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signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
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Subject: JOINT STAFF WORKING DOCUMENT
Euro-Asian Connectivity Mapping Exercise
Main Findings

Delegations will find attached document SWD (2017) 436 final.

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HIGH REPRESENTATIVE
OF THE UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

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JOINT STAFF WORKING DOCUMENT

**Euro-Asian Connectivity Mapping Exercise
Main Findings**

JOINT STAFF WORKING DOCUMENT
Euro-Asian Connectivity Mapping Exercise
Main Findings

A. CONTEXT AND DEFINITIONS

1) In a globalised world in which 60% of economic growth comes from Asia, connectivity has become a **major element of economic expansion** and of security. It is a key component of Europe's relations, particularly with its main economic partners in Asia. The Global Strategy for the European Union's Foreign and Security Policy¹ proposed to strengthen Europe's relations with a "connected Asia". In this context, the European External Action Service (EEAS) and Commission services have carried out a mapping exercise of Euro-Asian connectivity, describing existing projects and analysing their impact on the European Union's interests. This mapping is based on contributions from the EEAS, Commission services and Member States.

2) The **geographic scope** of Euro-Asian connectivity used for the present exercise stretches from the Atlantic Ocean to the Pacific Ocean, covering countries such as China, Japan, Russia and Turkey as well as Eurasian regional and multilateral structures such as the Association of Southeast Asian Nations (ASEAN) and the Asia-Europe Meeting (ASEM). The mapping focuses on issues related to the EU's external dimension of Euro-Asian connectivity from an economic, political and security point of view.

3) One objective of the mapping is to reflect the **definition of connectivity**, taking into account policies and activities already underway. This includes both 'soft' and 'hard' elements, and covers inter- and intra-regional connectivity and trade-related policies. This mapping focuses on the following sectors:

- Transport (land including road and rail, maritime and air)
- Energy (fossil fuels and renewable sources of energy)
- Digital economy
- People-to-people (education, youth and culture, research and innovation)

4) Three structures facilitate a level-playing field for companies active in connectivity sectors (e.g. construction companies, service providers):

- Coherent regulatory frameworks (norms, technical specifications, customs standards and procedures and product standards)
- Adequate sectoral governance
- Aligned quality infrastructure networks (building on the Trans-European Transport Network (TEN-T) extensions) via a coordinated EU approach.

This enables European companies to compete fairly in emerging markets.

¹ See Council conclusions on the Global Strategy on the European Union's Foreign and Security Policy (17 October 2016), 13202/16, CFSP/PESC 814, CSDP/PSDC 572.

5) The **economic and financing** aspects have been integrated in the mapping; connectivity includes looking at infrastructure development on the basis of proper economic analysis. The exercise also looks at the important role of International Financial Institutions (IFIs) in helping the EU project its own policy positions. It is important that the EU speaks with one voice to promote a level-playing field on the trade and investment, environmental and social standards of connectivity.

6) **Geostrategic elements** are considered, as connectivity can have implications for peace, security and stability. Reinforcing countries' inter-dependency may have political, economic and social consequences for the countries concerned. Certain land corridors may increase threats when developed on contested territories. New land routes are also seen by some as strategic transport links for fast mobility of armed forces. Maritime routes have a direct geostrategic impact, as four oceans surround the Eurasian land mass (the Pacific, Indian, Atlantic and Arctic oceans). The Chinese "Belt and Road" southern maritime corridor goes through the South China Sea, the Strait of Malacca, the Strait of Hormuz, along the Horn of Africa Coast then through the Strait of Bab el Mandeb and the Suez Canal. South Korea, Japan and China are interested in developing the northern route through the Arctic Ocean. Access to Central Asian or Middle Eastern energy resources could intensify competition. The developing digital economy in Europe and Asia might generate risks, forcing the EU to better tackle cyber security issues.

7) **Awareness of the need to improve Euro-Asian connectivity** is not new. The EU adopted the first action programme on Trans-European Networks (TENs)² in 1990 to underpin the Single Market. In Asia too, physical connectivity has long been seen as a necessary ingredient for development and economic integration at a regional or sub-regional level. Such concepts included the development of transport links between Asia and Europe, as the two continents share a common landmass. The EU programme Europe-Caucasus-Asia Transport Corridor (TRACECA)³, launched in 1993, ran a transport corridor from Europe to China until 2016, via the Black Sea, the Caucasus and the Caspian Sea. This cooperation is currently continuing under the European Neighbourhood Instrument (ENI) umbrella, where the 'neighbours of the EU neighbours' (Central Asian countries, Iran) also participate. Similarly, the EU INOGATE programme ran from 1996 until 2016⁴, covering 11 countries in Eastern Europe, the Southern Caucasus and Central Asia. INOGATE supported a reduction in their dependency on fossil fuels and imports. It has now been replaced by the EU4Energy programme⁵. In 2003, the EU started a border management programme in Central Asia (BOMCA)⁶ to enhance border management and facilitate trade and transit in the region. The EU also initiated Integrated

² COM(90) 585 final.

³ www.traceca-org.org

⁴ www.inogate.org

⁵ <http://www.energycharter.org/partners/eu4energy-homepage/>

⁶ https://ec.europa.eu/europeaid/regions/central-asia/eu-support-border-management-central-asia_en

Border Management (IBM) in the Southern Caucasus⁷ and an Eastern Partnership IBM Flagship Initiative⁸, aiming at a balanced approach.

8) The **need for increased investment** in infrastructure in Asia is also not new. But although better connectivity and more infrastructure investment are established ideas, relevant and coherent networks have not always been developed. A proliferation of transport-related initiatives exists. Multilateral development banks are financing "bankable" projects in all countries, but they are not doing so under an overall pan-Asian framework prioritising certain corridors, as the TEN-T does in Europe. China is promoting several transport initiatives and projects to link with Europe. Japan focuses on linking infrastructure investment with support for Japanese exports in South-East Asia. Regional connectivity improvements in South Asia also depend on the evolution of India- Pakistan relations. ASEAN countries have ambitious plans on intra-regional connectivity which mostly depend on external funding.

9) **Economically, socially and environmentally sustainable** infrastructure of good quality is paramount for the EU's approach to connectivity. Such infrastructure must:

- be safe and resilient,
- encompass climate change mitigation and adaptation,
- adhere to common sets of environmental, social and governance standards to protect investments to yield, and
- leave no-one behind. Fiscal sustainability of connectivity interventions is not only a developmental concern but also has wider political implications.

B. CONNECTIVITY POLICIES OF THE EU'S MAIN PARTNERS

10) **China's** economic growth over the past three decades has been inextricably linked to building infrastructure, notably in transportation. This approach to infrastructure investment is being expanded to the rest of Asia and Europe through the **"Belt and Road Initiative" (BRI)** by the Chinese authorities. BRI was first launched as the "One Belt, One Road" initiative, as part of Chinese President Xi Jinping's grand scheme to improve land and sea routes to Europe through infrastructure projects in 66 countries for the time being. The Chinese approach aims to support a global supply chain scheme, absorb China's (over)capacity and use its capital abroad.

The mapping shows that **China is increasingly active** in many countries around the world, including Europe not least via the so-called "16+1" (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, the Former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia + China) framework. EU engagement with China aims to ensure synergies with the 16+1 and respect for the EU acquis. The Council Conclusions on the EU Strategy on China⁹ stress the need for cooperation frameworks to aim to generate synergies with EU policies and legislation. This should be done fully according to applicable regulations and standards, including on public procurement, and should guarantee a level-playing field for economic operators for both sides.

⁷ Decision ENPI/2007/019-368.

⁸ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/riga/20150518_flagship_ibm.pdf

⁹ Council conclusions on the EU Strategy on China (18 July 2016), 11319/12, CFSP/PESC 623, CSDP/PSDC 451.

BRI projects are financed in different ways, primarily through lending via its internal mechanisms. The **Asian Infrastructure Investment Bank (AIIB)**, spearheaded by China, is also expected to provide financing to BRI supported projects. The AIIB was set up in 2016 on the basis of international standards. EU Members States are shareholders and the AIIB has drawn on the experience of the European Investment Bank (EIB). The AIIB has already started cooperating with other major IFIs, notably the World Bank and the Asian Development Bank through co-financing. China's "policy banks" (China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China) were given increased financial resources in 2016 to provide most of the funding for BRI. The Silk Road Fund was created at the end of 2014 to support the BRI with a capital of USD 40 billion.

11) Japan is using a concept of connectivity to underpin its economic as well as its foreign policy interests. It is one answer to Japan's fast changing environment, which includes regional, economic and geopolitical trends. Direct or indirect government financing is used to guarantee a stable supply of projects to large construction and manufacturing firms and trading houses. **Japan has concentrated its efforts on the South-East Asian countries** that are part of the regional supply chains on which Japanese exports mainly rely. Since 2010 Japan has been providing support to enhance ASEAN Connectivity as well as infrastructure in the Mekong countries. The Japanese approach covers land transport as well as maritime and digital connectivity. The geographical scope of connectivity for Japan is **expanding to other regions** including in Africa. It also involves related issues such as facilitating border crossing. Japan is prepared to engage in these activities with other partners. It is active in the ASEM connectivity context and is interested in promoting a wider definition including infrastructure but also trade and investment and people-to-people exchanges. A certain degree of convergence exists between the EU and Japanese policies in these fields and fora.

12) India needs adequate infrastructure and connectivity (both internally and internationally) to foster its economic and trade development. India considers connectivity primarily as a major **internal policy concept** with certain external consequences. India has raised concerns about the BRI's Indian Ocean dimension and the China–Pakistan Economic Corridor, which connects China with the China-sponsored Pakistani port of Gwadar and crosses the disputed territory of Kashmir under Pakistani control. As the South Asia Association for Regional Cooperation is **hampered by the India-Pakistan dispute**, India is interested in other regional cooperation fora such as BBIN (Bangladesh, Bhutan, India and Nepal) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, which involves Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar/Burma and Thailand. **Relations with Japan** are increasingly important; for example, India will be introducing Japanese bullet train technology in the Mumbai-Ahmedabad corridor (construction to start in 2018).

India is keen to diversify its connections and favours better links with Central Asia to have access to alternative energy sources. But strained relationships with some countries have until now hampered concrete action. India is also interested in developing its relations with ASEAN countries to diversify routes, not least to be able to reach peripheral Indian regions such as the State of Mizoram through Myanmar/Burma. A partnership with the Iran is also developing rapidly on connectivity issues.

The **digital economy** is a prominent field of interest for India. The "Digital India Initiative" is of interest for the EU in areas such as regulatory frameworks and internet governance.

13) Pakistan is involved in China's BRI and specifically the China-Pakistan Economic Corridor. Connecting the port of Gwadar in Baluchistan to China will allow direct access for China to the Indian Ocean. This corridor with a USD 46 billion investment package, mostly financed by Chinese investors, associates transport (land as well as maritime) with energy

routes. It is a very sensitive project and this corridor is **contested by India**, which assesses it as a threat to its security, especially in Kashmir and in the Indian Ocean.

14) Afghanistan's economic and human development would benefit substantially from better regional and domestic connectivity. Afghanistan's Infrastructure and Connectivity Programme supports transit and connectivity, including telecommunications, cross-border water, energy, digital and transport infrastructure, airports, telecommunication, road and rail infrastructure, fibre optics and logistics. International investments and sources of financing are key for connectivity projects in Afghanistan, given the limited domestic resources available. As a landlocked country it is all the more important that economic operators are able to reach urban and international markets. Improved economic development and infrastructure will generate new employment opportunities and facilitate the integration of returned refugees from neighbouring countries and migrants from Asia and Europe. Better connectivity and economic development would help regional partners to engage positively in Afghanistan and to contribute to peace and stability.

15) ASEAN also uses the term connectivity in a wider sense to also describe regional integration. For ASEAN, physical infrastructure is of key importance to support its internal market early on. In 2010 it adopted its first **Master Plan on ASEAN Connectivity** including big infrastructure projects of regional importance. The latest Master Plan on ASEAN Connectivity (MPAC) 2025 covers 5 strategic areas: sustainable infrastructure including energy; digital innovation; seamless logistics; regulatory excellence; and people mobility. ASEAN uses connectivity in a very extensive manner, including for long term activities.

The 10 **South-East Asian countries need considerable investment** in infrastructure to sustain their large growth rates. Funding is provided mainly by the Asian Development Bank, the World Bank as well as Japan and China for the "hard infrastructure". The MPAC 2025 is supported in different ways, including through thematic dialogues and the EU-ASEAN cooperation budget of over EUR 200 million for 2014-2020. With regard to "soft infrastructure", the EU extensively covers the MPAC 2025 strategic areas with flagship programmes¹⁰ on trade/customs facilitation and standards harmonisation. The EU is also boosting the EU-ASEAN dialogue on connectivity-related topics (with the long-awaited EUR 20 million Policy Dialogue Facility E-READI),¹¹ and supports higher education¹².

The EU plays an active role in negotiating its bilateral **Free Trade Agreements (FTAs)** with individual ASEAN partners. Negotiations have already been finalised with Vietnam and Singapore, and are ongoing with a number of others. The long-term objective is to negotiate a region-to-region FTA when conditions are ripe. The EU has also started the negotiation of a comprehensive air transport civil aviation agreement.

16) In 2013, South Korea's President presented the "Eurasia Initiative" which seeks to strengthen regional connectivity by linking physical networks and establishing cooperation mechanisms in Europe and Asia. It focuses on enhancing connectivity among transportation, logistics, Information and Communications Technology (ICT) and energy networks, supporting the "Silk Road Express project" connecting rail and road networks from Busan to

¹⁰ ARISE programme and its successor programme ARISE Plus (EUR 40 million at regional level combined with EUR 45 million for country level interventions).

¹¹ Commission Implementing Decision on the Annual Action Programmes 2014 and 2015 part I in favour of the Asia region, to be financed from the general budget of the European Union (C(2014) 8785 final).

¹² with EU-SHARE (EUR 10 million).

Europe, new sea routes through the Arctic Ocean and fostering cooperation on developing the Arctic Sea Lanes.

17) Central Asia occupies a strategically important crossroads on the large Eurasian landmass but so far remains **one of the least integrated regions** in international trade. The EU has pursued an active role in its cooperation with Central Asian countries early on since their independence in the early 1990s and has developed concrete activities and corridors in the field of transport, energy and related activities such as border management. Central Asian countries are diversifying their trade partnerships. While Kazakhstan and Kyrgyzstan have joined the Eurasian Economic Union, the **Central Asian countries seek to strengthen ties** among themselves and with new partners, such as the EU, and by reviving connections with traditional ones, such as Iran. Development of regional transport and energy infrastructure could provide important economic opportunities, but still require more trust and cooperation among these countries, as well as with investment partners, although recent developments in regional cooperation have seemed to be moving in this direction and may make the region more attractive. Owing to its important fossil energy resources and its huge territory, Kazakhstan can play a very active role. It has already developed an extensive policy of transit infrastructure. Uzbekistan's opening will also have a positive impact. Despite sometimes difficult relations within the region in the past, increased connectivity could benefit all countries in Central Asia by providing each of them with advantages and gains. The EU has the role of a neutral partner, which offers access to technology and provides investment capacities, expertise on regulatory issues, safety and security in the aviation and maritime sectors (through regional ENI-projects) and a dynamic market for Central Asian products.

18) Russia's concept of connectivity is more linked to **strengthening security in its neighbourhood**. It is focused on Central Asia, Eastern Partnership countries, China and Japan. On 30 November 2016 President Putin approved Russia's Foreign Policy Concept, which stated that Russia's objective is to enhance its political influence through regional cooperation. Many aspects of connectivity are covered in fulfilling this aim, in an attempt to maintain or increase its influence in its immediate neighbourhood. Although not exclusively, Russia focuses on regional cooperation and integration which promotes interconnectivity across domains. Russia is in favour of a concept of **"Greater Eurasia" (sometimes referred to as "Eurasian Partnership") with a central role for the Russia-led Eurasian Economic Union, and which would include others such as China, India and Pakistan.**

Russia is trying to **diversify** its connectivity approach through its Digital Single Space and projects in the ICT field. Increasing connectivity through public access to broadband internet continues to be a major governmental priority. Russia is also reported to have achieved notable results in the construction of high-speed fibre-optic communication bands in Russian regions, which was aimed at combatting the digital divide. **At the same time, a key objective is to develop energy interconnectivity.** Besides the existing gas pipelines connecting Russia with Europe (Nord Stream 1, Yamal, Soyuz and Brotherhood, Blue Stream, Trans-Balkan Pipeline), Russia is developing the Turkish Stream project to deliver gas to Turkey and possibly Europe, and the Nord Stream 2 project, in an effort to establish alternative routes for delivering gas to Europe, with an impact on Ukraine as a transit country. It is also developing with China the "Power of Siberia" gas pipeline (and advocates a second pipeline - "Power of Siberia 2"), and, more recently, has proposed a pipeline to South Korea. As for **land transport**, Russia is trying to develop several rail and road projects in the framework of the Euro Asian Transport Linkages, the most prominent being the ambitious Moscow-Beijing bullet train connection. Russia is a proponent of constructing a bridge from Sakhalin to Hokkaido Island.

19) Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) are highly interested in Europe-Asia connectivity and in increasing their transit role, because of their geographical position. The Southern Caucasus (Azerbaijan, Georgia) is already a key actor in the energy field, but also has the ambition to become a major transport hub (East-West and North-South, including via Armenia, not least in view of the recently opened opportunities with Iran). Belarus and Ukraine see themselves as **crossroad countries** too, including between the Black and the Baltic Seas. Ukraine also remains a key energy partner and a key transit country for gas and oil to the EU from Russia. Eastern Partnership countries' role in EU-Asia connectivity has to be assessed in the geopolitical context, which involves not only the **ongoing conflicts** in the Eastern neighbourhood, but also Russia's retaliatory trade measures. Any option to increase the share of Eastern Partnership countries in transit operations would require not only substantial investments, based on a strategic approach, but also deep structural reforms.

The **5th Eastern Partnership Summit** in November 2017 in Brussels will provide the opportunity to take stock of the progress achieved and chart the way ahead in one of the priority areas of work identified in Riga in 2015: interconnectivity. In particular, this will cover the extension of the TEN-T core network and the identification of a pipeline of priority projects, including energy priority projects or projects of community interest, as well as further progress towards harmonisation of digital markets and operational connections of partner countries to GEANT¹³ for higher education and research. Better connectivity will lead to a further increase in traffic flows both into and within Eastern Partnership countries (e.g. trade grew by over 16% between Ukraine and Georgia in the first quarter of 2017). This would contribute to boosting their resilience in line with the objectives set out in the working document "Eastern Partnership – focusing on key priorities and deliverables"¹⁴.

20) Iran: Taking into account its location between Central Asia and the Indian Ocean and its huge energy reserves, and following the conclusion of the **Joint Comprehensive Plan of Action (JCPOA)** in Vienna on 14 July 2015, Iran has the potential to develop as a new economic and transport hub, connecting Asia and Europe. Iran lies at the crossroads of **two strategic corridors** (North-South and East-West). In their 16 April 2016 Joint Statement¹⁵, the HR/VP Mogherini and Iran's Foreign Minister Zarif launched a broad and comprehensive agenda for **bilateral cooperation**, based on the full implementation of the JCPOA. Emphasis was put, among other things, on the development of relations in transport and in the field of civil aviation. Europe also has the potential to cooperate with Iran in the energy sector, particularly on renewables and energy efficiency. People-to-people activities could also benefit from this renewed bilateral engagement.

21) Turkey is a key partner in developing transport connections with the EU. The Atatürk Airport in Istanbul has become a **major international hub** in recent years and the ongoing construction of a **third airport** in Istanbul with a capacity of 150 million passengers will further strengthen its position. China is investigating the possibility of investing in a new East-West railway track to develop long-distance freight transport from Asia to Europe. Turkey is also a strategic partner of the EU in the field of **energy**, cooperating on energy

¹³ GEANT is the advanced pan-European backbone network that interconnects all national Research and Education Networks (NRENs) in over 34 countries all over Europe.

¹⁴ SWD(2017) 300 final.

¹⁵ http://europa.eu/rapid/press-release_STATEMENT-16-1441_en.htm.

security and on major projects in gas (pipeline construction) and electricity (interconnecting electricity transmission systems).

C. CONNECTIVITY ACTIVITIES BY MAIN SECTORS

22) In transport (but not exclusively), the EU signed a Memorandum of Understanding with China at the 2015 EU-China Summit. The Memorandum set up a "**Connectivity Platform**" to improve transnational infrastructure investment/transport services in all regions linking Europe and China. The EU-China Connectivity Platform aims at **exchanging information** on respective policies and sources of funding, including the TEN and the BRI. The two sides agreed to explore business and investment opportunities open to both China and the EU and to create a favourable environment for sustainable and inter-operable cross-border infrastructure networks in countries and regions between the EU and China. In the context of the connectivity platform, the EU seeks to guarantee that transport markets can rely on **free, fair and undistorted competition** based on regulatory convergence, a level playing field and sustainability, and the EU seeks to promote cooperation in various transport areas. The last meeting of the Chairs, which took place at the margins of the EU-China Summit of June 2017, jointly adopted conclusions¹⁶. A list of projects was presented during the pilot expert working groups in November 2016 and May 2017, covering projects in the EU and in China¹⁷ with a view to exploring investment opportunities on both sides. As the EU has selected TEN-T projects, the EU neighbours included in the extended TEN-T should also benefit from this cooperation. The EU is also active in relations with other parts of the Eurasian continent. For example, it is negotiating with ASEAN a comprehensive agreement in the field of air transport which will need to be implemented with financial support when it enters into force; the EU has signed (with Moldova and Georgia), initialled (with Ukraine) or is negotiating (with Armenia and Azerbaijan) Comprehensive Air Transport Agreements.

23) It is unlikely that Asia's rise can be sustained without **increasing energy consumption**. Asia today consumes 38% of the world's energy, and this will most likely rise to about 43% in the next two decades. The reduction of greenhouse gas emissions and environmental pollution, and improved energy security are the strongest reasons behind Asia's growing appetite for clean energy sources. Energy cooperation such as the development of regional interconnections offers Asian countries a more efficient use of energy sources in the various markets, for which the EU can act as an example with its internal energy market. With its green technology industry and a well-functioning internal energy market, **the EU has the expertise** to be Asia's partner of choice in this fast expanding field. The global clean energy transition and Europe's security of energy supply are major components of the EU's Energy Union strategy's external dimension, streamlining the need for Europe to constructively engage and connect with Asian countries rich in energy resources, and major energy consumers, such as China or Japan. Strong and smart regional power and gas grid interconnections in Asia and between Asia and Europe will benefit from the EU's experience, including in the regulatory and technical domains. European financial and economic expertise as well as solutions provided by its innovative firms can offer real added value to internal and international interconnections, such as in India or China.

¹⁶ See agreed conclusions available at <https://ec.europa.eu/transport/sites/transport/files/2017-06-01-joint-agreed-minutes-second-chairs-meeting-eu-china-connectivity-platform.pdf>

¹⁷ See list on <https://ec.europa.eu/transport/sites/transport/files/ten-t-rel-projects-may-2017.pdf>

Europe can help to integrate major Asian energy consumers in the global market for **liquefied natural gas** (LNG). An open, stable and transparent LNG market in a globally connected gas system can be a major contributor to political stability and security in the region while supporting the clean energy transition and a better implementation of the goals of the 2015 Paris Agreement.

Europe's continued commitment to policies and strategies for low-carbon energy supply and demand allows the EU to participate actively in the development of connected **clean energy** systems in and with Asia, e.g. through bilateral and multilateral cooperation on renewables investments. The implementation of the Paris Agreement on Climate Change, the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) and the new European Consensus on Development¹⁸ provides a framework for promoting the clean energy transition both in Europe and Asia, spanning a Eurasian continent representing around 65% of the world's population.

24) Digital connectivity is a key element of the Digital Single Market strategy for Europe¹⁹. The number of Internet users in the Asian region is already the world's largest, exceeding Europe and the United States combined. But only 37% of Asians use the Internet compared to 77% of Europeans. Investment in digital infrastructure in Asia is already significant and is projected to grow faster in the future. The EU maintains policy dialogues with China, Japan and India. The dialogue with Russia is currently suspended, while preparations are underway for a dialogue with South Korea. The Commission has signed Joint Declarations on 5G with China²⁰, Japan²¹ and South Korea²² and regulatory cooperation is being pursued with South East Asian countries. A network of telecoms operators in the context of the **Eastern Partnership** has been in operation since 2012, and a broader partnership focusing on 6 priority topics is being built (telecom rules, trust and cybersecurity, skills, innovation and start-up ecosystems, eHealth and eTrade). The EU has a long-established digital network for research cooperation: the **Trans-Eurasia Information Network**. It provides a large-scale research and education data-communications network for Asia by connecting Asian researchers to each other and with their counterparts in Europe and providing the Asian countries with a gateway for global research collaboration. It currently connects twenty-three countries in Asia. Joint research activities with a number of Asian countries are in place in key areas (e.g. 5G, the Internet of things and cloud computing).

25) The EU's external activities in **education and culture** foster **people-to-people cooperation**, including on the Eurasian continent. This includes comparing tertiary education systems and allowing promotion of Europe's values including freedom of expression, inter-ethnic and inter-faith understanding and respect of cultural heritage. To support this activity the EU has engaged in **policy dialogues** with many partners on the Eurasian continent bilaterally and multilaterally (Eastern Partnership, ASEAN, ASEM). The EU also has at its disposal many **schemes and financial means**, such as Erasmus+ and Marie Skłodowska Curie programmes for mobility, and Creative Europe in the field of culture. Through its

¹⁸ 2017/C 210/01.

¹⁹ COM/2015/0192 final.

²⁰ <http://europa.eu/rapid/attachment/IP-15-5715/en/joint%20declaration%205G%20EU-CHINA.pdf>

²¹ http://europa.eu/rapid/press-release_IP-15-5069_en.htm?locale=en

²² http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?action=display&doc_id=6067

network of Delegations, the EU also has the capacity to support activities abroad to raise awareness and promote European education and culture and encourage mobility of people in Eurasia. For example, in ASEAN, the EU supports a very successful higher education support programme²³ which falls directly under the people-to-people connectivity agenda of ASEAN.

European **research and innovation** policy facilitates interaction between people (particularly researchers) and promotes the free and seamless movement of information, knowledge and ideas. This fosters a culture of science, develops business opportunities of mutual benefit, and contributes to achieving the Sustainable Development Goals. Research and innovation policies also facilitate connectivity through achieving common positions on international standards and regulations in significant sectors (such as transport regulation in the International Maritime Organisation, where Asia is an important player).

The EU has developed research and innovation links with many **partners in Europe and Asia** through networks of researchers, joint projects, staff exchanges and policy dialogues, which also help attract startups and connect platforms. Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Moldova, Georgia, Ukraine and Armenia are associated with the **EU's Horizon 2020** programme in the field of research. The EU has signed and actively implemented science and technology agreements, for example with China, South Korea, Japan and India, and joint statements with Iran and others. The EU has developed relations with regional organisations, and an ASEAN-EU dialogue on science and technology takes place regularly. Many research entities from countries in Asia and Central Asia participate in EU programmes such as Horizon 2020.

26) Trade, customs and cross border issues are directly related to connectivity. As it facilitates the exchange of goods and services and enables investment, EU trade policy addresses many sectors that are directly linked to connectivity such as transport, transport infrastructure, public procurement, IPR, rules of origin, e-commerce and services such as express carriers. The **core principles of EU trade policy** that are particularly relevant to connectivity are:

- respecting the rules-based multilateral trading system;
- striving for open trade with minimal barriers to trade and investment; and
- ensuring a level playing field for all operators both in terms of non-discriminatory market access and relevant regulations.

These principles are embedded in EU development programmes such as the trade-related Technical Assistance programmes (notably in ARISE Plus, which resonates with the ASEAN Connectivity agenda, and in the Association Agreements with Moldova, Georgia and Ukraine).

The core functions of **customs** today are: ensuring that legitimate trade can cross borders as quickly and efficiently as possible; facilitating lawful cross-border economic activity while ensuring effective controls to protect citizens; and fighting fraud. On this basis, EU customs policy plays a **major role in promoting economic connectivity** between Asia and Europe. It has developed links with customs authorities and border agencies in most partners in Europe and Asia.

Cooperation has developed in different forms:

- Customs Cooperation Agreements exist with China, the Hong Kong Special Administrative Region, India and Japan.

²³ EU-SHARE, EUR 10 million, DCI.

- Comprehensive customs co-operation chapters or customs and trade facilitation chapters are included in Association Agreements (e.g. with Moldova, Georgia and Ukraine), in Partnership and Cooperation Agreements (e.g. with Russia and Kazakhstan) or in FTAs (e.g. with South Korea, Singapore and Vietnam).
- Cooperation can also be based on informal dialogues e.g. with Taiwan, Belarus or in the framework of ASEM.
- With Turkey, cooperation has even led to a Customs Union.

In all its forms, customs cooperation establishes channels of communication, facilitates coordination and develops trade facilitation activities. It improves sustainable connectivity, since it includes measures to ensure the safety and security of citizens as well as support the fight against fraud.

D. EUROPE-ASIA CONNECTIVITY FROM THE PERSPECTIVE OF EU MEMBER STATES

27) Member States support the mapping exercise and a broad definition of connectivity. They have actively participated in meetings organised on this issue and provided inputs. They generally intend to use a broad definition, both in terms of geographic coverage (from the Atlantic Ocean to the Pacific Ocean), and in terms of sectors, covering transport, energy, digital and people-to-people activities. It addresses both infrastructure needs and software issues. Member States favour a **closer link between EU internal policies and activities** (e.g. EU TENs), so that external activities ensure synergies, complementarities and higher impact. This also has the objective of projecting EU policies outwards, particularly by promoting the EU's economic and political interests, as well as its values, norms and standards. Strengthening dialogue with partner countries in Asia would be a way to provide them with a better understanding of EU objectives and the EU's ability to contribute to their own connectivity approach.

28) Member States have been supportive of an analytical approach which covers the entire Europe/Asia territory. With the TENs, the EU has promoted a system with a long-term perspective for developing infrastructure. Based on a collaborative attitude, it encourages the evaluation of needs and efficient resource management, which should be at the core of an EU connectivity approach towards Asia. The TENs enable the best allocation of investments and allow the development of norms, rules and all related matters in a coordinated way. Euro-Asian connectivity has to tackle these concerns and to promote continuity in terms of both the EU's analysis and its policy priorities. Synergies in connecting Europe and Asia should be developed, on the basis of "**geographic continuity**". The TENs extension to candidate and neighbouring countries should be the basis for promoting a coherent EU approach towards connecting Europe and Asia. Member States acknowledge that the EU should - for security, political, sustainable development and economic reasons – be able to promote this connectivity policy further to the East towards Central Asia, Iran, Russia and beyond to all countries in Asia, including South and South East Asia.

This geographical approach is also **in accordance with the views of partner countries in Asia** as seen by Member States. **China** and its BRI policy envisages its action starting on its own territory for internal policy objectives and then conceptualises a strategic extension to neighbouring countries in South East, South and Central Asia towards the EU. China is a key partner, as demonstrated by the EU-China Connectivity Platform. At the same time, the EU engages bilaterally and multilaterally on Euro-Asian connectivity in terms of geographical

coverage and partnership: this includes engaging with Eastern Partnership countries, Turkey, ASEAN and key Asian partner countries such as South Korea, India and Japan. Central Asia and land transport should not be the only focal points. Some Member States recall that **Japan** has already expressed its interest in working with Europe on many connectivity issues in specific countries, sectors and projects. South East Asia can be also considered, primarily for maritime and air connectivity but also for digital connectivity. **India** intends to be an important connectivity partner. Member States are also in favour of a Euro-Asian connectivity approach based on multilateralism. In addition to the Eastern Partnership, **ASEAN** and **ASEM** work on connectivity too and represent an opportunity for the EU to take into account, for example in the context of the 40th anniversary of EU-ASEAN relations or the newly created ASEM Pathfinder Group on Connectivity. The conclusions of the ASEM Transport Ministerial, which took place in Bali on 27 September 2017, emphasise the need to strengthen transportation infrastructure investment by ensuring transparency and a level playing field, and stimulating private sector and financial institutions involvement through Public Private Partnership.

29) In terms of sectors, **transport is a key priority** for a majority of Member States. Member States see **land transport**, in particular railways, as the most important sector, but several Member States put also an emphasis on maritime security and on inland waterways. In particular, they mention policies linking European and Asian partner approaches when projects are implemented on EU Member States' territories, especially in the Mediterranean or in the Baltic Seas. They suggest assessing the bottlenecks still impeding railway transport, particularly border crossings and customs issues. **Harmonising customs procedures and infrastructure standards** along the strategic corridors is a priority of a number of Member States, as well as many partner countries in Asia. Some Member States note the importance of the Memorandum of Understanding for a connectivity platform signed with China. Its implementation offers an opportunity to speak about issues which are both related to the financing of the infrastructure, and also those related to regulatory aspects, in order to ensure a level playing field and more transparency.

Energy remains a major issue, notably in terms of diversification of energy sources and security of access to resources. The priority for many Member States is **renewable energy, energy security, efficiency and cross-border cooperation**. There is a need to promote a level playing field for European companies in this domain and to link external activities with the EU Energy Union policy. Gas transportation, particularly through the Southern Gas Corridor, is a key component of connectivity.

Digital connectivity is pushed by some Member States, which link it with the **EU digital market**, the promotion of satellite communications and the development of high capacity broadband internet technology and e-governance. The latter could help some developing countries in Asia meet the SDGs. To achieve these objectives, the EU promotes use of common standards and harmonisation of ICT regulations. Global cyber threats exist over many countries in Asia, which are potential victims and are trying to develop plans to be shared with European partners.

Connectivity and affordability remain a problem both across and within regions, since there are large variations between higher and lower income countries and between cities and rural areas. In terms of tackling the **digital divide**, the better the physical and digital connectivity, the more it contributes to a variety of issues: market access; financial inclusion; women's economic empowerment; poverty reduction; bridging rural/urban and large firms/small firm inequalities of access; and connecting enterprises to customers and suppliers internationally. The **European Consensus on Development** encourages the EU and its Member States to support information and communication technologies as powerful enablers of inclusive

growth and sustainable development. The Commission's approach is to mainstream digitalisation in development cooperation, as detailed in the Staff Working Document "Digital4Development: mainstreaming digital technologies and services into EU Development Policy"²⁴, namely by:

- promoting the use of digital technologies in a range of priority areas, including e-Governance
- supporting enabling environments for the digital economy by enhancing free, open and secure connectivity
- supporting digital entrepreneurship, to enhance also job creation and
- supporting digital literacy and skills to empower people, especially women and persons in vulnerable and marginalised situations.

Nearly all Member States are in favour of **integrating soft elements** of connectivity with **people-to-people exchange** as a priority. Member States want to include education and training, culture, research and innovation into the process. For this reason, people-to-people connectivity constitutes the fourth component of the mapping exercise. **Other possible areas** of cooperation are tourism or twinning of cities.

30) In addition to this sectoral methodology, many Member States promote the inclusion of a regulatory framework in the EU connectivity policy towards Asia, based on **respect for EU standards** and international best practices on transparency, social norms, **level playing field** (especially in terms of market access), investment, environmental protection, human rights, sustainable development and gender equality. The need for a coherent EU approach and a proactive, united policy stance should guide the definition of EU activity on connectivity between the EU and Asia. The objective would be to ensure that EU values and interests, such as those of the EU internal market, can be aligned with those of partner countries to maximise reciprocal benefits. Many Member States stress also the need to take **sustainable development** as an overarching element. In this regard, some Member States support close cooperation with the EIB and the European Bank for Reconstruction and Development (EBRD).

E. FINANCING OF CONNECTIVITY ACTIVITIES

31) **Three financing instruments** are currently mobilised from the EU budget to tackle connectivity elements between Europe and Asia: the **Development Cooperation Instrument** (DCI); the **Partnership Instrument** for cooperation with third countries; and the **European Neighbourhood Instrument** (ENI), which supports the improvement of the transport network connecting the EU with the **Eastern Partnership** region and beyond, within the framework of an extension of the TEN-T.

Via **the DCI** the EU finances different activities through **bilateral, thematic and regional projects**. Particularly relevant are programmes in support of regional integration processes, trade facilitation programmes in several partner countries, contributions to academic exchanges and investment-related interventions through blending facilities. As for digital economy, the DCI supports **Asia Connect**, which develops a dedicated, regional, high capacity, high quality internet connectivity network for research and higher education. In the same field, there is also the Master Plan for the Asia-Pacific Information Superhighway developed with the UN, and the Digital Casa with the World Bank with the aim of

²⁴ SWD(2017) 157 final.

establishing a regional hub for Internet traffic and improving broadband internet connectivity in Central Asia and parts of South Asia. The EU also finances the Central Asia Research and Education Network to help researchers, academics and students across Asia. However, due to the fact that many Asian countries have a quite high level of development, they are no longer eligible for national envelopes of development assistance and do not benefit from the DCI funds except through regional projects.

Many activities in the field of connectivity in Asia have been developed under the **Partnership Instrument** (PI) for cooperation with third countries²⁵ and its budgetary allocation, which represents the only entry point for financing projects in the region in the mutual interest. Asia represents 46% of the overall financial allocation under the Partnership Instrument for the period 2014-2020. The PI funds projects in the fields of transport, energy, digital economy, trade and investment, people-to-people and climate change. Many projects are implemented all over Asia with bilateral partners as well as in multilateral contexts such as the ASEAN or the ASEM.

The ENI also supports energy, digital connectivity with and between countries from the EU's Neighbourhood East Region, as well as people-to-people contacts (e.g. related to the Visa Liberalisation Action Plans). Where relevant, in view of increasing the impact, projects can also include 'neighbours of the neighbours', such as Central Asian countries and Iran (mainly in the transport and energy domains). The ENI supports also important efforts in the field of border management aimed at security as well as trade facilitation. The support also entails **technical assistance/capacity building** in view of the necessary regulatory and institutional reforms as investment support. For the latter, blending of EU-grants with IFI-loans is the main delivery channel. Moreover, the newly established European External Investment Plan²⁶, a major innovative, three-pillar flagship in the EU's toolbox for external cooperation, will encourage investment in EU's partner countries in Africa and the Neighbourhood region. Its first pillar, the European Fund for Sustainable Development combines blended finance solutions with a new innovative guarantee; its second pillar provides for Technical Assistance to develop financially attractive projects; whilst its third pillar will contribute to improving the investment climate and business environment through structured dialogues with the private sector and policy dialogues with partner countries. In addition, **specific programmes** under other headings of EU budget such as Erasmus+ or Horizon 2020 provide financial means for specific sectors (in these cases, respectively for higher education, youth and research and innovation) and activities (mostly exchanges).

32) The EU can mobilise means provided by **financial institutions** through the EIB and the EBRD as well as through other international financial institutions (IFIs) in which the EU Member States are shareholders, such as the World Bank, the Asian Development Bank (ADB) or the Asian Infrastructure Investment Bank (AIIB). Using the financing capacity of the IFIs allows a **multiplier effect** enabling the EU to mobilise more funds than it could do alone and a better blending of funding especially when dealing with big infrastructure projects. The Neighbourhood Investment Facility, the Investment Facility for Central Asia and the Asia Investment Facility are the three important EU regional **blending facilities** for such efforts. They permit quality project preparation encompassing sound assessment of viability and environmental matters. The overall feasibility of the projects is intended to be reinforced allowing for a fair sustainable approach which is an EU objective. It reinforces the

²⁵ Regulation (EU) No 234/2014 of the European Parliament and of the Council of 11 March 2014.

²⁶ COM(2016) 581 final.

use of standards and norms in the projects, which are compatible with internationally agreed European ones. In the same vein, EU Member States' **development agencies**, such as the KfW or Agence Française de Développement, play a key role in connectivity and EU investment. On that basis, it would be useful to assess how the EU could strengthen coordination with such bodies on one hand and between multilateral development banks and the various stakeholders from EU Member States on the other hand. The current approach in the field of transport in the related Eastern Partnership panel is an example in this regard.

The EIB is authorised, under the external lending mandate (for 2014-2020) currently under revision, to lend up to €4.8 billion for operations in Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine, and up to €1.1 billion for operations in Asia supporting the EU cooperation strategies and complementing other EU development and cooperation programmes and instruments. The EIB has a significant portfolio of infrastructure projects in Eastern Partnership countries and Turkey. The EIB gives priority to projects supporting climate change mitigation and adaptation, development of social and economic infrastructure and local private sector development. In addition, to be eligible for EIB financing, projects are required to have good potential to contribute to the economic development of the beneficiary country and therefore could fit into an EU connectivity strategy in the Eastern neighbourhood and in Asia.

The EBRD operations embrace the EU, Western Balkans, Eastern Europe and the Caucasus, Central Asia as well as Mongolia, Russia and Turkey; countries covered by the mapping exercise. The EU is member of the EBRD Board. The EBRD is committed to the development of safe, sustainable and efficient transport systems with the aim to underpin economic growth and well-functioning markets by increasing access, inclusion, economic diversification, international trade and regional integration. The key strategic objective in the transport sector is to develop transport infrastructure and services that are viable, green, resilient, well-governed, integrated and inclusive and which, in turn, can drive sustainable development. Financing is directed to well-structured public and private sector projects across all sectors: railways, roads, civil aviation, maritime and logistics, offering a diverse range of financial products to meet clients' financing needs.

The ADB has grown to encompass 67 members - of which 48 are from within Asia and the Pacific and 19 outside (including 14 EU Member States). The ADB mobilises funding mainly in infrastructure and services, but also in education and regional integration. Transport represents nearly 32% of its total lending. Since 2010, the Sustainable Transport Initiative guides ADB investments in this sector including urban transport support for low-carbon and climate resilient transport, integration of safety in road investments, affordable systems and cross-border transport and logistics. In the energy sector, the ADB's support focuses on electricity sector expansion, the oil and gas sectors and governance issues. Finally, the ADB extends loans, grants, and technical assistance projects to help develop ICT networks, ICT industries and ICT-enabled services, as well as ICT policy and strategy. Most of ADB activity covers connectivity sectors.

The AIIB was created as an intergovernmental regional bank in December 2015 at the initiative of China which represents 25.6% of the voting share. AIIB's capital is owned by 57 countries including 14 EU Member States which represent 19.43% of its share and 20.2% of its total voting power. The AIIB aims to finance infrastructure and other productive sectors in Asia and is describing itself as complementary to other IFIs. 2016 was a year of institution building and capacity development for the AIIB as it adopted its business plan and its first budget on 16 January 2016. The EIB and other IFIs have signed Memoranda of Understanding with the AIIB to develop common projects on the basis of common assessments.

The World Bank is active in the connectivity domain in particular in Central Asia in the electricity sector. It participates in developing electricity connection between Central Asia and its excess production capacity of electricity and South Asia in developing grid infrastructure and their efficient management. With the Rogum dam in Tajikistan the World Bank is trying to find an agreed approach between upstream and downstream countries, trying to ease security tensions. For land roads the World Bank is trying to link TENs with its action in Central Asia and its huge needs in financial means for infrastructure. The World Bank is also active in the neighbourhood countries and enhances transit corridors (such as East-West highway in the Southern Caucasus). The World Bank works in close cooperation with the EU institutions, in particular the European Commission, and the EIB. The World Bank is also active in China. On the one hand, it finances projects but it also participates in co-financing projects with other IFIs such as the ADB and the newly created AIIB. The World Bank works also with other Asian donors such as Japan or a contributor to the multi-donor trust fund for Afghanistan that it manages.