

# Analysis of the Adaptation of the Belt and Road Initiative in the European Union: A Perspective Based on Multilateral Cooperation, Sociocultural and Sustainable Development

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**Abstract.** As the center of gravity of the global economy gradually shifts to Asia, China has strengthened its influence in the international economic system through the Belt and Road Initiative. As an important pole of the global economy, how to maintain the competitiveness of the EU in the new situation has become an important issue. There are significant differences between EU member states in terms of their level of economic development, foreign policies and attitudes towards China. This diversity makes it more difficult for the EU to coordinate its reaction to the Belt and Road Initiative. This complicates the EU's efforts to coordinate its reaction to the Initiative. As a result, this study investigates multilateral cooperation, socio-cultural, and sustainable development viewpoints, concluding that the EU must improve collaboration, maximize internal coordination, and adhere to the goal of sustainable development. The paper also discusses the major economic issues arising from the policy coordination of EU member states to adapt to the Belt and Road Initiative and the solutions required for these challenges.

**Keywords:** Belt and Road; multilateral cooperation; sustainable development.

## 1. Introduction

As China published the Belt and Road Initiative in 2013, it became one of the most significant global economic cooperation plans of the twenty-first century. The initiative aims to reshape the Eurasian continent's economic ties through infrastructure construction, trade, investment and cultural exchanges, and promote the common development of countries along the route. As the world's largest regional economy, the European Union's position and attitude toward the Belt and Road Initiative have sparked widespread interest [1]. How EU members respond to this move will have an important effect not only on the evolution of China-EU relations, but also on the global economic pattern, regional cooperation model, and international political connections. As the Initiative progressed in recently, EU countries' perspectives changed. Eastern and Southern European countries have a more beneficial view, seeing it as an opportunity to boost infrastructure and the economy, but Western European countries are more worried with environmental standards, labor rights, and geopolitical dangers [2]. This difference not only reflects the imbalance in the degree of financial development within the EU, but also reveals the different strategic considerations of countries for external economic cooperation in the context of globalization. As a supranational organization, the EU also faces the challenge of harmonizing its foreign policy with the national interests of its member states. The EU's overall response to the BRI must respect the sovereignty and diversity of its member states while safeguarding its collective interests and values in international affairs [3]. This complex internal coordination has made it more difficult for EU countries to adapt to the Initiative.

This study aims at an in-depth analysis of EU countries' adaptability to the Initiative from an economic perspective. The following session will focus on obstacles and possibilities facing EU countries in the areas of economic interests and cooperation opportunities, policy coordination, geopolitics, sociocultural and sustainable development.

## 2. Literature Review

There are previous studies, Mohan in its Europe's Response to the Belt and Road Initiative. German Marshall Fund of the United States. According to the paper, the initiative has created severe competition for European enterprises in terms of trade and market access in both Europe and Asia. It also advocates increasing the naval power of the European Navy in the Indo-Pacific region. That's because 90 percent of Europe's exports to Asia pass through the Indian and Pacific Oceans. It also advocates Europe to strengthen infrastructure construction along the Belt and Road and provide it with more technical and development assistance. It is linked to the interests of countries along the Road. Eu countries are encouraged to conduct commercial tenders along the route and provide financial support from countries along the route [1]. Moreover, since its inception, the Belt and Road Initiative has attracted much attention from academics and policymakers because of its far-reaching geopolitical, economic, and environmental implications, especially in Europe. Alessandro Arduino believes that "Belt and Road" is not only an economic program, but also strategic measures aimed at enhancing China's influence in Eurasia and strengthening its connection with Europe by solving domestic problems such as overcapacity of state-owned enterprises [2]. Finally, both Arduino and Ghiasy highlight the initiative requires strict environmental standards to guarantee that it is compatible with the Sustainable Development Goals, noting that the ecological impacts of infrastructure projects must be effectively managed to ensure long-term global acceptance [2, 3].

Together, these analyses show that the Road is a complex initiative that intersects economic opportunities with significant geopolitical, social, and environmental risks that require a careful and strategic response from countries around the world, especially the EU. According to these studies, this paper finds that most of the existing studies focus on short-term economic effects and pay insufficient attention to the long-term impacts of the "Belt and Road" policy on EU countries (such as structural economic transformation, social changes, geopolitical changes, etc.). Aiming at this, this paper analyzes its long-term economic benefits and cooperation opportunities according to the available data and data. Secondly, the lack of research on the coordination mechanism within the EU is an important issue at present. There are few studies on how to coordinate policies and overcome internal contradictions among EU member states when they participate in the Belt and Road Initiative. Deficiencies in this area limit the understanding of how the EU can effectively participate in the Belt and Road under a multi-tiered governance structure. Therefore, it is necessary to analyze the internal policy coordination of the European Union. In addition, interdisciplinary research on this issue is insufficient at present. As for policy impact assessment, the current comprehensive assessment tools and methods for the impact of EU policies under the Initiative are not yet perfect. Especially in an interdisciplinary framework, how to accurately assess the combined effects of the initiative on the EU's overall policies remains a research challenge. Therefore, geopolitical issues, social and cultural issues and environmental issues are considered as the background content of this analysis.

## 3. Analysis and Discussion

### 3.1. Belt and Road Initiative Adaptation and Multilateral Cooperation

Following the Belt and Road Initiative, commerce between European countries and countries along the routes has showed a favorable trend overall. But at the same time some imbalances remain. Investments linked to the initiative have raised eyebrows in Eastern Europe among EU member states, who see them as hindering European integration [3]. Moreover, the initiative undermines cohesion within the EU. The result enhances European companies' competition for investment, trade, and market access in Europe and Asia [4].

As the Belt and Road Initiative continues to gain momentum, its impact on regional cooperation and integration is becoming increasingly significant. It is essential to consider the specific national conditions of each country while ensuring the fundamental development rights of all nations. Establishing a multilateral cooperation mechanism is an important goal of the initiative. European

countries have done this through closer joint analysis and monitoring and better regulation and coordination. Shifting the focus from trade to collaboration within the production value chain, it should develop a flexible linkage mechanism that accommodates the interests of all parties, reduces institutional transaction costs, and stabilizes expectations. In March 2011, the first China-Europe train from Chongqing, China, to Duisburg, Germany, was launched. So far, the China-Europe Railway Express has run 770,000 trains, linking 217 locations in 25 European countries and areas and delivering 7.31 million TEUs of products worth more than US\$340 billion [5]. The China-Europe Railway Express, the initiative's flagship project and signatures brand, has built a new paradigm for international transportation between Asia and Europe, thus establishing a new platform for economic and trade cooperation. It effectively stabilized Europe's industrial and supply systems while also reviving global economic growth.

China has made significant progress in infrastructure construction and communication technology in recent years. This could put competitive pressure on some industries in Europe. Given the extensive impact and long duration of infrastructure projects, cooperation has become a crucial element for achieving high-quality, coordinated development between Europe and the Belt and Road Initiative. Within this framework, European countries would actively explore the formulation of market cooperation agreements involving multiple countries and encourage large European multinational corporations and Chinese enterprises to establish strategic partnerships for third-party market collaboration. This approach aims to promote the complementary advantages and mutual progress of both sides. Simultaneously, this will enhance the evaluation and selection system for infrastructure projects, prioritizing those that can foster local employment, increase residents' incomes, promote industrialization and urbanization, and possess strategic significance and economic value. Furthermore, Europe would strengthen the legal and compliant operational framework for projects, standardize the investment practices of enterprises, actively respond to local social needs, and steadily advance cooperation in ports, highways, railways, and other infrastructure along the road. They will also provide more technical and development assistance to countries along the route. All these are conducive to help them optimize the allocation of funds and achieve sustainable development of the national economy.

Liberalized outbound investment serves as a fundamental driving force for global sustainable development. However, EU countries can collaborate with international organizations such as APEC and the WTO, as well as local institutions, to address the issue of fragmented investment distribution. This collaboration can help to speed the process of investment liberalization and facilitation, promote rules-based openness, and investigate the construction of more inclusive, transparent, and non-discriminatory bilateral and multilateral trade and investment platforms. Building on multilateral systems and regulations, it should implement various opening-up policies to ensure the shared prosperity of the global economy and eliminate structural barriers to growth and distribution. With expanded market access, European exporters will be better positioned to expand the range of goods and services accessible to Chinese consumers, helping to offset the EU's trade deficit with China [1].

Relevant banks in European countries are actively supporting the enhancement of cooperation with nations along the road developing financial services and promoting the establishment of a network of financial institutions [6]. This initiative will provide capital settlement and clearing services for enterprises involved in the project, enabling them to conduct their outbound investment activities more effectively. It will also help mitigate the negative impacts of speculation and arbitrage on the real economy, thereby creating a virtuous cycle in which finance and foreign investment mutually reinforce each other. Additionally, EU member states should strive to improve economies of scale and actively engage in tendering activities related to the initiative, thereby deepening Europe's security interests through economic means.

### **3.2. Belt and Road and Intra-EU Policy Coherence**

From an economic point of view, policy coordination issues pose serious challenges for EU countries to adapt to the Belt and Road Initiative. These challenges include collective action problem

and public choice dilemma, conflict of interest and diversity in policy making, efficiency and challenge in resource allocation, coordination game in game theory, policy coordination and externality management.

In the first instance, for the collective action dilemma, coordinated action often faces a collective action dilemma due to differing member interests and priorities. It is described in economics as the ‘free rider’ problem. Some countries may be inclined to reduce their contribution or risk-taking in coordination while hoping to benefit from the efforts of other member States [7]. This leads to a reduction in the overall efficiency of coordination and makes EU countries at risk of not realizing the expected economic benefits of the initiative. Then, public choice theory reveals the conflict between individual and collective interests in government decision-making. For example, government officials in EU members may make decisions based on domestic political pressure or electoral interests [8]. This approach to policy choices may lead to a mismatch of resources and a loss of efficiency. It impedes the efficient implementation of the projects.

Moreover, the conflict and diverse economic interests of EU member states in policymaking create obstacles to adapting to the initiative. For example, Central and Eastern European countries are more favorably disposed to receive Chinese infrastructure investments. However, western European countries are more favorably disposed towards cooperation on high-tech projects and the issue of intellectual property protection [1]. It will lead to difficulties in forming a unified external policy within the EU and weaken its overall negotiating power and strategic implementation under the Belt and Road framework. Importantly, this diversity and difference comes with high coordination costs. Different member States have different economic structures, legal systems and policy preferences. This has led to time-consuming negotiations and compromises within the EU in developing a harmonized response policy. This coordination cost is referred to in economic studies as ‘strategic delay’, the inability to reach agreement for a long period of time, which in turn delays the advancement of the project [3].

In addition, policy coordination involves the allocation of resources. In the project, resources such as finance, technology and labor need to be distributed among EU member states. At the same time, however, differences in levels of economic development and needs among countries make the equitable and efficient allocation of resources a major challenge. According to economic theory, misallocation of resources is highly likely to lead to Pareto degradation [8]. That is, some countries are experiencing lower welfare and others are not profiting from it. This will lead to a decline in the overall economic welfare of the EU under the Initiative.

As a common theory in economics for analyzing interactions and decision-making behavior, from a game theory perspective, EU member states need to engage in a coordination game when participating in the Belt and Road [8]. Each country wants to choose an optimal strategy that maximizes its own gains from cooperation. However, it is often difficult for optimal solutions to emerge from the process of coordinated games due to information inequality or strategy interdependence. For example, if some countries choose a conservative strategy, others may also tend to be cautious, leading to a weakening of overall cooperation. The result is that the EU will not be able to take full advantage of the economic dividends brought about by the Belt and Road [8].

Under the Initiative, policy coordination in the EU is bound to raise the issue of externality management. On the one hand, policy coordination can help manage positive externalities in the Belt and Road Initiative [9]. For example, infrastructure development not only brings direct economic benefits to the investing country, but also enhances the economic efficiency and welfare of other countries in the radiating region through improved transport and communication conditions. In this case, the coordination between EU countries can be seen as a public good, i.e. the economic benefits of the project in the European region are shared between the member states [10]. However, as with the ‘free rider’ problem mentioned earlier, such ideal harmonization is difficult to come by in practice. On the other hand, the spread of negative externalities is unavoidable, if mis-coordination occurs [9]. For example, Considering the economic benefits of the Belt and Road, one EU country relaxed its environmental regulations to attract investment in Belt and Road projects. This can lead to spillover

effects of environmental problems [11]. And turn affects environmental quality and public health in neighboring countries. It may even serve as an incitement to other countries to relax their long-standing policies of excellence [12].

The issue of policy coordination poses a complex economics challenge for EU countries adapting to the initiative. These challenges are characterized by the need to find balances and solutions to collective action difficulties, conflicts of interest, resource allocation, coordination games and the management of externalities. Enhanced cooperation among EU countries is essential to overcome these difficulties. Facilitate sensible resource allocation by designing effective incentive mechanisms and policy frameworks to provide an effective programmer for the successful implementation of the Belt and Road project in the European Union and for the enhancement of overall economic welfare [12].

### **3.3. Belt and Road and Security Strategy**

The Belt and Road Initiative has significantly strengthened China's influence in Eastern Europe. China has strengthened economic connections with the region through large-scale infrastructure investment, commercial cooperation, and financial support. China and CEE countries have collaborated extensively in transportation, energy, the digital economy, and other areas under the "16+1" cooperation arrangement. While receiving much-needed investment and infrastructure support, Eastern European countries have also served as an essential conduit for China into the European market. According to Verlare and van der Putten, China's influence in Eastern Europe has grown dramatically due to investment and infrastructural development [9]. China has not only promoted political stability within the region through its economic corridors linking Eurasia but has also used these investments as part of its diplomatic strategy to further consolidate its geopolitical position in Eastern Europe [2]. This increased influence is not limited to the economic sphere, but also involves the overall political and strategic considerations of the region, especially in the field of infrastructure, which may affect the homeland security and strategic autonomy of the host country [3]. Western European governments have expressed concern about Chinese investments in Eastern Europe, claiming that these investments could damage EU coherence and boost Chinese influence in Eastern European countries [9]. Overall, China's deep participation in Eastern Europe through the Belt and Road Initiative is reshaping the region's geopolitical landscape, with far-reaching consequences for the EU's political and strategic balance [2].

The growth of infrastructure construction along the Belt and Road has raised considerable concerns about security and strategic vulnerabilities. In particular, vulnerabilities related to infrastructure control and homeland security. China has made significant investments in Central Asia and Europe, particularly in energy, natural resources, and infrastructure to compensate for these shortcomings [2]. However, the impact has also raised concerns about China's strategic intentions. Especially when Chinese state-owned enterprises are involved in these critical infrastructure projects, the blurring of the line between economic and political influence can lead to a weakening of host countries' control over critical infrastructure. These changes threaten their homeland security [3]. Overall, the Belt and Road Initiative, while promoting economic cooperation, has also sparked a global discussion on security and strategic risks. These risks not only affect the economic stability of the host country, but also affect the national security and strategic autonomy of the host country.

### **3.4. Belt and Road and Allocation of Responsibility**

In the context of the Belt and Road Initiative, cooperation between China and European countries faces complex challenges in terms of social acceptance and public opinion. First, concerns about project transparency are widespread, especially in the case of infrastructure projects invested and built by China, and European society has questioned the transparency of these projects and the fairness of the decision-making process. This lack of transparency can lead to public backlash against these programs, which in turn affects the overall acceptance of society [9]. In addition, social responsibility is also a concern. Despite China's emphasis on the economic growth and job opportunities that its

Belt and Road projects can bring, public opinion in Europe is often skeptical of Chinese companies' local social responsibility performance, especially in the areas of environmental protection and labor rights protection. This lack of social responsibility may lead to increased resistance to Chinese investment in European society [3].

China's cooperation with European countries on environmental standards and sustainable development Goals has attracted the attention of many countries. Although the Belt and Road Initiative aims to boost infrastructure and economic development, the impact of the process on environmental standards has raised concerns in European countries. Many European countries believe that Chinese investment and construction projects may not meet strict environmental standards. So construction can lead to the destruction of ecosystems and undermine the Sustainable Development Goals [9].

### 3.5. Belt and Road and Sustainable Development

At the same time, China has stressed that the Belt and Road Initiative will promote economic growth and sustainable development in participating countries, but in practice, many projects are still focused on industries with high energy consumption and high pollution. This strategy contrasts sharply with Europe's emphasis on sustainable development, particularly in sectors such as green energy and environmental technologies, where China and Europe differ significantly. This disparity could cause a backlash in European society against China-led projects, limiting the possibility for cooperation between China and the EU in the fields of the environment and sustainable development [3].

Furthermore, China confronts hurdles in fulfilling the Sustainable Development Goals and related environmental issues with the Belt and Road Initiative. Many China's environmental obligations have not been strictly followed during project implementation. These difficulties have raised additional worries in European countries concerning the environmental impact [2].

## 4. Conclusion

Among international context of the Belt and Road Initiative, this subsection analyzes the developmental challenges faced by European countries. Consequently, this paper proposes enhancing the European Union's (EU) adaptation to the initiative through multilateral cooperation, socio-cultural considerations, and sustainable development perspectives. Firstly, the initial section of the paper emphasizes trade, investment, and market access. Investments by EU countries in nations are closely linked to their economic interests and multilateral cooperation, thereby strengthening strategic relations with China and the countries. Additionally, the EU is actively reforming market access mechanisms and strengthening local governance to create a level playing field. The paper also discusses the major economic issues arising from the policy coordination of EU member states to adapt to the Belt and Road Initiative and the solutions required for these challenges. In addition, the second half of the paper also argues that environmental standards and sustainable development goals are key guarantees to ensure the long-term success of the Belt and Road Initiative. In general, the Belt and Road brings different challenges and economic opportunities at the same time.

## Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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