

Master Thesis:

The Europe-Asia Connectivity Strategy  
and an Explanation of EU External Policy  
Based on Market Power and Normative Power



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## List of Abbreviations

AA – Association Agreement

AIIB – Asian Infrastructure Investment Bank

BRI – Belt and Road Initiative

CDB – China Development Bank

EEAS – European External Action Service

EU – European Union

ICT – Information and Communications Technology

OBOR – One Belt One Road

## Abstract

In the past decade EU has been facing the actions of other powers, like Russia and China, which have implications for EU interests externally and which prompted a need for EU to counter-act in order to reverse the change in status quo. Two main groupings of theories on the nature of power that the EU exercises in its external policy and the manner in which that power manifests itself are known as Market Power Europe and Normative Power Europe. However, there are limited studies on what are the roles of economic interests and normative values in motivation and over the course of the making of external policy by the European Commission and EEAS in response to other powers' economic policies. This thesis examines the policy-making process that preceded the putting forward of the Europe-Asia Connectivity Strategy by the European Commission and EEAS. It seeks to ascertain the extent to which this policy is shaped by the motivation to protect the EU's ability to wield market power in the context of the pressures stemming from the BRI and to what degree it is influenced by the EU's normative values. An adapted neoclassical realist framework is applied which presupposes that other powers' policies that challenge the EU's economic power (understood through regulatory externalisation and market access) prompt a policy-making process responding to those challenges but in the course of this process the EU's normative values influence the content of the produced policy. The analysis based on the process-tracing method suggests that in the case of the Europe-Asia Connectivity Strategy the proposed model is broadly accurate. However, in future applications of the neoclassical realist framework to EU external policy there is a need for a more methodical understanding of which normative values affect policy-making and for further research to distinguish at what stage particular values come to influence the policy making process.

## 1.Introduction

The question of the nature of influence of international organisations on the international arena is hotly contested (Barnett and Finnemore 1999; Keohane 1988; Mearsheimer 1994). This is particularly the case with the European Union (EU) and its degree of delegation of decision-making in limited areas of external policy to the supranational level with other aspects remaining intergovernmental (Smith 2014; Wagner 2003). Debates are ongoing on the nature of power that the EU exercises in its external policy and the manner in which that power manifests itself – two main groupings of theories in this regard are known as Normative Power Europe and Market Power Europe (Damro 2015; Hyde-Price 2006; Thomas and Tonra 2012).

One specific question for these debates is how the EU reacts to actions of other powers that have implications for EU interests. This has become especially relevant over the course of this decade with Russia becoming more assertive, especially in its neighbourhood, and with China adopting a more proactive foreign policy orientation since the assumption of the presidency by Xi Jinping in 2013 (Rolland 2017; Sakwa 2016, p.31). This makes for a world in which EU external actions will interact with, and possibly come into conflict with, the interests of such powers. This prompts a need for the EU to respond which in turn has created a space for scholarly inquiry into what motivates EU external policy, and how these motivations manifest themselves in action when this need to react arises (Gehring, Urbanski and Oberthür 2017; Smith 2016). This thesis aims to contribute to this research by examining the Europe-Asia Connectivity Strategy put forward by the European Commission and the European External Action Service (EEAS) in September 2018 which corresponds to the Chinese Belt and Road Initiative (BRI, announced in 2013). The BRI is a policy that encompasses Europe and Asia, primarily aimed at improving trade infrastructure between China and Europe as well as deepening China's economic links with transit countries.

Commentators and scholars have, however, noted the potential of projects within this framework to act as a vehicle for the spread of the Chinese economic model and to establish relationships of dependency (Dollar 2018; Ruslan 2018). This in turn could enhance China's place in the international system and hamper the EU's ability to influence both the trajectories of the countries concerned and the rules of international trade and investment. The Europe-Asia Connectivity Strategy foresees EU investment in transport, energy and digital infrastructure in the states involved as well as the building of partnerships and the promotion of sustainable finance (European Commission and EEAS 2018).

This thesis seeks to establish the extent to which this policy is shaped by the motivation to protect the EU's economic power in the context of the pressures stemming from the BRI and to what degree it is influenced by the EU's normative values. In so doing it intends to answer a broader research question: what are the roles of economic interests and normative values in the making of external policy by the European Commission and EEAS in response to other powers' policies? In attempting to answer these questions the thesis builds on the work of scholars such as Smith (2016) and Anghelescu (2018) and applies the neoclassical realist framework of foreign policy analysis to the decision-making process of the European Commission and EEAS. It posits that the market power concerns form the key explanatory variable but that normative values come into play over the course of the policy-making process and have a significant impact on the outcome.

The thesis is structured as follows. It begins by reviewing the relevant literatures on theories of EU power in external policy, on the neoclassical realist framework of foreign policy analysis and its application to the making of EU external policy and on the implications of Chinese external policies for the EU. The theoretical framework is then outlined which draws on neoclassical realist theory as well as the concepts of interolarity, Market Power Europe and Normative Power Europe. This is followed by a methodology

section which outlines the process tracing method applied by neoclassical realist scholars in analyses of foreign policy decision-making and establishes a prediction for how the theoretical framework is expected to operate in the case. The analysis of the case study of the Europe-Asia Connectivity Strategy then follows which examines three phases in the policy-making process on the basis of the process-tracing approach and predictions made about the case in the methodology chapter. The thesis concludes with a discussion of the findings as well as closing remarks on limitations.



## 2. Literature Review

### 2.1 Understandings of EU Power in the International System

A review of the field of EU actorness and power by Thomas and Tonra (2012) speaks to the fact that this topic is most commonly approached through the prism of the EU as a normative power. Notable exceptions to this trend include Collard-Wexler 2006, Hyde-Price 2006 and Rosato 2011 who focus on realist approaches to understanding the EU. The concept of Market Power Europe developed by Damro (2012), draws on previous work by Bradford (2012) which notes the spread of EU regulations to other jurisdictions through companies which operate in the single market selling products developed to meet the stringent conditions for trading in the EU in other markets. Damro conceptualised this as the form of power which the EU exercises. In his subsequent review of scholarly work done using the concept, he notes the continued debate on whether the exercise of this power is conscious or inadvertent (Damro 2015). Further analyses regarding the nature of EU power in the international system are thus needed, especially when adopting an approach merging both economic forces and normative concerns.

### 2.2 Neoclassical realism and the EU

Neoclassical realist approaches are a significant branch of the field of foreign policy analysis (Ripsman, Taliaferro and Lobell 2016, p.12). Neoclassical realist scholars build on the assumptions and work of both neorealists and classical realists but depart in their approaches, especially in two key areas – the understanding of power and the introduction of intervening variables. The neoclassical realist understanding of power contrasts with neorealist approaches in its treatment of economic power with the significance of economic power going beyond merely the basis of military capabilities. Economic resources can contribute to power directly by giving the state the possibility to assuage security problems in

other ways – states seek to shape the international environment with the tools at their disposal (Rose 1998). Zakaria (1998, p.19) summarises that states are considered “not resource-maximisers but influence-maximisers”. In cooperating on economic matters with the goal of increasing influence, states are then able to achieve their security objectives. To combine structural realist insights about the role of distribution of power in the international system and classical realist explanations based in individual and domestic-level observations, neoclassical realists introduce intervening variables in their framework for foreign policy analysis. The systemic stimulus then plays the role of the independent variable and the intervening variables of individual and domestic-level factors function as a filter translating that stimulus into the foreign policy action (Ripsman, Taliaferro and Lobell 2016 p. 37-39). These intervening variables are categorised in four groups as: leader images, strategic culture, state-society relations and domestic institutions (Ripsman, Taliaferro and Lobell 2016 p. 74).

In recent years there have been attempts to apply the neoclassical realist framework to the making of EU external policy. Scholars have used this approach to examine the case of the Association Agreement (AA) with Ukraine and the case of the new Central Asia Strategy of the EU (Smith 2016; Anghelescu 2018). These works have been important in theorising why the EU can be treated as a state under certain circumstances so that it can be examined under the aegis of realist assumption of states being the sole significant agents in the international system. These works have also been significant in showing how neoclassical realist theory can be applied to EU external policy but have not been clear in the operationalisation of variables and in describing the methodological approach applied. There has also been only limited integration of insights from the literature on EU power into applications of the neoclassical realist framework to EU external policy.

### 2.3 The EU, China and Chinese International Projects

The Chinese government's investment projects in third countries and their impact on the EU and its influence in those regions has attracted scholarly and analyst attention. The impact of the BRI has been analysed in academic articles and think tank publications alike, with the latter also producing policy recommendations for the EU (Bohman and Ljungwall 2018; Verlare and van der Putten 2015). Similarly, there are several publications on Chinese policy in Africa, including observations of EU responses (Alden and Barber 2015, p.402; Wissenbach 2009; Wu 2012, p. 106). In both cases the attempts to use this research to contribute to a more general understanding of EU external policy making. An exception has been an attempt by Hooijmaaijers (2018) to provide a theoretical understanding by testing neorealism, institutionalism and bureaucratic politics model theories in the context of the trilateral EU-China-Africa cooperation policy initiative.

Given the recentness of the policy, the Europe-Asia Connectivity Strategy has not been extensively studied. Given the points made above there thus is space in an examination of the Europe-Asia Connectivity Strategy to combine both economic interest and normative values considerations in approaching EU-China relations and an attempt to use this case to shed light on EU external policy making in general.

The literature review presented here indicates that there is a gap in the literature in that there is space to further integrate the theoretical work on EU power with foreign policy analysis approaches in evaluating the relative roles of interest and values in the motivations behind EU external policy. This thesis positions itself within the debates on EU power and works on the basis of insights from the Market Power Europe and Normative Power Europe literatures to apply an adapted neoclassical realist framework to examine a case that is yet to be explored from a theoretical perspective, namely the Europe-Asia Connectivity Strategy.

### 3.Theoretical Framework

This chapter proceeds by setting out the theoretical assumptions about the international system and the exercise of EU power within it that underpin the theoretical framework. It then adapts the neoclassical realist framework of foreign policy analysis in light of the concepts of interolarity, Market Power Europe (with special emphasis on regulatory externalisation) and Normative Power Europe. In so doing it builds on work by Smith (2016) and Anghelescu (2018) in applying the neoclassical realist framework to EU external policy. However, it provides a more detailed understanding of the reaction the independent variable of the distribution of power in the international system is predicted to elicit and in its conceptualisation of the intervening variable it focuses on the role of normative concerns in the formulation of EU external policy.

#### 3.1 Interolarity

This thesis relies on Grevi's (2009) conceptualisation of 'interolarity' for its understanding of the international system. Grevi posits that the international system of the 21<sup>st</sup> century is defined by two key characteristics – multipolarity and economic interdependence (Grevi 2009). Taken together these have significant implications for the type of power that is of greatest value for actors in the system. In short, in an interolar world, interdependence makes cooperation unavoidable and having influence over the terms on which cooperation is approached becomes key to determining success in defending material interests. Thus, there is a long-term interest for more powerful actors in ensuring that smaller actors adopt their own approach to cooperation in this system including in operating in the global marketplace. This is of significance for this thesis as it establishes a link between international rules and standards, and the power of actors within the international system, and it allows for cooperative responses to changes in the distribution of power in the international system.

### 3.2 Market Power Europe and Regulatory Externalisation

This thesis understands EU economic power in terms of its regulatory and market influence. These two existing and related conceptualisations of EU power in the international system in the literature are linked to the EU's market share and external economic policy. Bradford (2012) pointed at corporations abiding by EU regulations even when operating outside of the Union's jurisdiction and at regulatory bodies in non-EU states and economic blocs adopting regulations similar to those in the EU. The author theorised that the size of the EU's Single Market encourages producers to meet EU regulations and the logic of economies of scale then further pushes them to sell the same products in other jurisdictions. In an effort to not be undercut, these firms then influence regulators in other markets to set standards that resemble those that apply in the Single Market (Bradford 2012).

This observation bred a new conception of EU operation in the international system known as Market Power Europe (Damro 2012). This conceptual framework considers how the EU itself, may inadvertently or consciously use its market position to externalise regulations and in so doing gain access to or expand influence over other markets. The conceptual framework in effect posits that this form of power is the primary feature of EU external actions and more broadly the impact of the organisation on the world outside its territorial scope. This thesis incorporates regulatory externalisation in its understanding of economic power and thus it expects that defence of the EU's ability to externalise regulation will form a key tenet to responses to changes in economic power in the international system.

### 3.3 Normative Power Europe

As discussed in the literature review, a large branch of the literature on EU power focuses on the explanatory significance of the EU's normative commitments, arguing that as a unique actor in the international system the EU can and does use its position to advance the

importance of particular norms and values in the international system (Manners 2002). In the original formulation of the concept of Normative Power Europe, Manners (2002) identified five core norms – peace, liberty, democracy, the rule of law and respect for human rights. Other scholars have built on these to include other norms in their analyses, including for instance environmental protection and the fight against climate change (van Schaik and Schunz 2012). This thesis posits that norms are not enough to explain EU external policy, particularly in reaction to other powers’ policies. It will thus analyse norms whilst looking at the role of the economic power explanation rooted in regulatory externalisation, viewing norms as influencing and shaping the EU’s policy but not being the initiating factor or the fundamental concern of these policies. Norms have previously been applied to neoclassical realist frameworks under a range of labels falling under the category of strategic culture as identified by Ripsman, Taliaferro and Lobell (2016, p.74).

### 3.4 Applying a Neoclassical Realist Framework of Foreign Policy Analysis

The basic neoclassical realist model of foreign policy decision-making takes a change in the distribution of power in the international system as the independent variable. This system-level stimulus incentivises or disincentivises a foreign policy action (Smith 2016). However, neoclassical realists believe that domestic-level politics act as a filter in translating the systemic stimulus into a particular foreign policy action. Domestic-level politics thus function as intervening variables which could not initiate the process but influence how changes in the international system are interpreted, how the response to the systemic stimulus is shaped and the final form that the foreign policy action takes. The resulting foreign policy action is then placed as the dependent variable (Ripsman, Taliaferro and Lobell, p. 100).

In the context of EU external policy and the assumptions made above about the EU's power and the interpolar structure of the international system, this neoclassical realist model is adapted and applied to the EU's external policy-making as follows.

The understanding of the importance of economic power in the interpolar system and the EU's tool of regulatory externalisation in this regard examined in this thesis require a specific definition of the change in distribution of power in the international system that acts as the independent variable. Additionally, the context of the focus of this thesis on EU external policies that react to the policies of other powers, the change of distribution of power in the international system may be understood as the consequences of another powers' policy. The independent variable is thus taken as the consequences of a third power's policy which constrain the EU's ability to externalise regulation and to ensure access to foreign markets. This change is theorised to incentivise a foreign policy action which restores this ability through competitive or collaborative means.

Similarly to Gehring, Urbanski and Oberthür (2016) this thesis focuses on the supranational institutions with influence over EU external policy - the European Commission and the EEAS, to the extent that they can be collectively treated as an actor equivalent to a state. Gehring, Urbanski and Oberthür (2016) underline that these institutions collectively hold the decision-making ability and governance resources to be considered an actor. The dependent variable of a foreign policy action is thus taken as the policy that these institutions propose.

As the purpose of this thesis is to evaluate the relative roles of economic interests and normative values in EU external policies that react to other powers' policies, the intervening variable used here is that of identity (as labelled by Smith 2016 or more broadly as strategic culture by Ripsman, Taliaferro and Lobell 2016, p.74). This is consistent with neoclassical

realist approaches to analysing foreign policy in general and the external policy of the EU in particular as explained above. Insights from Normative Power Europe literature on EU-supported norms in external policy are thus drawn upon. Previous applications of the neoclassical realist framework to EU external policy have focused on the constraining influence of identity – Smith (2016) for instance assumes that the logic of appropriateness eliminates some of the potential policy actions in response to systemic stimuli. This thesis contends that it is also possible that in the formulation of a policy these normative concerns may widen the scope of that policy from the original reaction to a systemic stimulus to other areas inspired by the values the EU holds as an actor.

The proposed theoretical framework is illustrated in Figure 1. Invoking the neoclassical realist framework of foreign policy analysis, it provides an efficient mechanism for evaluating the roles of interest based in market power and of normative values in the process of the making of EU external policy by the European Commission and EEAS. The framework as applied here presupposes that other powers' policies that challenge the EU's market power (understood through regulatory externalisation and market access) prompt a policy-making process responding to those challenges. However, in the course of this process the EU's normative values influence the content of the produced policy with that influence being made apparent by the inclusion of elements in the policy that are not of direct relevance to the original systemic pressure with the policy as a whole remaining orientated towards answering that pressure. In understanding the EU's relevant normative values as environmental protection and advancing human rights, it thus expects these to take an increasingly prominent role in the policy-making process.



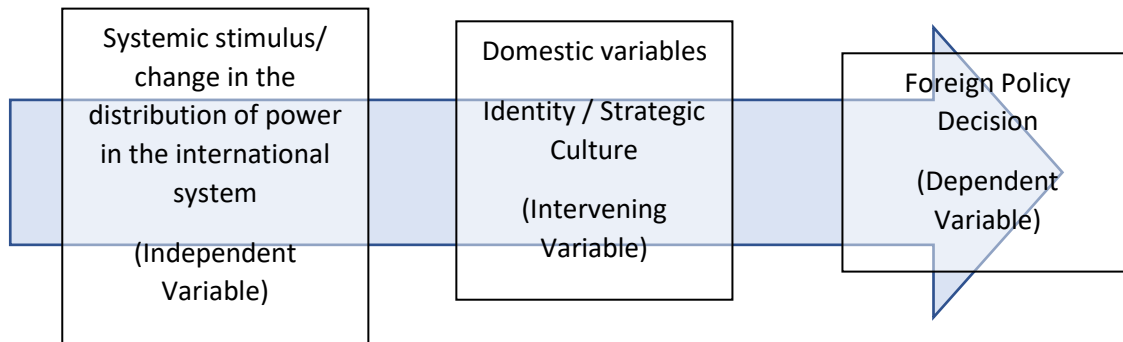


Figure 1. An adapted neoclassical realist framework for the making of EU external policy

## 4. Methodology

In this chapter, the methodological approach applied in the thesis is outlined and the selection of the case and supporting sources is justified.

### 4.1 Methodological Approach

The thesis takes the form of a single-case study and in the examination of the case uses the process-tracing method. The reason for this approach is that applications of a neoclassical realist framework require a careful qualitative examination of the factors involved in the decision-making on a foreign policy action. A use of the process-tracing method in a small-N study enables a researcher to investigate the role of the theorised independent and intervening variables and to test whether they affect the dependent variable in the order assumed by the theoretical framework (Ripsman, Taliaferro and Lobell 2016, p.145-146).

The process-tracing method is understood as the study of a causal mechanism in a given case (Beach and Pedersen 2013, p.13). The causal mechanism is understood as “a complex system which produces an outcome by the interaction of a number of parts” (Glennan 1996). Beach and Pedersen (2013, p.12) identify three specific variants of the process-tracing method that depend on the manner in which that causal mechanism is derived. For the purpose of this thesis the theory-testing variant is of interest where “we either have existing conjectures about a plausible mechanism or are able to use logical reasoning to formulate a causal mechanism from existing theorization” (Beach and Pedersen 2013, p.14). The theorised causal mechanism to be tested in this thesis has already been presented in the form of the adapted neoclassical realist framework for the making of EU external policy outlined in section 3.4.

This approach requires the making of case-specific predictions for how the causal mechanism will function in the case under consideration and how the impact of each of the theorised variables will manifest itself in the case (Beach and Pedersen 2013, p. 23). The analysis of the case then requires a step-by-step evaluation of whether those predictions are met at each stage of the process. Beach and Pedersen (2013, p. 23) note that “the evidence necessary to test whether the different parts are present can be very different” – varying types of sources as well as different types of evidence may be needed at each point in the process. The rest of this chapter thus proceeds by justifying the case selected for study and outlining the predictions for how the causal mechanism will function in this case.

#### 4.2 Case and Document Introduction

The case under consideration in this thesis is the Europe-Asia Connectivity Strategy which reacts to the Chinese BRI. This case is used because it is expected that the political-economic nature of the BRI, its prominent place in the change of distribution of power caused by the rise of China and the fact that it is advanced by a major authoritarian power should be a case with a strong likelihood for the EU’s approach to take into account economic power factors, namely those related to the regulation of trade and investment, as well as normative considerations.

Applying the theoretical framework from section 3.4 to make predictions about the case, this thesis posits that the foreign policy action (dependent variable – policy put forward by the European Commission and EEAS) of putting forward the Europe-Asia Connectivity Strategy is caused by the change in ability to exercise market power by the EU in light of specific consequences of the BRI (independent variable – change in the distribution of power that lowers the EU’s economic power). It thus expects that there will be evidence of the motivation to address this change in the distribution of power early in the policy-making

process. However, it also expects that over the course of the policy-making process the EU's normative commitments (intervening variable – the EU's strategic culture) will shape how the systemic pressure from the BRI to protect market power will be addressed in the policy, adding additional focuses to the policy. In the context of this case, the normative values expected to influence the process are environmental protection and the advancement of human rights. This prediction is made on the grounds of scholars' previous identification of these norms (Manners 2002; van Shaik and Schunz 2012) the environmental impact of infrastructure construction (a key aspect of improving connectivity), the EU's commitment to achieving the goals of the Paris Climate Agreement (European Commission 2016) as well as the record of human rights violations by China (Human Rights Watch 2019).

In light of the above predictions, the analysis of the process will be divided into three stages – the systemic stimulus phase, the policy-making phase and the policy outcome phase. The systemic stimulus phase will identify in what ways the BRI impinges on EU power - this is an attempt to assert the objective stimulus of the independent variable. In the second phase a point in the policy-making process is identified where it is expected that there will be a strong response to the independent variable but limited influence of the intervening variable. In examining the resulting policy in the third phase it is expected that a greater role of the intervening variable of the EU's normative values will be observed but with a key role for reaction to the stimulus from the BRI remaining in place.

To enable the process-tracing method sources to be used as evidence in each of the phases of the analysis must be identified. In the first phase, scholarly and think tank sources are used to establish the objective systemic stimulus. In the subsequent phases, given the theoretical focus on the European institutions rather than Member States and on policy formulation, the emphasis on the analysis is on the European Commission and EEAS. Hence the focus will be on the use of Commission and EEAS-produced documents. The analysis below concentrates

on two main documents instrumental in the formulation of the policy. The second phase focuses on the preparatory work that was produced in November 2017- “Joint Staff Working Document Euro-Asian Connectivity Mapping Exercise Main Findings”. The third phase concentrates on the final document published in September 2018 and entitled “Joint Communication to the European Parliament, the Council, The European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. Connecting Europe and Asia - Building Blocks for an EU Strategy”.

## 5. Analysis

This chapter conducts a process-tracing analysis of the Europe-Asia Connectivity Strategy in three phases as outlined in the methodology chapter. The first section of the chapter focuses on the systemic stimulus of the BRI, the second section then concentrates on a chosen point in the policy-making process represented by a preparatory document and the third section examines the resulting policy. The analysis is centred on the predictions made in the methodology chapter based on the theoretical framework.

### 5.1 Systemic Stimulus – Belt and Road Initiative

The BRI originally launched under the name of One Belt One Road (OBOR) in 2013, is a policy of the Chinese government that takes as its primary goal the facilitation of trade between China and Europe as well as the deepening of economic ties between Beijing and the countries along the routes (Rolland 2017). This consists of infrastructure projects designed to decrease transit times for goods and to increase trade capacity as well as other investments that will increase the value of transit countries as trade partners in their own right. The Chinese government is mobilising private, public as well as regional investment and development bank funds for activities falling within the scope of the BRI. This includes \$100 billion from the Asian Infrastructure Investment Bank (AIIB) and \$900 billion from the China Development Bank (CDB) among others (Rolland 2017). The ‘Belt’ of the BRI consists of possible corridors for overland trade between East Asia and Europe. Four main corridors have been identified in this regard – two northern routes focusing on Russia with Kazakhstan as an additional transit country, a central route running through Central Asia, over the Caspian Sea, through the Southern Caucasus entering Europe via Turkey or the Black Sea and a southern route through Pakistan, Iran and Turkey (Popescu and Secieru 2018). The ‘Road’ refers to the ‘Silk Maritime Road’ and thus focuses on improving and

expanding infrastructure for sea-faring trade (Rolland 2017). Alongside investments in countries already along the maritime trade route between East Asia and Europe, projects would also seek to combine with the land-based initiatives to build new routes and the initiative foresees investments in terminus ports in Europe. In total, more than 60 countries in Europe, Asia and Africa are now involved (Ljungwall and Bohman 2017).

BRI projects and related activities, however, are not designed to take the form of grants. The model consists of countries involved in the initiative being offered loans from public and private Chinese institutions to cover the costs (Dollar 2018). This also involves Chinese companies carrying out the construction of individual projects (Rolland 2017). More broadly, the BRI has been described as spreading the Chinese understanding of a market economy, one where the state takes a guiding role (Rolland 2017). Taken together with the debt accrued by the partner countries, the model is seen by Ruslan (2018) (among others) as developing relations of dependency and from the regulatory externalisation perspective this would undermine the possibility for the spread of EU regulations to these states as well as close down their field for manoeuvre in economic relationships with partners other than China. Thus, the political and economic developments in countries heavily involved in BRI projects would move them away from the economic model espoused by the EU (Bohman and Ljungwall 2018). Specifically, if there is a strong role for the state in the economy and the countries are dependent on China, foreign, and in particular European, companies may be locked out of markets and the states be insulated from EU regulatory externalisation. For instance, this pressure is being felt already in the Western Balkans where BRI investment undermines the attractiveness of the benefits stemming from undertaking reforms in the pre-accession and accession negotiation process. (Lagazzi and Vít 2017).

In summary, there is evidence that EU interests were put under pressure by the BRI by influencing countries involved in it in a manner that could limit access to their markets for

EU companies and block the spread of EU regulations there, thus making European companies uncompetitive in these regions and limiting EU economic power.

## 5.2 Policy-making Process (Joint Staff Working Document - Mapping Exercise)

In this chapter, a point in the policy-making process before the final policy is analysed where we can observe the effect of the above described stimulus from the BRI. The analysis focuses on a document produced by the European Commission and EEAS on 23<sup>rd</sup> November 2017 “Joint Staff Working Document Euro-Asian Connectivity Mapping Exercise Main Findings”<sup>1</sup>. The Mapping Exercise assesses the state of play at the time of writing and makes suggestions where an EU policy may fit in and the concerns it could address.

The Mapping Exercise is structured to treat a range of sectors that connectivity applies to as well as different states and regions within Europe and Asia, and the actors operating within them. It also outlines the commonalities in the stances of EU Member States. Throughout these sections there are common threads of the need for connectivity to be sustainable, fair and based on international regulations and standards. The document returns to the role of China and the BRI in several places without explicitly condemning them. The Mapping Exercise is explicitly concerned primarily with EU economic interests, it also mentions on a smaller scale questions of social cohesion, security problems and environmental sustainability.

The Mapping Exercise is clear in terms of the developments and motivations that prompted the Commission and EEAS to conduct this analysis. It states that the purpose of the document is to assess existing activities in the realm of Euro-Asian connectivity and their consequences for European interests (European Commission and EEAS 2017, p.1). In setting the objectives of the Mapping Exercise, the authors stress the need for a “level playing field” and it is asserted that “Coherent regulatory frameworks [...]”, and “adequate sectoral

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<sup>1</sup> Hereafter referred to as the Mapping Exercise



governance” are necessary to achieve this (European Commission and EEAS 2017, p.1). This in turn “enables European companies to compete fairly in emerging markets” (European Commission and EEAS 2017, p.1). The basic objectives of the Mapping Exercise and by extension plans for action on Europe-Asia connectivity are thus inherently entangled with European interests which are defined in economic terms linked to regulatory externalisation: openness of markets and good economic governance through regulations that will allow European companies to compete in these markets. Therefore in the opening of the Mapping Exercise there is strong suggestion that maintaining economic and regulatory influence in the face of the relationships of dependency being fostered by BRI projects is a key motivation of Commission and EEAS policy makers.

The Mapping Exercise later notes explicitly that “fiscal sustainability of connectivity interventions is not only a developmental concern but also has wider political implications” (European Commission 2017, p.3). In so doing it not only mentions the problem of states becoming indebted associated with the BRI but also specifically alludes to the reason this is of consequence – this has an impact on the political decisions that will be made by those states. These dependencies will in turn have an impact on the willingness and ability of the leaders of those states to adopt regulatory solutions compatible with European interests. By returning to the theme of the benefits of transnational regulation and the experience of the EU in building regulatory frameworks around connectivity in the building of the Single Market, (European Commission and EEAS 2017, p. 10, 12, 14, 15) the authors of the document offer an alternative that they present as not carrying the risks of dependency on China. There is thus a clear response to the stimulus of the BRI infringing on EU economic interests by reducing the possibility of EU-compatible regulations being adopted in the affected countries.

“Geostrategic elements” appears as a separate point in the summary of the Mapping Exercise’s findings (European Commission 2017 and EEAS, p. 2). The section begins by

noting the potential implications of connectivity and interdependence on security and social stability (European Commission 2017 and EEAS, p.2). Connectivity is thus also linked to “hard” security and questions of peace internally in transit countries as well as internationally when it is noted that new transport networks may open up avenues for the conduct of military operations (European Commission 2017 and EEAS, p.2). This deviates from the assumptions of the theoretical framework applied in this thesis but it is noteworthy that hard power elements associated with realist schools of thought have made it into this EU policy document.

It must be acknowledged that there is some presence of the identified intervening variable of the EU’s normative commitments in this document, though this role is limited. The phrase “human rights” appears once in the Mapping Exercise, in a list of EU standards that Member States indicated should be featured in the final policy while the Mapping Exercise was being prepared. Furthermore, there are references to the physical environment and to climate (European Commission and EEAS 2017, p. 4, 5, 11, 15, 16). Environmental protection features in the list of standards that the Member States wanted to be acknowledged and an environmental dimension is included in the definition of sustainable infrastructure (European Commission and EEAS 2017, p.5). The reduction of pollution and transitions to greener energy sources are examined in the energy sector section of the Mapping Exercise. The EU’s commitment to the Sustainable Development Goals and the Paris Climate Agreement are mentioned (European Commission and EEAS 2017, p.11).

Some normative aspects are thus already to be found in the Mapping Exercise. However, the issue of human rights is very limited and is mentioned in the context of issues raised by Member States, suggesting that there may be a greater role for it as the policy process continues. The role of environmental concerns is non-trivial but at this stage it applies to aspects of the strategy rather than forming an overall pillar of the document. The

securing of economic interests and the spread of regulations that would ensure market access thus takes clear precedence at this stage of the policy-making process.

### 5.3 Resulting Policy (Joint Communication - Building Blocks for an EU Strategy)

This section analyses the policy outcome and the extent to which between this phase and the policy-making phase, intervening factors have shaped the final policy and the degree to which the original systemic stimulus continues to be operative. The document under consideration in this section is the “Joint Communication to the European Parliament, the Council, The European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. Connecting Europe and Asia - Building Blocks for an EU Strategy”<sup>2</sup> which was issued by the European Commission and EEAS on 19<sup>th</sup> September 2018 (European Commission and EEAS 2018). This is the final version of the strategy as proposed by the Commission and EEAS. The document outlines the pillars of the policy, the types of connectivity that the EU seeks to pursue and covers issues related to the challenges of connecting Europe and Asia. The three main pillars are sustainability, comprehensiveness and a basis in international rules. Sustainability, the basis in international rules, promotion of a level playing field for business and an emphasis on EU experience and existing policies in this area feature most prominently. This is supplemented by returning themes of environmental protection and the advancement of human rights. The BRI is not mentioned in this document in contrast to the Mapping Exercise which suggests a motivation to generalise the applicability of the proposals even if they were developed in the context of the stimulus of the BRI.

The document presents a European understanding of connectivity by giving a definition grounded in sustainability, comprehensiveness and a basis in international rules (European Commission and EEAS 2018, p.2-3). Sustainability is described in terms of the

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<sup>2</sup> Hereafter referred to as the Joint Communication

fiscal viability and market efficiency of investments, avoiding environmental degradation and maintaining societal support through the propagation of transparency and good governance (European Commission and EEAS 2018, p.2). Comprehensiveness is a definition of the sectoral scope of possible action. It focuses on transport, digital, energy and person-to-person links (European Commission and EEAS 2018, p.2). Finally, the basis of connectivity in international rules consists of the assertion that transnational networks rely on international regulations and standards and that there is an important role for international organisations in that regard (European Commission and EEAS 2018, p.3). Two key tenets of the policy, sustainability and the basis in international rules, are thus especially tied to the issues of market regulation and the EU's experience in that regard. In subsequent sections of the document, these themes are given actionable form as transport, digital, energy and interpersonal connectivity are treated.

Sustainability is mentioned throughout – in particular in terms of fairness for local and European business and the financing of projects. The document does not explicitly handle the debt problems associated with BRI financing models but the Strategy's inclusion of the words: "Fiscal and financial sustainability of infrastructure projects need to be ensured to avoid the risk of debt distress" (European Commission and EEAS 2018, p.1) clearly links the theme of sustainability in the document with this very issue. Similarly, the problem of local businesses and workers not benefitting from BRI investments is here countered with a commitment to a "level playing field". Like in the Mapping Exercise this is compounded by the touting of transnational regulations as an underpinning of international trade and the EU's experience in that regard - the conclusions of the Joint Communication reiterate the three pillars of connectivity and sum up the model put forward as "the EU will enhance regulatory quality and level playing field of connectivity, drawing inspiration from its internal market" (European Commission and EEAS 2018, p.14). In summarising the document in this manner

the authors tie the Strategy to the issue of fair and open markets as well as placing the economic model of the EU, and by extension its regulations, as models to be followed – hence underlining that to the Commission and EEAS the ability to externalise the European economic and regulatory model is an important motivation for actively engaging with connectivity efforts.

In contrast to the Mapping Exercise, normative values feature more prominently in the Joint Communication. For instance, environmental protection forms part of the definition of the sustainable connectivity in the Joint Communication (European Commission and EEAS 2018, p.1) and the need to take into account environmental impacts is referred to subsequently, including in the sections that outline policies for sea, land and air transport (European Commission and EEAS 2018, p. 3-5). There is more emphasis on these themes here than in the Mapping Exercise. The document also cites EU legislation on environmental impact assessments of infrastructure projects and in noting the role of international and European institutions in setting common standards, it mentions environmental standards alongside those concerning international economic exchange (European Commission and EEAS 2018, p. 10). This level of presence in the key aspects of the Joint Communication suggest that the role of environmental protection in the Strategy has increased during the policy-making process and become a central objective of similar value to the economic objective of establishing a “level playing field” in trade and investment.

Rights are included in the definition of comprehensive connectivity (European Commission and EEAS 2018, p.1) and human, individual and social rights are present further in the document. The assertion that benefits need to be felt by individuals is repeated and human rights are mentioned in the context of digital connectivity – in the Information and Communications Technologies space human rights should be respected (European Commission and EEAS 2018, p.6). This role is more prominent than in the Mapping

Exercise, which appears to be a reaction to the request of Member States to include human rights considerations in the Strategy. However, the place of rights is not as significant as that of environmental protection in terms of quantity and integration with the different aspects of the Strategy is not as comprehensive as is the case with environmental issues.

In summary, there is evidence in the final policy document that the normative values of environmental protection and human rights have increased in importance over the policy-making process with the systemic stimulus from the BRI that sparked concerns about market access and the ability to externalise regulation remaining central, even if that stimulus is no longer mentioned explicitly.

## 6. Discussion

This chapter discusses the extent to which the analysis matches the predictions derived from the theoretical framework and examines issues arising out of the analysis in connection to the theoretical assumptions made.

The picture that emerges from the analysis is broadly in line with the assumptions made by the theoretical framework. Access to markets and the spreading of EU-compatible standards in trade and investment seem to be the main motivation in responding to the systemic stimulus of the BRI and emerge as the key issues early in the process. The problems of the BRI that are dwelt on are the ones that may make European companies uncompetitive in Asia and through dependency on China make aligning to EU regulations and standards unattractive to governments of countries along the routes. The normative values of environmental protection and human rights become more prominent and central to the strategy over the course of the policy-making process. Meanwhile over the course of the process the original stimulus becomes less overt though it remains central to the policy. The BRI is not mentioned in the final policy, seemingly to generalise the applicability of the proposals. However, the issues that were tied to the BRI in the Mapping Exercise still feature prominently as does the desire to increase EU economic presence in connectivity-related sectors in Europe and Asia.

The manner in which the normative values make their way into the policy raises points for discussion on how norms should be integrated into the neoclassical foreign policy analysis mechanism for EU external policy. There are differences in the level of significance of environmental protection and the safeguarding of human rights as well as how those concerns are translated into the policy. By the end of the process, environmental protection is thoroughly integrated into the Strategy, forming an explicit tenet of the definition of

sustainable connectivity and appearing alongside economic issues in the areas of regulation that are stressed in terms of need for convergence. Environmental protection also already appears with a degree of substance in the Mapping Exercise with the Joint Communication making that role more central to the approach of the Strategy and covering a broader range of its aspects. Meanwhile, human rights in the Mapping Exercise appear only in the notes on the consultations with Member States and remain in a secondary role in the Joint Communication. These differences raise areas for inquiry for applications of the neoclassical realist model of foreign policy analysis to EU external policy. Three key points for consideration are how to decide which norms can be predicted to influence particular aspects of EU external policy, how to decide the degree to which a particular norm can be expected to influence a particular policy and the order in which those norms can be predicted to influence policy. Clarifying these questions would allow for a more systematic approach to applying neoclassical realism to the study of EU external policy.

The findings also raise some significant questions about the role of regulatory externalisation and the applying of the neoclassical realist model of foreign policy analysis to EU external policy. Regulatory externalisation seems to be valued in itself – the regulations and standards that are mentioned in the documents concern not only issues pertaining directly to the organisation of markets, international trade or issues pertaining to the economic aspect of transport and infrastructure but also other areas of interest – here chiefly environmental issues. Indeed, the economic and environmental aspects feature side-by-side in the sustainability point in the definition of a European approach to connectivity as well as in the examples of areas for which international and European standards are of value. This raises questions for how the neoclassical realist model should be applied to the external policy of the EU in the future. For instance, Smith (2016) identified the inclusion of the obligation to pursue democratic reforms in the AA between the EU and Ukraine as an example of the



intervening variable of identity in his study. The findings in this thesis suggest some limitation of this approach. There appears to be a broad range of issues for which the externalisation of common standards seems to be of interest to EU external policy. This includes anything that shapes markets and their governance to make European companies more competitive. As such, it is debatable that the reforms to governance in Ukraine that the AA mandated can be treated as an indicator of normative commitments. Rather, it could be considered an element which cements EU economic power vis-a-vis Ukraine by establishing standards that European companies are used to operating under within the EU. Future integration of insights of how EU economic power functions from the Market Power Europe literature into neoclassical realist approaches toward analysing EU external policy thus require further examination. The key areas to consider are how to find a way to discern between regulatory externalisation motivated by economic power and examples resting primarily on normative concerns as well as how to approach a situation when this external policy tool is used for multiple purposes simultaneously.

## 7. Conclusion

This thesis examined the policy-making process that preceded the putting forward of the Europe-Asia Connectivity Strategy by the European Commission and EEAS. By applying a neoclassical realist framework of foreign policy analysis it sought to ascertain the extent to which this policy is shaped by the motivation to protect the EU's economic power in the context of the pressures stemming from the BRI and to what degree it is influenced by the EU's normative values. In so doing it intends to answer a broader research question: what are the roles of economic interests and normative values in the making of external policy by the European Commission and EEAS in response to other powers' policies? In attempting to answer this question it based its approach on neoclassical realist understanding of foreign policy with normative concerns acting as a filter for systemic stimuli that initiate the process of making a foreign policy. Unlike previous applications of the neoclassical realist framework to the making of EU external policy which defined variables strictly on the basis of neoclassical realist theory, this thesis directly incorporated regulatory externalisation as a tool of EU power from the Market Power Europe literature. Having conducted an analysis based on the process-tracing method, it found suggestion that in the case of the Europe-Asia Connectivity Strategy, concerns for EU economic power, manifested particularly by concerns about the ability to externalise regulation, were the initial driver of this policy with the normative concerns of environmental protection and human rights also shaping the final outcome. Therefore in regard to the broader research question on EU external policy, the neoclassical realist framework appeared to be in broad terms effective at explaining the roles of economic interests and normative values in the making of EU external policy – this would suggest a driving role for economic power and a secondary but significant one for normative concerns. However, the incorporation of regulatory externalisation into the definition of EU economic power, and the manner in which normative concerns appear in the Strategy,

indicates some challenges for the application of the neoclassical realist framework to EU external policy. Incorporating regulatory externalisation into the definition of economic power could be enhanced by a more systematic approach to distinguishing between normative values advanced by the export of regulation and the externalisation of regulation in non-economic areas with the purpose of strengthening EU economic power. Furthermore, there is a need for a more methodical understanding of which normative values affect policy-making and in distinguishing at what stage particular values come to influence the process. These should be fruitful avenues for future work.

The thesis was limited in three main aspects. First, the focus here was on the functioning of one intervening variable, originating from the category of strategic culture in neoclassical realist theory. A more comprehensive and longer study could include considerations of the perceptions of officials and the impact of the institutional design of EU external policy on the policy-making process. Secondly, a study which looked at a broader range of sources including interviews could make the conclusions on the causal effect of the identified variables more definitive, as long as care was taken to avoid the introduction of biases. Finally, an element of comparison with other cases could provide scope to make concrete proposals about how the role of regulatory externalisation should be handled in the future.

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