

CONJUGATION OF THE EEU AND THE "BELT AND ROAD" INITIATIVE

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The article is devoted to possible advantages and risks from the conjugation of the two integration projects: the EEU and the "Belt and Road" initiative. The author concludes that building a new type of relationship has considerable benefits but also poses challenges to the two projects. This problem exists primarily due to the different logic inherent in the two initiatives. While the EEU project is designed to protect and develop the economies of the member states of the union, the "Belt and Road" initiative implies absence of barriers and free movement of Chinese goods and investments around the world, which requires free trade zones around the world. China still seeks bilateral agreements with particular countries of the EEU, rather than interaction with the bodies of the integration bloc as a whole. The author gives a number of recommendations which, in his opinion, will help to avoid a number of risks and challenges and will contribute to the harmonious conjugation of the two ambitious projects.

Keywords: integration; conjugation; EEU; "Belt and Road"; economy; politics; China; Silk Road economic belt.

СОПРЯЖЕНИЕ ЕАЭС И ИНИЦИАТИВЫ «ПОЯС И ПУТЬ»

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Рассмотрены возможные преимущества и риски от сопряжения двух интеграционных проектов: ЕАЭС и «Пояс и путь». Основываясь на анализе имеющейся информации, автор делает вывод как о серьезных выгодах от выстраивания нового типа взаимоотношений, так и о сохраняющихся вызовах для обеих сторон. Это вызвано, в первую очередь, разной логикой, заложенной в эти инициативы. Если проект ЕАЭС предназначен для защиты и развития экономик, входящих в союз, то инициатива «Пояс и путь» подразумевает отсутствие барьеров и свободное курсирование китайских товаров и инвестиций по всему миру, для чего требуются зоны свободной торговли. Также существуют некоторые проблемы в самой логике выстраивания взаимоотношений, в которых Китай стремится все-таки к двусторонним договоренностям с отдельными странами ЕАЭС, а не взаимодействию с интеграционным блоком и его органами в целом. Автор дает ряд рекомендаций, которые, по его мнению, помогут избежать определенных рисков и вызовов и будут способствовать гармоничному сопряжению двух амбициозных проектов.

Ключевые слова: интеграция; сопряжение; ЕАЭС; «Пояс и путь»; экономика; политика; Китай; экономический пояс шелкового пути.

The problem of the interaction of the "Belt and Road" initiative with the EEU has become one of the important issues for the academic community of the countries of the integration union and China since 2015.

Thus, the collection of articles "China in world and regional politics: history and present days" published by the Institute of the Far East of the Russian Academy of Sciences in 2017 is mainly devoted to this topic.

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This publication traces both political and economic aspects of the conjugation of the initiatives [1]. Some aspects of the interface of the EEU projects “One Belt and One Road” are considered by V. A. Shamakhov and V. V. Sluchevsky in the article of the Journal of the Russian Academy of National Economy and Public Administration under the President of the Russian Federation. The work analyzes the main problems and prospects of pairing two global projects that are unfolding in the Eurasian region. Many states are involved in the implementation of these two projects which have different goals. It is noted that they face acute problems of choosing economic partners, allies, combining their own national interests on the scale of the Greater Eurasian partnership (“Greater Eurasia”) [2]. Jia Yuanpei’s article “One belt, one road development strategy and Sino-Russian energy cooperation in the Eurasian Economic Union” argues that the “One belt, one road” initiative demonstrates comprehensiveness and also shows good correlations with the degree of compatibility between the national development strategies of Eurasia, including Russia [3].

D. A. Martynova and M. E. Fedorov in the article “Cooperation with Russia and the EEU within the framework of the Silk Road Economic Belt project: a view from China” focused on the Chinese view on the prospects of the conjugation of the two projects which are the Eurasian economic Union and the Silk Road Economic Belt (SREB), as well as on the interaction between Russia and China within the framework of the initiative. In the article “What is the project “One belt, one road” and what are the prospects of its conjugation with the Eurasian Union?” authors defend the idea that the “One belt, one road” project is an important part of China’s struggle for a new world economic and financial order [4].

In general, it should be noted that for political scientists and economists there is no doubt about the process of conjugation of the two initiatives, but there are a number of differences in assessing its effectiveness and appropriateness for each of the countries. Unfortunately, there are practically no materials in Belarusian political science devoted to the pairing of the two such large-scale initiatives, which in the near future will mostly determine the development of our country. This article is an attempt to assess this process of interfacing and the opportunities and challenges presented by it based on the national interests of Belarus.

The initiative of the conjugation of the EEU and the initiative of «One belt, one road» appeared almost immediately after the emergence of the Eurasian economic Union on 8 May 2015. On 17 May 2018 the Agreement “On trade and economic cooperation between the Eurasian economic Union and its member states, on the one hand, and the People’s Republic of China, on the other hand” was signed. As noted in the report on the imple-

mentation of the main directions of integration within the Eurasian economic Union of 2018 “...the implementation of the agreement on trade-economic cooperation between the EEC and the PRC signed on 17 May 2018, which is currently undergoing domestic procedures for entry into force, will be of great importance for the development of the economies of member states and the union as a whole. In addition, the work to prepare for the signing of an agreement continues the exchange of information on goods and vehicles of international vehicles transported across the customs borders of the union and China”¹ [5].

The idea of interface of the projects has not disappeared until today. Only this year, the idea of the need for pairing and its benefits was sounded by the Russian President V. Putin [6], Russian foreign minister S. Lavrov, head of the EEU T. Sarkisian, Chinese President Xi Jinping [7].

Also, a positive attitude to the pairing of the two initiatives is advocated by experts and employees of the EEU, the presidential administration of the Russian Federation, various institutions of the PRC. Seven tasks are formulated for the near future such as the legal support of the processes of interaction, including the beginning of the agreement on trade and economic cooperation between the EEU and China, the preservation of high dynamics of China’s relations with Belarus, Kazakhstan and Russia. In addition, more intensive use of the potential of Armenia and Kyrgyzstan is important for the interfacing of the projects, the harmonization of regulation in the key sectors of trade and economic cooperation, as well as the convergence of standards and regulatory procedures of the union and China.

At the same time, several EEU experts say that such a conjugation is part of the plan to form a Great Eurasian partnership which is a network of integration strategies, transcontinental projects and regional associations operating with the maximum degree of coordination [8].

At the same time, it should be noted that coordination with the “Belt and Road” project implies, first of all, interfacing with the land part of this project, the SREB. The advantage of such cooperation is the fact that the modernization of the economy, the integrated development of infrastructure, industry and trade in the participating countries correspond to the objectives of the EEU. A positive aspect is also the flexibility of the mechanisms of access to the project and the desired level and format of cooperation within the SREB for the participating countries. The Silk Road Economic Belt is a mega-project that will unite 3 billion people (15 times more than in the EEU) and create a large market. Already in November 2014, 40 billion US dollars fund was established to create the SREB and finance its major projects, as well as the Asian infrastructure investment

¹Hereinafter translated by D. B.

bank with a capital of 100 billion US dollars, the main founder of which is China. An agreement on cooperation with the BRICS (Brasil, Russia, India, China, South Africa) development bank and the SCO (Shanghai Cooperation Organization) bank was signed. In the framework of the project it is planned to actively attract private capital. To put this in perspective, the size of the authorized fund of the Eurasian development bank is only 7 billion US dollars.

After the signing of the statement, the interfacing of the SREB and the EEU projects provides for the laying of a number of routes through the territory of the Russian Federation and would allow the EEU countries to enter the market of South-East Asia. However, the full-scale inclusion of the Trans-Siberian and Baikal-Amur mainlines in the SREB is not yet envisaged. In addition to the infrastructure component, the signing of the agreement on the docking of projects pursued two key goals: first, mutual recognition, and second, the creation of a multilateral cooperation mechanism. One of the features of Chinese diplomacy is to resolve issues in a bilateral format, bypassing multilateral mechanisms.

Economic cooperation within the framework of the "Belt and Road" initiative is designed to increase the interconnectedness of the economies of the Eurasian Economic Union and the People's Republic of China. At present, the development of economic relations between the countries is characterized by a high level of dynamism. Thus, trade relations between China and the EEU countries are developing rapidly. China is gradually becoming the main trading partner of the EEU countries (as of 2016, it is the first trade partner of Russia and Kazakhstan), the share of China has grown significantly in the trade of other member countries of the union (Belarus, Armenia, Kyrgyzstan) and is gradually catching up with the traditionally main trading partner for these countries which is the Russian Federation. One of the main problems in trade and economic relations with China is the tendency to increase mineral energy resources in the structure of exports of the EEU countries, while imports from China almost entirely consist of finished products. It shows a tendency to increase the share of machinery and equipment, which is primarily due to the improvement of the quality of Chinese high-tech products and the fact that many companies are moving and establishing their production in China.

The rapid development of trade between China and the post-Soviet space began in the middle of 2000s and was accompanied by Chinese investments in the energy sector of these countries, as well as concessional lending. There is an unspoken rule of "soft loans in exchange for resources and the market for finished products". Credit and investment cooperation in the region is also one of the most important aspects of the development of relations between the countries. In recent years, China has become the main creditor

and major investor for the countries of the Eurasian Economic Union. There is competition between Russia and other EEU members, especially Central Asian countries, for Chinese direct investment, since both are mainly directed to infrastructure, development and extraction of minerals. The People's Republic of China provides multimillion-dollar soft loans for infrastructure development, for projects related to the extraction and development of minerals, many of which are implemented with the participation of Chinese migrant workers.

China has established friendly and partner relations with Eurasian Economic Union. There is high positive dynamics in the development of economic relations, but it leads to the increased competition in the region (which once again proves the need for coherent projects, which should enhance the cooperation in the region) and largely fixes the status of the EEU countries as a raw material appendage and a transport corridor from China to Europe. More than half of exports consist of mineral resources, and China's investments and loans are also largely directed either to the energy sector or to the development of transport routes [9].

In addition, there are serious contradictions in the fundamental ideas of the EEU and the "Belt and Road" initiative. The Chinese project is focused on broad free trade zones, while the union provides for the protection of domestic markets from external players and a tariff-free zone only for its participants. Delving into the issue of the current state of affairs in the EEU as an international actor, Russia's leading role as a locomotive of its development becomes obvious. This is also reflected in the evolution of relations between the EEU and the "Belt and Road" initiative as mentioned earlier, the first document that initiated the process of pairing was the Joint statement of the Russian Federation and the People's Republic of China on cooperation on pairing the construction of the Eurasian Economic Union and the Silk Road Economic Belt. In other words, it was Russia that took the initiative on behalf of the union.

This state of affairs suits the Chinese side, which effectively conducts bilateral negotiations with Russia to agree on certain projects. As rightly noted in one analytical review, the EEU is perceived in the political elite of China as a project developed primarily on the initiative of Russia rather than as a single organism consisting of equal voting actors. This is the reason why it was proposed to develop a dialogue with Moscow on international issues, as well as to clarify the aspects of the development of the EEU and the "Belt and Road" initiative. Currently, China perceives the EEU as a Russian version of the "Belt and Road" initiative.

On the other hand, China pays attention to the possibility of faster growth of the "Belt and Road" initiative due to the development of dialogue with the EEU. Eurasian integration is presented as a new opportunity for the development of the «Belt and Road». It is understandable since China is ready to actively invest

in the EEU member states in general and in Russia in particular to achieve certain political and economic goals [10]. Thus, the acceleration of the conjugation of the EEU and the “Belt and Road” initiative to a greater extent means the desire to accelerate the development of cooperation between Russia and China. It is important that the PRC sees Russia and other EEU countries as states included in the “Belt and Road” initiative, and only then as members of other associations. The desire to develop a closer dialogue on international issues between Russia and China is a marker of China’s perceptions of Russia’s special position within the EEU [2].

The experience of the EEU countries, which signed a memorandum with the SREB more than five years ago, shows that the export flow to China does not increase manifold. In addition, transport routes have not connected the Eurasian Economic Union, which hoped for Chinese investment. The promised thousands of jobs for citizens of Central Asian states have not emerged.

The lack of transparent rules of the game, dumping, use of “grey” practices by the Chinese companies, the lack of guaranteed reciprocity in the commercial sphere and in the sphere of investments, the use of business standards and discriminatory practices in foreign companies entering the Chinese market which are different from those accepted in the Western world contribute to a considerable risk that accompanies Chinese investment [11].

Thus, for the EEU countries it is necessary to understand that in itself the interface of the integration project and the initiative “Belt and Road” carries both quite broad prospects and a number of challenges and risks. Of course, we should take into account that today China ranks first in the world in GDP and second in nominal exchange rate, leading the production of industrial and agricultural products (coal, cement, steel, tin, zinc, aluminum, electronics, cars, cotton, wheat, meat and more). China also ranks first in the world in terms of accumulated foreign exchange reserves (in 2012, China’s foreign exchange reserves exceeded the global gold reserves twice). All this causes certain disproportions during the pairing of the two projects that have quite different goals but a common ideology of implementation at the same time.

In the long term, the EEU and the “Belt and Road” initiative will inevitably influence each other, since

both projects are largely decisive for the geopolitical and geo-economic format of Eurasia’s development. However, at the moment there is no full understanding of how the pairing of such different projects will ultimately look.

Thus, there is an understanding of what expectations about the EEU and the “Belt and Road” project coincide. First of all, they lie in the sphere of logistics and transport, as well as in the sphere of infrastructure development and provision of the above-mentioned projects [12]. It is seen as excessive expectation on the part of the integration association to create joint production chains with the placement of enterprises in the EEU countries, while China should invest technology in the creation of products with high added value.

It is extremely important for the Chinese initiative to realize its own national interests within the framework of the “Belt and Road” project, which the EEU countries should also understand. Thus, even the pairing of two projects can occur only in those sectors where the interests of all actors coincide. In this regard, it seems expedient to fill the joint agenda with such initiatives that will be beneficial to the EEU countries and acceptable for the implementation of the SREB.

At the same time, any proposal of Chinese partners should be subjected to a thorough examination for economic feasibility and benefits for the EEU countries and the possible costs that the implementers of a particular project will have to bear.

These should be considered as undoubted advantages of the conjugation with the “Belt and Road” initiative within the framework of the integration project because the countries no longer remain one-on-one with China, but are able to jointly defend more favorable conditions for cooperation and joint implementation of the projects. However, such a connection requires a more effective and independent functioning of the integration association bodies, which will be able to act as lobbyists for collective interests. Under these conditions, all EEU countries will have to abandon independent relations with China and implement joint projects through integration institutions. Only in this case it will be possible to speak about effective conjugation with the “Belt and Road” project.

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