshell, in the relationships between China and the European Union the methods of geoeconomics are substituted to the methods of geopolitics. The two sides do not see any military threat in each other, but important economic partners. In fact, China and European Union have been tacitly building a geoeconomic axis. Moreover, this is just a scholastic example of geoeconomics. Their economic relationships are at the same time cooperative and competitive on international markets. As in both sides governments do whatever possible to enhance the competitive capacity of their own enterprises on those markets, the conflicts of interests are natural. But both sides rely on agreed mechanisms to resolve all economic disputes through negotiation process.

WHY CHINA PRIVILEGES GEOECONOMICS?

China has had in mind negative experience of the Soviet Union, which wasted much time and energy in competing with West in geopolitics beyond her economic resources, had lost the pace in economic and technological development, and finally was disintegrated. Deng Xiaoping had formulated an opposite strategy: to reduce to the minimum the geopolitics and to save maximally the energy and the time to speed up the development of domestic economy. The great reformer rejected ideological taboos, and optioned for two important principles — “one country, two systems” and “open door policy” — paving the way to develop economic ties with whole world.

WHY DOES CHINA UNITE EUROPE?

One of the greatest paradoxes of our time is that China is a unique factor that brings together Europe as a continent. Europe returned to its traditional divisions. The Western and Eastern parts wage new geopolitical cold war by imposing mutual

economic sanctions. This is a reason why the whole Europe is increasingly interested in developing economic relations with China. Being a big economic force in search of new powerful partners, China is highly interested in boosting economic relations with Europe as a whole. The conclusion of “strategic partnerships” with the European Union, Russia and several Central and Eastern European countries is a step on this way.

The European Union has become the first economic partner of China as export market and supplier of goods, capital and technology. China has become the second economic partner of the European Union primarily as an export market, a source of imports, as well as a market for capital investments. Sufficient reasons for China to be worried when financial crisis had shaken the European Union. Being interested in stability of so important partner, China financially helped the EU aiming to preserve the stability of her currency – Euro. Curiously, a former developing country is now assisting one of the most developed parts of the world – the cradle of industrial revolution.

For many economic and other reasons China is interested in stability of Russia, oppressed by economic sanctions of the whole West, including almost all other European countries. She has been helping Russia financially directly and indirectly by huge investment in energy and infrastructure. So Russia is becoming more and more important partner of China, especially qualitatively, as supplier of energy and sophisticated defense technologies. At the same time, China is becoming top partner of Russia in many respects.

From the point of interest of Serbia, of utmost importance is that China is interested in stability and prosperity of Central Europe. The crisis in European Union has been getting the uncertainty concerning the perspective of further growth of economic cooperation with Western Europe. Some saturation in this cooperation is evident. That is why China is turning her attention to Central Europe.

This part of Europe is fragmented not only politically but also economically, be they in EU or outside of it. The countries of this region, members of EU, became rather encapsulated than integrated within it. Moreover, the countries of the region are extrovert. Although neighbors, they are not main economic partner to each other. They develop their external economic relations towards the model of „hub and spikes“: their main economic partners are outside of CE, namely with the western part of the EU.

So, China is the first protagonist of establishing organic links among countries of Central Europe by construction of big infrastructural projects, supplying not only the capital but also the intellectual input – the technologies and know-how. Such an organic unification of Central European countries will speed up their overall economic development and mutual economic partnership on higher level.

HOW CHINA HAS BEEN UNITING EUROPE?

Other foreign powers have been following the principle “*Divide et impera*”. They had been trying to dismember Europe, and have doing this with disastrous success. Toward an analysis of intelligence agency “Stratfor” Georges Friedman, the main danger for the USA would be an alliance between two most powerful states in Europe – Germany and Russia. This is behind the *coup d’état* in Kiev and the civil war in Ukraine.

This is the first time in history that a foreign state plays a role of unifier of Europe by peaceful means. China is trying to enhance the stability of whole European Peninsula. It is true that China has been uniting all three wings of Europe in her own interest too.

In her deals with Europe China applies the modern concept of international business. The old concept was based on “beggar my neighbor policy”, that implies that one can get rich only by impoverishing its neighbors. The final result is zero sums. China does conversely. She follows “better my neighbor policy”, that implies helping her partners to enrich themselves together with herself. The result is the gain for both sides.

HOW CHINA HAS BEEN ENHANCING INTEGRATION OF ASIA AND EUROPE?

There are some important reasons of growing interest of China for economic integration of Eurasian land. In Latin America, where she is developing successfully her economic activity, China has to count with powerful competition of USA, geo-economic and geo-political too. In Africa, where China had invested huge capital in production of energy and other raw materials, and in infrastructure, she encountered a drive of the West to crowd out her from this continent. Unwilling to enter in geo-political confrontation, China with her huge foreign exchange reserves has been searching for additional possibilities for her investments elsewhere. This is the space of the Europe and Asia as a whole.

China is the protagonist of integration of whole land between Pacific and Atlantic Oceans by institutional and functional vectors.

Institutional vectors

Main institutional vectors of integration are: SCO, BRICS and AIIB. They are encompassing whole Euro-Asian space.

Shanghai Cooperation Organization (SCO), where China is de facto leader, is a very important vector of Euro-Asian integration. Founded in 1996 in Shanghai, in the meantime it became a very large association: six member states – China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan; three dialogue partners – Belarus, Sri Lanka, and Turkey; five observer states – Afghanistan, India, Iran, Mongolia, and Pakistan; five future participants applied for observer states – Armenia, Azerbaijan, Bangladesh, Nepal, Sri Lanka; three guest attendances – ASEAN, CIS, Turkmenistan. The SCO has established relations with the United Nations, where it is an observer in the General Assembly, the European Union, Association of Southeast Asian Nations (ASEAN), the Commonwealth of Independent States and the Organization of Islamic Cooperation. So, directly and indirectly, SCO embraces almost the whole Euro-Asian land.

First topic on the SCO agenda is the security. Xi Jinping wants to see regional players, led by the SCO, handling regional security, thus eliminating the need for extra-regional actors. Chinese leaders stress that the SCO is something entirely new. Xi announced that “SCO members have created a new model of international relations – partnership instead of alliance”.

In the meantime, economic integration has become an increasingly large part of the SCO agenda, especially as China promotes its idea for a Silk Road Economic Belt that would include the SCO members and observer states. China already confirmed that she will allocate \$5 milliards worth of credit for the SCO member countries to implement joint projects. Moreover, China and Russia enlarged their energy partnership. If India, Pakistan, Iran and Mongolia were all to become permanent members, what is probable, the group would then control 20 per cent of the world’s oil and half of all global gas reserves. The group would represent about half of the world’s population. If Turkey joins the group, this would enhance its importance. This would fortify the SCO’s reputation as dominant organization, encompassing almost the whole of Asian mainland and major part of Europe.

The Asian Infrastructure Investment Bank (AIIB) is an international financial organization instigated by China. The purpose is to provide finance to infrastructural project in Asia. By April 15th, 2015, almost all Asian countries and most major countries outside of Asia joined AIIB, except the USA, Japan and Canada. Surprisingly, Great Britain, staunchest ally of the USA, was the first member of EU that applied for charter member, quickly followed by Germany, France, Italy, Poland, Netherlands so that half of EU became charter members of AIIB. Russia too became charter member. Precipitation of Asian and European countries for charter membership is best evidence how great importance has the

initiative of China to found the AIIB. This would be one more vector of Euro-Asian integration.

BRICS (Brazil, Russia, India, China, and South African Union) is also an important institutional vector of Euro-Asian integration where China has a pivotal role. This group of emerging economies decided to create New Development Bank, a multilateral development bank as an alternative to the existing USA-dominating World Bank and International Monetary Fund. The purpose is to foster financial and development cooperation among the five emerging markets. The four original BRIC together comprise (in 2014) more than three billion people or 41,4 percent of the world's population, cover more than a quarter of world's land area over three continents, and account for more than 25 percent of global GDP. The Bank will be headquartered in Shanghai. In NDB each participant country will be assigned one vote, and none of the countries will have veto power. The Bank will have starting capital of \$50 milliards, with capital increased to \$100 milliards over time.

Functional vectors

Main functional vectors of economic integration are international trade and movement of capital and technology.

The international trade usually is considered the most important international economic relationship, and as the best remedy for political disputes. But it is true that the international trade establishes links that are rather precarious. It is possible relatively easily to shift the export or import of goods and services from one country to other one. So, international trade alone does not establish permanent relationships among various economies.

Only the capital and technology establish organic economic relationships. If you build a factory in a country you cannot shift easily the invested capital to other one. If you invest your capital in an infrastructural object, the relationship becomes eternal. This is why China is so interesting for whole Europe and Asia.

Announcing the program of infrastructural building in Central Europe China is paving the way not only to establish organic links with 16 countries of the region, but such organic relationships would be established among those 16 countries.

Instigating the project "New Silk Road", China symbolically assumes the role of protagonist of organic integrating whole space between The Pacific and the Atlantic. Ural would lose the role of artificial frontier between the two parts of Eurasian land.

China promotes its idea for a Silk Road Economic Belt that would include the SCO members and observer states. China already confirmed that she will allocate \$5 milliards worth of credit for the SCO member countries to implement joint projects. This is gigantic project encompassing almost the whole Eurasian land. It unites Asia and Europe. China is not only a protagonist, but a pivotal state too, in realization of this gigantic project. The terrestrial “New Silk Road” goes across Central Asia reaching Southern and Western Europe. Parallel by reviving traditional terrestrial “New Silk Road”, or “Northern” one, China has been instigating the “Maritime Silk Road” or Southern “Silk Road” encompassing South-East Asia, South Asia and Western Asia. So China is the first protagonist of integration of a unique land artificially divided into two continents.

WHY CHINA HAS BEEN SUCCEEDING?

As the future of China is concerned, almost all prophets failed. But one did hit the mark. This was great Indian intellectual and statesman, Jawaharlal Nehru. Long ago, in 1964, after having returned from a visit to Beijing, he predicted: “China must succeed because the Chinese are people with open spirit”.

By chance, the spiritual opening of Europe and Asia coincided toward the middle of XIX century. In Europe, the greatest merit belongs to great German philosopher Georg Wilhelm Friedrich Hegel who “discovered” greatness of Asian civilizations – Indian and Chinese ones. From the Chinese side, the greatest merit belongs to great Chinese thinker Wei Yuan, “last classical and first modern economist thinker” of China. He is a protagonist of the opening of China towards Europe. He paved the way for many other Chinese thinkers including Feng Guifen, Wang Tao, Chen Zhi, Zheng Guanying, Kang You-wei, Ma Jiangzhong, Yan Fu, Liang Qichao. But great intellectual and politician, Sun Yat-sen (1866-1925), is the most outstanding personality of modern China insisting on “searching the truth on the West” to save the country and people, as well known Chinese economist historian Hu Jichuang said.

It seems to me that the teaching of Sun Yat-sen was the source of inspiration for the reform introduced by Den Xiaoping, the greatest reformer of our times. How He was farsighted and courageous witnesses his launching the ideas “one country two systems”, and “open door policy”, that are behind his incredibly successful reform. So, Deng Xiaping became personality who paved the way for China’s drive to unite three part of Europe and the unite Europe and Asia).

WHAT IS THE FUTURE?

As founders of theory on cyclical movement of history – Nicolay Danilevskiy (Николай Яковлевич Данилевский),² Oswald Spengler³ and Arnold Toynbee⁴ - had predicted, the centre of development of the world is moving from one part of the globe to the other one. By the Middle Age, Asia was economically the most developed part of the world. Afterwards, the West assumed this role.

Spengler believed that the first part of this millennium would belong to Russia. Toynbee in his book *Civilisation on Trial* argued that the future belongs to Asia. Moreover, considering that the *Western Christendom* was exhausted, he believed that an Asian religion would become a substitute to it. He considered that Buddhism would be more desirable, but Islam more probable. In other words, the greatest historian of Western civilization found that Europe which borrowed the Christianity to Asia, in the future will borrow some other religion to it. By the way, the well-known French sociologist Edgar Morin, in his book “How to think Europe”, stresses: “The roots of Europe are in Asia”.

In any case, after several centuries of lagging behind, Asia is taking the lead in economic development. The center of the world is moving from Atlantic to Pacific. In this movement China has been giving greatest contribution realizing “economic miracle” without precedent in economic history. Today, the whole Europe and the rest of the world have been competing for the economic partnership with China. One of the advantages of China is that she understood long ago how to formulate the equation of modernization: integrate the experience and technology from more advanced economies and preserve her one scale of values. It is true that this equation is feasible only in countries that are sufficiently powerful to follow their own choice and check out the imposition of lethal foreign solutions. China is such a country.

Question is: what would great Chinese economist Wei Yuan said today? He began to advise the Chinese to learn from foreigner. Now foreigners have to learn from Chinese!

² Николай Яковлевич Данилевский, *Россия и Европа*, Москва, „Книга“, 1991. (first time published 1871, Sanct Petersburg).

³ Oswald Spengler, *Der Untergang des Abendlandes*. In English: *Decline of the West*, Oxford University Press, 1991.

⁴ Arnold Toynbee, *Civilization on Trial*, Oxford University Press, 1946.