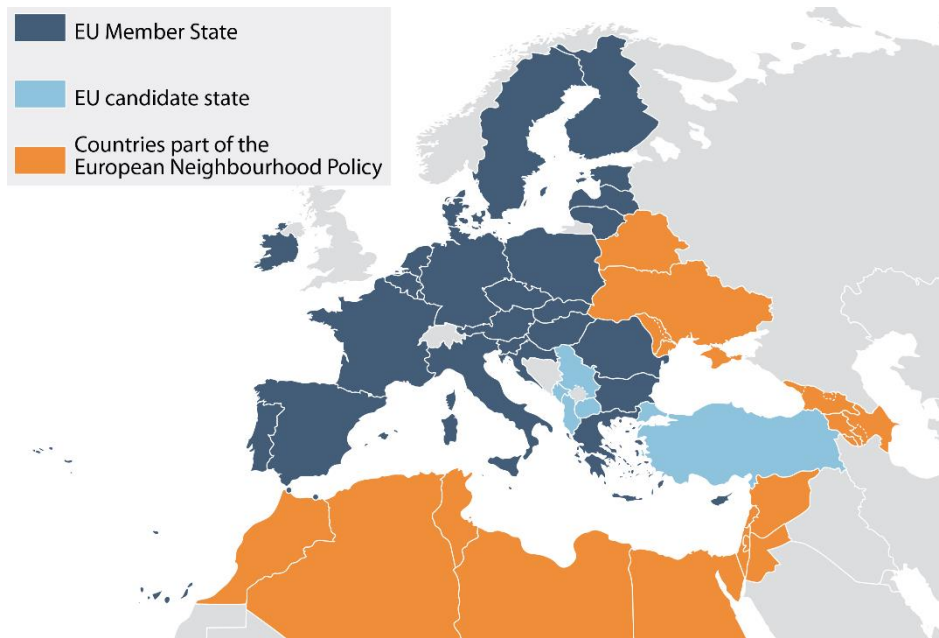


The Narrow Eurostrategic Orbit – Challenges and Perspectives

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Data sources: European Commission, European External Action Service

In this chapter the narrow strategic orbit of the European Union is discussed. The uncommon designation “narrow orbit” for a geographical specification was given preference, since in this publication different spaces and their strategic importance are addressed in particular. However, the term “European Neighbourhood” would have been equally appropriate to designate all those countries that are located outside the EU area but are considered to be embedded in the European neighbourhood. To further strengthen this embedment, the instrument of the European Neighbourhood Policy (ENP) was launched in 2004. If the comparison with China may be allowed, the ENP could also be interpreted as a European “One Belt” initiative for non-EU countries in the surrounding Southern and Eastern periphery. In May 2011, a so-called New ENP was supposed to

reinforce the existing funding conditions for the 16 partner countries¹ under the slogan “more funds for more reform.” In other words, more additional funds were made available, but with a more mutual accountability. The launching statement of Štefan Füle, then EU Commissioner for Enlargement and Neighbourhood Policy, conveys a rather confident attitude:

A number of our neighbours, both in the East and in the South, are engaging in a transformation process out of which they want to emerge as more democratic and more prosperous societies. The EU needs to respond with determination and ambition, through a new approach to the ENP, drawing the right lessons from our experience so far and addressing the challenges of a fast-changing neighbourhood.²

The same confidence in the lasting attractiveness of the European project for ENP partner countries is still reflected in the EU Global Strategy of June 2016:

Under the European Neighbourhood Policy (ENP), many people wish to build closer relations with the Union: our enduring power of attraction can spur transformation in these countries.³

A full decade has passed since the introduction of the New European Neighbourhood Policy in 2011, and the expected momentum towards Europe has not materialized. Quite on the contrary, a new security risk has emerged with the drift of ENP partners into the sphere of influence of other non-European actors.

Accordingly, the present priority challenge for the narrow orbit of the European Union has taken on a more defensive character. As Ivan Krastev and Stephen Holmes (*The Light that Failed*, 2019) have pointedly emphasized, the European project has largely lost its normative appeal and the challenge is now about winning back the countries surrounding the Union:

¹ The 16 ENP partner countries are to the South: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia; to the East: Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine; see <https://www.euneighbours.eu/en/policy/european-neighbourhood-policy-enp>.

² European Commission press release, May 25, 2011, “A new and ambitious European Neighbourhood Policy,” https://ec.europa.eu/commission/presscorner/detail/en/IP_11_643.

³ EUGS, June 2016, executive summary, 9.

The unipolar Age of Imitation was a period when liberalism shed its capacity for self-criticism. The expectation that others should adopt Western-style liberal democratic institutions and norms seemed as natural as the rising of the sun. Not only is this period behind us, but the democratic wave it was expected to unleash has proved disappointingly ephemeral.⁴

A second topical challenge is already mentioned in the EU Global Strategy 2016, i.e. actively promoting resilience in EU-surrounding regions.⁵ The respective announcement at the time was projected from a European position of strength. In the meantime, however, as a result of the Covid-19 crisis and lockdown-shaken economies, the issue of insufficient resilience has also shifted inside the EU area. There is no question that improving the level of systemic resilience of EU member states now has gained priority over supporting ENP countries and regions.

The above-mentioned challenges for the narrow eurostrategic orbit are certainly not exacerbated by lack of perspective. Luuk van Middelaar notes “dynamic resilience” and the “mobilization of unimagined forces” for the European Union in the face of the Covid-19 crisis;⁶ he also observes a closing of ranks within EU-institutions in order to regain strength. The question remains, however, whether the momentum of a more assertive and united EU appearance will be sufficient to regain external normative appeal in the neighbourhood regions.

Common findings of the case studies Serbia, Belarus and Turkey

In Part II of this publication, the contributions by Predrag Jureković (Serbia), Christoph Bilban (Belarus) and Walter Posch (Turkey) analyse the present Chinese footprint within the inner circle of the European neighbourhood.⁷ The geographic location of the three countries grouped in the “narrow orbit”

⁴ Ivan Krastev, Stephen Holmes (2019), *The Light that Failed – A Reckoning*, 204.

⁵ EUGS (2016), 23, cit.: “Together with its partners, the EU will therefore promote resilience in its surrounding regions.” cit.end.

⁶ Luuk van Middelaar (2021), *Das europäische Pandämonium* (German edition), Eng. edition available by October 2021), cit.: “Die Europäische Union hat im ersten Jahr der Pandemie dynamische Spannkraft bewiesen. Der Covid-Ausbruch verursachte Konflikte, Misstrauen und Fehlschläge, mobilisierte aber auch ungeahnte Kräfte und brachte gewaltige Veränderungen in Gang.” cit.end.

⁷ The wider ENP circle comprises the MENA countries Tunisia, Morocco, Libya, Syria etc.

of eurostrategic influence differs significantly. The Western Balkan country of Serbia is located on the south-eastern flank of the EU, Belarus on the north-eastern fringe, and Turkey, although an ENP partner, is not located on the European continental mass but is considered Asia Minor.

The strongest common factor in the three contributions is a certain frustration with the European Union. In comparison, the impact of recent and current Chinese Covid-19 diplomacy plays a minor role. In the case of Serbia and Turkey, the frustration with Brussels is due to what is perceived as a dragged-out association process. Predrag Jureković states in his contribution *Serbia – China’s Preferred Partner in the Western Balkans* on the side of the European Union “weakening credibility in its integration policy towards the Western Balkans since 2010” as well as “weaknesses in the EU’s strategic communication.”⁸ Walter Posch also emphasizes in his contribution *Ambitions without Direction: a Short Remark on Turkey-China Relations* Ankara’s years of frustration with a slow EU association process:

Even so, and almost expectedly, it was once again frustration with the EU when Ankara was disappointed in 2007 with the enlargement process that pushed Turkey closer to China.⁹

Turkey has been listed as EU candidate country since 1999. For reasons of backsliding in the areas of democratization, rule of law and human rights, the accession negotiations with Turkey have been effectively frozen since June 2018. Serbia was granted EU candidate status in 2012; as per August 2021 it has opened only eighteen accession chapters and closed two chapters. There remains the strategic challenge for Brussels to pursue the strengthening of good neighbourly relations in the Western Balkans and Turkey on the one hand, and to consequently foster political reform and the rule of law in the frame of enlargement on the other hand. This objective is clearly formulated in the executive summary of the EU Global Strategy 2016:

⁸ Jureković, 139, cit.: “These misperceptions are partly due to the EU’s weakening credibility in its integration policy towards the Western Balkans since 2010. The poor public opinion in Serbia highlights weaknesses in the EU’s strategic communication.” cit.end.

⁹ Posch, 194; see also 196, cit.: “In 2016, frustrated with the lack of progress regarding Turkey’s EU accession process, Erdoğan would float the idea of abandoning the membership process altogether and to apply for full membership at the SCO.” cit.end.

Under the current EU enlargement policy, a credible accession process grounded in strict and fair conditionality is vital to enhance the resilience of countries in the Western Balkans and of Turkey.¹⁰

Belarus' frustration is of more recent origin and relates to the perception of a supposedly externally orchestrated colour revolution in the aftermath of the presidential elections of August 2020. From 2014 until August 2020, without the status of ENP membership or the aspiration of joining the EU, Belarus' foreign policy orientation can be classified as slightly pro-European with the pragmatic aim to outbalance the – at that time unwelcome – influence of Moscow.

Another common finding that relates to the strategic intents of the Chinese side is the conclusion that a rapprochement with Brussels or an admission to the EU is considered positive on the part of the PR China. This finding contradicts the assumption that Beijing is working by covert means against the European enlargement policy. As Christoph Bilban underlines in his contribution *The Sino-Belarusian Relationship: Asymmetric and Symbolic* Beijing's main strategic interest is about access to European markets: "Establishing a presence in Belarus is arguably one of Beijing's core interests, as the country is a steppingstone to the markets of the EU and EAEU."¹¹ From this perspective, the fact that Belarus suspended its membership in the EU's Eastern Partnership on June 28, 2021 was definitely perceived as disadvantageous by Beijing authorities.

Predrag Jureković argues in the same vein regarding Serbia's EU member candidate status:

Thus, China does not seem to have any "objections" to Serbia's EU integration. It would probably even consider Serbia's EU membership to be geo-economically advantageous for itself, since Serbia would be an advocate of China within the EU.¹²

As for Turkey, in view of repeated official statements of the Turkish president to consider abandoning the EU membership process altogether and the freezing of accession negotiations since 2018, the intended bridging function to the European Union seems to play a rather secondary role.

¹⁰ EUGS, executive summary, 9.

¹¹ Bilban, 164; see also 182.

¹² Jureković, 141.

Competition and rivalry

With full intent, this publication does not focus on the Belt & Road Initiative (BRI), the academic literature already published on this subject is extensive and plentiful. However, when examining China's footprint in eurostrategic spaces, there is no getting around this complex thematic issue. Especially in the narrow orbit of European strategic interests, the Belt & Road Initiative currently plays a weighty role. It is an undisputed fact that in the geographical European neighbourhood, the BRI constitutes the main competitive element between the European Union and the PR China in the economic sphere. At the same time, it is difficult to draw a clear dividing line between competition and rivalry, since the financing of BRI large-scale projects has so far not been tied to the condition of far-reaching transparency and politico-economic reforms, like in the case of carefully scrutinized EU funding. Brussels quite rightly sees the normative aspect of its neighbourhood policy thwarted when those values that are defined as the systemic basis for European member states are neglected or even completely disregarded in BRI funding procedures.

An even more acute picture in regard to systemic rivalry emerges in the case of Serbia, which as candidate for EU membership already has a number of reform chapters in progress. In his essay, Predrag Jureković lays open the tangible growing political influence of a system that does not count European values among its own:

Only with the help of its loans and related infrastructure projects, a few investments and very skilful "Corona diplomacy" has China managed to massively expand its political influence in Serbia within a few years.¹³

As examined by Jureković in further detail, respective influence is reflected in mainstream media, opinion polls and public statements of Serbian politicians. However, the exercise of political influence via BRI-projects and investments on European soil is categorically negated in Chinese official or semi-official statements and documents. Rather, it is placatingly emphasized that China has always supported European integration efforts and that therefore BRI-activities are not working against enlargement and integration

¹³ Jureković, 141.

policies of the European Union but do play a reinforcing role. This diplomatic standard line of argument in the sense of “mutual reinforcement,” can also be found in the 2020 report of the Chinese Chamber of Commerce to the European Union (CCCEU):

While the rise of China and the integration of Europe are important developments in their own right, the exchanges and mutual reinforcement between the two are even more remarkable.¹⁴

Outside diplomatic and semi-diplomatic circles, the argument of mutual reinforcement shows less presence. In a security policy analysis of the National Defence University of the PLA – published in 2018 – the question of systemic rivalry in EU neighbourhood countries is openly addressed, in reference to the basic cleavage between European and Chinese development theory:

The EU has always held that if it can promote the democratic process of its adjacent neighbouring countries, regional peace will be brought about naturally, thus realizing its own security.

[...] The “Arab Spring” taking place in the Middle East and North Africa was undeniably caused by the deeply embedded problems of some regional countries, but it was also related to the wrong regional policy previously pursued by the EU. Democracy can be the catalyst for development, but it is by no means the sufficient condition for development. Democracy is not bound to bring about peace and development, and the form of democracy is not only one but can vary according to different national and social conditions.¹⁵

In the context of the above note should be noted that it does not include any statement declaring the Western Balkans region or other ENP regions inapt for European-style democracy. Only North Africa is cited as a negative example for failed ENP policy.

¹⁴ China Chamber of Commerce to the European Union (CCCEU), *Acting for Common Future*, “2020 Recommendation Report,” 14, http://en.ccceu.eu/PDF/CCCEU2020RecommendationReport-ActingforCommonFuture_Updated_20201102.pdf.

¹⁵ Shuo Wang (2018), “The Impact of Brexit and the Refugee Problem on the European Union,” in: Institute for Strategic Studies, National Defence University of People’s Liberation Army, China (ed.), *International Strategic Relations and China’s National Security*, 192-193.

Some scattered voices from the Chinese social science establishment – not being part of the national thinktank community with a major focus on security policy – speak a surprisingly direct language with regard to the delicate topic of political influence through Belt & Road projects:

Even if the current propaganda does not declare that it is more important than economic considerations, the Belt and Road clearly enhances China's national interests in the international political dimension: the promotion of the international image of "responsible powers;" the positive shift of China's "images;" and the improvement of international influence.¹⁶

Apart from the issue of political fallout concerning BRI projects and adverse consequences for European neighbourhood policy, the question of the strategic trajectory of the Belt & Road Initiative is subject of most security policy analysis on this topic. For years, there has been a lively debate about the extent to which the Belt & Road Initiative follows a geopolitical master plan or whether it is rather about macroeconomic interests that dominate the global Silk Road project. It would be misplaced to draw a hasty conclusion in this respect, especially in view of the fact that there is an ongoing debate in the ranks of Chinese academia, which also appears divided on this issue:

Some scholars believe that the Belt and Road Initiative is to get rid of the containment of the United States through "going westward and southward." It is a "strategic breakthrough" and a "strategic transfer," not a change in investment direction, neither is it a transfer of excess industry. [...] We should all adopt a cautious attitude towards the overemphasis on the "strategic breakthrough" nature and the "capacity release" function of the "Belt and Road." Both views exaggerate one aspect of the contradiction and lack systematic and strategic thinking.¹⁷

Further briefly addressed should be the strategic considerations on the side of ENP partners and candidate countries, which often enough follow short-term, pragmatic concepts. One increasingly popular tactic is to play the "China card" against Brussels. In this respect, particularly US-American

¹⁶ Jianyi Piao and Yupeng Ma (2021), "Overall Layout of Diplomatic Work under the Conceptual Framework of the Belt and Road," in: Linggui Wang (ed.), *China's Major Country Diplomacy: Chinese Characteristics, Connotations and Paths*, Chinese Academy of Social Sciences, 178.

¹⁷ Ibid., 176.

authors are urging the European Union to play a more pro-active role in its neighbourhood regions.¹⁸

Returning to the starting point of this sub-chapter, namely the competing capability of the EU in its neighbourhood in view of the success of the Belt & Road Initiative, the recent comprehensive upgrade of the *Connecting Europe Facility* (CEF) of July 7, 2021, should be shortly outlined. The so-called CEF 2 is a new sustainable finance instrument with the aim for sustainable investments in European infrastructure; but at second glance it appears to be Brussels' response to out-balance and limit the attractiveness of BRI financing facilities for EU member states.¹⁹

CEF 2 is also eligible for the EFTA states Iceland, Liechtenstein and Norway, but for other third countries (acceding countries, EU candidates and potential candidates, ENP countries) involved in cross-border projects with EU member states "financial support should only be available if it is indispensable to the achievement of the objectives of those projects."²⁰

Nota Bene: It would be premature to pass judgment on whether the above cited regulative "bottle neck" is too narrow for non-EU members to participate in large-scale CEF 2 projects. However, within the framework of BRI finance mechanisms no proof of "indispensability" to the achievement of project goals is required. For Western Balkans countries the CEF 2

¹⁸ See for example Madi Sarsenbayev and Nicolas Véron (2020), "European versus American Perspectives on the Belt & Road Initiative," cit.: "The EU should strengthen its involvement in its immediate neighbourhood (particularly Western Balkans, Eastern Partnership countries and North Africa) in order to reduce the current incentives that may exist for these countries to try to play China and the EU against each other." cit.end, in Journal: *China & World Economy*, Vol.28, Nr.2, 104.

¹⁹ CEF 2 (2021 – 2027) will continue to fund key projects in the areas of transport, digital and energy with a significant overall budget of € 33.71 billion. Accordingly, the European Climate, Infrastructure and Environment Executive Agency (CINEA) was established in April 2021 to facilitate CEF funding, for details see: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1153&qid=1629731501130&from=en&nd>, <https://ec.europa.eu/inea/en/news-events/newsroom/agreement-2021-2027-connecting-europe-facility>.

²⁰ Regulation (EU) 2021/1153 of the European Parliament and of the Council of July 7, 2021, establishing the Connecting Europe Facility and repealing Regulations (EU) No 1316/2013 and (EU) No 283/2014, in: *Official Journal of the European Union*, July 14, 2021, L 249/48, par. (60).

regulation mentions specific support in paragraph (59), wrapped in somewhat opaque wording:

The Union should seek coherence and synergies with the Union programmes for external policies, including pre-accession assistance following the engagements undertaken in the context of the Commission Communication of 6 February 2018 entitled “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans”.²¹

On closer inspection, paragraph (59) seems much more like a non-binding recommendation than a regulation. It therefore remains to be seen whether the *Connecting Europe Facility 2* will produce – as planned – a substantial competitive advantage over the Belt & Road Initiative.

Options for cooperation

In the discussion of cooperation opportunities for the European Union with China, the following areas are usually listed: renewable energy production and energy efficiency, low-carbon cities, clean energy, exchange of earth observation data, sustainable development cooperation, green finance mechanisms, global vaccine support and distribution. All of these topics are addressed in more detail or mentioned in the chapter on the strategic “broader orbit” of the EU. This chapter is intended to touch on a subject that ranks high among China’s strategic ambitions for bilateral cooperation: the development of global standards for Central Banks Digital Currencies (CBDCs).

The subject of CBDC fits in with “narrow orbit” considerations, as the Euro – introduced in 1999 and currently used by 19 EU member states,²² is regarded by the finance world mainly as a regional currency. Within non-EU member territories, the Euro was adopted by Montenegro and Kosovo as sole currency; for the remaining Western Balkans currency exchange rates are anchored to the Euro and cross-border currency flows in Euros are prevailing. In other ENP regions, the Euro does play a significant role as

²¹ Ibid., par. (59).

²² The following eight EU member states are not included in the Eurozone: Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania and Sweden.

reserve currency, but USD-denominated SWIFT clearings are dominating (e.g. North African ENP countries).

The topic of Central Bank Digital Currencies also fits into a multi-faceted, security-related debate, since the risk of unstable currencies and hyperinflation is regarded as a core aspect of macro-economic threat scenarios. Accordingly, the European Central Bank (ECB) steers the monetary policy of the Euro area in the framework of a wider strategic perspective.²³ The lately updated ECB monetary policy strategy, adopted on July 8, 2021, does not address the issue of CBDC. Yet, shortly afterwards, on July 14, 2021, the European Central Bank announced the decision to launch a digital Euro project with a 24 months investigation phase.²⁴ To summarize in brief, as of August 2021 Europe is at the beginning of an investigation phase with the aim to address key issues regarding design and distribution of a future digital Euro.

The development status of China's CBDC offers a more advanced picture: Since April 2020, the People's Bank of China (PBOC) has been conducting large-scale pilot programs in the three cities Shenzhen, Suzhou and Chengdu²⁵ and the Xiong'an New Area, a development hub for the Beijing-Tianjin-Hebei economic triangle region. Private and corporate entities were included in a comprehensive rollout of CBDC-testing in retail settings. Against this background, China is very likely the first major economy in the near future to launch a sovereign digital currency, named as DCEP (Digital

²³ ECB Economic Bulletin (2021/5), The ECB's monetary policy strategy statement, cit.: "The monetary policy strategy of the ECB is both guided and bound by its mandate conferred by the Treaty on European Union and the Treaty on the Functioning of the European Union. The primary objective of the ECB is to maintain price stability in the euro area. Without prejudice to the price stability objective, the Eurosystem shall support the general economic policies in the EU with a view to contributing to the achievement of the Union's objectives as laid down in Article 3 of the Treaty on European Union." cit.end, https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_statement.en.html.

²⁴ ECB press release, July 14, 2021, "Eurosystem launches digital euro project," <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210714~d99198ea23.en.html>.

²⁵ The population of each of these Chinese cities ranges between 10 - 17 million, equivalent to that of a midsize European country.

Central Electronic Payment, chin.: Shuzi Renminbi) in Chinese sources, in Western literature referred to as digital Yuan (e-CNY). As a first step to present the e-CNY to a larger global public, the digital Yuan will be applicable in February 2022 inside the Winter Olympics facilities. However, foreign users will not be able to use the digital currency outside the Olympic Village.

Almost simultaneously with the European Central Bank announcement on the development of the digital Euro, the Central Bank of China published a first open report on DCEP, titled “Progress of Research and Development of e-CNY in China,” on July 16, 2021. Addressing the international community, the report states:

Meanwhile, the PBOC is willing to participate actively in international exchanges of views on digital fiat currency and discuss standard-setting in an open and inclusive manner, in order to jointly advance the development of the international monetary system.²⁶

Indeed, China is pushing hard in the diplomatic sphere²⁷ for common global standards for digital currencies and for increased coordination among international financial authorities. The PBOC digital currency research institute has already been working on proposals for international standards since 2014.

Beijing’s strong strategic commitment to actively participate in formulating international rules on digital currency and digital tax has found its way into

²⁶ State Council of the PR China, July 17, 2021, http://english.www.gov.cn/statecouncil/ministries/202107/17/content_WS60f211a4c6d0df57f98dd21f.html.

²⁷ At the G20 summit (November 21, 2020), Xi Jinping called “to discuss developing the standards and principles for central bank digital currencies (CBDCs) with an open and accommodating attitude, and properly handle all types of risks and challenges, while pushing collectively for the development of the international monetary system,” cited in CAIXIN online journal, December 3, 2020, “China’s digital currency ambitions lead the world,” <https://asia.nikkei.com/Spotlight/Caixin/In-depth-China-s-digital-currency-ambitions-lead-the-world>.

the agenda of past EU-China negotiations.²⁸ However, Beijing's global CBDC ambitions do not fall on fertile ground in Brussels. The rather reluctant attitude on the European side is – among other indicators – reflected in official EU statements and press releases. While the European Commission reports on discussing “the international role of the Euro and of the RMB” (see footnote 28), Chinese official announcements highlight the promotion of “the internationalization of the Euro and the Renminbi.”²⁹

In regard to the internationalization of the Renminbi, any future cross-border digital currency agreements with a major economic power like the EU would definitely create a new competitive advantage for China. The EU, on the other hand, already holds the second place as global reserve currency (20.6%)³⁰ and as invoicing and settlement currency for trading.³¹ The current share of the Renminbi (Chinese Yuan) of global currency reserves reported to the IMF is comparably low with 2.4% in the first quarter of 2021,³² even though finance analysts³³ predict that the Renminbi might rise to between 5% and 10% by 2030.

²⁸ In regard to the 8th High-Level EU-China Trade and Economic Dialogue, see European Commission press release, July 30, 2020, “A range of regulatory issues in the financial services area were also discussed, including cooperation on green finance, equivalence assessments, and the international role of the Euro and of the RMB,” https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1419.

²⁹ See website of Ministry of Commerce of the PR of China, July 28, 2020, Liu He and Dombrovski co-chair the 8th China-EU Economic and Trade High-level Dialogue, “both sides are committed to continue promoting the internationalization of the euro and the renminbi (author’s translation),” chin. text: shuangfangzhiliyujixutuidong Ouyuan he Renminbi guojihua (双方致力于继续推动欧元和人民币国际化), <http://www.mofcom.gov.cn/article/news/202007/20200702987222.shtml>.

³⁰ According to IMF 2021, Q1 data the Euro’s share amounted to 20.6%, following the U.S. dollar’s share of currency reserves with 59.9%, <https://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4>.

³¹ See ECB (2021), *Annual Review of the international role of the Euro*, chap. 2.4, “Use of the Euro as invoicing currency,” <https://www.ecb.europa.eu/pub/ire/html/ecb.ire202106~a058f84c61.en.html#toc9>.

³² IMF 2021, Q1 data, see footnote 29.

³³ PYMNTS, September 4, 2020, “Morgan Stanley Sees Yuan Rising as Reserve Currency,” <https://www.pymnts.com/news/international/2020/analyst-see-yuan-rising-as-reserve-currency/>.

Until recently, Beijing has been rather transparent in voicing the long-term goal of the strong RMB-internationalization drive, i.e., to break the overwhelming prevalence of the US Dollar as a medium of exchange in global trade. Given the simple fact that about 40% of international payments are transacted in US Dollars, all registers of the Chinese anti-hegemonism narrative are applicable.

At the same time, the Chinese side has become worried about an increasing negative perception of its comprehensively prepared, future digital currency. In response, the former governor of the People's Bank of China, Zhou Xiaochuan, warns against an exaggerated international promotion of the digital Yuan:

China and other East Asian countries can steadily push ahead on cross-border transactions using digital currency. That process could come with the internationalization of the yuan, which should not be overly promoted. And China should avoid being accused of promoting “yuanization.”³⁴

In the context of Zhou Xiaochuan's recommendation, attention should be paid to one specific detail: Only East Asia is named as a geographical vector for the internationalization of the digital Yuan. This indicates a regionalization strategy, for the medium-term time horizon, instead of a globalization drive. Even if the digital Yuan will initially only have a presence in the Asian region during coming years, the global cross-border use of future CBDCs asks for new forms of international payment arrangements. A study of the Bank of International Settlements (BIS) concludes that central banks – the European Central Bank included – could ease current and future frictions by factoring “an international dimension into their CBDC designs from the outset.”³⁵ Of course, the international dimension inevitably asks for negotiations and consensus among leading central banks. In other words, a minimum of cooperation is required.

³⁴ Xiaochuan Zhou, “China's choices for a digital currency system,” in *Asia Nikkei Journal*, February 22, 2021, <https://asia.nikkei.com/Spotlight/Caixin/Zhou-Xiaochuan-China-s-choices-for-a-digital-currency-system>.

³⁵ Raphael Auer, Codruta Boar et.al., “CBDCs beyond borders: results from a survey of central banks,” in *BIS Paper No. 116*, June 11, 2021, 15, <https://www.bis.org/publ/bppdf/bispap116.htm>.

Returning to EU-China relations in regard to the – promising but uncertain – strategic space of future digital currencies leads to following conclusion: Not entirely closing the door for cooperation might be significant step on the European side. This requires an approach, which does not perceive the bilateral and international use of a forthcoming digital Yuan as a geopolitical threat³⁶ but as an unavoidable symptom of a global epochal technology change.

³⁶ In respect to the related debate see: Paul Blustein, April 26, 2021, “Who’s Afraid of the Digital Renminbi?”, *CIGI Online*, <https://www.cigionline.org/articles/whos-afraid-digital-renminbi/>; *Crypto Valley Journal*, June 2, 2021, “Digital Yuan ready for use as of 2022,” <https://cvj.ch/en/focus/background/digital-yuan-ready-for-use-as-of-2022/>; *The Conversation*, May 10, 2021, “China’s digital currency could be the future of money – but does it threaten global stability?”, <https://theconversation.com/chinas-digital-currency-could-be-the-future-of-money-but-does-it-threaten-global-stability-160560>.