

# RECONSTITUTION OF THE EURASIAN ORDER AND PROSPECTS FOR CHINA — US — RUSSIA ECONOMIC INTERACTIONS

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The reconstitution of the Eurasian order began in the late 1980s and early 1990s with the end of the Cold War. Today, geopolitical tensions, increasing protectionism and fragmentation make establishing a favorable Eurasian order challenging. The article defines the concept of Eurasian order, and determines the importance of China — US — Russia economic interactions in the restructuring of the Eurasian order, as well as analyses the mechanisms provided by the three countries in the Eurasian region to serve their respective interests. The development status of mutual trade and investment between China, the United States and Russia is analyzed, and the economic complementarity between them is revealed, as well as the prospects for economic interactions between the three countries are determined.

**Keywords:** Eurasian order; reconstitution of the Eurasian order; China — US — Russia; economic interactions; economic sanctions; economic complementarity.

## ПЕРЕСТРОЙКА ЕВРАЗИЙСКОГО ПОРЯДКА И ПЕРСПЕКТИВЫ ЭКОНОМИЧЕСКОГО ВЗАИМОДЕЙСТВИЯ КИТАЙ — США — РОССИЯ

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Перестройка Евразийского порядка началась в конце 1980-х — 1990-х гг. с окончанием холодной войны. Сегодня геополитическая напряженность и растущий протекционизм и фрагментация затрудняют построение благоприятного Евразийского порядка. В статье определено понятие «Евразийский порядок», выявлена значимость экономического взаимодействия Китай — США — Россия в перестройке «Евразийского порядка», а также рассмотрены механизмы, созданные этими тремя странами в Евразийском регионе с учетом их интересов. Проанализировано развития взаимной торговли и инвестиций между Китаем, США и Россией, выявлена их экономическая взаимодополняемость, а также определены перспективы экономического взаимодействия трех стран.

**Ключевые слова:** Евразийский порядок; перестройка Евразийского порядка; Китай — США — Россия; экономическое взаимодействие; экономические санкции; экономическое взаимодополняемость.

Eurasia, as the largest continental area on Earth and the only continent surrounded by the world's four oceans, has always been subject to great power rivalries. With the collapse of the bipolar structure between the United States and the Soviet Union in the late 20th century, the Eurasian order began to be reconstituted under the influence of the new triangular relationship among China, the United States and Russia. The conflict that broke out between Russia and Ukraine on February 24, 2022 not only completely severed the political ties between the two countries, following the 2014 Crimea crisis, but also drew Europe deeply into this crisis with unprecedented intensity since World War II. The security challenges posed by this military conflict and the unprecedented international crisis after the end of the Cold War have had a significant impact on Eurasia and even on the global political economy. As a result, the reconstitution of the Eurasian order becomes highly uncertain.

Under these conditions, the trilateral interactions between China, the United States, and Russia are also challenging. In the economic realm, the United States has identified China and Russia as its rivals in Eurasia and as major threats to the rules-based order in an era of great power rivalries. As a result, the country's economic relationships with both China and Russia are currently strained. In contrast, although China-Russia economic relations continue to strengthen, they still face many challenges. Furthermore, due to the existence of structural contradictions (including cultural and ideological differences) between these three countries, especially between the US and China, as well as between the US and Russia, it is difficult to achieve consensus on political views. However, given that the interactions between these three countries have implications for the security and stability of Eurasia and the world, analyzing the possibility of economic interactions between them aims to minimize conflict and reconstitute a favorable Eurasian order is extremely important.

The Eurasian order refers to the arrangement of power and interests among various actors in the Eurasian region. It can be considered a subsystem of the global order, consisting of the norms, rules and institutions that shape the behavior and interactions of these actors at the regional level.

In the 1990s, after the collapse of the bipolar structure between the United States and the Soviet Union, China, the United States, and Russia developed their own Eurasian mechanisms based on their respective interests. Among them, Russia took the lead and formed the Commonwealth of Independent States to regulate the relations between the former Soviet countries after the collapse of the Soviet Union. At the same time, in order to ensure national security and promote economic development, Russia established two major mechanisms: the Collective Security Treaty Organization and the Eurasian Economic Union, and proposed the concept of the Greater Eurasian Partnership. These are intended to transform the Eurasian region into a strategic base for Russia's participation in global rivalry and cooperation.

China's involvement in Eurasian affairs began when it established the Shanghai Cooperation Organization with Russia and five other Central Asian countries with the goal of ensuring the security of its western border and the stability in the Central Asian sub-region. In 2013, China proposed the Belt and Road initiative, which serves as “the latest phase of its return to the Eurasian landmass” [1]. China has not only become an important part of Eurasia but also a leading force in multi-field cooperation within the Eurasian region.

Unlike China and Russia, the United States is not situated in Eurasia. In the Eurasian region, it primarily suppresses Russia, weakens China, and undermines cooperation between China and Russia. In the mid-to-late 1990s, it actively promoted the eastward expansion of NATO. As a result, NATO has expanded from 12 member states in 1949 to 31 member states to date. After 2010, the United States began implementing the Asia-Pacific Rebalance Strategy and shifted its strategic focus to the Asia-Pacific region.

Meanwhile, after China and Russia issued the Joint Declaration on the Construction of the Silk Road Economic Belt and the Construction of the Eurasian Economic Union, reaching a significant agreement on cooperation in 2015, the United States began implementing the “C5 1” format and the Strategy for Central Asia 2019–2025 to designedly boosted indigenous confrontation between China and Russia and disintegrated their indigenous-position cooperation.

It should be emphasized that neither China nor Russia intends to dominate the Eurasian continent. Instead, they are committed to peaceful coexistence with other countries in the region and working together to promote peace, stability, and shared development. They also advocate for the establishment of a multipolar structure. However, the United States sought to provoke confrontation and after the outbreak of the Russia-Ukraine conflict, it provided military assistance to Ukraine on multiple occasions. In addition, in coordination with the European Union, the country enforces sanctions aimed at crippling the Russian economy. These actions exacerbate tensions in Eurasia, and threaten regional and international peace and security.

Therefore, it is imperative to build a new type of great power relationship between China, the United States and Russia, characterized by healthy rivalry and cooperation. Furthermore, considering that this new type of major power relations is most evident in the economic realm, changes in economic relations would also have an impact on the political and diplomatic arenas. Therefore, increased economic interactions between China, the United States and Russia would be an important factor in reducing conflicts and promoting the reconstruction of a favorable order in Eurasia.

Currently, China-U.S. economic interactions are showing a so-called “decoupling” trend, including trade, investment, technology and other areas. Although total merchandise trade between China and the United States rose

to 761.71 bln USD in 2022, reaching a record high since 2009, the share of trade value between the two countries as a percentage of China's total trade has decreased from 14.24 % in 2017 to 14.01 % in 2022 [2]. China remains the most significant import origin, but the U.S. imports from other countries have increased significantly, with imports increasing by 40 % in 2022 compared to the same period last year [3]. According to the General Administration of Customs of China, the total value of China's trade in goods with the United States in the first seven months of 2023 was 381.5 bln USD, which decreased by 15.4 % compared to the same period last year [4].

Regarding investment, although the scale of the U.S. direct investment in China has generally increased after the 2008 financial crisis, reaching 118.19 bln USD in 2021, it still accounted for 1.82 % of the total outward direct investment [5]. According to this indicator, China ranked 13th. The manufacturing sector has been the largest recipient of all direct investment from the United States in China. Although information technology has become a new investment growth point in recent years, due to "national security" considerations, President Biden signed an executive order restricting U.S. investments in Chinese technologies including semiconductors, quantum information and artificial intelligence [3]. According to data from the Ministry of Commerce of the People's Republic of China, actually realized direct investment from the United States in China in the first half of 2023 amounted to 2.59 bln USD, which decrease by 31.1 % compared to the same time last year. Nearly 60 % of investments are concentrated in consumer goods, financial services, real estate and other industries, of which the high-tech industry accounted for less than 10 % [6].

For China, the United States is the seventh investing country and fourth receiving country. According to the American Enterprise Institute, from January 2005 to June 2023, the United States has received a cumulative investment of more than 190 bln USD from China, of which real estate and communications technology are the top sectors for Chinese investment in the United States [7]. According to Chinese statistics, direct investment from China in the United States reached 77.17 bln USD in 2021, accounting for 2.77 % of Chinese outward direct investment [5].

Economic relations between the United States and Russia are at a low point in today's international relations, because the relationship between the two countries has "always been political and military", such as nuclear weapons reduction, non-proliferation of weapons of mass destruction and geopolitical games. In the economic realm, it can be said that the "frequent" interactions between the two countries began with the economic sanctions imposed by the United States and Europe on Russia due to the Ukraine crisis since 2014.

The U.S. trade in goods with Russia totaled approximately 38 bln USD in 2013, only 1 % of total U.S. foreign trade. Since 2014, especially from 2022, when the United States and Europe imposed comprehensive sanctions on

Russia due to its “special military operation” against Ukraine, trade between the two countries has declined rapidly. In 2022, the total value of merchandise trade value was 1.68 bln USD, of which the U.S. exports to Russia totaled 1.7 bln USD and imports from Russia totaled 15.07 bln USD, representing year-on-year decreases of 73 % and 51 % respectively. The proportion of trade with Russia in total U.S. foreign trade dropped to 0.31 % [2].

Meanwhile, the scale of bilateral investment between the two countries is very limited, and the amount of investment has also declined significantly since 2014. U.S. investment in Russia in 2021 amounted to 1.229 bln USD (decreased by 7.39 % from 2013), accounting for 0.19 % of total outward direct investment. Russian investment in the United States amounted to 5.67 bln USD, down 72.9 % compared to 2013 and accounting for 1.43 % of the country’s total outward direct investment [5].

China-Russia relations have been continuously improving since the 1990s, and the two countries have now established a comprehensive strategic partnership of coordination. The current economic interactions between China and Russia are increasingly intensifying due to the economic sanctions imposed by the United States and Europe on Russia as well as the shift in U.S. policy towards China from “cooperation” to “rivalry” and “decoupling”. China is Russia’s largest trading partner and one of its main investors. Since 2018, trade in goods between the two countries has grown rapidly, and China has become Russia’s largest import and export partner. In 2022, China-Russia trade amounted to 190.27 billion bln USD, an increase of 77.64 % compared to 2018. Moreover, Russia continuously maintains a trade surplus with China, with the surplus reaching 38.02 bln USD in 2022 [2].

As for investment, on the one hand, although Russian investment in China has always been small, it is generally constantly increasing, reaching a historic high of 341.2 bln USD in 2021, accounting for 0.09 % of Russia’s direct investment abroad. On the other hand, due to changes in Russia’s political environment and economic difficulties after 2014, the risks of investing in Russia are increasing, and Chinese investment in Russia is declining. In 2015, Russia only received 1,340.5 bln USD from China, a decrease of 70.49 % compared to 2013. In 2021, Chinese investment in Russia rebounded, reaching 3,322.88 bln USD, an increase of 1,982.36 bln USD compared to 2015 [5].

It should be noted that although economic interactions between China, the United States and Russia are difficult to develop in the context of uncertainty about the reconstruction of the Eurasian order, due to the existence of economic complementarity between the United States and Russia, as well as between China and Russia, , allowing the three countries to achieve “normal” economic interactions at the bilateral level, especially between China and the United States as well as between the United States and Russia.

To determine the potential for development of economic interactions between China, the United States and Russia, Trade Complementarity

Index analysis, using the classification of traded goods based on Standard International Trade Code (SITC), was applied. The results show that 1) China has comparative advantage in trade in SITC-6 Manufactured Goods, SITC-7 Machinery and Transport Equipment and SITC-8 Miscellaneous Manufactured Articles in the U.S. market, while the United States has comparative advantage in trade in SITC-2 Crude Materials, Inedible, Except Fuels and SITC-3 Mineral fuels, lubricants and related materials in the Chinese market; 2) the United States has comparative advantage in trade in SITC-0 Food and Live Animals, SITC-2, SITC-5 Chemicals and related products and SITC-7 in Russian market, while Russia has comparative advantage in trade in SITC-3 and SITC 6 in the U.S. market; 3) China also has comparative advantage on trade in SITC-6, SITC-7 and SITC-8 in the Russian market, while Russia has comparative advantage on trade in SITC-2, SITC-3 and SITC-4 Animal and Vegetable Oils, Fats and Waxes.

Based on these results, we can conclude that 1) China and the United States could develop mutually beneficial cooperation in the fields of processing industry (including crude materials and mineral fuels), manufacturing of machinery and transportation equipment; 2) the United States and Russia could develop mutually beneficial cooperation in the fields of processing industry (including crude materials and mineral fuels), food industry, chemical industry, and machinery and transportation equipment manufacturing; 3) China and Russia could develop mutually beneficial cooperation in the fields of processing industry (including crude materials and mineral fuels), machinery and transportation equipment manufacturing, as well as production animal and plant fats (and oils).

Besides, considering that the stronger the differences in economic development between countries, the greater the economic benefits that countries can obtain through cooperation. As a developed economy, the United States' overall level of national economic development far exceeds that of China and Russia. Although neither China nor Russia is a developed economy, there is still a large gap in the overall development levels of the national economy between the two countries. This to a certain extent determines the effectiveness of their interactions.

To sum up, in order to reconstitute a favorable Eurasian order, China, the United States and Russia should develop normal economic interactions on the basis of recognizing the diversified interests of great powers and the normalization of rivalry. In particular, they can further strengthen their cooperation in fields with strong economic complementarities. In addition, considering that the structural contradictions between the three countries are difficult to reconcile in the short term, we can also start with cultural "soft power" to enhance mutual understanding, thereby better cooperating with each other and realizing mutual benefit and win-win progress.



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