Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

OBOR project: the case of Russia

*Svetlana Glinkina**
*Artem Yakovlev***

SUMMARY

I. Introduction
II. The risks of growing Chinese impact on post-soviet space countries
III. The Russian vision of efficient SREB and EAEU convergence
IV. Problems versus possibilities of converging SREB and EAEU projects
V. References

Keywords: Eurasian Economic Union, foreign trade expansion, investment cooperation, integration, Silk Road Economic Belt

I. INTRODUCTION

In China's "One Belt, One Road" (OBOR) initiative and its "overland component" –"Silk Road Economic Belt" (SREB) — three points have been, from the very start, of utmost importance for Russia. The first point is linked with the risk of China's growing impact on post-soviet space countries (primarily, Central Asian countries), and the erosion of interest in deeper economic integration with Russia. The second point is connected with maximization of economic benefits from Russia's participation in New Silk Road projects. And, last but not least, the essence of the third point lies in minimization of geopolitical and economic costs coming from the eventual transport corridors of the New Silk Road bypassing Russia. In their paper the authors attempt to feature the actual state of the three problems mentioned above, they also try to find an answer to the question about the prospects

* Dr. (Economics), Professor, Head of the Academic Department of International Economic and Political Studies, Institute of Economics, Russian Academy of Sciences, Head of General Economic Theory chair, Moscow School of Economics, M.V. Lomonosov Moscow State University.
** Junior researcher, Institute of Economics, Russian Academy of Sciences, Assistant of General Economic Theory chair (graduate student), Moscow School of Economics, M.V. Lomonosov Moscow State University.

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

of implementing the Russian project of Eurasian integration in the framework of the Eurasian Economic Union (EAEU) founded on January 1, 2015 and integrated by Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia –seen through the prism of China's integrational activity.

II. THE RISKS OF GROWING CHINESE IMPACT ON POST-SOVIET SPACE COUNTRIES

Over twenty years after the break-up of the USSR, Russia has been making numerous (inadequate) attempts to integrate, in a more or less broad format, post-soviet space countries. Only during the 2008-2009 global economic crisis, in view of major geopolitical shifts occurred simultaneously in several regions (Europe, the Middle East, Asia-Pacific Region) did Russia, together with Belarus and Kazakhstan, succeed with a certain breakthrough in this field. The Customs Union set up in 2010 with its three countries, the Common Economic Space (CES), whose development started in 2012, and, finally, the launch on January 1, 2015 of the Eurasian Economic Union with Armenia and Kyrgyzstan acceding to it – these are the most significant stages of the Eurasian integration project.

The launch of EAEU took place at the background of an unfavorable economic situation in world raw and fuel markets, a sinking demand and decelerated growth rates of world economy. The regime of Western sanctions levied against Russia, and the Ukrainian crisis were serious external shocks, which degraded the Russian Federation's integration potential. The formation of EAEU has developed under economic downfall in Russia (up to 2017), decelerating real GDP growth rate in several EAEU countries and aggravating financial problems in the countries of the region (Vardomsky L.B., Pylin A.G., Shurubovich A.V.,2017, p. 22-41).

Several competitive integration strategies and projects existing in post-soviet space appear as external challenges to the Eurasian project with Russia's participation. Their initiators put in considerable efforts to materialize, in the given part of the world, their own geopolitical and geoeconomic interests, which give weight to enormous comparative advantages of the Eurasian space (Glinkina S.P., Turaeva M.O., Yakovlev A.A., 2016). This refers, primarily, to the geopolitical position of members of the Commonwealth of Independent States (CIS) (CIS is an international organization (international treaty) destined to regulate cooperative relations between the states (not all) of former USSR. The CIS is not a supranational institution, it functions on voluntary basis.) and their natural resources. The British geographer and politician H.J.Mackinder (1861-1947) as long ago as in 1904 called the huge Eurasian heartland the pivotal region of world politics and history and argued that dominance in this space can be basic for world dominance (Mackinder H.J.,1904, p. 421-437). 16.3% of world territory, 5% of population, 25%

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

of explored natural resources (including 7% of world oil and 40% of natural gas reserves), 10% of world industrial production are accounted for by CIS countries (Doklad Natsionalnogo ekonomicheskogo soveta, 2004).

By the time of final institutionalization of the Eurasian integration project, China –neighboring three of the five Union participants– achieved a leading position in world economy thanks to its spectacular economic growth (an average of circa 10% per year over three decades). China's economic strength is an objective basis to reinforce the country's integrational engagement with its neighboring countries, among them post-soviet countries of Central Asia (CA) and Caucasus take a special place at the present stage.

For a long time the Chinese leadership admitted that "the CIS is Russian Federation's traditional sphere of influence. In this respect Russia is very sensitive to any external forces, China being no exception" (Doklad Natsionalnogo ekonomicheskogo soveta, 2004). This reality considerably complicated the progress of China's policy in the CIS and made it necessary to design a strategy of gradual exploitation of post-soviet space.

The leadership of the People's Republic of China (PRC) did not hurry, took time and closely followed the complex and volatile situation in the Eurasian region. At the onset of the new millennium the Chinese leadership devised a multilevel, thoroughly balanced step-by-step strategy aimed at developing post-soviet space. Channels of bilateral interaction as well as mechanisms of multilateral cooperation were set in motion. Initially, the focus was on economic interaction and the goal was to achieve maximal success at minimal costs.

Everything possible was made to remove Russia's hostility sentiments linked with China's expansion in the region. Faced with growing heterogeneity of post-soviet space and the penetration in the region of US-led western forces, China held it to be possible and desirable to pursue in the CIS a policy coordinated with Russia. The Chinese authors claimed that "China should devise an active policy towards the CIS countries taking into account the content of Sino-Russian relations, which aim at strategic interaction and partnership, consider strategic interests and are also in line with the current situation in countries of the Commonwealth."(Van Shucun, Van Chinsun, 2012).

As a result, objective prerequisites for fostering economic cooperation were enforced by a well-defined and elaborated strategy of China developing the post-soviet space in form of bilateral relations.

The Chinese leadership closely monitored the complicated and rapidly changing situation in the Eurasian region and sticked with the diplomatic course to two lines: the first one is "grasping the large and letting the small go", which means in this case-maintain stable relations primarily with large CIS countries; and the second one is moving "from near to far", which means-start friendly relations

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

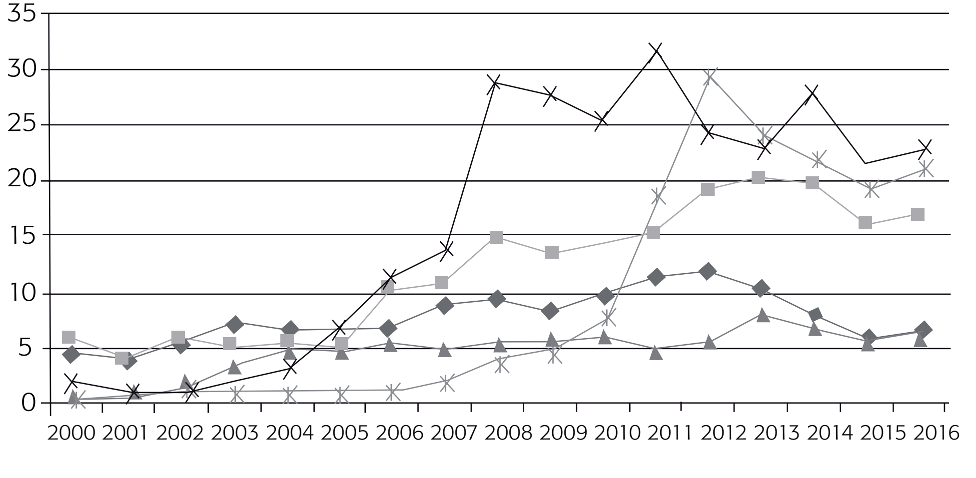
with neighboring CIS members and then extend ties with other countries, which are of specifically high strategic importance for China.

China has passed to the strategy of strengthening bilateral links in the region by targeted actions and by thoroughly examining the situation in every single CIS country. In the security sphere the most important PRC's partners in post-soviet space, apart from Russia, are Kazakhstan, Kyrgyzstan and Tadjikistan; in the economic sphere these are Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, Belarus and Ukraine – in other words, either energy resources-abundant countries or those which possess a significant military potential and, thus, play an important role in China's economic development and national defense modernization.

Foreign trade was the main tool in the strategy of post-soviet space development during its first stage. And the results are impressive. Official statistics shows that in 1992, with diplomatic relations established between China and five Central Asian countries, the overall trade turnover of China with the region made only $460 mill. Twenty years later, in 2012, the indicator reached almost $46 bln, thus growing 100-fold.(Xinhua News Agency, October 24, 2013). The dynamics of trade turnover between the five CA countries and PRC can be seen in Graph 1.

The volume of both imports from PRC to these countries (Graph 2) and their exports to the Chinese market (Graph 3) grew considerably.

Graph 1
The dynamics of trade turnover between PRC and CA countries, in % to GDP



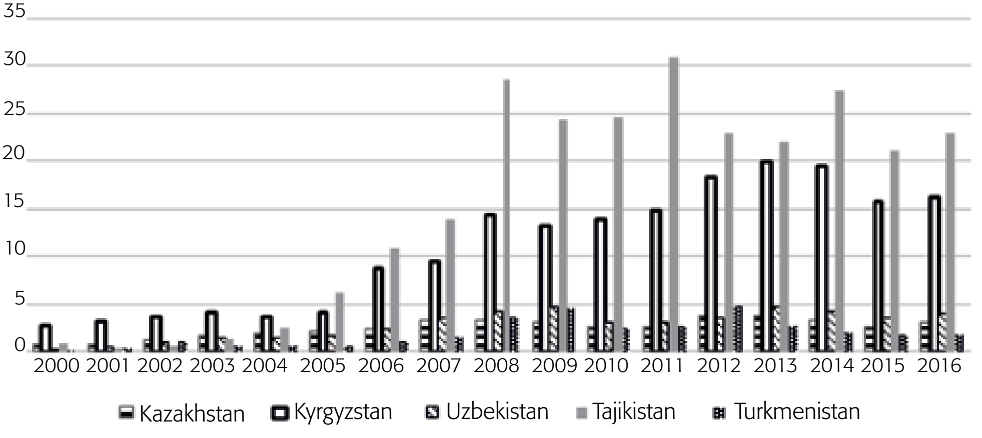
Source: calculations based on UN Comtrade data (http://comtrade.un.org) and Worldbank (http://www.worldbank.org)

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

In Tadjikistan and Kyrgyzstan, countries most dependent on Chinese imports, the relation between value imports from China and the country's GDP reached,

Graph 2
Dynamics of CA countries' imports from PRC, in % to GDP



Source: Calculations based on UN Comtrade data (http://comtrade.un.org) and World Bank (http://www.worldbank.org).

in particular years, 30% and 20% respectively. The share of imports from China in the overall import of CA countries grew from 20% in 1996 to 87% in 2016 (World Bank Group, 2016).

The share of China in CA countries' exports increased also, but less than imports, and made in 2016 21% of the overall export volume of CA countries (compared to 15% in 1996). The highest relation of exports to PRC to national GDP showed Turkmenistan (25% in 2012), in other countries this indicator varied between 0.1% and 8.0% (see Graph 3).

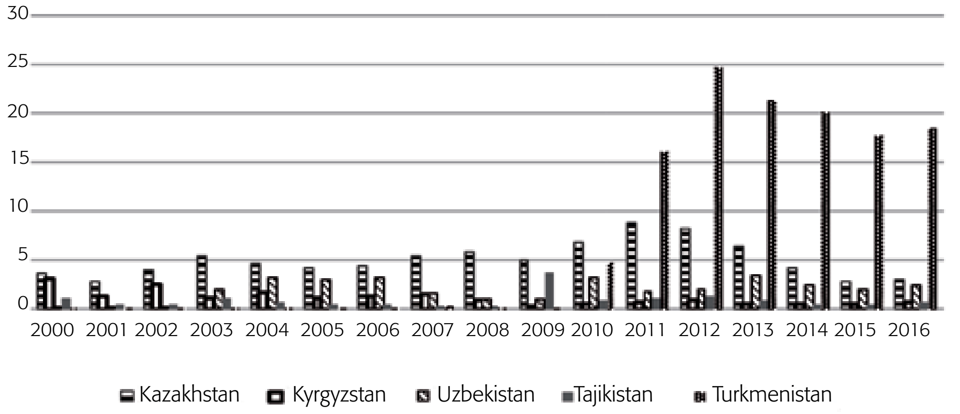
Over 2004-2017 export and import shares of China grew, practically, in all post-soviet Central Asian countries. China turned into the first important trade partner of Kazakhstan and Turkmenistan, the second biggest of Uzbekistan and Kyrgyzstan and the third biggest to Tadjikistan.

China's development of Caucasus began with a certain time lag, but substantial results have been achieved here as well (see Graphs 4, 5, 6).

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

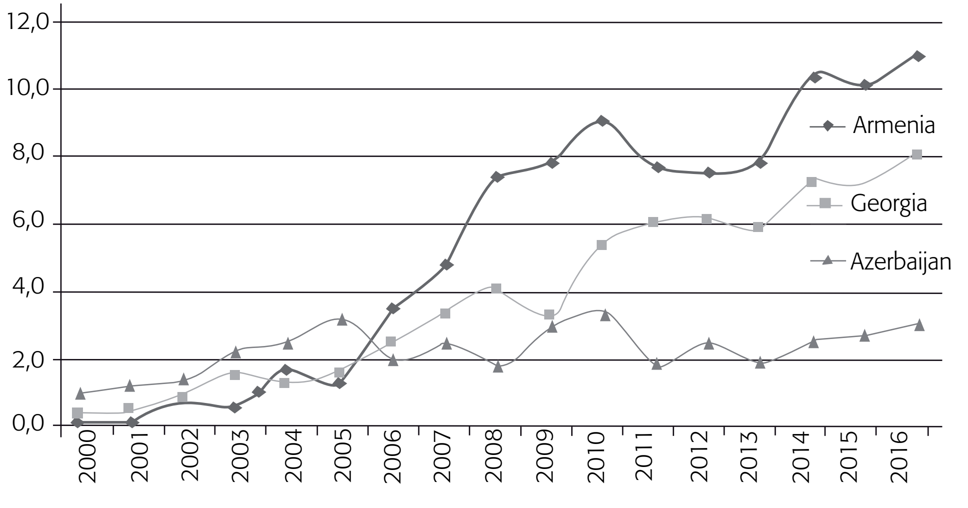
Graph 3
Exports dynamics of CA countries to China, in % to GDP



Source: Calculations based on UN Comtrade data (http://comtrade.un.org) and Worldbank (http://www.worldbank.org).

Graph 4 shows that in 2000-2016 the share of Armenia's trade turnover with China in the country's overall trade turnover grew by 50.5 times, of Georgia's by

Graph 4
Dynamics of trade turnover between Armenia, Georgia, Azerbaijan and China, in % to overall trade turnover



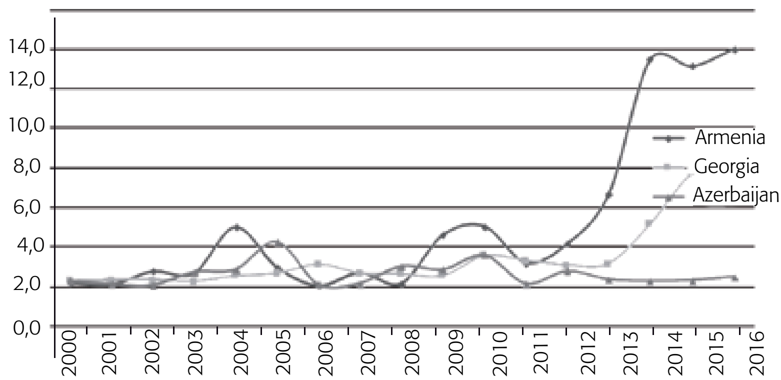
Source: Calculations based on UN Comtrade data (http://comtrade.un.org).

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

18 times, of Azerbaijan by 2.7 times. The share of China also increased sharply in Armenia's and Georgia's aggregate exports (55.5 and 19 times respectively). Meanwhile, the Chinese market has not yet discovered Azerbaijan's market, the share of exports to the latter remains on the level of 0.3%.

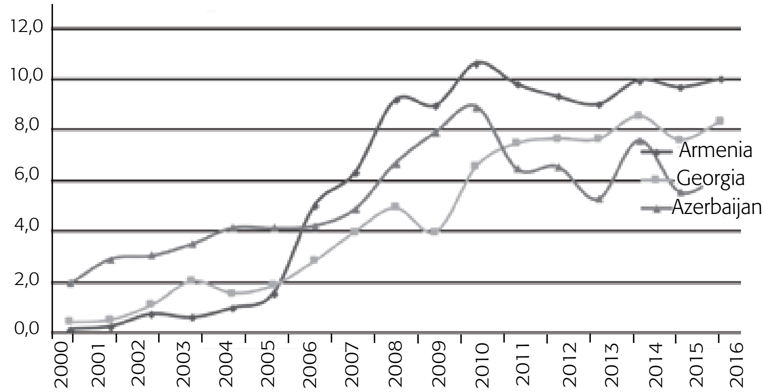
Graph 5
Dynamics of exports of Armenia, Georgia, Azerbaijan to PRC, in % to overall exports



Source: Calculations based on UN Comtrade data (http://comtrade.un.org).

The volume of Chinese imports increased substantially in all these countries (See Graph 6). In particular years, imports from PRC amounted in Armenia to

Graph 6
The dynamics of Armenia's, Georgia's, Azerbaijan's imports from PRC, in % of overall imports



Source: Calculations based on Comtrade data (http://comtrade.un.org).

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

Table 1
CCA: Trade shift from Russia to China (Percent of CCA GDP)

	2000	*2012*
Oil and Gas Exports to China	0.3	2.6
Oil and Gas Exports to Russia	4.6	0.2
Agricultural and Raw Material Exports to China	0.8	3.3
Agricultural and Raw Material Exports to Russia	4.7	0.8
Manufactured Goods Imports from China	1.3	6.2
Manufactured Goods Imports from Russia	14.5	8.5
Manufactured Goods Exports to China	2.7	3.3
Manufactured Goods Exports to Russia	5.5	3.0

Source: World Economic and Financial Surveys. Regional Economic Outlook: Middle East and Central Asia, October 2014, p. 93.

10.6%, in Azerbaijan to 8.9%, in Georgia to 8.5% of the overall imports of respective countries.

The Chinese economic expansion could not but result in driving Russia out of the above regions - a trend illustrated by data given in Table 1 below.

A marked growth of China's trade with other post-soviet countries is observed, in particular, with the Ukraine and also with Belarus (a most important Eurasian integration participant); trade turnover with both countries increased fourfold since 2000, and import more than 10-fold in constant prices. Belarus-China trade deficit is progressing since 2006 and reached the level of $1.5 billion in 2016.

The overall reality is that China is continually making gains in post-soviet space at the expense of Russia. This is partly because "China's business-is-business approach" with others "differs" from "Russia's heavy doses of geopolitics", according to Yu Bin (Yu Bin, 2016).

In 2001-2016 the share of China as investor and supplier of equipment and transport vehicles to all post-soviet countries (mainly CA countries) was on the rise. This results in China becoming the source of modernization for the new independent states, whereas the role of Russia is contracting in this area in several countries.

Mutual trade between China and post-soviet countries is based, to a considerable degree, on Chinese trade credits, whose scale, up to 2008-2009 world

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

financial and economic crisis, exceeded substantially China's direct investment accumulated by the countries. Up to 2014 the annual inflow of PRC's foreign direct investment in post-soviet Central Asian countries surpassed heavily that in the Russian Federation (see Table 2). That is why by late 2015 China's accumulated direct investment in Kazakhstan, Uzbekistan and Turkmenistan was 11 times higher than that of Russia (Eurasian Development Bank, Report 2016). The situation changed in Russia's favor only in 2014 (see Table 2) which gave rise to ill-founded expectations among the Russian economic elite. "About a year ago, Russian businessmen had the impression that they could go with open pockets, and the Chinese would fill them with money. Now there is a more sober approach, cognizant of the fact that the Chinese are not inclined to take risks", Andrey Denisov, Russian Ambassador to China, claimed (Country Report: Russia, The Asian Forum, 2016).

In any case, China is already a big investor in Russia, but the true volume of Chinese investment is unknown to either China or Russia because much of the investment occurs via such places as Hong Kong and various jurisdictions with tax minimization and tough secrecy regimes. This is almost certainly true, but some attempts have been made to get a better handle on this issue. According to Alexander Gabuev, also writing toward the middle of 2017, Chinese polling of Chinese companies that have invested in Russia has given the figure of "$40 billion of cumulative investment by the end of 2016, with about a quarter (i.e., about $10 billion) coming after the Crimea annexation (i.e., in early 2014)" (Gabuev A., 2017). The "China Global Investment Tracker", jointly produced by The American Enterprise Institute and The Heritage Foundation, suggests that the value of China's "investment" overseas, in the period from the beginning of 2005 until mid-2017, is $921 billion, with the Russian share being $29 billion –or a little over 3%.

In the post-soviet space China invested in form of FDIs especially actively during the world financial and economic crisis, when shares of mining enterprises in the region could be acquired practically at a rock-bottom price. If we evaluate the current investment needs of post-soviet countries, we cannot but acknowledge that China's participation in satisfying them appears to be extraordinary important, if not decisive. The model of economic growth in effect in these countries up to now is exhausted, whereas the need for a qualitative infrastructure is enormous, Managing Director, Head of Emerging Markets Economics at Citigroup, David Lubin, holds. Chinese investment in the infrastructure of post-soviet countries might be the only hope for their recovery.

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

Table 2
China's foreign direct investment inflow in Central Asia (CA) and in Russia (mln doll.)

Year	*Kazakhstan*	*Turkme-nistan*	*Uzbekis-tan*	*Tadjikistan*	*Kyrgyzs-tan*	*CA*	*Russia*
2006	276.24	0.16	14.97	30.28	124.76	446	470
2007	609.93	1.42	30.82	98.99	139.75	881	438
2008	1.402.30	88.13	77.64	227.17	146.81	1.942	240
2009	1.516.21	207.97	85.22	162.79	283.72	2.256	410
2010	1.590.54	658.48	83.00	191.63	394.32	2.918	594
2011	2.858.45	276.48	156.47	216.74	525.05	4.033	568
2012	4578.23	178.25	187.23	124.4	353.47	5.422	660
2013	5.823.76	342.14	132.07	205.65	302.98	6.706	4.080
2014	4.382.38	234.6	145.13	166.9	278.56	5.208	8.000

Source: Annual statistical bulletin on foreign direct investment from China 2015; Data of PRC Ministry of Commerce

The principal form of Chinese investment is crediting. By early 2016 CA countries received credit resources in form of loans of about $30 billion. The majority of them are tied low-interest (1.5-3%) long-term (up to 20 years) grace-period loans.

China's active credit policy in CA entailed a rapid indebtedness growth of CA countries on their eastern neighbor. In 2016 the share of PRC's share in the foreign national debt of Tadjikistan amounted to 47% ($1.2 billion), Kygyzstan 38% ($1.4 billion), Kazakhstan nearly 10% ($14.2 billion).

China's practices of exchanging its investment (credits, in the first place) for natural resources and market shares in post-soviet countries are going on. What is more, resources of the Silk Road Fund established in 2014 are added to China's national and commercial credits. According to the Foundation Rules the mission of the Silk Road Fund is "to provide for development of China and other countries and regions included in One Belt, One Road project". Its founders are Chinese development institutions exclusively: China Export-Import Bank (15% of authorized share capital), China Investment Corporation (15%), China Development Bank (5%) and State Administration of Foreign Exchange (65%). The Fund is a commercial profit-making organization. In September 2015 it allocated $1.2 billion to acquire from PAO NOVATEK a minority share of 9.9% in Yamal natural gas liquefaction project, and for $2 billion the gold-mining enterprise Vasilkovskoe in Kazakhstan. Thus, these two of the three investments of the Fund were aimed at natural resources extraction enterprises situated in the post-soviet space.

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

Moscow views the Chinese regional policy through the prism of Russia's own efforts to strengthen integration in post-soviet space (Kobrinskaya I., 2016). In this context, one cannot fail to see that as a result of China's expansion in post-soviet space, the dependence of EAEU economies on China is growing through trade imbalances pickup. All EAEU members (Kazakhstan excluded) have a considerable trade deficit with China. Over the last three years in Kyrgyzstan it makes 93-95% of the overall trade turnover, in Armenia about one-third, in Belarus almost a half (The authors' calculations based on UN Comtrade data, http://comtrade.un.org).

One of the targets of the Eurasian Economic Union from its early inception was the stated promotion of reindustrialization of member-countries. It has been done next to none in this direction for the time being.

The EAEU's inaction in developing production cooperation becomes more and more evident at the background of China's programs of displacing, in the framework of SREB initiative, of dozens of industrial productions to the territory of Kazakhstan and Kyrgyzstan. Despite discussions held in the countries on the conditions and consequences of these plans, the programs will be apparently implemented. Many non-raw productions to be displaced fabricate products Kazakhstan and Kyrgyzstan are importing from China, hence, to enter their production directly in the countries can be useful not only for the consumers (they save time and money) but also for the state. Taxes, infrastructure, jobs – under current economic circumstances all these factors are obviously profitable for EAEU countries. China will offer additional privileges and concessions to post-soviet countries (EAEU countries included) since it tends to get rid of excessive facilities, lower the environmental burden in several Chinese provinces, use cheap labor in order to minimize production costs and, in the end, enter the broad EAEU market without customs duties and limitations.

The established China - EAEU countries cooperation pattern evidently leads to deeper competition between the latter for Chinese investment, and to contest between China and Russia for influence on post-soviet space.

III. THE RUSSIAN VISION OF EFFICIENT SREB AND EAEU CONVERGENCE

Proclaiming One Belt, One Road integration initiative and the launch of the Eurasian Economic Union on January 1, 2015 could, according to many experts, manifest the beginning of a transition to the stage of multilateral cooperation in the region. However, for the time being, progress on this trajectory is rather illusive. Russian companies are unable to act on equal terms on post-soviet space, besides the eventual areas of joint endeavors are hardly visible. China's bilateral

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

cooperation with every post-soviet space country, with Russia included, so far lives its own life, and only slightly depends on the search for "convergence points".

For Russia, the most successful scenario variant seems to be to set up, in the framework of mated SREB and EAEU, several successful joint and mutually advantageous projects with the aim to build value added chains and come to a clear-cut agreement about the part of value added to be produced in EAEU, and the part produced in China. Upon that, the location of enterprises should be maximally profitable for the participants. If this entails deliveries of joint products to the European Union, these enterprises might be located nearer to the border of the European Union, i.e., in Russia or Belarus; in case of the Asian region, they might be located in China or in the Russian Far East.

The practice of shifting Chinese productions to the territory of Russia or Central Asian countries participating in EAEU, might be viable under modern conditions, if the Chinese party observes environmental norms and social standards and also employs local workforce. The Chinese party is interested in this process as well. The renowned professor Peter Cai from China accepts that Belt and Road projects are insufficient to absorb China's "vast glut of steel and other products". Instead, he says, China wants to use it to "migrate whole production facilities" to less developed countries in order "to build-up their industrial bases". In this way, "domestic economic liabilities become foreign economic and diplomatic assets." (Cai P., 2017) He quotes a variety of Chinese officials making this point, the most recent being the Chairman of the Silk Road Fund (SRF) in a May 2016 speech. According to Peter Cai, "part of this thinking is informed by China's own experience of industrialization in the 1980s and 1990s", when "China imported second-hand production lines from Germany, Taiwan and Japan." (Cai P., 2017).

With all its positive sides, this process, if large-scaled, can impede the prospect of EAEU countries' reindustrialization on their own economic basis, undermine their interest in deepening intra-regional production cooperation.

Among the future-oriented cooperation areas between EAEU and China in the framework of One Belt, One Road initiative is agriculture. The changes Asia is undergoing, most notably, the rise of the middle class, growing consumption of inexpensive quality foodstuff opens the chance to substantially extend business in the sphere together with China. Reasonable opportunities are available to augment deliveries of agricultural products from EAEU countries to PRC. It is useful to set up joint companies that would make use of the potential and technologies of EAEU and China, and turn into respectable players on the rapidly expanding Asian market. This will be a new stimulus to develop agriculture in EAEU countries and will help China meet food security challenges the country is facing.

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

Joint development of transport infrastructure appears to be promising, particularly the construction of collective ports in the Far East, that will unclog the bottlenecks in North-Eastern China.

Investment of Chinese companies made in the seaports of Kaliningrad is of mutual interest for EAEU and China. This project, when realized, might allow PRC to acquire a container anchorage terminal directly in Europe. The perspective development of the Northern Sea Route in Russia will open huge opportunities. In case these and many other projects are implemented, one can expect a meaningful extension of trade relations between EAEU countries and China as well as with countries supporting their SREB engagement – due to reduced transport leg, cheaper transportation and accelerated product deliveries.

The process of trade liberalization can also have a positive impact on trade expansion. The Chinese party insists on having a free trade zone in the framework of SREB. But Russia treats the idea with caution. The main point here is that Moscow is in no hurry to significantly liberalize Russian or EAEU's manufactured goods trade with China. Russia is more interested in trade facilitation than trade liberalization. It is important to provide for a big platform rather than to be involved in competition. "EAEU is not yet ready to open its market to Chinese manufacturers", Yevgeny Vinokurov, Director, Center for Integration Studies, Eurasian Development Bank, held in December 2016 (Valdai Discussion Club, 2016). In regards to export-orientated manufacturing, EAEU is seen as an area for reindustrialization and technological development of Russian economy. A report of the Russian International Affairs Council (RIAC) states that "there is a need for more active use of coordination mechanisms for the EAEU's internal industrial policy." However, another aspect to all this exists. According to Vinokurov, "in today's world, free trade areas are not so much about goods, with trade accounting for less than half of the total volume, as they are about favorable investment regimes." In investment, according to an early 2017 RIAC report, Russia is less interested in "liberalization" than in "fortification of the EAEU." (Valdai Discussion Club, 2016).

A real convergence of SREB and EAEU projects presupposes activity of private companies from EAEU countries and from China, small and middle-sized in particular. Up to the present moment all co-projects are predominantly focused on intergovernmental level. E-commerce offers additional chances for cooperation development, it can help increase export of small businesses from EAEU countries to China and from China to EAEU countries.

Thus, according to the Russian party, we should search for mutually profitable forms of converging SREB and EAEU projects. Obviously, the resulting outcome should be for us "not a romantic union of one heart but a calculated marriage." (Country Report: Russia, The Asian Forum, 2016). On the way to make this target

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

a reality we meet a series of problems, which, in their essence, are produced by several sources. Let us expressly dwell on this point.

IV. PROBLEMS VERSUS POSSIBILITIES OF CONVERGING SREB AND EAEU PROJECTS

Analysis suggests that Russia and China see mechanisms of converging Eurasian and Chinese integration projects differently: the RF insists on PRC-EAEU cooperation, whereas China considers bilateral cooperation with every single EAEU member to be possible and even more efficient. China signed bilateral agreements with Russia in May 2015, with Belarus and Kazakhstan in September 2015. All of them are aimed to implement the SREB initiative. Belarus was the first country to sign a memorandum with the Chinese Silk Road Fund.

Kazakhstan and Belarus are ahead of Russia with converging their national development programs and also with the opportunities opening up thanks to SREB. In September 2015 the heads of Kazakhstan and China advanced their initiative of converging SREB and Kazakhstan's new Nurly Zhol economic program, signed dozens of cooperation agreements in transport, industry and energy economics in the framework of Kazakhstan 2020 and SREB economic policy convergence. Two transport routes mapped out in the framework of SREB are integrated into Kazakhstan's Nurly Zhol infrastructure program destined to develop the national infrastructure and set up a powerful regional transport and logistics hub. The volume of China – Kazakhstan agreements aimed at converging SREB and Kazakhstan's Nurly Zhol strategy (signed, in accordance with the Cooperation plan, on September 2, 2016) outstrips radically the practical steps taken by the rest of SREB participants.

The experience of Belarus with the Great Stone technopark being erected near Minsk with Chinese financial support will accumulate the energy of many small and middle-sized enterprises.

The countries mentioned above are ready to establish mutual relations for purposes of small projects, which, taken together, produce a substantial positive effect. Russia still follows a different approach – of contracts worth billions, preferably signed with state companies under immediate command of highest leaders and their close circle.

In Russia alarmist sentiments persist as before on different levels of power, the fear about China gaining more from cooperation than Russia, and also illusions about the integration initiative of China being a sort of charity towards countries that gave their consent to participate in it.

It should be expressly understood that, with geopolitical reasons aside, China's motives for One Belt, One Road strategy involve lower costs of export deliveries to

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

EU countries and higher external demand for Chinese products and Chinese experts' services. China will contribute to modernize Russia's Transsib railway system or take part in developing the Northern Sea Route only in case this participation would allow to accomplish the country's strategic purposes. It is naïve to think that China is going to promote a reindustrialization of EAEU economies leading to appear new competitors to Chinese producers. Positive effects can be achieved by all participants of this initiative, but in the first place the Chinese leadership's purposes will and should find an unbiased accomplishment.

Still not clear enough remains the very notion of "convergence". In his press statement following the talks with the Chinese party, RF President Vladimir Putin said that "essentially, we seek ultimately to reach a new level of partnership that will create a common economic space across the entire Eurasian continent." (en.kremlin.ru 2016). The perspective of creating a common space of Shanghai Cooperation Organization (SCO) - SREB was also discussed by China's President Xi Jinping at Nazarbayev University in September 2013. But if we recall the idea — now, apparently, shelved— of the Common European Economic Space (its decision was approved by Russia and the European Union in 2003), we cannot help but admit that the essence of "the common space" notion has not been deeply examined even theoretically. The EU insisted on Russia borrowing the European legislation, norms and regulations; Russia, in its turn, meant four freedoms (free flow of goods, services, capital and citizens). In the case of China, too, the perspective of a common economic space seems to be complicated, when shaping this space many problems, that are challenging now for both parties (EAEU and China), will have to be solved.

Without giving an answer to the question about the essence of the common economic space in the framework of EAEU and SREB convergence, the Russian leadership steps up the level of cooperation.

For example, speaking before the St. Petersburg International Economic Forum in June 2016, RF President Vladimir Putin put forward an initiative to create a "greater Eurasian" partnership "involving the EAEU and countries with which we already have close partnership – China, India, Pakistan and Iran" and "other interested countries and associations". "To start", Putin said, "we might streamline and unify the regulation of departmental cooperation and investment, nontariff measures of technology and sanitary control, customs administration and protection of intellectual property … further on, we should move gradually to the reduction and eventual abolition of tariff restrictions". This was Putin's idea several months later, in October 2016, put forward at the Valdai Discussion Club: "Russia advocates the harmonization of regional economic formats based on the principles of transparency and respect for each other's interests. That is how we arrange the work of the EAEU and conduct negotiations with our partners, particularly on coordination

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

with the SREB project, which China is implementing. We expect it to promote an extensive Eurasian partnership, which promises to evolve into one of the formative centres of a vast Eurasian integration area" (Putin V., 2016).

As for Greater Eurasia, the joint report by the Chongyang Institute for Financial Studies, Valdai Discussion Club, and The Kazakhstan Council of International Relations, describes it as "nothing else than an attempt to grope for new sources of economic growth. Russia sees them in its potential entry to Asian markets and building up trade with EAEU nations, in luring investments in infrastructure projects in Siberia and Far East. China prefers large-scale investments in external infrastructure and gaining access to new natural resources" (Valdai Discussion Club, 2017).

It suggests that after so much discussion there is a broad understanding about Greater Eurasia idea within Eurasia itself. In reality, Vladimir Putin and many influential Russian analysts mainly regard Greater Eurasia as a geo-political concept to reduce the power of the US and build a multi-polar world. Economic growth aspects are secondary.

Putting trade, security and geopolitical factors together, allows us to see that the basic reasons for EAEU and for Belt and Road are different. EAEU is based on Russia's conviction that globalization would gradually outlive its usefulness and the perceived opportunity for it to form a center of economic and political power in Central Eurasia. China, however, launched its Belt and Road as a way of taking further advantage of globalization and boosting its own security in the process.

At the background of EAEU development trends that give rise to concerns, the loosing momentum in the multilateral format of the dialogue on convergence can provoke tougher competition in EAEU, erosion of the Eurasian integration, absorption of EAEU by the eastern neighboring giant which, as shown above, is strengthening its positions in post-soviet space countries.'

V. REFERENCES

Cai P., "Understanding the Belt and Road Initiative", Lowy Institute for International Policy, March 2017 https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative

Country Report: Russia, The Asian Forum, 24 November 2016, http://www.theasanforum.org/county-report-russia-november-2016 ;

Doklad Natsionalnogo ekonomicheskogo soveta "Ekonomicheskoe sotrudnichestvo – factor integratsii stran SNG" [Economic Cooperation – a Factor of CIS Countries' Integration. Report of the National Economic Council]. Yekaterinburg, 2004, 9.

en.kremlin.ru/events/president/transripts/press_conference/49433

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/

Esta obra forma parte del acervo de la Biblioteca Jurídica Virtual del Instituto de Investigaciones Jurídicas de la UNAM
www.juridicas.unam.mx https://biblio.juridicas.unam.mx/bjv Libro completo en: https://goo.gl/JggCz5

Eurasian Development Bank, Report Monitoring vzaimnykh investitsiy v stranakh SNG 2016.- Evraziysky Bank Razvitiya, Tsentr integratsionnykh issledivaniy. Doklad N 39, 2016, S.46 [Monitoring mutual investment in CIS countries 2016. Center for Integration Studies, No.39, 2016, p.46]

Gabuev A., "China and Russia: Friends with strategic benefits", Lowy Institute, 7 April 2017, https://www.lowyinstitute.org/the-interpreter/china-and-russia-friends-strategic-benefits

Glinkina S.P., Turaeva M.O., Yakovlev A.A. China's strategy of development of the post-Soviet space and the fate of the Eurasian Union: report. M .: Institute of Economics, Russian Academy of Sciences, 2016. – 59p.

Kobrinskaya I,, "Is Russia Coming to Terms with China's 'Silk Road'?", Russia in Global Affairs, 30 December 2016, http://eng.globalaffairs.ru/PONARS-Eurasia/Is-Russia-Coming-to-Terms-with-Chinas-Silk-Road-18526

Mackinder H.J. The Geographical Pivot of History, The Geographical Journal, Vol. 23, No.4 (Apr., 1904), 421-437

Putin V., speech on "The Future in Progress: Shaping the World of Tomorrow", Valdai International Discussion Club, 27 October 2016, http://valdaiclub.com/events/posts/articles/vladimir-putin-took-part-in-the-valdai-discussion-club-s-plenary-session

Regional Chief Economist. April 2016p.41,http://www.worldbank.org/en/region/eca/publication/europe-and-central-asia-economic-update-april-2016;

Valdai Discussion Club, 2016 http://valdaiclub.com/a/highlights/eaeu-and-asian-countries-plans-prospects

Valdai Discussion Club, July 2017 "Reshaping Eurasian Economic Space: Common Perspectives from China, Russia and Kazakhstan Think Tanks", http://valdaiclub.com/files/14845

Van Shucun, Van Chinsun. SNG i sovremennaya politika Kitaya [The Cis and Modern Policy of China], Svobodnaya mysl [Free Thought], 2012, No. 5-6, 88.

Vardomsky L.B., Pylin A.G., Shurubovich A.V. K voprosu o modernizatsii ekonomik stran SNG // Vestnik Instituta ekonomiki Rossiyskoy akademii nauk. 2017. N 1. [Vardomsky L.B., Pylin A.G., Shurubovich A.V. On the Problem of Modernizing the Economy of the CIS Countries // Bulletin of the Institute of Economics, Russian Academy of Sciences. 2017. No.1];

World Bank Group. Economic Update: Impact of China on Europe and Central Asia. Office of the

Xinhua News Agency, October 24, 2013. The construction of the Economic Belt along the Great Silk Road will be the driving force for comprehensive cooperation in Eurasia.

Yu Bin, "China-Russia Relations: Putin's Glory and Xi's Dream", Comparative Connection, January 2016,https://csisprod.s3.amazonaws.com/s3fspublic/legacy_files/files/publication/1303qchina_russia.pdf.

DR © 2018. Universidad Nacional Autónoma de México - Instituto de Investigaciones Jurídicas
Instituto para el Desarrollo Industrial y el Crecimiento Económico , A.C.
https://idic.mx/