

# CHINA'S BELT AND ROAD INITIATIVE AND THE EURASIAN ECONOMIC UNION: “INTEGRATING THE INTEGRATIONS”

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## Abstract

China's Belt and Road Initiative (BRI), officially unveiled in 2013, has been promptly placed among the top priorities of China's foreign policy. One of the BRI's cooperation priorities is unimpeded trade, which implies the improvement of the investment and trade facilitation and removal of the recurrent investment and trade barriers. Despite its apparent flexibility and openness to embracing existing regional and multilateral platforms, there has been little debate on the compatibility of the BRI objectives with the existing economic integration projects. The paper is aimed at enriching this debate by addressing the relationship of the BRI with the Eurasian Economic Union (EAEU), a regional economic grouping bringing together several of China's important BRI partners including Russia and Central Asian countries. The paper addresses the current progress in bridging the two grand economic projects and outlines the priority directions for further coordination between them.

**Keywords:** Belt and Road Initiative; China; Russia; Eurasian Economic Union; Central Asia; economic integration.

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## Introduction

*The construction of the “One Belt and One Road” should implement an innovative cooperation model, which, at the current stage, is not a supranational mechanism, nor a model at the same level with the Customs Union or the Economic Union (Feng & Wang, 2015, p. 35).*

The Chinese President, Xi Jinping, announced the launch of the Silk Road Economic Belt<sup>1</sup> at Nazarbayev University in Astana during his visit to Kazakh-

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<sup>1</sup> The concept should not be confused with the US Silk Road narrative embraced by official Washington since 2011 when formulating its policy in Central Asia. (See e.g.: Laruelle, 2015a; 2015b; Peyrouse & Raballand, 2015).

stan in September 2013<sup>2</sup>. The Maritime Silk Road was subsequently unveiled at the Indonesian Parliament in Jakarta during his visit to Indonesia in October 2013<sup>3</sup>. Jointly labelled as the “Belt and Road Initiative” (hereinafter: BRI), this cooperation initiative, if fully realized, would bring together over 70% of the world’s population, which accounts for about 55% of global GDP and has about 75% of discovered energy reserves<sup>4</sup>. The BRI has been promptly placed among the top priorities of China’s foreign policy, which were discussed at the Periphery Diplomacy Work Forum in October 2013, shortly after President Xi returned from his visit to Indonesia (see generally: Swaine, 2014; Swaine, 2015a). Chinese scholars analysing the media response to the BRI indicate a significant increase in BRI-related studies after the plans were crystallized in 2014 (Min Ye, 2015, p. 217; Swaine, 2015b).

On 28 March 2015, with the endorsement of the State Council<sup>5</sup>, the National Development and Reform Commission<sup>6</sup>, the Ministry of Foreign Affairs<sup>7</sup>, and the Ministry of Commerce (MOFCOM)<sup>8</sup> jointly released the Action Plan on the Belt and Road Initiative<sup>9</sup>. The BRI Action Plan labels this initiative “a positive endeavour to seek new models of international cooperation and global governance”<sup>10</sup>. It specifies that the initiative “will abide by market rules and international norms” so that the market will play a decisive role in resource allocation<sup>11</sup>. It calls for the development of the Eurasian Land Bridge via three economic corridors: China-Mongolia-Russia, China-Central Asia West Asia and the China-Indochina Peninsula<sup>12</sup>. Some scholars have quickly labelled the BRI vision documents as Sino-centric “extension, consolidation and political elevation of pre-existing policy ideas and practice at the sub-national level in China” (Summers, 2016, p. 1634). After comparison with other initiatives such as the Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, or the US-led New Silk Road, it was suggested that “China’s new Silk Road has long-built political and developmental aspirations in the region that could not be met with alternative frameworks” (Min Ye, 2015, p. 222).

<sup>2</sup> See Ministry of Foreign Affairs of the People’s Republic of China, *President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries* (7 September, 2013). Available at: [http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xjpfwzysiesgjtfhshzzfh\\_665686/t1076334.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml)

<sup>3</sup> See ASEAN-China Centre, *Speech by Chinese President Xi Jinping to Indonesian Parliament* (2 October, 2013). Available at: [http://www.asean-china-center.org/english/2013-10/03/c\\_133062675.htm](http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm). (See also: Yong Wang, 2016).

<sup>4</sup> World Economic Forum, *What can the New Silk Road do for global trade?* (22 September, 2015). Available at: <https://www.weforum.org/agenda/2015/09/what-can-the-new-silk-road-do-for-global-trade/>. It is commonly regarded that in addition to China the BRI covers 64 countries in South-East Asia, South Asia, Central and Western Asia, Middle East and Africa, and Central and Eastern Europe. (See: Wolff, 2016).

<sup>5</sup> The State Council of the People’s Republic of China. Available at: <http://english.gov.cn/>

<sup>6</sup> The National Development and Reform Commission. Available at: <http://en.ndrc.gov.cn/>

<sup>7</sup> The Ministry of Foreign Affairs of the People’s Republic of China. Available at: [http://www.fmprc.gov.cn/mfa\\_eng/](http://www.fmprc.gov.cn/mfa_eng/)

<sup>8</sup> The Ministry of Commerce of the People’s Republic of China. Available at: <http://english.mofcom.gov.cn/>

<sup>9</sup> State Council, *Full text: Action plan on the Belt and Road Initiative* (30 March, 2015). Available at: [http://english.gov.cn/archive/publications/2015/03/30/content\\_281475080249035.htm](http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm)

<sup>10</sup> BRI Action Plan, Section I Background.

<sup>11</sup> BRI Action Plan, Section II Principles.

<sup>12</sup> BRI Action Plan, Section III Framework.

One of the BRI's cooperation priorities is unimpeded trade, which implies the improvement of the investment and trade facilitation and removal of the recurrent investment and trade barriers. The BRI Action plan also provides for the opening of free trade areas (Lin, 2015). The countries along the BRI are encouraged to enhance customs cooperation and to ratify and implement the WTO Trade Facilitation Agreement<sup>13</sup>. The initiative calls for the lowering of non-tariff barriers, improving the transparency of technical trade measures, enhancing trade liberalization and facilitation<sup>14</sup>.

What are the cooperation mechanisms envisaged by the BRI in order to achieve the aforementioned objectives? What sort of regulatory framework should be established for the legal support of the BRI connectivity projects? The BRI Action plan provides for engagement in the bilateral and multilateral cooperation mechanisms.

This echoes the approach adopted at the 18th National Congress of the Communist Party of China: "Multilateral, bilateral, and regional opening ups and cooperation are the three important pillars of the Chinese foreign economy, trade, and cooperation" (Feng & Wang, 2015, p. 57). For some scholars this means a platform for further dialogue and cooperation on many levels, engaging, if necessary, the existing governance structures, which is not a union or new organization with supra-national structures<sup>15</sup>. As noted by President Xi in his keynote speech "Towards a Community of Common Destiny and A New Future for Asia" delivered at the 2015 Boao Forum for Asia<sup>16</sup> in Hainan, "To develop the Belt and Road is not to replace existing mechanisms or initiatives for regional cooperation. Much to the contrary, we will build on the existing basis to help countries align their development strategies and form complementarity"<sup>17</sup>.

While the buildup of the BRI cooperation platform and mechanisms is still an ongoing process, the contributions from various stakeholders (governmental and non-governmental, national and multinational, public and private) in various disciplines can contribute to their development. While the implementation of the BRI has been addressed in academic circles of political science (Blanchard & Flint, 2017), international relations (Yong Wang, 2016), economics and business (Haiyue Liu, Yingkai Tang, Xiaolan Chen & Poznanska, 2017), relatively little attention has been accorded to the legal foundations for the envisaged cooperation mechanisms (Wolff & Chao Xi (eds), 2016; Wang, 2017). While the bilateral interaction of individual countries with China within the framework of BRI cooperation have been discussed in comparative

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<sup>13</sup> Trade Facilitation Agreement, Protocol amending Annex 1A of the Marrakesh Agreement to add the Trade Facilitation Agreement, 27 November 2014 (negotiations concluded December 2013). Available at: [https://www.wto.org/english/tratop\\_e/tradfa\\_e/tradfa\\_agreeacc\\_e.htm](https://www.wto.org/english/tratop_e/tradfa_e/tradfa_agreeacc_e.htm). See e.g.: Eliason, 2015; Heng Wang, 2014.

<sup>14</sup> BRI Action Plan, Section IV Unimpeded Trade.

<sup>15</sup> This language of the "platform development" has been echoed in the Macao SAR Five Year Development Plan (2016–2020), which expressly mentions the influence by the BRI and the China's Five Year Plan. Available at: [http://www.cccmtl.gov.mo/files/plano\\_quinquenal\\_pt.pdf](http://www.cccmtl.gov.mo/files/plano_quinquenal_pt.pdf)

<sup>16</sup> Boao Forum for Asia. Available at: <http://english.boaoforum.org/>

<sup>17</sup> The full text of the keynote speech given by Chinese President Xi Jinping at the Boao Forum for Asia Annual Conference 2015 is available at: [http://news.xinhuanet.com/english/2015-03/29/c\\_134106145.htm](http://news.xinhuanet.com/english/2015-03/29/c_134106145.htm)

length<sup>18</sup>, the discussion on its interaction with the existing economic integration projects<sup>19</sup> has not yet been sufficiently developed. The present paper is aimed at enriching the debate by addressing the relationship of the BRI project with the Eurasian Economic Union (EAEU), a regional economic grouping bringing together several of China's important BRI partners.

## The Eurasian Economic Union: the Grand Narrative of Eurasian Integration

*It is this narrative of a functional, rules-based integration that explains the EAEU's appeal to various European politicians, officials and experts. In looking for pragmatic solutions to tensions between Russia and the EU, some believe that the EAEU may contribute to the creation of the much coveted ideal of a 'free trade area from Lisbon to Vladivostok' that could act as a ready-made 'tool for peace and prosperity' (Dragneva & Wolczuk, 2017).*

The origins of the EAEU should be traced back to 1999 when the Russian Federation and the Republic of Belarus entered into an agreement to establish a union between the two countries.<sup>20</sup> By 2000, the project had been joined by the Republic of Kazakhstan, the Kyrgyz Republic and the Republic of Tajikistan transforming it into the Eurasian Economic Community (EurAsEC)<sup>21</sup>. This economic integration had been prompted by, among other things, the disastrous impact of the market-oriented economic policies on the post-Soviet economies (Dzarasov, 2016). The next step envisaged by the members of the EurAsEC was the creation of the Common Economic Space, which was supposed to include Russia, Belarus, Kazakhstan and Ukraine. This initiative, however, was short-lived due to the "orange revolution" in Ukraine in 2004 (Katchanovski, 2008). As a result, the 2007 Agreement establishing a Customs Union was concluded by Russia, Belarus and Kazakhstan<sup>22</sup>. The Agreement established the Customs Union Commission in order to monitor and foster the processes of economic integration. In January 2010 the common customs tariff

<sup>18</sup> See e.g.: Ghouri, A. (2016). Towards Greater Integration? Legal and Policy Directions of Chinese Investments in Pakistan on the Advent of the Silk Road Economic Belt. *Chinese Journal of Comparative Law*, vol. 4, no 1, pp. 36–68; Embong, R.H., Evers, H.-D. & Ramli, R. (2017). One Belt, One Road (OBOR) and Malaysia: A Long-Term Geopolitical Perspective. *Institute of Malaysian & International Studies Universiti Kebangsaan Malaysia, Working paper No. 5/2017*. Available at: <https://ssrn.com/abstract=3004655>; Gorski, J. (2016). PRC's Co-Operation with Central and Eastern European Countries in the Context of the One Belt One Road Initiative. The Case of 2016 Comprehensive Strategic Partnership between the PRC and Poland. *Chinese University of Hong Kong, Centre for Financial Regulation and Economic Development, Working Paper No. 19/2016*. Available at: <https://ssrn.com/abstract=2837546>

<sup>19</sup> See e.g.: Haitao Huang, (2017). The Role of Trust in China-ASEAN Relations – Towards a Multi-Level Trust Building for China and ASEAN. *International Journal of China Studies*, vol. 8, no 1, pp. 45–59.

<sup>20</sup> Treaty on the Establishment of a Union State between the Russian Federation and the Republic of Belarus of 8 December, 1999.

<sup>21</sup> Treaty on the Establishment of the Eurasian Economic Community of 10 October 2000.

<sup>22</sup> Agreement concerning the creation of the united customs territory and the creation of the customs union of 6 October, 2007.

was implemented at the external borders of the Customs Union. The Eurasian Economic Commission, the first supra-national organization established in this region after the disintegration of the USSR, was headquartered in Moscow. The year 2015 saw the establishment and the enlargement of the EAEU to also include the Republic of Armenia and the Kyrgyz Republic. On 29 May 2015 the EAEU concluded its first free trade agreement – with the Socialist Republic of Vietnam<sup>23</sup>. Today the Eurasian Economic Union (EAEU) brings together 182 million people; it occupies first place in crude oil (14.6%), second place in natural gas (18.4%), sixth place in coal (5.8%), fourth place in electricity generation (5.1%), and fifth place in steel (4.5%); it has 1,605,000 km of roads (fifth place or 2.5%), and 107,000 km of railroads (first place or 7.8%)<sup>24</sup>.

Decision-making in the EAEU Commission is largely consensus-based with the limited use of qualified majority voting for low level decisions, which on one hand slows down the efficiency of decision-making but on the other relieves the dominance of the bigger players such as Russia (Roberts & Moshes, 2016). For example, while the EAEU framework contains common competition rules, their enforcement is heavily reliant on the cooperation of the national competition authorities of the member states, which can obstruct the prevention and prohibition of anti-competitive business practices that may have cross-border effects on EAEU trade (Rudomino & Zakharov, 2014). As a result, the supra-national structures of the EAEU are heavily reliant on the commitment of the national governments while the ideas for supra-national parliamentary integration within the EAEU<sup>25</sup> have not yet found any significant support from the political leadership of its members.

Since its establishment, the EAEU has been followed by the discussion as to the profitability of this economic integration for each of its members, which are different in size, population and the specifics of their national economies. Generally, it can be argued that Russia's EAEU partners have benefited from the customs union, economically at least, in the following ways: the redistribution of customs tariffs (See calculations: Andronova, 2016, p. 9) and the increasing use of their transport infrastructure for the transit of Chinese exports towards the EU. The EU/US-Russia confrontation over Ukraine (Neuwirth & Svetlicinii, 2016) and Russia's ban on food imports from the EU/US and Ukraine benefited EAEU members such as Belarus, which significantly increased its food exports into Russian markets. There is also evidence of the relocation of Russian companies to Kazakhstan and Belarus due to lower taxes and lower administrative burdens in these jurisdictions (Andronova, 2016, p. 11).

At the same time, the volumes of intra-EAEU trade are currently decreasing. For example, when compared to the period 2000–2014, the share of EAEU trade in the trade volumes of its members has been falling: Russia (7.7% to 7.1%),

<sup>23</sup> Free Trade Agreement between Eurasian Economic Union and Its Member States and the Socialist Republic of Vietnam of 29 May 2016. Available at: [https://docs.eaeunion.org/docs/ru-ru/0147849/itot\\_02062015](https://docs.eaeunion.org/docs/ru-ru/0147849/itot_02062015)

<sup>24</sup> See: Eurasian Economic Commission. Available at: <http://www.eurasiancommission.org/ru/Pages/ses.aspx>

<sup>25</sup> See e.g.: Naryshkin, S. (2012). *Eurasian integration: parliamentary direction*, 4 October. Available at: <http://izvestia.ru/news/536755>



Kazakhstan (20.8% to 18.4%), Belarus (58.6% to 23.8%) (Ibid., p. 14). In 2013, the transit volumes in Russia and Belarus fell, while in Kazakhstan they were on the rise. It was suggested that the transport sector of the EAEU needs a new impulse, which should be realized through the development of the transit corridors (Panteleev, Pochtarev & Chalaja, 2015). EAEU trade can be also characterized as Russia-centered since the trade amongst other EAEU members remains marginal. For other EAEU members Russia is the largest trading partner while China is ranked second (Ustyuzhanina, 2016). Interestingly enough, the EAEU did not undertake any significant steps towards the development of the internal transport infrastructure, which would facilitate trade flows within the EAEU. While the establishment of the customs union had a positive effect on the volumes of mutual trade (between 2000 and 2013 it grew by 37%), lately it has been on the decrease due to the devaluation of the Russian currency and falling prices of the energy carriers (Ibid., p. 39). Among other problems of EAEU integration are the absence of diversified exports, the undeveloped transport infrastructure and low volumes of intra-EAEU trade (Kukushkina & Ostrovskaya, 2013).

Initially, the EAEU was regarded as a costly choice for Central Asian countries as their tariff rates in the customs union had been “russianized” i.e. increased up to levels of Russian tariffs. As a result, these countries lost a certain volume of imports from third countries to the benefit of Russian companies. However, after Russia’s accession to the WTO, the level of the tariffs fell by 40–50%. Additionally, the EAEU offered further economic benefits to its members in the form of free movement of labour and services, efforts to reduce non-tariff barriers and improve trade facilitation, etc. (Tarr, 2016, pp. 18–19). At the same time, it should be noted that beyond trade liberalization (reduction and unification of tariffs) there has been little coordination in other policy areas and the top-down approach adopted by the EAEU members for their economic integration has been at least partly responsible for stifling the innovation and competitiveness vis-a-vis other economic integration blocks such as the EU (Hartwell, 2016). The economic integration scholars have continuously voiced calls for further coordination of industrial policy by establishing an EAEU ministry of economy, creation of EAEU multinationals, and fostering coordination of heavy industries and agriculture (Andronova, 2016, pp. 18–19).

The situation in Ukraine has definitely affected both the prospects of further EAEU integration and the tensions amongst its members. For other members the accession of Ukraine could imply the dilution of Russia’s decisive influence. It was argued that for EAEU members, Russia is seen both as an unavoidable partner but also a threat (Roberts & Moshes, 2015, p. 13.). Russia’s ban on food imports from the EU/US and other countries (Neuwirth & Svetlicinii, 2015) was not supported by Belarus and Kazakhstan, with imports flowing through these two EAEU member states (Roberts & Moshes, 2015, pp. 14–15; Sakwa, 2016, p. 13). It was argued that for Armenia, Belarus, and Kazakhstan the value of the EAEU is significantly reduced if it undermines their relations with third countries (Roberts & Moshes, 2015, p. 18). After the Ukraine crisis and the deterioration in EU/US-Russia relations, the Asian vector received more importance as Russia turned to the East in an attempt to engage more with Greater Asia. As the EAEU was intended to grow from an economic to a geopolitical project, the events in Ukraine are an example

of how geopolitics have slowed down the economic development of this ambitious integrationist project (Wilson, 2016, p. 127).

There has also been a drastic change in the rhetoric and narrative of EAEU integration discourse: while prior to the Ukraine crisis it was an all-encompassing cooperation project “from Lisbon to Vladivostok” or even “from Vancouver to Vladivostok”<sup>26</sup>, the confrontation with the West over Ukraine changed the dimension to “from Murmansk to Hong Kong” with Russia’s focus on its bilateral relations with China and the Shanghai Cooperation Organization (SCO) (Vysotskaya & Vieira, 2016, p. 570). Russia’s actions in relation to Ukraine prompted concerns over sovereignty and territorial integrity in other EAEU members. Nevertheless, despite these tensions, “this organizational format is probably the only way for the smaller states to restrain Russia’s actions as the regional hegemon” (Ibid., p. 577). The 2015 public opinion polls conducted in the EAEU member states indicated that citizens of Kyrgyzstan (86%), Kazakhstan (80%) and Russia (78%) overwhelmingly support the Eurasian integration processes. The population of Armenia (56%) and Belarus (60%) demonstrated more skepticism towards EAEU development, while Tajikistan demonstrated the highest support for this regional integrationist project among the non-EAEU countries (Kudaibergenova, 2016, p. 105). In analyzing the diverging positions of the Eurasian optimists and Eurasian skeptics, it can be argued that the EAEU project is still justified by the current trends of shifting from a state-centered system to a global system with regional associations of states (Vasilieva & Lagutina, 2013).

## The BRI and the EAEU: Aligning the Expectations

*The dynamics of the world economy, which has entered the fourth industrial revolution, have raised the issue of “integrating the integrations”; the formation of common points of economic growth between the Eurasian Economic Union and the “Economic belt of the Great Silk Road” has huge prospects<sup>27</sup>.*

China’s experience in interacting with the EAEU countries as a group can be traced to the Shanghai Cooperation Organisation (SCO). All EAEU members are involved in the works of the SCO (Belarus is an observer state and Armenia is a dialogue partner). It was established in 2001 by Kazakhstan, China, the Kyrgyz Republic, Russia, Tajikistan and Uzbekistan<sup>28</sup>. At the 2016 SCO Summit in Tashkent, India and Pakistan initiated their process of accession to the SCO, which

<sup>26</sup> As suggested by the Russian Minister of Foreign Affairs, Sergey Lavrov, “The new union will be open for interested countries to join. We expect it to become a hub effectively connecting Europe and the Asia-Pacific”. Lavrov, S. (2013). State of the Union Russia-EU: Prospects for Partnership in the Changing World. *Journal of Common Market Studies*, no 51, pp. 6–12, at p. 10.

<sup>27</sup> Nursultan Nazarbayev, the President of Kazakhstan at St Petersburg International Economic Forum (17 June 2016). Available at: <http://kremlin.ru/events/president/news/52178>

<sup>28</sup> See Brief Introduction to the Shanghai Cooperation Organisation. Available at: [http://en.scorussia.ru/about\\_sco/20140905/1013180761.html](http://en.scorussia.ru/about_sco/20140905/1013180761.html)

has been completed at the 2017 SCO Summit in Astana (Kazakhstan)<sup>29</sup>. Relations between the SCO and the forerunner to the EAEU, the EurAsEC, began in 2006 with the signing of a memorandum of understanding between the executive secretariat of EurAsEC and the permanent secretariat of the SCO<sup>30</sup>. As discussed above, the EAEU was initially envisaged as an economic union, leading to further political alignment of its member states. The SCO, on the other hand, first emerged as a peace-building and border disputes resolution mechanism. The institutional structures of the two organizations are also quite different as EAEU encompasses two supra-national institutions (the Eurasian Economic Commission and the Court) while the SCO functions on an intra-state level through periodic meetings.

China has already attempted to promote greater economic integration through the SCO but with limited success as the organization continued to focus primarily on security issues. Since China will continue promoting economic integration in Eurasia, which will involve the EAEU states, it was argued that further coordination between the EAEU and the SCO is inevitable and should be encouraged (Yu Bin, 2015). For example, in 2015 the EAEU and the SCO held a joint business forum in St Petersburg where they launched a proposal concerning the development of a common digital space between the members of the two organizations<sup>31</sup>. At their 2016 summit the SCO leaders reaffirmed their support for the BRI and expressed their interest in developing further cooperation along the Great Silk Road in various areas: public health, science and technology, education, environment protection, sports, tourism, and the study and preservation of cultural and natural heritage<sup>32</sup>. Some scholars believe that the significant attempts to establish a meaningful cooperation between the SCO (a primarily security-oriented organization) and the EAEU (economic integration) could eventually lead to the establishment of a comprehensive Silk Road Union (Kembayev, 2016).

The economic cooperation dialogue between China and the EAEU commenced prior to the announcement of the BRI. On 6 December 2012 the EAEU Commission and the MOFCOM concluded a Memorandum of Understanding concerning cooperation in trade matters<sup>33</sup>. A decision to start formal negotiations between the EAEU and China on the conclusion of a comprehensive product and transport vehicle in-

<sup>29</sup> See Decision of the Council of Heads of Member States of the Shanghai Cooperation Organization on Signing the Memorandum of Obligations of the Republic of India with the Aim of Obtaining the Status of the Member State of the Shanghai Cooperation Organization; Decision of the Council of Heads of Member States of the Shanghai Cooperation Organization on Signing the Memorandum of Obligations of the Islamic Republic of Pakistan with the Aim of Obtaining the Status of the Member State of the Shanghai Cooperation Organization.

<sup>30</sup> Eurasian Economic Community, Memorandum of understanding between the executive secretariat of EurAsEC and the secretariat of the Shanghai Cooperation Organisation (8 May 2006). Available at: <http://www.evrases.com/docs/view/299>

<sup>31</sup> Eurasian Economic Commission, Development of common digital space opens a new dimension of cooperation between Eurasian Economic Union and Shanghai Cooperation Organisation (18 June 2015). Available at: <http://www.eurasiancommission.org/ru/nae/news/Pages/18-06-2015-1.aspx>

<sup>32</sup> Information Report on the Outcomes of the Meeting of the Council of Heads of Member States of the Shanghai Cooperation Organization (23–24 June 2016, Tashkent, Uzbekistan). Available at: <http://www.mfa.uz/en/press/scouzbekestan/sconews/7738/>

<sup>33</sup> Memorandum of Cooperation in Trade Matters between the Eurasian Economic Commission and the Ministry of Commerce of the People's Republic of China (6 December, 2012). Available at: <http://www.eurasiancommission.org/ru/act/trade/dotp/memorandymi/Documents/Mem4.pdf>



formation exchange agreement was taken at the end of 2014<sup>34</sup>. In a joint statement released on 8 May 2015, the EAEU Commission and the MOFCOM announced the launch of negotiations for the conclusion of the trade and economic cooperation agreement between China and the EAEU<sup>35</sup>. It should be noted, however, that the free trade arrangement between China and the EAEU can currently only be achieved in relation to trade in goods, as the trade in services and the coordination of such with third countries is left by the EAEU Treaty to its member states<sup>36</sup>.

On 8 May 2015 Russia and China issued a joint statement concerning cooperation for conjunction of the EAEU and BRI, where Russia expressed its support for BRI while China agreed with Russian efforts in developing EAEU economic integration<sup>37</sup>. The parties agreed to cooperate on a bilateral level as well as through the SCO platform. The following directions for cooperation were mapped in the Joint Statement: (1) trade and investment facilitation; (2) joint investment projects; (3) enhancing infrastructure connectivity; (4) free trade agreement between the EAEU and China in a long-term perspective<sup>38</sup>; (5) promotion of SMEs; (6) facilitation of payments in national currencies; (7) cooperation within the Asian Infrastructure Investment Bank, Silk Road Fund, SCO Interbank Consortium; (8) global trade and investment governance. The commitment to docking the BRI with the EAEU was reaffirmed by both parties during President Putin's visit to Beijing in June 2016<sup>39</sup>.

Despite the rapid developments in BRI-EAEU dialogue, the scholars have noted the differences in approaches towards the BRI by the two leading counterparts: Russia and China. In Russia, the Silk Road has traditionally been regarded as a transport infrastructure connecting East and West where Russia would play a key role as the

<sup>34</sup> Eurasian Economic Commission, Decision on initiation of negotiations with the People's Republic of China regarding conclusion of an agreement on exchange of information regarding goods and vehicles of international carriage carried across customs borders between the customs union and the People's Republic of China. (7 October, 2014). Available at: [https://docs.eaeunion.org/docs/en-us/0143556/clcd\\_07102014\\_186](https://docs.eaeunion.org/docs/en-us/0143556/clcd_07102014_186)

<sup>35</sup> Joint Statement of the Eurasian Economic Commission and the Ministry of Commerce of the People's Republic of China (8 May 2015). Available at: [http://www.eurasiancommission.org/ru/act/trade/dotp/SiteAssets/dostup/6.1.%20%D0%A1%D0%BE%D0%B2%D0%BC.%D0%B7%D0%B0%D1%8F%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5\\_%D0%A0%D0%A3%D0%A1.pdf](http://www.eurasiancommission.org/ru/act/trade/dotp/SiteAssets/dostup/6.1.%20%D0%A1%D0%BE%D0%B2%D0%BC.%D0%B7%D0%B0%D1%8F%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5_%D0%A0%D0%A3%D0%A1.pdf)

<sup>36</sup> EAEU Treaty, Article 38. See also Gonzalo Villalta Puig, "Unimpeded Trade? The Significance of Free Trade Areas to the Belt and Road Initiative of the People's Republic of China" in Christian Wolff and Chao Xi (eds.) *Legal Dimensions of China's Belt and Road Initiative* (Kluwer, 2016), pp. 103–138.

<sup>37</sup> Joint Statement of the Russian Federation and the People's Republic of China on Cooperation in Conjugation of Construction of the Eurasian Economic Union and the Silk Road Economic Belt (8 May 2015). Available at: <http://kremlin.ru/supplement/4971>. This statement was issued during Chinese President's visit to Moscow to attend Russia's Victory Day parade. However, it was noted that this declaration was signed by Russia unilaterally even though the presidents of Kazakhstan and Belarus were also present in Moscow at that time. See: (Wilson, 2016), p. 116.

<sup>38</sup> It has been argued that the formulation of the free trade area should be regarded as at most medium-term or even a long-term goal of the BRI. See: (Zeng, 2016).

<sup>39</sup> Ministry of Foreign Affairs of the People's Republic of China, *Xi Jinping Holds Talks with President Vladimir Putin of Russia Both Heads of State Stress Unswerving Commitment to Deepening China-Russia Comprehensive Strategic Partnership of Coordination* (25 June 2016). Available at: [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1375791.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1375791.shtml). On 16 June 2016 the EAEU Commission and the NDRC have concluded the Memorandum of Understanding on cooperation in the field of competition policy and anti-monopoly regulation. See Eurasian Economic Commission, *EEC Minister Nurlan Aldabergenov signed a Memorandum of Mutual Understanding on antitrust policy and antitrust regulation with the National Development and Reform Commission of China in Beijing* (16 June 2016). Available at: <http://www.eurasiancommission.org/en/nae/news/Pages/16-06-2016-3.aspx>

bridge connecting these two parts of the world. The EAEU from the outset had a dualist nature: on one hand it was seen as an extension of “greater Europe” from “Lisbon to Vladivostok”<sup>40</sup>, but with the rise of China it also received a strong Asian vector (Sakwa, 2016, p. 5). For China, however, the BRI is primarily a “belt” rather than a “road”, meaning a space of economic development and prosperity where highly developed states are engaged in an intensive trade exchange (Makarov & Sokolova, 2016 pp. 48–50). What makes the 21st century Silk Road different from the ancient one is that today this road passes through sovereign states with different political and economic objectives. As a result, one of the few issues that all of these Central Eurasian states have unanimously supported was the improvement of border management (Diener, 2015). Since the BRI is essentially based on the increase of various flows (goods, services, and people) across those borders, this will present a tremendous challenge for those states inclined to protect their territorial sovereignty. In this sense, the builders of the BRI will have much to learn from the positive experience of the EAEU, which at least shares a common history of such flows in the modern era and has to a certain degree progressed in this direction (free flow of goods, no visa regimes, abolition of border controls, etc.).

It should be also noted that the establishment of the EAEU was based on WTO standards and used the EU model of institutional integration (EAEU Commission and EAEU Court) to indicate the potential of establishing a free trade zone with the EU (Kukushkina & Ostrovskaya, 2013). A hastening in recognition of the EAEU by the EU would be achieved by the accession of Kazakhstan<sup>41</sup> and Belarus to the WTO. With the expansion of EU-China trade exchanges, the EAEU may lose sense as a common economic space. But, the success of the BRI will also rest on a good Russia-China relationship. If these are to deteriorate, “Russia will employ conflictual policies towards the countries of the Eurasian periphery to increase the costs of their rapprochement with China” (Samokhvalov, 2016). It should be noted that despite the current cordial relations between Russia and China, China’s rising power and its overwhelming economic capabilities in comparison with Russia create a growing power disparity and the maintenance of some sort of equilibrium in Russian-Chinese interactions is a challenge (Wilson, 2016, p. 114. See also: Grigorenko, Klyuchnikov, Gridchina, Litvinenko & Kolpak, 2016). This serves as another argument in favour of engagement with Russia through the EAEU.

When discussing the rationale of other post-Soviet states that have not joined the EAEU project (Georgia, Moldova, Ukraine, Azerbaijan, Uzbekistan, Turkmenistan) one should note their attempt to avoid Russian influence. But for most of these states the Russian vector is unavoidable so they will inevitably be involved in some sort of economic integration with Russia or its regional initiatives (see e.g.: Korosteleva, 2015). At the same time, all of the above countries have expressed their interest in taking part in BRI projects. It was argued that in this context the institutionalization of this process will provide for more stability in the regional policies of the post-Soviet states but does

<sup>40</sup> On 14 August 2012 Russian President Vladimir Putin at the meeting with the Russian diplomats has called for the establishment of the common market from Atlantic to the Pacific. The transcript of the speech is available at: <http://kremlin.ru/events/president/news/15902>

<sup>41</sup> Kazakhstan becomes the WTO’s 162nd member on 30 November 2015. Available at: [https://www.wto.org/english/thewto\\_e/acc\\_e/a1\\_kazakhstan\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/a1_kazakhstan_e.htm)

not create conditions for long-term, sustainable development of these projects (Skriba, 2014, p. 95). The BRI should be able to provide such long-term perspective.

## Conclusion

*For physical infrastructure to be successful, there is a parallel system of soft infrastructure – laws, policies, practices, and standards – that are less easily installed and monitored than physical structures but every bit as important if the physical infrastructures of transportation, communication, and energy are going to be successful (Gleason, Hanks & Bosin, 2009, p. 276).*

The EAEU, the SCO and the BRICS group (Brazil, Russia, India, China, and South Africa) (see generally: Neuwirth, Svetlicinii & De Castro Halis (eds), (2017)) have been regarded as “the embryo of post-Western order” (Sakwa, 2016, p. 18) and the BRI led by China engages numerous members of these economic and political groupings. Up until now, BRI development has been pursued primarily on a bilateral level between China and the interested countries along the envisaged BRI routes. It was argued that the BRI should be viewed primarily as a cooperation platform rather than a formal economic integration model like the EU or the EAEU (see: Yang Cheng, 2015, p. 285). Nevertheless, despite its apparent flexibility and openness to embrace the existing regional and multilateral platforms, there has been little debate on the compatibility of the BRI objectives with the existing economic integration projects. The present paper has been an attempt to address the possibility of integration of the BRI projects with the existing economic governance framework of the EAEU.

Both the EAEU and the BRI projects have been criticized for the stark inequality of the participating members. The discrepancies in size among member states culminated in palpable state-centric concerns that the EAEU would facilitate Russian hegemony in Central Asia while the BRI and SCO could lay the foundation for Chinese dominance (Gatev & Diesen, 2016, p. 146). For the same reasons it could be beneficial for the EAEU members to act together as a stronger negotiating partner with China, and for China it could be a faster step towards a single tariff and single customs zone of the EAEU (Ibid., p. 139).

When discussing Eurasian economic integration, Russian scholars noted that one of the intellectual problems of the EAEU is that Russia was always clear about *what* it builds but not *why* it builds these structures, and the EAEU project has never been properly addressed by Russian high-ranking officials (Bratersky, 2016, p. 67). As was suggested above, the true intentions and possible implications of the BRI project go far beyond economic rationale. In this sense, the promoters of the BRI could learn from the EAEU experience and make sure that non-economic objectives are clearly presented, widely publicized and accepted by the countries that join the initiative.

As demonstrated above, the envisaged BRI encompasses all EAEU members, which make the interaction of these two economic cooperation and integration platforms inevitable. The scholars have outlined various directions for EAEU develop-

ment along the BRI such as: integration in the transport and logistics infrastructure of Eurasia, the strengthening of trans-border industrial cooperation, and the enhancement of economic integration up to the establishment of the comprehensive Eurasian union (Makarov & Sokolova, 2016, p. 52). Regardless of its actual path, the “integration of integrations” in the case of the BRI and the EAEU is a reality and further academic debate on their conjugation should be encouraged.

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