



Economic projects, design, institutions of Greater Eurasian Partnership

Proyectos económicos, diseño e instituciones de Gran Asociación Euroasiática

LITVINOVA, Tatiana N. [1](#)

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ABSTRACT:

The article explores project and perspectives of Eurasian Partnership proposed by President of the Russian Federation Vladimir Putin on the basis of Eurasian Economic Union (EAEU) and Chinese transport corridor plan "One belt – one road". This project can be considered as the display of new world architecture constructed on the system of regional and trans-regional integration groups. The investigation is based on: official documents of EAEU and Shanghai Cooperation Organization; declarations of official authorities; monitoring of mass media; economic statistics analysis.

Keywords: Eurasian Economic Union, Shanghai Cooperation Organization, Russia, China, integration, trade, investments, transport corridors

RESUMEN:

El artículo explora el proyecto y las perspectivas de la Asociación Euroasiática propuesto por el Presidente de la Federación de Rusia, Vladimir Putin, sobre la base de la Unión Económica Euroasiática y el plan del corredor de transporte chino "One belt - one road". Este proyecto puede considerarse como el despliegue de una nueva arquitectura mundial construida sobre el sistema de grupos económicos y de integración regionales y transregionales. La investigación se basa en: documentos oficiales de instituciones internacionales como la Unión Económica Euroasiática y la Organización de Cooperación de Shanghai; declaraciones de autoridades oficiales; seguimiento de los medios de comunicación; Análisis de estadísticas económicas.

Palabras clave: Unión Económica Euroasiática, Organización de Cooperación de Shanghai, Rusia, China, integración, comercio, inversiones, corredores de transporte

1. Introduction

The article explores project and perspectives of Eurasian Partnership proposed by President of the Russian Federation Vladimir Putin on the basis of Eurasian Economic Union (EAEU), Shanghai Cooperation Organization (SCO) and Chinese transport corridor plan "One belt – one road" (OBOR). The concept of the "Great Eurasian Partnership" aroused great interest not only in Russia, but also in China, became the subject of discussions and research in the

academic and expert circles.

This project can be considered as the display of new world architecture constructed on the system of regional and trans-regional economic and integration groups. It is open for new members and in perspective can be joined by India, Pakistan, Iran, more CIS (Commonwealth of Independent States) countries and a number of other states. According to the President Putin's statement by 2025 in the framework of this association we "will create a single market of energy and hydrocarbons, financial market." The EAEU can become one of the centers of a broad integration path and involve new partners in solving technological and economic problems.

2. Methodology

The methodology of investigation is the interdisciplinary synthesis of Eurasian civilization concept and economic integration theories.

Eurasianism as an ideological, scientific and cultural school has a lot of variations. It starts with the ideas of Russian emigrants of the first wave in the 1920s-1930s: Petr Savitsky, Nikolai Trubetskoy, Georgy Florovsky, Georgy Vernadsky. The Soviet and post-Soviet periods are associated with the names of L. Gumilev, A. Dugin, A. Panarin, O. Suleimenov and others. Now Eurasianism has a strong political component. One of the main starting points is the assumption that Russians are "other": neither Europeans and nor Asians. This opinion survived through the history of the Russian Empire, the USSR, and now the post-Soviet republics and the Eurasian Economic Union.

Conceptually, we should distinguish between two parallel processes, often denoted by the same term "Eurasian integration". The first process is the integration in the post-Soviet space, primarily in the EAEU. The second process is the deepening of economic and political cooperation (not integration in the narrow sense of the term) throughout the whole Eurasian continent.

In addition to the "post-Soviet" Eurasian integration, the process of continental cooperation has become a reality in the last decade. It is promoted primarily by the People's Republic of China within the framework of various initiatives, first of all the New Silk Road idea.

On a scientific level, the problem of international economic integration is related to a number of issues. The integration leads to the changing the role of the state in the international arena, strengthening non-state actors in international relations, the impact of globalization on the political, economic and cultural spheres.

The modern economic integration can be viewed from two competitive approaches neo-functionalism and intergovernmentalism. The first was developed by the liberal economic thinkers and preceded the theory of political integration developed by the political scientists such as Ernst Haas and Leon Lindberg. Functionalist and neo-functionalist theories focus on the progressive development of integration and therefore emphasize the role of "spill over" effects. They underline the relevance of early institutionalization of limited cooperation and expect its later expansion. From an institutional perspective, "spill over" amounts to a (positive) feedback mechanism stressing the possibility of self-supporting social processes that start modestly, gain dynamics and may over time produce dramatic outcomes. (Neo-) functionalism also draws attention to the relevance of sub-national actors for this process, be they citizens or interest groups. For Haas, political integration was immediately linked to the emergence of "a new political community superimposed over the pre-existing ones" and based on the anticipated shift of the loyalty of elites from the national to the supranational setting (Haas, 1958, p. 16).

On the other hand proponents of intergovernmentalism critique of the neofunctionalism approach emphasized the importance of the national governments and their roles in shaping the European Community's structure. They underlined that national governments would always endorse their interests within a broader system. In order to show the limits of the functional method, intergovernmentalism argued that, in fact, it was the logic of diversity which prevailed and limited the spillover effects of the neofunctionalism theory. The integration proceeds without special difficulties mainly in the areas of low politics, which

comprises areas such the economic and welfare policies and the vital national interests or high politics such as foreign policy, security and defense, where national governments are less willing to transfer their authority to a supranational body. National governments would try to minimize uncertainty and retain tight control over decision process when vital interests are involved (Moga, 2009, p. 801).

This investigation is based on: 1) official documents of international institutions such as EAEU and Shanghai Cooperation Organization; 2) declarations and interview of official authorities; 3) monitoring of mass media; 3) socio-economic statistics analysis.

3. Results and Discussions

Two economic Organizations Eurasian Economic Union and Shanghai Cooperation Organization can become the institutional foundation for the project of Greater Eurasian Partnership.

The total territory of EAEU member countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) is 20 million square kilometers – 13.5% of the Earth's area. The total population of EAEU countries is 186 million people. Russia is the leading economy on the post-Soviet space. Moldova is the observer state in the EAEU. Members of Organization also signed free-trade agreements with such states as Vietnam, China, Iran and Cuba (Information portal of the EAEU, 2018).

At the same time, for each of the participating countries there are specific reasons why Eurasian integration is natural and important. For Belarus, export to Russian markets is the most important. Improving export conditions in the context of the Customs Union will favorably affect economic development. It is no accident that practically all calculations of the macroeconomic effects of the Customs Union point to Belarus as the largest (in relative terms) beneficiary. The factor of the overall labor market is exceptionally important for Kyrgyzstan: remittances of labor migrants working in Russia and Kazakhstan make up about 30% of the Kyrgyz gross product (this factor would have the same importance for Tajikistan in case of deciding to join the EAEU). For Armenia the important aspects are: the military-political component of cooperation (Russia is the guarantor of Armenia's security), and monetary transfers of labor migrants (12-18% of Gross domestic product), and attraction of Russian investments (more than 40% of the total volume), and providing comfortable conditions for the life of the Armenian diaspora and doing business in Russia. The economic motivation of Kazakhstan is the most nuanced: it has the importance of export expansion to the common Eurasian market. Kazakhstan keeps balance between cooperation with Russia and other EAEU countries, on the one hand, and with China within the framework of "One Belt – One Road" project on the other. Kazakhstan intends (and has every chance) to become the largest beneficiary of OBOR (Vinokurov, 2017, p. 201).

Article 4 of the EAEC Treaty of May 29, 2014 provides freedom of movement of goods, services, capital and labor, or "four freedoms" in the Union, as well as coordinated, coordinated or unified policy in the economic sectors (Information portal of the EAEU, 2018).

Since the Eurasian Economic Union was formalized on January 1, 2015, it has been considered by European scientists as a historical economic and political achievement for the region and for Putin's political agenda. So, according to Bruno S. Sergi, "in the context of geo-politics and geo-economics, this Union serves as a powerful illustration of what Putin has envisioned for the post-Soviet space as the Union has been partially motivated by Russia's goal of self-aggrandizement" (Sergi, 2018, p. 59).

But trade and economic statistics illustrates that this institution accumulates success. The volume of mutual trade of the Eurasian Economic Union in January-August 2018 amounted to 39.3 billion dollars, which is 13.5% higher than in the same period of 2017. As for mineral products, the indicator increased by 20.8%, machinery, equipment and vehicles – by 17%, metals and metallic products – by 17.6%, chemical industry products – by 7.4%, textiles and footwear – by 17.2%.

Table 1

Export and import of goods in mutual trade of the EAEU (million US dollars)

Country	Turnover	Export	Import	Balance
Armenia	1 362.2	438.7	923.5	-484.8
Belarus	24 085.1	9 177.1	14 908.0	-5 730.9
Kazakhstan	12 254.7	3 909.2	8 345.5	-4 436.3
Kyrgyzstan	1 481.5	387.5	1 094.0	-706.5
Russia	38 099.0	25 424.9	12 674.1	12 750.8

(Eurasian Economic Commission, 2018)

We have to consider that the real economic benefits of a union such as the EAEU are derived not from tariff changes but, above all, from removing non-tariff barriers. Accordingly, the potential benefits of the EAEU depend on tackling non-tariff barriers and the modernization of domestic institutions and policies – than is the subject of constant attention (Dragneva & Wolczuk, 2017, p. 24).

Important question is the economic cooperation with the third countries, first of all with People's Republic of China. Today, China occupies the second place among the foreign trade partners of the EAEU countries (13.6% of the total turnover), significantly behind the European Union (48.9%). But China's share is constantly growing. In general, China is an obvious strategic partner of the EAEU. The lion's share of Chinese FDI in the EAEU countries is traditionally concentrated in Kazakhstan. At the end of 2015, the volume of accumulated FDI of China in Kazakhstan amounted to \$ 21 billion (82% of all accumulated Chinese FDI in the EAEU). 98% of Chinese FDI in Kazakhstan is concentrated in the extraction and transportation of hydrocarbons. There is competition between large Chinese and Russian Transnational Corporations for the fuel complex of Kazakhstan (Vinokurov, 2017, p. 185).

The total territory of the Shanghai Cooperation Organization (SCO) member countries (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, India, and Pakistan) is more than 34 million square kilometers, that is, 60% of the territory of Eurasia, 23% of the Earth's area. The total population of the SCO countries is 3 billion 40 million people, about 43% of the world population (The Shanghai Cooperation Organization). China is the second largest economy in the world. Observer states are Afghanistan, Belarus, Iran and Mongolia.

The bilateral trade and economic cooperation focuses on trade relations between China and the countries of the SCO, Russia and the countries of Central Asia and China. The mutual trade turnover between countries is proportional to their economic potential in the total volume.

Table 2

Trade of China and Russia with partners in the SCO in 2016 (thousands of US dollars)

Countries	The volume of China's trade with its partners in the SCO	Countries	The volume of trade between Russia and its partners in the SCO
India	70 161 886	China	66 108 232
Russia	69 599 749	Kazakhstan	13 039 106
Pakistan	19 145 247	India	7 710 009
Kazakhstan	13 097 400	Uzbekistan	2 726 008

Kyrgyzstan	5 676 661	Kyrgyzstan	1 196 290
Uzbekistan	3 614 522	Tajikistan	687 888
Tajikistan	1 756 329	Pakistan	404 994
TOTAL	183 051 794	TOTAL	91 872 527

(Migranyan & Shavina, 2018)

Several SCO member states – in particular Russia, Kazakhstan, Tajikistan and Kyrgyzstan, possess a significant part of the world's largest reserves of oil, natural gas and coal, which further warms the interest of expanding cooperation in the energy sector. Countries of the Organization possess a quarter of the world's oil reserves, 30% of the world's gas reserves and 50% of the explored uranium reserves (The Shanghai Cooperation Organization, 2018). Regional cooperation in the field of energy is carried out outside the framework of the SCO. Russia secured agreements with several of its neighbors in Central Asia for the construction of gas pipelines. China's energy diplomacy also follows a bilateral course.

Table 3
Reserves of energy resources in the SCO countries

Countries	Oil, million barrels (2017)	Gas, trillion cubic meters (2016)	Coal, thousand tons (2016)
India	4.621	1.2	94 769
Kazakhstan	30 000	1	25 605
Kyrgyzstan	13	6.5	1 377 486
China	25 620	5.4	244 010
Russia	80 000	32.3	160 364
Tajikistan	1.6	880	4.5
Uzbekistan	0.6	1	1 375
Pakistan	0.4	0.5	3064

(Migranyan & Shavina, 2018)

For example, the Central Asia-China Gas Pipeline consists of several lines, covering more than 1.770 km through Uzbekistan and Kazakhstan in the Xinjiang Uygur Autonomous Region of China. Beijing also promised a \$ 16.3 billion fund for the integration of the region, the revival of old trade routes within the OBOR.

Although Chinese activity has slightly supplanted Russia's dominant position in the region, energy deals between Beijing and Moscow are ongoing and tend to expand.

Both of these Organizations EAEU and SCO have already succeeded in economic dialogue and trade development and can become foundation institutions for Eurasian Partnership.

“Great Eurasian Partnership” also includes ambitious project “One Belt, One Road” initiated by China. Maritime transport currently prevails in ensuring the trade turnover of the EAEU and China. For example, in the flow of goods between Russia and China, 77% of cargo is

transported by sea transport, 21% by land transportation through the Russian-Chinese and Russian-Mongolian borders, and only 2% for transit through Central Asia. At the same time, 86% of goods turnover between Kazakhstan and China is provided by land transport (including main pipelines) crossing the border between the two states, the rest of the cargo goes through Russian ports and terminals (Vladivostok, Vostochny port and St. Petersburg). At the same time, the export of Chinese goods to Kazakhstan in most cases is carried out by sea transport through Russia (Vinokurov, 2017, p. 191).

Main Features of "One Belt – One Road":

- 1) "One Belt – One Road" is extensive, open, transparent and inclusive, and diversified. A win-win initiative.
- 2) Extensive: directly benefiting a population of 4.4 billion people or 63% of the world's population, with a combined GDP of 21 trillion US dollars that accounts for 29% of the world total.
- 3) Open, transparent and inclusive: this initiative has so far received active and actual participation by over 70 countries and international Organizations.
- 4) More diversified, in terms of its goals or cooperation priorities.

Part of OBOR On-going Projects:

- Silk Road Fund Projects: one hydropower project in Pakistan, one in Italy, and one in Russia (equity investment).
- Ports and Airports: The COSCO Piraeus Port Project in Greece (COSCO Shipping Lines – group of logistic companies), the Expansion and Upgrading Project of Ibrahim Nasir International Airport (INIA) in Maldives.
- High-speed Railways: Pan-Asia Railway Projects (in Laos and Thailand), Jakarta-Bandung, Hungary-Serbia, and more on list.
- Economic Corridors: China and Pakistan, China-Mongolia-Russia and etc. (Qiangwu, 2016)

According to the Information Report following the Meeting of the Council of Heads of State of the Shanghai Cooperation Organization Member States on 9-10 June 2018: "The Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan reaffirmed their support for China's Belt and Road Initiative (BRI), and approved the efforts to jointly implement it, including the coordination of the development of the Eurasian Economic Union and BRI" (The Shanghai Cooperation Organization, 2018).

At present, the process of linking of integration in the EAEU and Belt and Road Initiative is the most important component of the Eurasian Partnership formation. But we have to consider the most important interests and risks for main players of planned Eurasian Partnership Russia and China.

Russia's interests in Eurasia are as follows:

- 1) Increasing in the number of friendly or neutral forces, a coalition with as many participants as possible;
- 2) Counteract the chaos of the Eurasian space: hot spots, crisis zones, weak states;
- 3) Activation of the role in projects of economic integration, reduction of barriers in the movement of capital, goods, labor; connection to large-scale infrastructure projects;
- 4) Use of the country's transit potential;
- 5) The desire to avoid deepening existing and creating new splits in the space of Eurasia, building mechanisms for solving common problems.

Among the key risks for Russia in Eurasia are:

- Possible aggravation of regional conflicts (Afghanistan, Central Asian countries, destabilization in the Caucasus as a result of strengthening the position of Islamists, the possibility of exacerbation of frozen conflicts in the region, in particular, between Armenia and Azerbaijan);

- The success of the Silk Road, its economic impact, even in the long term, are not obvious, then a similar risk should be borne in mind for the EAEU;
- Temptation to politicize economic projects, especially if they are economically unprofitable;
- The risk that the new norms and rules of economic activity created within the framework of the EAEU will come into conflict with those that have already successfully operated before in the bilateral format, or will supersede them altogether (Goeconomics, 2015, p. 51-55).

In turn, the interests of China in Eurasia are formulated as follows:

- 1) Ensuring cross-border security, since China's common borders with Russia, Mongolia and the countries of Central Asia;
- 2) It is important for Beijing to prevent strategic threats and military-political blocs against China in the region;
- 3) Ensuring energy security through stable and reliable energy supplies from the region;
- 4) Getting the advantages of economic complementarity of the economies of China and the Eurasian countries by using the Silk Road and SCO formats;
- 5) Continuation of the SCO's institutional construction, turning into an Organization that contributes the ensuring Eurasian security and developing the Eurasian economy.

Risks for China in Eurasia are seen as follows:

- The construction of infrastructure in the Eurasian space requires a large amount of long-term investment;
- In Eurasian countries there are fears about the threat of "Chinese economic expansion".
- Interstate disagreements, regional conflicts, terrorism, extremism, which poses a great threat to Eurasian economic cooperation and the state interests of China;
- China does not have a military presence in Eurasia to protect its grandiose investments, and does not have effective mechanisms for cooperation with major players in the security sphere.

Chinese experts consider that it is realistic to link the Greater Eurasian Partnership with the Belt and Road Initiative. Russia and China have the requisite desire, knowledge, and conditions to make it happen. For more than three years now, China has been the largest importer of Russian crude oil thanks to commonalities in their respective energy development strategies. China has made serious progress toward diversifying its energy imports, and Russia has successfully managed to enter the energy market of the Asia-Pacific region (Li, 2018, p. 98).

According to the ambitious plan of the Chinese expert Li Xin by around 2030 the free trade zone within the SCO will become a Comprehensive Economic Partnership based on the integration of the EAEU, the SCO and the BRICS (Xin, 2016).

4. Conclusions

Economic integration is a systemic and fundamental process. Not all effects are immediately apparent – for most people need years. In our opinion, the agenda for the next 10 years provides for the following major steps: complete the formation of a single market of EAEU for goods and services, eliminating existing exemptions. The focus is on common markets for electricity, financial services, oil, oil products and gas.

The conjugation of the integration processes of the EAEU and the SCO, as well as China's initiatives to develop the transport infrastructure OBOR, should develop in the spirit of intergovernmentalism, taking into account the interests of Russia. It is in the interests of our country to use its transit potential and develop land routes. Land routes can benefit by the factor of time, but this advantage still needs to be realized. We have to remember that Russia and China not only partners but also competitors for the transport and energetic markets of Central Asia and the Middle East and South Asia.

A promising institution in this regard could be the SCO. It, on the one hand, already involves many potential members of the Great Eurasian Partnership and on the other - it has a high

international authority. Of course, the creation of the Great Eurasian Partnership will require some "reconfiguration" of the work of the Organization and the development of its institutional structure. At the same time, certain aspects of cooperation between the participants of the Eurasian partnership can be implemented in other formats, for example, by negotiating trade agreements between the EAEU and individual states.

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