

Briefing Paper, No. 02/2021



The EU Connectivity Strategy: Putting Words into Action

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August 2021

Abstract

In 2018, the EU unveiled its strategy for connecting **Asia** and **Europe**. Since then, connectivity has not only become a cornerstone of the EU's Indo-Pacific Strategy but also a frequently used buzzword in EU policy making. Recently, the EU articulated its determination to extend its connectivity efforts to Africa and Latin America, thus making EU connectivity a global aspiration. This **EIAS Briefing Paper** begins with demystifying the EU's connectivity concept and the rationale behind its increased interest on the matter. It continues by assessing how the EU Connectivity Strategy can be translated into actual action. By adding valuable knowledge and providing in-depth research on the potential obstacles and challenges concerning the implementation of the strategy, this study eventually concludes with the formulation of **16 concrete policy recommendations**, related to **(1) funding, (2) sustainable implementation**, as well as **(3) possible cooperation and competition** with other paramount actors such as China or the United States. This research feeds into ongoing debates with tangible, practical insights, thus contributing to the successful implementation of the EU's connectivity pledge across Europe, Asia and the globe.

Keywords: *EU Connectivity Strategy, Asia, Eurasia, EU–Asia Connectivity, Digital Connectivity, Sustainable Infrastructure, Policy Implementation, Connectivity Financing, EFSD+, External Action, China, United States, India, Japan, South Korea, ASEAN, BRI, B3W*

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From EU to Asia to the World

In September 2018, the European Union (EU) released its [Joint Communiqué](#) titled '*Connecting Europe and Asia – Building blocks for an EU Strategy*', which thereafter has been commonly referred to as the 'EU Connectivity Strategy'. The EU's commitment to facilitate connectivity developments stretching from Europe to Asia is also considered an integral part of the EU's strategy for the Indo-Pacific, which was announced only recently in April 2021, and 'signals Europe's interest in increasing its role in the region' (Marcos 2021). The EU's determination to step up its efforts in the area of global connectivity and infrastructure was recently reinforced by the EU Council conclusions calling on the European Commission to draw up 'a list of high-impact and high-visibility projects' over the next nine months (Lau 2021). While the EU is aiming to elevate its connectivity efforts on a global level – targeting also Africa and Latin America – valuable lessons can be drawn from the empirics of its 2018 Connectivity Strategy.

This EIAS Briefing Paper will focus on the opportunities and challenges associated with the EU's push for connecting Europe and Asia, with particular attention to operations **outside** the EU. The first part of the paper is dedicated to the **strategy itself**, discussing its various **dimensions, values** as well as the **rationale** behind the EU's increased interest in **connecting the EU with Asia**. The **second part** of this Briefing Paper deals with the concrete implementation of the EU Connectivity Strategy, aiming at identifying potential obstacles and providing constructive policy recommendations to help the EU effectively translate its strategy into visible actions on the ground. The generated knowledge can help enhancing the connectivity between the **EU and Asia** and can equally be **extended** to the EU's recently articulated **global efforts concerning Africa and Latin America**.

Part I: The EU Connectivity Strategy

Connectivity à la EU - Defining the 'European Way'

Connectivity is a multi-layered concept, combining aspects of cooperation, geopolitical competition as well as tremendous economic and strategic opportunities and challenges (Islam, Rohde, and Chawla 2019; Anthony et al. 2021). Essentially, 'connectivity' may be considered as a way of shaping the “flows of globalisation through strategic investments in infrastructure” (Stec and Jakóbowski 2020). For the EU, 'connectivity' is primarily about the networks that bring people, places and opportunities closer together, with a particular focus on **transport**, **energy**, **digital** and **human-to-human** connectivity (European Commission 2018b).

To this end, the EU seeks to connect its **Trans European Transport Network** (TEN-T) with corresponding networks in Asia, whereas increased energy connectivity should effectively promote a market-driven transformation towards **clean energy**, thus feeding into the objectives of the 'Green Deal'. By advancing digital connectivity, the EU envisages upgrading **digital infrastructure** and adequately **addressing cybersecurity** risks, promoting not only socio-economic development in remote areas, but also protecting personal data and human rights online. Lastly, the **people-to-people** dimension includes the extension of academic mobility, exchange programs and the mutual recognition of diplomas (European Commission 2018b; EEAS 2019).

In 'improving connections' in these four key sectors, the EU pursues a '**European way**', emphasising the need for comprehensiveness, sustainability and internationally agreed rules. Accordingly, investments in connectivity need to be environmentally, socially, economically and fiscally sustainable. This also contributes to aligning the externalities of the strategy with the core objectives of other EU priorities. With regards to the 'Green Deal' and the 'Agenda 2030', for instance, the projects are required to be highly transparent, give a voice to the people involved and contribute to the decarbonisation of the economy. As a benchmark for the regulatory standards to be applied, the EU refers to its Single Market, which provides a non-discriminatory, equal, secure and transparent business and investment environment for companies (European Commission 2018b; Islam, Rohde, and Chawla 2019).

Although the EU has **defined** 'shaping the flows of globalisation' in a comprehensive, sustainable and rules-based – in short, **European** – way, applying these values to actual projects may be challenging, particularly when the respective recipient country is characterised by weaker institutions, low transparency and diverging standards (Biedermann 2019). Furthermore, unlike other policies – such as the abovementioned 'Green Deal' – the 'EU Connectivity Strategy'

somewhat lacks a clearly defined, measurable objective. While this ambiguity allows policy makers to remain flexible in their decision making and strategic alignment, it certainly complicates an effective operationalisation and monitoring of the EU's connectivity efforts. To this end, the EU should carefully establish mechanisms that effectively safeguard its value proposition throughout the implementation process of the strategy – a challenge that is further addressed in the second part of this paper.

The Logic Behind the EU's Engagement

Actively **shaping the flows of globalisation** brings **benefits** for both the **EU** and the respective **recipient countries**. As for the latter, the development of cross-continental and sustainable infrastructure can not only help to upgrade local livelihoods through enhanced access, mobility and the creation of cultural exchange, but also increases the economic competitiveness of the region by reducing the effect of distance. This contributes to the domestic and international integration of regional markets and economies, thus increasing the prospects for **trade** and **economic exchange** (Islam, Rohde, and Chawla 2019; Carminati 2020).

This is where the EU aims to reap mutual **benefits** from its increased engagement in the region. Considering that Europe and Asia account for 60% of the world's GDP and that their bilateral trade amounts to about USD 1.6 trillion per year, facilitating existing trade channels and uncovering additional economic potential in Asia, linking it to the European Single Market, is also highly conducive to the **EU's economic interests** (EEAS 2019). While the EU has yet to define a precise delineation of the geographic scope of its strategy, the 'Association of South-east Asian Nations' (ASEAN) plays a particularly prominent role in the EU's policy considerations (Biedermann 2019, 578). By 2050, ASEAN is projected to become the **fourth largest economy in the world**. The EU has already concluded Free Trade Agreements (FTA) with Singapore and Vietnam, and is under negotiations with the Philippines, Malaysia, Indonesia and Thailand (Gaens 2020). The EU Connectivity Strategy can therefore be regarded as another stepping-stone towards fostering and formalising EU trade relations with ASEAN.

However, shaping connectivity is not only beneficial from an economic perspective, but also geopolitically, as it contributes to the attainment of overarching EU policy objectives (Islam, Rohde, and Chawla 2019). After all, initiatives such as the Agenda 2030 or the fight against climate change remain global challenges and need to be addressed accordingly. Increased Eurasian connectivity implemented in the 'European way' thereby serves as an important instrument of advocating and establishing regulatory and environmental standards conducive to EU policy preferences (Holzer 2020).

In view of the normative power of connectivity, the EU's initiative towards Asia has also been prompted by growing scepticism on whether China can still be regarded as a 'reliable partner in building a multilateral system based on reciprocal market access and competitive neutrality' (Holzer 2020, 185). As such, the 'EU Connectivity Strategy' and its associated value proposition promoted through its 'European way' can be considered as an alternative to China's infrastructure investments under the framework of its 'Belt and Road Initiative' (BRI) (Brattberg and Soula 2018). In recent years, the EU and other actors have increasingly criticised Beijing's connectivity efforts, raising concerns about its associated values and standards, such as low transparency, environmental and economic flaws, as well as the absence of a rules-based framework (Chan 2018; Green 2019; Yi 2020). The EU's recent commitment to move towards a 'globally connected' world, increasingly targeting key destinations for Chinese investments in Latin America and Africa, can therefore be regarded as an attempt to match the BRI's global plea offering viable alternatives to the countries concerned, while realising economic benefits beyond Asia (Brzozowski 2021b; Lau 2021).

Successfully implementing the 'European way' to connectivity across Asia and beyond, embracing the associated regulatory norms and standards, would also boost the EU's **geopolitical influence** and **normative power** vis-a-vis China and other actors in the region. So far, however, much of the envisaged trade potential remains untapped and the geostrategic opportunities arising from effectively operationalising the 'EU Connectivity Strategy' have yet to be seized. As the EU is in the process of developing a new, global connectivity concept, the following three sections will provide valuable knowledge and an in-depth assessment of related policies, as to contribute to the successful implementation of the EU's Connectivity Strategy, thus seizing the economic and geopolitical benefits associated with 'actively shaping the flows of globalisation'.

Part II: Putting the EU Connectivity Strategy into Action

In what follows we will focus on how a swift implementation of the EU's connectivity pledge can be ensured, addressing the following questions:

1. How to finance the EU's Connectivity Strategy?
2. How to guarantee the 'European way' throughout the implementation of the Strategy?
3. Who would be the best partners for the EU to cooperate with to best achieve its connectivity goals?

Each of these questions will be addressed in the subsequent sections, starting from a detailed analysis of the current state of affairs, followed by a series of tangible policy recommendations.

How to Finance the EU's Connectivity Strategy?

Money talks, particularly when it comes to bridging the huge need for infrastructure investments in Asia. Over the next few decades, an estimated **EUR 1.3 trillion** per year is required to maintain Asia's growth momentum and to adapt to climate change (European Commission 2018b). As the EU strives to fill part of this investment gap, the question arises as to **how** it intends to **allocate sufficient funds for the implementation of its Connectivity Strategy for Asia** (Brattberg and Soula 2018).

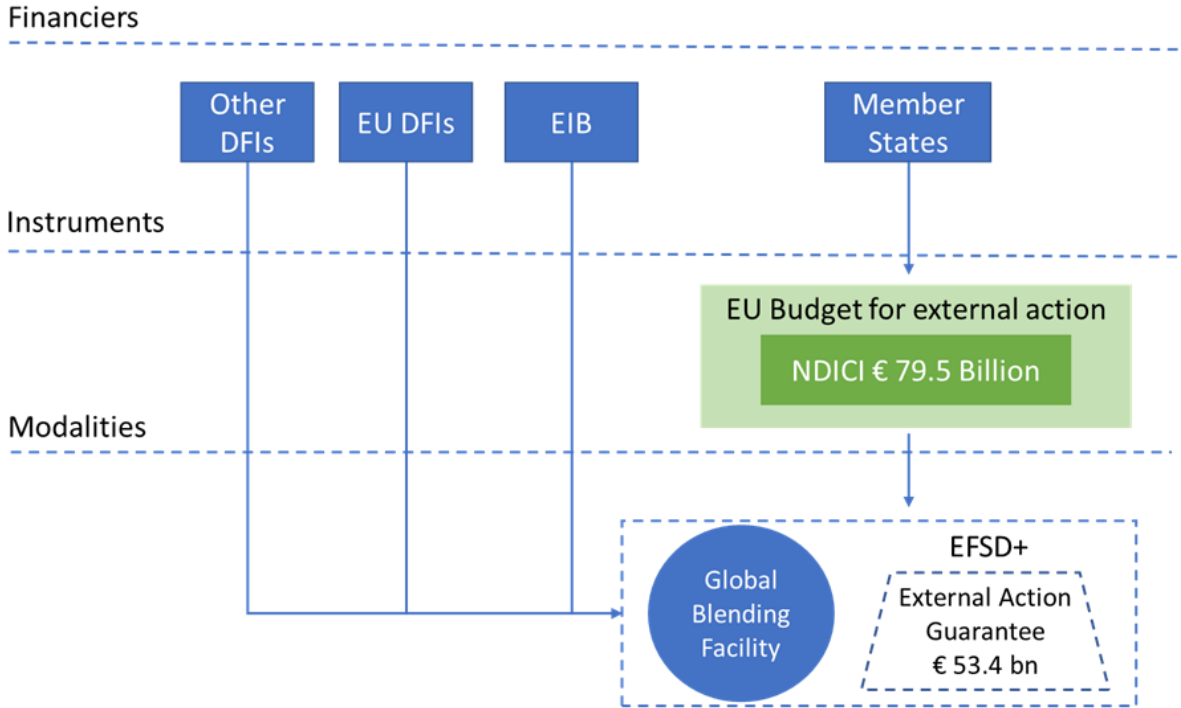
In order to finance its external actions, the EU introduced new instruments for its next 'Multi-annual Financial Framework' (MFF) for 2021-2027 (European Commission 2018a). Thereby, the majority of funds will be channelled through the '**Neighbourhood, Development and International Cooperation Instrument**' (NDICI)¹, which has been equipped with an overall budget of **EUR 79.5 billion** (European Commission 2020b; Makszimov 2020). The NDICI budget covers the EU's cooperation with all third countries and is further sub-allocated to geographic programmes (EUR 60.38 billion), thematic programmes (EUR 6.36 billion), rapid response actions (EUR 3.18 billion) as well as to a 'cushion' of unallocated funds (EUR 9.53 billion). As for the geographic programmes, at least EUR 19 billion are expected to be dedicated to the EU's direct neighbourhood, whereas roughly **EUR 8 billion** are foreseen for **Asia and the Pacific** (European Commission 2020b).

¹ The NDICI is also referred to as 'Global-Europe': https://ec.europa.eu/commission/presscorner/detail/en/ip_21_1267

As part of the NDICI, the EU also established a streamlined investment framework for external action, the **'European Fund for Sustainable Development Plus' (EFSD+)**. This vehicle includes not only guarantees, but also direct external cooperation grants provided through 'blending', thus seeking to mobilise additional **private capital** (Lilyanova 2019; European Commission 2020a). The EFSD+ thereby functions as a 'one-stop-shop' for investors seeking EU support in financing activities in third-party countries, including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) as well as other European and non-European Development Finance Institutions (DFIs) (Gavas and Timmis 2019).

The EFSD+ is backed by a **EUR 53.4 billion** 'External Action Guarantee' (EAG), which allows the EU to 'reduce the risk for public and private investment operations in partner countries covered by the NDICI and by the [Instrument for Pre-Accession Assistance] IPA III² (under the EFSD+)' (Lilyanova 2021, 29):

Figure 1: The EU architecture for External Action in the next MFF (2021 - 2027)



Source: Author's elaboration based on (Gavas and Timmis 2019)

Finally, the NDICI will undergo detailed programming, eventually leading to the adoption of multi-annual indicative programmes outlining the financial implementation of actions for each region, partner country and thematic programme (European Commission 2021c). As the

² In June 2021, an agreement was reached to equip the IPA III with a total of EUR 14 billion for the next MFF (European Commission 2021d).

detailed allocation of resources is only expected to be concluded by the end of 2021, it so far remains **unknown** how much funding will actually be dedicated to connectivity investments stretching from the EU to Asia. In any case, the funds channelled through the NDICI will ultimately **fall short** compared to Asia's tremendous investment needs (Brattberg and Soula 2018).

Therefore, the success of the connectivity strategy will mainly depend on the extent to which the EU manages to attract **additional funding** from international and multilateral institutions and the **private sector** (Gaens 2018). Increasing the private sector's participation and financial commitment is thereby arguably one of the most important challenges for the EU to overcome. Presently, the European Commission hopes to mobilise up to **EUR 500 billion** of private capital throughout the 2021-2027 MFF, with experts **remaining sceptical** regarding the feasibility of this objective (Lilyanova 2021, 29). The main obstacle for enhanced private participation is thereby the **insecure investment environment** in third-party countries (Sejko 2017).

Accordingly, it is **imperative** for the EU to **leverage** the firepower of the **EFSD+** into beneficial financial arrangements that provide clear **incentives for private actors** to engage in infrastructure investments in third-party countries. One way of doing so could be to enable companies to **directly apply for EU guarantees** under the condition that they provide the same sustainability standards as pillar-assessed financial institutions (Business Europe 2020).

Another **possibility** to mobilise private funds could be through the **national credit agencies** of the EU Member States (European Parliament 2021). The prospects for an overarching European vehicle combining national agencies have also been referred to in the EU's trade policy review of March 2021 and seems likely to be considered as a viable funding source. At the current stage, the Commission is said to have launched a feasibility study exploring different options for establishing such an EU facility, which would most likely run in parallel to existing national agencies and would focus on projects that go beyond national capabilities, such as **large-scale infrastructure projects**. It is yet to be decided whether this support will be provided in the shape of **export financing, export insurance, or a combination of both**³ (Thompson 2021).

Although the necessity of an overarching European facility, particularly with regards to export insurance, has been questioned by referring to already existing cooperation among the national

³ While export insurance provides cover for political (and commercial) risks that otherwise would be 'unobtainable or prohibitively expensive in the commercial market place', export financing, especially for infrastructure projects, offers more flexible, project-tailored and cheaper financing arrangements to lenders and project companies (McNair 2016, 3).

agencies (Thompson 2021), an overarching institution with uniform rules and standards could nevertheless **contribute to overcoming difficulties and bureaucratic hurdles** associated with export financing, thus **fostering private sector engagement** (McNair 2016). By providing the new body with a **clear mandate for sustainable connectivity**, further investments contributing to implementing the EU's strategy could be incentivised and facilitated.

Beyond the EU institutional level, **additional resources** for the EU Connectivity Strategy may also be obtained from **individual Member States**, which throughout the last MMF (2014-2020) provided a total of EUR 487 billion in 'Official Development Assistance' (ODA) to third countries⁴. Although not all the funds were dedicated to connectivity projects, the figure nevertheless illustrates that the **EU as a whole** indeed holds a certain **financial power** that can be leveraged (Hwee and Islam 2021).

That being said, it is crucial to channel Member States' bilateral efforts towards concrete projects serving the advancement of the EU Connectivity Strategy. Such orchestration requires **close cooperation, high transparency and comprehensive project information sharing** among the two 'levels'. Member States need to know about recent developments, achievements and potential projects that are conducive to the EU's overarching strategy. At the same time, being aware of the Member State's domestic ODA priorities can improve the governance and efficiency of the EU Connectivity Strategy. To ensure the **coherence of actions** between the EU and its Member States, an **ongoing and coordinated dialogue is required**. Although such communication channels generally exist, most notably through the [European Parliament and the Council](#), establishing a **regular forum dedicated to connectivity** that brings together '**Connectivity Coordinators**' seconded from the Member States and **representatives from EU institutions** could be an important step in increasing the Member States' financial involvement. Such an approach has already been endorsed by the European Parliament in January 2021, as it called for 'shared ownership of the Strategy for EU institutions and the Member States' (European Parliament 2021). The greater coherence between individual Member States and the EU, if implemented and communicated effectively, can also contribute to an **increased visibility** of the Connectivity Strategy and **associated opportunities**, thus mobilising additional investment from the **private sector** (Business Europe 2020).

In this context, the EU needs to ensure that potential projects and associated funding sources are **easily** and **transparently** accessible. The EU should therefore consider establishing a

⁴ Source: https://ec.europa.eu/international-partnerships/system/files/annex_-_tables_and_graphs_for_oda_memo_final_d1.pdf, Figures are given in cash flows up to 2017 and in grant equivalents from 2018 onwards; figures include both bilateral ODA and multilateral ODA; for 2020: preliminary figures and excluding the UK; accessed 17.06.2021

one-stop online platform with all the relevant information and regular updates (Business Europe 2020).

How to Guarantee the 'European Way' Throughout the Implementation of the Strategy?

The EU's pledge for environmentally and financially sustainable connectivity based on an internationally agreed set of rules is arguably at the heart of its strategy (Okano-Heijmans 2018a). Therefore, successfully translating these aspirations into actual projects will be crucial, especially in host countries that face systematic challenges in meeting the standards defined in the strategy (Kassenova 2019).

Accordingly, the EU envisages developing its '**soft connectivity**' approach of promoting consistent rules and standards, eventually aiming at ensuring that '**hard connectivity**' projects meet the aspired expectations⁵. Such actions mainly include policy support, regulatory advice and technical assistance to partner countries. In advocating its standards, the EU is active on different levels, such as the overarching policy dimension but also with regards to specific projects.

On the **overarching policy level**, the EU seeks to advance and implement its soft connectivity standards mainly through **bilateral partnerships** in the region, such as the 'Partnership on Sustainable Connectivity and Quality Infrastructure' signed with Japan, or its comprehensive connectivity partnership with India (Söderberg 2020; European Commission 2021b). Furthermore, the EU and other actors in the region also leveraged their **normative power** by emphasising the importance of quality and sustainability standards through multilateral platforms in the region, such as the ASEM forum (CSIS 2018; D'Ambrogio 2021). This general shift eventually contributed to other actors (e.g. China) placing a stronger focus on quality standards in their own strategies as well (Joshi 2019; Anthony et al. 2021). Another example of the EU's normative and regulatory weight in the pursuit of promoting 'soft connectivity' is the European 'General Data Protection Regulation' (GDPR), which set **new standards** for data protection and subsequently served as a **blueprint** for several Asian nations in adopting their regulations accordingly (Blackmore 2019).

While these general, overarching efforts are crucial for guiding the development of 'hard connectivity projects', the EU is also determined to safeguard its standards in **actual projects**

⁵ Similar pledges have also been made by Xi Jinping with regards to China's BRI as he reiterated China's willingness to cooperate "with all sides" in achieving this (Xinhua 2021).

on the ground. In doing so, the EU's efforts are aligned with the actual project development process, from project preparation to funding and implementation.

Concrete **examples** can be observed in the Western Balkans, where the EU allocated EUR 97 million to **technical assistance** for **project preparation** between 2015 and 2019. Furthermore, the EU requires host countries of infrastructure projects to adapt their regulatory and legal frameworks according to the 'connectivity reform measures' as a **critical prerequisite** for infrastructure financing (European Commission 2019; Petropoulou 2020). In order to benefit from technical assistance and support in meeting the connectivity reform measures, host countries in the Western Balkans can apply for the service provided by CONNECTA, an EU-funded technical assistance contract whose aim is to contribute to the preparation of high priority transport, energy and digital connectivity infrastructure projects, ensuring their **technical and economic viability** (CONNECTA n.d.). Generally, the **financing source** of projects serves as crucial leverage for the EU in safeguarding its standards and values, as technical assistance and project preparation is also provided **directly** by **financiers** such as the EBRD or the EIB, which obtained a **clear mandate for sustainable development** in recent years (Okano-Heijmans 2018a).

With regards to **(Central-)Asia and the Indo-Pacific**, the EU's project preparation and technical assistance has so far mainly been executed by **regional blending agencies**, such as the Asia Investment Facility (AIF), the Investment Facility for Central Asia (IFCA), or the Investment Facility for the Pacific (IFP) (European Commission and Directorate General for International Cooperation and Development. 2019). In the next MFF, these single entities are to be merged into a **single one-stop facility** under the NDICI and the EFSD+. This consolidation, in theory, entails the opportunity for a more consistent and flexible approach in providing soft connectivity assistance to partner countries. Nevertheless, it also runs the risk of '**distorting** the focus on the **quality of assistance** and **blurring** the lines of **accountability**' (Gavas and Pleeck 2021)

Additional **concerns** have been raised about the **governance structure** of the EFSD+, which foresees the strategic board to be jointly occupied by the European Commission, the EIB and the Member States, whereas the European Parliament is only granted an 'observer status' with no authority in decision making (Lepri 2021). While this structure **prevents micromanagement** by the Parliament and increases the EU's flexibility, it also 'effectively limited the European Parliament's control and scrutiny role' (Gavas and Pleeck 2021). Furthermore, with the final decision-making power staying within the European Commission (Lilyanova 2021), there is no clear **mechanism** for the European Parliament to **veto** the funding in case of **major grievances** in a project, such as human rights violations (Lepri 2021).

The **absence** of such a comprehensive **emergency-mechanism** entails the risk that projects showing signs of mismanagement and malfunctioning, despite the oversight and involvement of financiers or other agencies, will continue to be pursued **against appropriate warnings**. One prominent example is the Italian highway project 'Passante di Mestre', which was accompanied by a corruption scandal and charges of fiscal fraud. Despite the warnings of the European Parliament, the EIB nevertheless continued its support for the highway, while the European Commission did not intervene either (European Parliament 2015; Re:Common 2016). As another cautionary tale may serve the recently emerging environmental and social controversies about the EBRD and EIB financed Corridor Vc between Mostar and Počitelj in Bosnia and Herzegovina (CEE Bankwatch Network n.d.).

As these examples **illustrate**, while the direct involvement of financial institutions and financiers, including their expertise, will arguably be a crucial aspect in ensuring that connectivity projects meet European standards, a **diversified and improved monitoring and control framework is required**. In order to increase the accountability of financial institutions and other facilities, the EU should consider the **establishment** of a comprehensive '**emergency mechanism**' that goes beyond the European Commission. The priority of such a mechanism should be to strengthen the EU's oversight and allow for a **timely intervention** in the case of major irregularities or violations of standards, while at the same time preserving the flexibility of the investment instrument.

Another **challenge** to the operationalisation of the 'European way' of connectivity remains **public procurement**, with the EU aiming for an **open and transparent** process and a **level playing field** (European Commission 2018b). After all, providing an intact and competitive public procurement market is a decisive factor in safeguarding the quality of bids and therefore the actual projects (European Commission 2020d). While the overall competition can be increased by ensuring that the respective projects are also **economically viable** to the contractors themselves, providing a level playing field proves challenging. To this aim, the EU is committed to increasing the transparency of export credit systems, swiftly adopting the 'International Procurement Instrument' (IPI) and encouraging partner countries to a wider accession to the WTO 'Agreement on Government Procurement' (GPA) (European Commission 2018b).

However, although the GPA provides certain norms and standards with regards to transparency or procedural fairness, the **vast majority** of countries targeted with the EU Connectivity Strategy are, at best, observer countries to the GPA (WTO n.d.). Moreover, the GPA does not seem to prevent **market deterioration by subsidised companies**, as illustrated by the

case of the EU-funded Pelješac Bridge in Croatia, where a Chinese state-owned enterprise (SOE) was able to outcompete European firms with an unusually low project bid induced by state aid to the domestic steel industry (Okano-Heijmans 2018, 8). The recently announced **anti-subsidy legislation** and therefore the EU's 'intention to chase explicit foreign subsidies might not be enough to solve the problem' (Garcia-Herrero 2021). Besides the fact that the tool would only apply for the EU Single Market, the targeted companies – implicitly referring to Chinese firms – would still be able to extract rents from an uneven playing field in their respective home markets, thus providing them with a substantial financial advantage over their competitors without explicitly labelling it as 'state subsidies' (Garcia-Herrero 2021).

The **solution** would therefore imply a **level playing field on a global level**. One tool to increase such global reciprocity could indeed be the **IPI**. However, after a nine-year deadlock, the discussions regarding the IPI are expected to resume only after the summer of 2021, with a final agreement yet to be in sight (Valero 2021). Accordingly, the **EU must step up its efforts and determination in the adoption of the IPI** as a meaningful contribution to providing a global level playing field.

Lastly, in an effort to **prevent corruption** within the public procurement process itself, the EU **should embrace the regular application of e-procurement** throughout the procurement cycle⁶. Multilateral development banks such as the Asia Development Bank (ADB) or the EBRD, although on a voluntary basis, **already provide the respective tools to their clients** (ADB 2018; EBRD n.d.).

Whom to Cooperate With?

The concept of connectivity is by **no means exclusive** to the EU. In recent years, several major players within and outside the Asia-Pacific region have come forth with their concept of connectivity, most notably China with the announcement of its BRI in 2013. Other pledges to enhance connectivity in Asia and the Indo-Pacific have been made by India, Japan, the United States and South Korea (Plagemann 2021). While it is undisputed that Asia's tremendous need for investments in infrastructure cannot be met by a single country, the variety of actors within the region has led to a **supply-sided competition** among major powers and their respective strategies (Carminati 2020; Plagemann 2021). At the same time, the EU's presence and experience as an investor in the region have made it an **attractive partner for cooperation** (Okano-Heijmans 2020). Given the numerous strategies, various options for cooperation, but

⁶ The usage of e-procurement for the prevention of corruption and irregularities is also encouraged by the OECD: <https://www.oecd.org/gov/ethics/Corruption-Public-Procurement-Brochure.pdf>

also for friction emerge. It is therefore imperative for the actors engaged in the region to **uncover synergies among their efforts**, 'which now run in parallel at best and at cross-purposes at worst' (Okano-Heijmans 2019).

For the EU, the question with whom to cooperate is thereby highly **interconnected** with the issues raised in the previous two chapters. Enhanced cooperation with partners in the region could not only **increase** the EU's **financing power**, but also help in **translating sustainable infrastructure into actual projects on the ground**. Within this chapter, the strategies of other actors will be analysed and discussed, aiming at identifying **potential** and **obstacles** for future cooperation.

China

Announced in 2013, China's 'Belt and Road Initiative' (BRI) focuses on advancing the so-called **five connectivities** consisting of physical infrastructure, policy coordination, reduction of barriers for trade, financial integration and people-to-people contacts (Wnukowski 2020). In recent years the dimension of **digital connectivity** ('Digital Silk Road') has been added and subsequently has become an important pillar of China's global version of connectivity (Anthony et al. 2021). However, the core of Xi Jinping's signature foreign policy remains the development of **physical infrastructure** along both land and sea routes and most prominently in the **energy and transportation sector** (He 2020; Holzer 2020; Wnukowski 2020).

To provide the necessary **funding**, Beijing mainly relies on a range of state-owned or state-led vehicles. In addition to its four state-owned commercial banks, the two policy banks 'China ExIm Bank' and 'China Development Bank', which have been endowed with foreign exchange reserves of USD 30 billion and USD 32 billion respectively, play a crucial role in financing the BRI (Sejko 2017). As of 2018, about 81% of the BRI funding has been derived from either commercial (36%) or policy (45%) banks in China (He 2020). The remaining funding is either provided by multilateral development banks, such as the Chinese-led Asian Infrastructure Investment Bank (AIIB), bi- and multilateral funds sponsored by the Chinese state, bond financing, equity financing or the Silk Road Fund (He 2020). The latter one is a Chinese government-owned wealth fund particularly initiated to cover the financing needs of the BRI. (Sejko 2017; He 2020).

Potential and Obstacles for Cooperation

At the **macro-level**, China and the EU pursue convergent objectives, including the fight against climate change or the attainment of the Agenda 2030 (Xinhua 2018; Anthony et al.

2021). Furthermore, the scope of the two strategies reveals various areas of overlapping interest, for instance with regards to **physical transport infrastructure, people-to-people exchange and digital connectivity** (Anthony et al. 2021).

In an effort to **seize** the synergies between the EU TEN-T network and China's BRI, the two actors established the **EU-China Connectivity Platform (EUCCP)**. As a multi-stakeholder platform, the EUCCP serves as a tool for China and the EU 'to harmonize their approaches in a range of areas, from technical to governance matters' (Anthony et al. 2021, 27). Furthermore, the EU and China published a list⁷ of concrete projects that could be pursued under the EUCCP, including the Vc Corridor in Croatia and Bosnia and Herzegovina as well as the Rijeka–Zagreb–Budapest railway (Anthony et al. 2021). However, while cooperation in several projects is still ongoing, none of them has successfully been implemented (Yi 2020; Anthony et al. 2021). Irrespective of that, the EUCCP and several examples of **financial cooperation** between China and the EU, such as China's contribution to the 'Investment Plan for Europe', its accession to the EBRD, the EU's membership of the AIIB as well as the memorandum of understanding between the European Investment Fund and the Silk Road Fund for the creation of a 'China–EU Co-Investment Fund', arguably indicate the two actors' **readiness** for and the **potential benefits** arising from **increased collaboration and joint projects** (Xinhua 2017; Yi 2020; Anthony et al. 2021).

Nevertheless, there are still major **challenges** to be overcome, particularly concerning the **modalities** of the respective strategies. While the EU advocates an open and transparent procurement process, Chinese loans under the BRI are usually conditional to the appointment of Chinese SOEs or other Chinese multinationals as contractors (Mardell 2021). As a result, European companies remain sidelined in BRI investments (Reuters 2020). Furthermore, while the EU emphasises the need for a sound and institutionalised framework before engaging in projects, China's actions are much more spontaneous and flexible, with domestic actors (SOEs, private enterprises, etc.) being encouraged to fill 'gaps' abroad as they arise, whereas the institutionalisation by the Chinese state only happens at a later stage (Stec and Jakóbowski 2020). This makes it difficult to grasp its strategy and therefore increases the challenges for institutionalised cooperation between China and the EU. To date, no comprehensive list of projects that fall under the BRI exists (Anthony et al. 2021).

Moreover, as Sino-European relations and potential connectivity cooperation, particularly with regards to **transport and digital matters**, are increasingly **embedded** in **national security discourses**, projects on the ground will likely continue to be subject to potential

⁷ The list can be found here: <https://ec.europa.eu/transport/sites/default/files/2018-07-13-european-transport-infrastructure-projects.pdf>

political **interference** and **disruption** (Anthony et al. 2021, 45). Especially China's **Digital Silk Road** and the associated normative implications through the 'China Standards 2035'⁸ are **fundamentally divergent** to the norms and standards **envisaged by the EU**, thus making cooperation in that field rather complicated (Dekker, Okano-Heijmans, and Zhang 2020).

Ultimately, China remains a **key actor** within the region, posing both **challenges** and **opportunities** to the EU. When engaging with China, the EU should **firmly advocate** its **values** and **standards** promulgated within its strategy, thus upholding its **alternative value proposition** for recipient countries. In doing so, the EU will face the **challenge** of positioning its strategy in a way that allows for healthy competition with China's BRI without causing tensions that may potentially lead to excessive **donor competition** with 'irrational projects' being 'pushed forward' (Kratz, cited in Mardell 2021; Chotani and Sato 2020).

While the existing divergences in the **modalities** of the two strategies may be difficult to overcome, it will be crucial to keep the channels for **dialogue open**. In this sense, the **EUCCP** can serve as a valuable tool. In order to strengthen **trust** between the two actors and develop **best practices**, pilot projects under the framework should be **effectively implemented**. Regarding potential new EU legislations, the EUCCP may work as 'A forum for explaining how the new rules will be applied. The clarity generated can establish the parameters for viable future projects' (Anthony et al. 2021, 46). This may also be in the **interest of China**, which is committed to a 'Green Belt and Road' but so far has **struggled** to materialise its efforts with well-defined and compulsory standards (Losos 2021).

In an attempt to **gradually** overcome Sino-European divergences concerning **digital governance**, the EU should furthermore continue its dialogue with China through the annual 'ICT Dialogue' as well as through the China-EU Cyber Task Force, ultimately aiming at **impacting** EU values and standards towards China (European Commission 2020c).

In the meantime, given the national security dimension associated with investments in digital and transport connectivity, **other potential areas for cooperation should be explored**. A **less sensitive** area could be the common '**people-to-people**' dimension of the respective strategies, which has come to a standstill and almost entirely ceased during the pandemic (Yi 2020). Although the prospects for people-to-people exchanges are diminishing with the increased politicisation of academic relations (Kelly and Burke 2020), as evidenced by

⁸ The 'China Standards 2035' are a 'blueprint that aspires to set global standards for the next generation of technologies, including 5G, artificial intelligence (AI) and the Internet of Things (IoT)' (Dekker, Okano-Heijmans, and Zhang 2020)

growing criticism towards Confucius Institutes, reports about Chinese spies among academic staff and students, as well as concerns regarding research in critical domains for national security, carefully **resuming** regular exchanges, conferences, interaction and cooperation can serve as a fruitful and secure platform to **develop deeper mutual trust and understanding** that may ultimately be translated into **other connectivity dimensions**.

The United States

Another viable actor in the Indo-Pacific is certainly the **US**. In November 2017, President Trump unveiled the US vision of a 'free and open Indo-Pacific' (FOIP), which demands 'a stronger role for the United States in infrastructure investment as an alternative to “state-directed” (i.e. Chinese) investments' (Heiduk and Wacker 2020, 14). The US-funded **infrastructure** thereby aims to be **physically secure, financially viable, economically sustainable and socially responsible** (U.S. Department of State 2019). As part of these efforts, the United States, along with Japan and Australia, initiated the so-called '**Blue-Dot-Network**' (BDN). The BDN certifies infrastructure projects worldwide that meet high standards of transparency, sustainability and developmental impact, ultimately aiming to provide a **trustful environment** for **private investors** (Kuo and Goodman 2020).

Financially, the FOIP is expected to draw from several resources, most notably the International Development Finance Corporation (DFC), which was created under the 'Better Utilization of Investments Leading to Development' (BUILD) Act and will provide up to USD 60 billion in development financing, focusing on physical infrastructure, energy projects and the digital economy. Additional funding comes from various US agencies and initiatives, such as 'Asia EDGE' and the 'Millennium Challenge Corporation' (MCC), or through multilateral development banks (e.g ADB, World Bank) (U.S. Department of State 2019; Wignaraja 2019).

In order to **ensure** that projects under the FOIP framework adhere to its pre-defined **principles and rules**, the US launched the 'Infrastructure Transaction and Assistance Network' (ITAN), which since 2019 also includes a new 'Transaction Advisory Fund' (TAF). The ITAN thereby seeks to mobilise 'private sector investment by optimizing U.S. development finance and assistance tools, including project preparation services and commercial advocacy', whereas the TAF supports host countries of potential infrastructure projects in assessing their financial and environmental impact (U.S. Department of State 2019).

Potential and Obstacles for Cooperation

When it comes to possible cooperation with the US, several aspects need to be taken into account. On the one hand, the EU Connectivity Strategy and US FOIP policy **pursue similar interests** guided by **shared values**, making joint efforts potentially fruitful (Chauvin 2021).

On the other hand, although cooperation with China is not categorically denied, the US policy approach derives from the assumption of a **strategic rivalry** between the US and China (Pitakdumrongkit 2019; Heiduk and Wacker 2020). Therefore, Palit and Sano argue that the FOIP could turn into a **security focused Belt and Road competitor actively seeking to counter Chinese influence** (Palit and Sano 2018).

A clear anti-China initiative could be **at odds** with the perception of China by the EU and its different Member States, which are, in contrast to the US, directly **affected** by BRI projects (Brattberg and Soula 2018). However, the United States' willingness to include the EU in such an alliance has been **reiterated** at the recent G7 and US-EU summit, underpinned by the announcement of the '**Build Back Better World**' (B3W) initiative, a value-driven, high-standard and transparent partnership, financing quality infrastructure projects in low- and middle-income countries (Balfour 2021; Sanger and Landler 2021).

While **enhanced cooperation** with the US under the B3W, FOIP or the BDN could serve as an important vehicle to **promote** the '**European way**' and therefore to reinforce 'global standards on transparency, ecological sustainability and good governance' (Heydarian 2021), it also bears the **risk** of triggering fierce reactions from China, potentially **endangering** the EU interests vis-à-vis to Beijing (Anthony et al. 2021; Shalvey 2021).

The EU would therefore be **well advised** to maintain its idea of '**Open Strategic Autonomy**', seeking to further advance its **own strategy** and focus its engagement with the US on **practical cooperation** where real synergies exist, rather than being drawn into an '[anti-China narrative](#)' (Peel and Fleming 2021). In this regard, **promising areas** for enhanced cooperation are the pooling of public funds for **project preparation**, which in developing countries can amount to as much as 5-10% of the total project costs, in addition to **information sharing** and **capacity building** activities (Goodman and Hillman 2021).

These efforts may be embedded in wider **EU engagement** with the **BDN**, which has recently been revived as the OECD will provide technical support for the development of a BDN certification process for sustainable infrastructure (OECD 2021; Rowley 2021). Although China criticises the BDN for being a 'supranational' institution aimed at containing Beijing's BRI (Rowley 2021), the OECD's engagement as well as the **focus on technical assistance and regulatory aspects** may serve as an opening for the EU to join as a **technical partner** as well.

South Korea (ROK)

In 2017, President Moon Jae-In unveiled South Korea's twin foreign policy project, consisting of the '**New Northern Policy**' as well as the '**New Southern Policy**' (NSP), which is generally considered as the country's approach to shape and advance connectivity within the region (Pacheco Pardo 2018; Rabena 2021).

While the New Northern Policy is geographically addressing North Korea, Russia, Mongolia and Central Asia (Yonhap 2018), the complementary southern policy focuses on India as well as ASEAN. In doing so, the NSP is built upon three pillars, namely 'people', 'prosperity' and 'peace', with **connectivity** being considered a cornerstone in the '**prosperity**' strand of the policy (Rabena 2021). In this regard, South Korea primarily focuses on infrastructure development in areas where its companies are **highly competitive**, such as transport, energy and ICT. Furthermore, South Korea has specialised in **niche projects**, such as the development of **smart cities**. (Nicolas 2021). Overall, the projects initiated under the NSP, for instance a smart city project in Singapore, are closely aligned with the (national) development plans of partner countries, such as the 'ASEAN Master Plan for Connectivity', thus aiming to seize existing synergies (Jung 2018; Nicolas 2021).

Most of these projects are funded by the Global Infrastructure Fund, through which South Korea pledged to raise USD 200 million until 2022, half of which (USD 92 million) will be invested in NSP partner countries. On top of that, South Korea plans to set up a 1.5 trillion won (ca. USD 1.2 billion) 'Global, Plant and Smart City Policy Fund' (PIS), of which USD 300 million will be dedicated to smart city projects in ASEAN (Nicolas 2021).

Potential and Obstacles for Cooperation

The EU and South Korea are considered **close partners**, with the ROK being the only country in the world to have concluded economic, political and security agreements with the EU. On a geopolitical stage, both nations furthermore face the challenge of manoeuvring between upholding the international multilateral rule-based system vis-a-vis **China** while withstanding **US** pressure to pick sides (Dekker and Okano-Heijmans 2020; Ballbach and Morazzini 2021). Additionally, the EU and South Korea share **similar interests** and **objectives** with regards to climate change, green growth as well as the promotion of human rights, thus making the ROK a **logical partner** in implementing the EU's connectivity strategy (Chauvin 2021; Dekker and Okano-Heijmans 2020). The **convergence** of South Korea's policies and the EU's strategic interests within the region has recently been reiterated by the ROK's Ambassador to the EU, Yoon Soon-gu, who expressed his country's readiness to **concretise bilateral cooperation** (Brzozowski 2021a).

One viable area for enhanced EU-ROK cooperation could thereby be the sphere of **digital connectivity** (Dekker and Okano-Heijmans 2020). Given the national security sensitivities related to digital aspects – which are seen as the main obstacle to increased EU-China cooperation in this field – the ROK's explicit focus on digital connectivity projects can serve as a promising way for the EU to **further advance the digital dimension of its strategy**. In June 2021, the EU already launched the process towards adoption of the **adequacy decision** for South Korea, with the Commission noting that the ROK 'ensures an essentially equivalent level of protection to the one guaranteed under the General Data Protection Regulation (GDPR)' (European Commission 2021a). Once adopted, European data transferred to the ROK may be treated as '**intra-EU**', with no further safeguarding being required. This **shared understanding of data protection** embracing the concept of '**human-centred technology**' therefore 'paves the way for practical cooperation in the field of research and development, innovation and the e-economy' (Dekker and Okano-Heijmans 2020).

In this context, Dekker and Okano-Heijmans (2020) particularly emphasise the potential for **joint cooperation** in the field of '**digital ODA**', which aims to improve digital connectivity in terms of infrastructure, regulation and the economy. South Korea has already been active in that regard, primarily seeking to overcome the 'digital divide' by providing technical assistance, sharing experience and promoting the development of ICT industries in the respective recipient country. Additionally, South Korea established the 'Cybersecurity Alliance for Mutual Progress' (CAMP), which aims to improve the overall level of cybersecurity of its member states, which are mainly located in Africa, Central Asia and Latin America, through technical assistance and best practice exchange. **Joining efforts with South Korea** in the area of **digital ODA** in third-party countries could be a meaningful step to advance the EU's digital connectivity strategy while maintaining and promoting security standards and values, thus offering a viable alternative to China's digital connectivity vision (Dekker and Okano-Heijmans 2020).

Accordingly, the EU **should assume talks with the ROK** to conclude a **bilateral connectivity partnership** – such as with Japan or India – **with a clear mandate for advancing the digital aspects of its strategy**, or alternatively establish a bilateral digital connectivity strategy to strengthen their mutual cooperation in this particular field.

ASEAN

As early as 2010, ASEAN recognised the need for enhanced connectivity among its member states and therefore introduced the 'ASEAN Master Plan for Connectivity', which has been updated in 2016 and is now referred to as the '**Master Plan on ASEAN Connectivity 2025**' (MPAC 2025) (Müller 2019). The MPAC 2025 thereby emphasises **five priority areas**,

namely (1) sustainable infrastructure, (2) digital innovation, (3) seamless logistics, (4) regulatory excellence and (5) people mobility (ASEAN 2016; Müller 2019).

In order to put the MPAC 2025 on the ground, ASEAN has set up the 'ASEAN Infrastructure Fund' (AIF), which was initially equipped with USD 300 million from the ASEAN member states themselves, as well as USD 150 million co-financed by the ADB. So far, however, the vehicle has only played a minor role in the funding of projects (Müller 2019). Therefore, ASEAN mainly **relies** on **outside support** and **external investments** (Islam, Rohde, and Chawla 2019; Müller 2019). In an effort to concretise their resource allocation mechanism, ASEAN established the so-called '**Rolling Priority Pipeline**', a list containing **specific, feasible** infrastructure projects across the transport, energy and ICT sector (World Bank, Australian Aid, and ASEAN n.d.). While the member states are responsible for submitting potential candidates for the pipeline, a comprehensive evaluation, including project scoring, will be conducted by the **World Bank**. The selection criteria are designed in such a way to **prioritise** projects that contribute to the development of missing links between cities and/or countries, ensure high economic and connectivity impact, upgrade capacity and embed resilience to match the expected demand across the three key sectors. At the same time, factors such as **political support, financial viability, social benefits or risks, and environmental impact** are also considered in assessing the projects (World Bank, Australian Aid, and ASEAN n.d.).

Currently, the rolling pipeline contains 19 concrete projects for which ASEAN seeks to **attract external funding and support**. In doing so, special attention is paid to multilateral development banks, the private sector, and bilateral development cooperation, for instance through Japanese ODA, the BRI or enhanced cooperation with the US or the EU (Müller 2019).

Potential and Obstacles for Cooperation

In December 2020, ASEAN and the EU upgraded their relationship to a strategic partnership, thus reiterating their **shared interest and objectives** (Allison-Reumann and Murray 2021). In a joint statement, both actors emphasised the need for connectivity to uphold 'the spirit of peace, inclusiveness, development, cooperation, economic, fiscal, financial, social and environmental sustainability' (Islam and Hwee 2020). Furthermore, connectivity projects should be comprehensive, mutually beneficial, follow a rules-based framework and provide a level playing field for relevant stakeholders (European Council 2020).

Now that the strategic partnership and the general agreement on the modalities of connectivity efforts are in place, the EU must further demonstrate reliability by effectively translating words on paper into concrete projects on the ground (Allison-Reumann and Murray 2021). To avoid

the **duplication of efforts** and **speed up** the process, the EU **should tap into ASEAN's 'Pipeline of Priority Projects'**. The involvement of the World Bank thereby ensures that these projects adhere to a certain **quality standard** in line with the 'European Way', thus serving as a foundation for **European lenders and actors to step in**. In doing so, the EU should focus on projects that also serve its **strategic interests** and where it can, effectively leverage its **competitive advantage** and **experience**.

A similar approach is already being pursued by China and South Korea, as they were involved in conducting feasibility studies for the Nay Pyi Taw – Kyaukpyu Expressway in Myanmar (China) or the Lao PDR National Road No. 8 Upgrading (ROK) (World Bank, Australian Aid, and ASEAN n.d.). Subsequently, Myanmar announced the Nay Pyi Taw – Kyaukpyu Expressway, along with other projects from the pipeline, to be implemented under the BRI framework (Lwin 2020).

Japan and India – From Bi- to Trilateral?

In an effort to implement its connectivity agenda and the associated standards, the EU has already concluded partnerships with **Japan** and **India**. Its cooperation with Japan, for instance, is considered as a logical result of 'the value propositions that both sides presented in contrast to China's Belt and Road Initiative' (Okano-Heijmans 2019). With bilateral agreements already in place, a next meaningful step may be establishing a **trilateral partnership**. Such an upgrade seems even more realistic given the ongoing cooperation between Japan and India and the complementary nature of their respective connectivity strategies, India's '**Act East Policy**' and Japan's '**Free and Open Indo-Pacific**' (FOIP) (Kesavan 2020).

The '**Act East Policy**' is thereby closely linked with India's long-term objective of economically developing its North-Eastern Regions, which are seen as a gateway into South-East Asia and ASEAN. To this aim, India seeks to enhance **connectivity** by the construction of **physical infrastructure** in the fields of transport, highways, communication, power and waterways (Barua 2020; Kesavan 2020)⁹.

At the same time, Japan's FOIP puts great emphasis on enhancing connectivity between Asia, the Middle East and Africa through the expansion of trade and investment ties and the development of quality infrastructure (Berkofsky 2019; Szechenyi and Hosoya 2019). Accordingly, Japan's '**Expanded Partnership for Quality Infrastructure**' (EPQI) occupies a central role in Japan's FOIP vision. The EPQI aims at exporting high-quality infrastructure through

⁹ The 'Act East Policy' also corresponds with India's 'Neighbourhood first' policy, which puts an emphasis on routinised exchanges, strong economic linkages and enhanced connectivity within India's periphery (Pulipaka, Ghosal Singh, and Sircar 2017).

the construction of roads, railways, ports and infrastructure related to energy and natural resources (Ministry of Economy, Trade and Industry (METI) 2016; Berkofsky 2019; Okano-Heijmans 2019).

In advancing India's connectivity agenda, Prime Minister Modi has determined Japan as the 'closest and most reliable partner' (Pulipaka, Ghosal Singh, and Sircar 2017). This partnership is inter alia reflected in the upgrade of bilateral relations into a '**Special Strategic and Global Partnership**' in 2014. Subsequently, Japan committed to provide ODA to advance road projects in Northeast India and the funding of the Mumbai-Ahmedabad High Speed Rail project. In January 2017, the two nations furthermore set up the '**India-Japan Act East Forum**', a platform that seeks to realise **synergies** between India's Act East Policy and Japan's FOIP strategy through concrete infrastructure projects (Pulipaka, Ghosal Singh, and Sircar 2017; Sibal 2021). Additionally, Japan and India have expanded their engagement into **third-countries** such as Sri Lanka, Myanmar and Bangladesh (Banerjee and Basu 2021). Further cooperation between the two actors can be observed in the construction of the '**India-Myanmar-Thailand**' (IMT) **trilateral highway project**, a 1.360 km long road that aims at boosting connectivity between India and ASEAN (Bana and Yhome 2017; Manchanda 2020).

Another example for the convergent objectives of the respective connectivity approaches is the joint '**Asia-Africa Growth Corridor**' (AAGC). Launched as an **alternative to China's BRI**, the initiative aims at facilitating development, connectivity and cooperation between Africa and Asia based on a **liberal** and **value-based** order (Okano-Heijmans 2018b; Panda 2018). So far, however, the AAGC has struggled to get its feet on the ground, with concrete progress yet to be made (Taniguchi 2020).

Potential and Obstacles for Trilateral Cooperation

Through the existing bilateral EU-India and EU-Japan agreements, the **norms, standards and values** associated with the development of connectivity projects may be considered as already **aligned** or at **least well-defined**.

Furthermore, the EU, Japan and India share a similar **geographical focus**, especially with regards to **ASEAN** (Kesavan 2020). The IMT trilateral highway, for instance, is also linked with ASEAN's MPAC 2025 (ERIA 2020). Additionally, the project is conducted under the framework of the 'Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)' and therefore will be included in the 'BIMSTEC Master Plan for Transport Connectivity' (Laskar 2021).

Stepping up its efforts in such **regional endeavours** alongside India and Japan could therefore be a meaningful way to **increase the EU's impact on the ground**. Tapping into sub-(regional) initiatives and **connecting** them with projects under the EU Connectivity Strategy could also prove helpful from a **financial point of view**. The trilateral highway, besides being co-financed by Japanese grants (ERIA 2020), also benefits from financial contributions provided by the ADB, as some of its sections partly overlap with the 'Greater Mekong Subregion (GMS) East-West Economic Corridor' (K. Sharma 2017; Iyer 2017). Further trilateral engagement may envisage the **EU's participation in the AAGC**, which could allow the EU to give its strategy a more **global approach**. At the same time, the EU's **engagement** and its **experience** as an investor and lender in Africa could also help the AAGC to pick up speed and finally translate into **visible** action on the ground.

To **coordinate** possible joint efforts in connectivity, the EU should therefore engage in **concrete talks** to set up a **regular trilateral connectivity exchange with India and Japan**.

That being said, it is also crucial to not neglect the **challenges** associated with increased trilateral cooperation. While in 2018, the EU's participation in the AAGC used to be considered as politically insensitive regarding China (Okano-Heijmans 2018b), this may have **changed** by now. As China's recent criticism¹⁰ of the Quadrilateral Security Dialogue (Quad) and the B3W initiative implies, increased trilateral cooperation may be perceived as 'ganging up against China' (Global Times 2021). However, although China's reaction is certainly an **aspect** to be **considered**, a more coordinated trilateral exchange of nations that already have strategic partnerships amongst themselves would be a **next logical step**.

¹⁰ See for instance: <https://www.globaltimes.cn/page/202103/1217756.shtml>, accessed 28.06.2021

Conclusion

The main purpose of this EIAS Briefing Paper was to critically reflect upon the EU's Connectivity Strategy and its intended implementation, thus identifying **potential obstacles** and developing concrete **policy recommendations** for **overcoming** these challenges. Overall, a total of **16 policy recommendations** across **three major thematic** fields may be provided:

How to finance the EU's Connectivity Strategy?

The EU should:

1. Facilitate **private sector** investment by increasing the attractiveness of investment opportunities and the **business environment in third countries** by appropriate financing vehicles.
2. Advance the establishment of an EU strategy and set up financial instruments to mitigate **export-related risks and financing**.
3. Set up a '**Connectivity Forum**' to increase coordination and transparency between **EU Institutions** and the **Member States** on connectivity projects.
4. Transparently **communicate** potential **projects** as well as **investment** and **fund-ing opportunities** through a **one-stop online platform**.

How to guarantee the 'European way' throughout the implementation of the Strategy?

The EU should:

5. Provide well-defined **focus areas** and **responsibilities** under the **EFSD+**, thus ensuring sufficient **accountability** throughout the project life cycle.
6. Consider establishing an effective and comprehensive **emergency mechanism** for the European Institutions in the case of **major project irregularities**.
7. Adopt concrete **measures** that contribute to a **level playing** field in public procurement, such as the **IPI**.

Whom to cooperate with?

With regards to _____, the EU should:

China:

8. Uphold the EU core **standards** associated with its strategy and therefore its alternative value proposition towards third-party countries.

9. Where possible, foster **cooperation** with China, for instance through well-defined projects under the **EUCCP** or within the field of **people-to-people connectivity**.
10. Leverage the **EUCCP** for the EU and China to reach common and shared values and standards.
11. Continue promoting EU **regulations** concerning cybersecurity towards China, thus paving the way for potential future cooperation on digital connectivity.

United States:

12. Focus cooperation on areas with **clear synergies**, e.g. project preparation, technical assistance, information sharing and capacity building.
13. Evaluate the potential benefits of joining the **BDN** as a **technical partner**.

South Korea:

14. Assume talks to conclude a **bilateral connectivity partnership** focused on **digital connectivity**.

ASEAN:

15. Increase the EU's **commitment** by engaging in MPAC 2025 **priority projects**.

Japan & India:

16. Set up a **trilateral connectivity platform** to **coordinate efforts** and **develop synergies** beyond the existing bilateral agreements.

In terms of **financing**, the EU must effectively leverage the funds of the NDICI and EFSD+ to crowd sufficient resources from the **private sector by mitigating potential investment risks**. To this aim, also the establishment of an overarching **European export credit strategy** may be conducive. Furthermore, the EU needs to orchestrate the efforts of the EU Member States and at the institutional level towards connectivity investments, making potential projects and funding opportunities transparently accessible for the private sector.

In its effort to safeguard the 'European way' of connectivity, the EU should consider establishing an unbureaucratic but effective **emergency mechanism**, while at the same time finding short- and long-term solutions that contribute to a level playing field in the **public procurement process**. Additionally, the **accountability** of operations – such as technical assistance or project preparation – under the **EFSD+** must be increased by clearly defining **focus areas** and **responsibilities**.

Lastly, the variety of actors interested in the development of connectivity in and with Asia not only comes along with increased potential for cooperation, but also with the risk of **unhealthy competition** causing **disadvantages** for the recipient countries within the region. In this tense environment, the EU should **confidently** pursue the development of its own Connectivity Strategy and therefore should seize the opportunity to become an **intermediary** by **building bridges across geopolitical blocs**.

In fact, through its involvement in the **EU – China Connectivity Platform** on the one hand, and its potential engagement with the **United States** through a technical partnership within the **Blue Dot Network**, the EU can play a **central role** in **balancing** the infrastructure efforts of the two adversaries. While **well-defined** and **selective engagement** with **all the actors** in the region will certainly contribute to the **attainment of the EU's own strategic interest**, it can also contribute to a **balanced 'connectivity market'** with **viable** and **sustainable alternatives** for third-party countries.

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