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RESHAPING EURASIAN SPACE

COMMON PERSPECTIVES FROM CHINA, RUSSIA, AND KAZAKHSTAN
THINK TANKS

JULY 2017



人大重阳
RDCY

Chongyang Institute for Financial Studies, Renmin University of China (RDCY) was established on January 19, 2013. It is the main program supported by the 200 million RMB donation from Mr. Qiu Guogen, an alumni of Renmin University of China, and now Chairman of Shanghai Chongyang Investment Co. Ltd., a private equity fund based in Shanghai.

RDCY is a new-style think tank with Chinese characteristics. We have hired over 82 former politicians, bankers, and preeminent scholars as senior fellows. We also maintain cooperation with think tanks from nearly 30 countries. RDCY's stated mission is to advise the government and serve the public by focusing on finance and academics, while grounded in reality.

In 2014, RDCY was listed the 106 of "150 top think tanks in the world", in the most internationally recognized 2014 Global Go To Think Tank Index Report, launched by the University of Pennsylvania. Together with Chinese Academy of Social Sciences and Development Research Center of the State Council, RDCY is among the seven selected Chinese think tanks.

Global Governance Research Center, Renmin University of China (GGRC) was established on March 9, 2017. It is a program supported by the education fund donated to Renmin University of China from Ms Ma Lin, Chairman of Beijing Jufeng Jinkong Technology CO., LTD. The center is operated by Chongyang Institute for Financial Studies at Renmin University of China (RDCY), with the direction of Mr. He Yafei, former Vice Minister of foreign affairs of China, Senior fellow of RDCY, and Ms. Zhang Yanling, former Executive Vice President of Bank of China, Executive Director of ICC and Senior Fellow of RDCY served as chairman of the academic board of the center. The center aims to build a global governance platform for the exchange of high level ideas, to issue high quality global governance research reports, and strive to practice the think tank mission of advising policymakers, enlightening the public, planning strategies and nurturing talents.



The Valdai Discussion Club was established in 2004. It is named after Lake Valdai, which is located close to Veliky Novgorod, where the Club's first meeting took place.

The intellectual potential of the Valdai Discussion Club is highly regarded both in Russia and abroad. More than 1,000 representatives of the international scholarly community from 63 countries have taken part in the Club's work. They include professors from major world universities and think tanks, including Harvard, Columbia, Georgetown, Stanford, and Carleton Universities; the University of London; Cairo University; the University of Tehran; East China University; the University of Tokyo; Tel Aviv University; the University of Messina; Johns Hopkins University; the London School of Economics; King's College London; Sciences Po; and the Sorbonne.

Valdai Club's regional programs – the Asian, Middle East, and Euro-Atlantic Dialogues – have drawn considerable attention from the international expert community. The Club holds a special session

at the St. Petersburg International Economic Forum. The Club's meetings have been attended by many leading politicians, experts, public figures, and cultural figures from Russia and other countries. Russian President Vladimir Putin has met with the participants of the Valdai Club's annual meetings every year since its founding.

In 2014, the Club moved away from 'telling the world about Russia' to practical work aimed at forming the global agenda and delivering a qualified and objective assessment of global political and economic issues. One of its main objectives is to promote dialogue among the global intellectual elite in order to find solutions to overcome the current global crisis.

The Club actively collaborates with opinion-makers across various fields such as international relations, global politics, economics, security, energy, sociology, communications, and so on. The Club's discussion hall was opened in 2016 and hosts meetings with outstanding politicians and politologists as well as expert discussions.



KAZCIR

**The Kazakhstan Council
on International Relations**

is a non-governmental organisation, created on the initiative of the Kazakhstan Association of Political Science and the regional public association "Kazakhstan diplomats Association".

The main purposes of the Council are

the organisation of a dialogue between the various foreign communities such as diplomats, experts, business and civil society; an expert discussion of the state's foreign policy. The main missions of the Council are the organisation of lectures by well-known foreign academic theorists of international relations, the holding of a summer school and international conferences.

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FOREWORD



Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects is one of the most ambitious projects in Greater Eurasia. It is a multilevel process, with signing of the trade-economic cooperation agreement with China being its most important element.

The decision to start negotiations leading to this agreement was made in May 2015 by presidents of the EEU member states. This is an important stage in the development of economic cooperation, harmonizing the entire fabric of relationships and creating a basis for further movement in simplification of trade and elimination of non-tariff barriers restraining the mutual access to the markets.

The final end of the agreement is ensuring the integrated engagement of the Union as a subject of global economy with China on matters of customs regulation and trade facilitation, to back cooperation and ensure the operation and development of collaboration institutes.

The agreement is called to ensure stable terms of economic cooperation and business relations between entrepreneurs and investors in the long run. This is particularly important in today's global economic landscape, given the aggravation of risks in global trade.

China and EEU member states have one important thing in common: we stand up against exclusive trade agreements and believe that the world economy and trade must develop in the best interests of all actors while the essence of agreements should be regulating the stable economic growth and cooperation for all, rather than mounting new walls. This is the main thrust of negotiations for signing a trade and economic agreement between EEU and China.

For the Eurasian Economic Commission, the economic component of the report **“Reshaping Eurasian Space: Common Perspectives From China, Russia, and Kazakhstan Think Tanks”** is very important and significant, since the expert assessments of leading Russian, Kazakhstani and Chinese think tanks may form the basis of our developments to promote trade-economic relations not only between EEU and China, but also in the Eurasian space as a whole.

The conjugation of EEU and SREB, from the standpoint of norms and content, is an ambitious and important economic project pivoted on implicit support by leaders of the EEU member states.

Tigran Sargsyan

Chairman of the Board of the Eurasian Economic Commission



The international matrix is currently undergoing change, with a concordant shift in global governance from ‘governance by the West’ to ‘co-governance by East and West’. Meanwhile, attendant problems in the process of globalization include a rise in anti-globalization and rampant populism.

The ‘Belt and Road Initiative’ (BRI) proposes an entirely novel way of thinking and doing global governance and international cooperation. It advocates for a fusion of international cooperation and civilization, which helps mitigate the negative facets of globalization. BRI also offers a cure for anti-globalization and populism, phenomena that threaten to swamp the world. This allows globalization to alter its course in an opportune manner in this era of sea change.

Since its inception, China has actively pushed for a seamless adjoining of BRI with the national strategies, developmental outlook and overall plans of countries concerned. In May 2015, China and Russia signed a “Joint Statement on Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects”. This document exemplifies the importance attached to strategic adjoining in the Eurasian region by leaders of both countries. Additionally, it provides an effective means for

China and Eurasian states to ensure continued and stable growth of the region’s economy, strengthen regional economic integration, as well as maintaining regional peace and development.

The report “Reshaping Eurasian Space: Common Perspectives From China, Russia, and Kazakhstan Think Tanks” represents the fruit of long-term discussion and research by members of elite think tanks from all three countries. It offers a detailed discussion of the topical issues in adjoining the Silk Road Economic Belt and Eurasian Economic Union. These include, inter alia, insufficient mutual understanding between the Chinese and Russian peoples, overlap in the two countries’ developmental strategies and ample space for development of concrete projects between the two countries. Some Russian experts remain convinced of the BRI’s overly abstract nature, worrying that the initiative would detract from the influence of the Eurasian Economic Union. They also voiced opinions on various issues such as Chinese tariffs, commodities exchange, finance and investment as well as logistics transportation.

Animated by issues of common concern, China, Russia, and Kazakhstan proposed a joint solution along the following lines: 1) remove bilateral regulatory barriers; 2) promote the building of basic infrastructure; 3) further cooperation in the financial and energy sectors; 4) promote comprehensive, multilevel exchange and 5) strengthen cooperation in the face of non-traditional threats. Such a proposition offers immense guidance value as states forge ahead with the strategic adjoining between the Belt and Road Initiative and Eurasian Economic Union.

He Yafei

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PREFACE

Eurasia connects Europe with the Asia-Pacific region, which are the most active regions in the world politically and economically. Due to its special geographical location, diversified economic structure and affluent resources, Eurasia affects important factors of international division of labor. As a result, this region plays a significant role in the global economic and political development.

Especially since the 2008 financial crisis, the economic strength of US-led Western countries is relatively weak within the adjustment of the international political and economic pattern. At the same time, the political and economic center of the world turns to Eurasia gradually with the rapid development of emerging economies represented by the BRICS.

However, situation in Eurasia is extremely complicated. Huge discrepancies in politics, economy, culture and other aspects exist among related countries. Concerning the fierce competition of great powers in this region and the rise of Eurasian importance on the world stage, co-building a regional mechanism of cooperation and a governance system in Eurasia has become an important agenda in the framework of global governance.

Against this background, since November 2016, Valdai Discussion Club, Chongyang Institute for Financial Studies at Renmin University

of China, and Kazakhstan Council on International Relations have begun a study on Reshaping Eurasian Space, and formed a periodic report, trying to clarify the common understanding and analysis of think tanks from China, Russia and Kazakhstan, and giving some advice and proposals on related problems as well.

Many researches were conducted on the eurasian integration, but they did not come to a shared vision of the process. The current study was accompanied by a heated debate between Russian, Chinese, and Kazakhstani experts, which is reflected in the report. Based on predecessors' research, this report analyzes the existing problems and discusses strategic cooperative opportunities of China, Russia, and Kazakhstan in Eurasia around China's Belt and Road Initiative (BRI) and Russia's Eurasian Economic Union (EEU) strategy.

This report highly evaluates the common efforts to integration of Eurasia and the impressive influence of cooperation among related countries. It is the common efforts of related countries that bring the historically significant opportunity of China's BRI and Russia's EEU strategy to life.

The fruitful cooperation, cooperation between think tanks from China, Russia, and Kazakhstan is the best example of people-to-people exchange in the integration of Eurasia.

1. THE BACKGROUND ANALYSIS OF EURASIAN STRATEGIES

1.1. Eurasian Economy in the Context of International Economic Development

The period between late 20 – early 21 century was one of the most favorable in the world economic history. The involvement of major emerging and transition economies in the global economic system, liberalization of international economic relations in various forms and

scientific-technological progress made the dynamic economic growth possible. Average living standards in the world reached unprecedented highs. From 1980 to 2008, GDP per capita rose 1.5 times globally (in fixed prices) while doubling in low-income and

middle-income countries where the population grew by 60%.¹

Emerging economies have been the driving engine of world economic growth. Per capita GDP in China has tripled since 2000 while in India it has doubled. Russia, Brazil, South Africa, Mexico, and Indonesia also achieved impressive success during that period. The world economic structure has experienced radical change with the rapid rising of developing countries, in 2008 developed countries accounted for 65.7% of the global GDP while in 2013 it dropped to 45.7%. Regarding trade and investment, G7's share of global import has dropped to 37% in 2013 from 50% in 2008. Developing countries contributed nearly 90% to the growth of global economic from 2008 to 2011. In 2030, emerging economies' share of global GDP is expected to reach 63%, while the share of trade value is expected to be more than 40%, they will account for 70% of global economic growth.

But even though emerging economies grow faster than developed ones, they have already passed the peak of their economic growth rates. This goes true for China where economic growth is slowing down, and for Russia, which has even experienced an economic downturn in recent years. These countries need to look for new sources of economic growth.

External factors further aggravate the situation. The recent decades were characterized by a powerful positive feedback between economic growth and international trade. The latter sparked the growth in prosperity, which in turn ramped up international exchange. At the present time, this positive feedback is broken. Since 2012 international trade has been slowing down, and in 2014–15 it contracted in face value.² This is absolutely abnormal for non-recessionary years, being the evidence

¹ According to *World Development Index*.

² *Report on World Investment. Investors by nationality, 2016, UN Conference On Trade and Development*.

of profound shifts in globalization dynamics. To all appearances, the export of leading emerging nations has stopped driving the world economic growth. The profits of transnationals tend to drop starting in 2010.³ On the whole, we are witnessing gradual fading of traditional global interdependence, such as transnational movement of goods, services and capital.

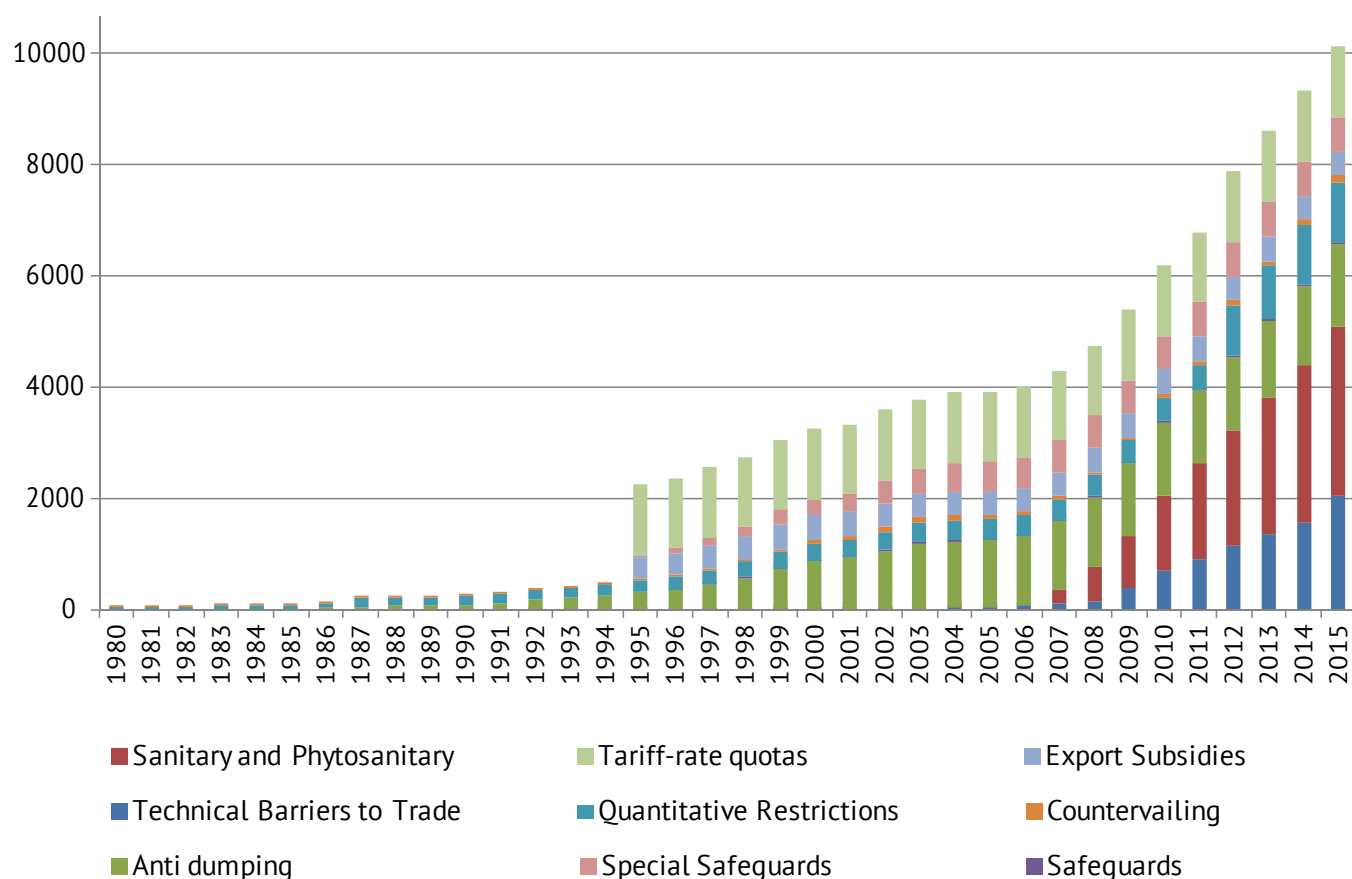
We may observe similar trends as we review international investment flows. Direct foreign investments sank in 2013–14, rebounded in 2015, and are forecast to go down again in 2016. The focus is shifting towards non-tariff restrictions (especially so-called target-oriented protectionist measures), and their number is constantly increasing. These are complemented by sanctions as an important new (at least for major powers) barrier to international exchange. It is also important to note, that protectionism has become a distinguishing characteristic of most leading economies, including the USA, which was earlier regarded as the main proponent of international trade.

Growing protectionism and increasingly intensive use of sanctions, as a foreign policy tool, are the most important trends in the development of global economy. In the United States and, to a lesser degree, in Europe a powerful scholarly methodological framework has been developed for using any types of interdependency in economic wars, to suppress adversaries. Other countries must develop new forms of cooperation, given the mounting turbulence in global economy. It is important to expand financial collaboration, encourage payments in national currencies, tap into each other's potential for ensuring economic, commodity and energy security.

Despite various internal and external pressures, China and Russia, as the main participants of the Greater Eurasian Partnership, are highly complementary economies and enjoy great potential for economic cooperation. China

³ *Ibid.*

THE NUMBER OF NONTARIFF CUSTOMS BARRIERS IN PLACE, 1980–2015



Source: WTO.

and Russia should not only take practical and effective measures to strengthen the economic and trade cooperation among Eurasian countries to avoid the economic downturn, but also enhance the voice and influence of Eurasian countries in global economic governance. China

and Russia should not only become the advocates of a new round of globalization, but also become the main contributors to promote global economy innovation and establish new rules of global economy, and then lead a new round of globalization.

1.2. The Role of Eurasian Initiatives for the Regional Development

May 8, 2015, one day before the Victory parade in Moscow, the Chinese and Russian Presidents signed a Joint Statement

on Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects. Russian-Chinese interaction has

been initially central to the «pairing» and demonstrates the high-level in its support. Soon it was supported by other member-states of the Eurasian Economic Union. In turn, the leaders of the Eurasian Five (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia) confirmed at their October 16, 2015, summit in Astana, Kazakhstan, their intention to cooperate with China and in May 2016 instructed the EEU Commission to coordinate actions of the national governments. Formal negotiations started in August the same year.

The «pairing» concept originated from awareness that Russia could no longer – nor should – consider Eurasia its «backyard», which must be guarded, but not necessarily developed. Hermetic and peripheral, the region provokes outside forces into trying to destabilize the outskirts of Russia and China, to drive a wedge between Moscow and Beijing, or to force other Eurasian states to make a choice between what is alleged to be mutually exclusive alternatives. While the EEU defines the legal framework for transport and logistics infrastructure and joint development, the Silk Road Economic Belt (SREB) should give it a huge trade and investment impetus. China’s unique record in creating inner economic belts will come

in handy as efforts to organize new international and transcontinental economic belts capable of pooling resources, means of production and markets get under way.

With wide consultation, joint contribution and shared benefits as the core principle, the BRI construction has proceeded through exploration, improved through development and grew through cooperation, which has gained extensive recognition from countries along the route. China stands ready to work with countries along the route, on a voluntary, equal and mutually beneficial basis, to jointly build a ‘Belt and Road’ mutually beneficial cooperation network featuring practical progress, inclusiveness and mutual learning, openness and innovation, and pursuit of common development.

Over the last three years, more than 100 countries and international organizations have backed the initiative, with more than 40 having signed cooperation agreements with China. Chinese enterprises have invested more than 50 billion dollars in the countries along the route, and a series of major projects are conducted, which drives the economic development of related countries and has already created vast employment opportunities. As it were, BRI is from China, but it will benefit the world.

2. COMMON PERSPECTIVES ON EURASIAN INITIATIVE FROM CHINA, RUSSIA, AND KAZAKHSTAN

2.1. Position and Significance of China in the Region

China’s expansion to the Eurasian region via the BRI largely relies on the already created economic cooperation with Russia and Central Asia in investment and trade spheres. China today is the key trade and investment partner

of EEU, its significance as a stable business partner in the region increasing every year.

At present cooperation between EEU and China in investment projects mainly comes down to Chinese involvement in the activities

of Kazakhstani and Russian companies, in the first place. Investments play an important part in Beijing's long-term strategy of consolidating its positions in this region. For deeper entrenchment **China relies on an integrated approach, including concessional loans, contractual works, FDI and close trade relations.**

Among the EEU nations **Kazakhstan is noted for the highest level of collaboration with China in the investment sphere.** In 1992–2013 total investments from China came to 20 billion USD. Out of this sum 12 billion USD was invested in the oil sector and 6 billion USD – in construction of oil and gas pipelines. In 2010–2016 alone the gross inflow of foreign investments in Kazakhstan from China exceeded 11 billion USD.⁴

With other SREB nations the EEU interacts mainly via Russian companies involved in investment projects. Kyrgyzstan is of some interest for Chinese investors while the level of investment engagement between Belarus and China is very low, whereas between China and Armenia it almost lacks completely.

Besides the investment cooperation, China takes an important place in foreign trade with EEU nations, being the main trade partner of the EEU. Following the results of 2016, the trade turnover between China and EEU exceeded 78 billion USD, which accounts for 15% of total trade turnover of the EEU with third nations. The mutual trade between the EEU and China is characterized by asymmetry and a wide gap in their foreign trade turnover. As per the statistics for 2016, China ranked first in the foreign trade turnover of Russia and second in the trade turnover of Kazakhstan and Kyrgyzstan.

The export of EEU nations to China amounted to 52.3 billion USD in 2014, 35.1

billion USD in 2015 and 32.9 billion USD in 2016.⁵ The overall export from the EEU in money terms last year contracted by 6.3%. The given negative dynamics can be explained by flagging interest of China in the EEU's member states' commodities. Mineral resources dominate the export commodity structure of EEU member states, standing at about 70% of the total volume, while machinery and equipment account for 45% of import. This puts on the agenda the imperative to ramp up the transition from commodity-oriented export to starting joint hi-tech ventures and multilateral production chains of competitive goods.

Besides the inauguration of international transport corridors in the territory of the Eurasian region, one of the **key points of interlocking the EEU with SREB is creating a common platform. In China's view, this role can be assigned to the Free Trade Area (FTA) between EEU and SCO (Shanghai Cooperation Organisation) nations.** The EEU also backed the proposal. In spite of this fact, certain apprehensions exist in EEU nations that EEU-SCO FTA may benefit only China, given that Chinese manufacturers may receive greater opportunities as part of the FTA for ramping up the export of their goods to the markets of Central Asia and Russia. This in turn is fraught with problems for local business, which will have to compete with Chinese companies on an equal footing. As a result, the goods of EEU nations will simply lose their competitiveness in non-commodity sectors.

In this connection, EEU nations will have to decide on which terms they might agree to the EEU-SCO FTA. Such a free trade zone must also imply certain exceptions,

⁴ According to National Bank of the Republic of Kazakhstan statistics. Available from: <http://www.nationalbank.kz/?docid=680&switch=russian> (accessed: 15 April 2017).

⁵ According to Eurasian Economic Commission statistics. Available from: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/tables/extra/Pages/2016/12.aspx (accessed: 13 April 2017).

since the tariff-free regime shall not cover all goods and services. An agreement should be reached in the course of negotiations on FTA with regard for interests of each nation. It is necessary to figure all losses and benefits on each commodity item from the involvement of all nations in an SCO FTA.

China is the second biggest partner to EU and potentially the main partner of the EEU, which needs the Chinese connection to diversify its export. Removing the existing barriers for agricultural exports to China from EEU nations is crucial. Relocating resource-intensive production facilities from China to their territory also opens great horizons – possibly followed by export of products to China and other Asian

markets. Development of cooperation has a great significance not only for the economy, but also for security of Russia and China, since the problem of employment in Central Asia can thus be addressed. Like China, Russia is interested in the stability of regional political regimes.

For Russia, an ideal role for China in the EEU is an investor in regional development. For China, an ideal role for Russia is assisting in the removal of economic barriers in Eurasia and keeping order in defense and security. Despite their different vision, Russia and China share an important common interest: the ousting of foreign military bases in Eurasia and attendant geopolitical/economic intrigues.

2.2. Position and Significance of Russia in the Region

The Eurasian Economic Union plays an important part in Russia's effort to expand the domestic market and particularly in its urge to ensure socioeconomic and political stability in the post-Soviet space. The EEU has become a significant positive factor in development of Russian manufacturing industries (engineering, automotive) and influenced the form and logistics of Russian-Chinese trade.

The basis of Russia's participation in the EEU and China's promotion of the BRI is different. Russia initiated the EEU as part of its conviction (which took deeper root after 2008) that globalization would gradually outlive its usefulness; therefore, it planned to form a more or less powerful center of regional development in Eurasia. China, in its turn, launched its project as an instrument of backing the country's involvement in globalization; therefore, it was not just in need of a development center in Eurasia,

but also in need of some safe haven for transit, openness and international trade.

In the meantime, Russia and China need to find their place in the changing economic reality. As economic slowdown in China is probably structural by nature. The same is true for Russia where economic slowdown started back in 2012 and later grew into a two-year economic downturn. The key characteristic of the Russian development model is dependency on extraction and export of natural resources.

Greater Eurasia is 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 EEU 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. Both nations also see great potential in creating joint value-added chains.

2.3. Position and Significance of Kazakhstan in the Region

Kazakhstan is approaching the 26th anniversary of independence with a solid baggage, having built its international image as a peacemaker, an author of some humanitarian initiatives and one of the leaders in the nuclear non-proliferation and disarmament movement. The nation maintains friendly relations with its neighbors, being a member of many regional associations.

As regards to more specific figures, Kazakhstan today has **diplomatic relations with 169 countries, 94 Kazakhstani embassies operate abroad, and more than 50 embassies and representative offices of international institutions are located in this country.** Kazakhstan is a member of 54 international organizations, funds and initiatives, 8 regional organizations, 11 interdepartmental and thematic organizations.

Courtesy of its convenient geographical location, Kazakhstan takes a strategic place in Central Asia, which enables it to influence the regional and international policy along with maintaining good relations both with neighboring states and with foreign partners. The intermediary position between two civilizations encourages Kazakhstan to initiate the dialogue within SCO, OIC (Organisation of Islamic Cooperation) and the EEU, on the one hand, and within OSCE (Organization for Security and Co-operation in Europe), on the other. The country often uses this leverage to promote new ideas. **Starting on January 1 of 2017, the Republic of Kazakhstan set to work as a nonentity member of the UN Security Council (2017–2018).**

In the volatile global economic landscape, facing internal challenges and overcoming geopolitical isolation caused by its landlocked plight, Kazakhstan is no longer just a plentiful source of mineral resources, evolving into a transit zone between Europe and Asia. The swelling

amount of goods daily flowing over the national thoroughfares facilitates the development of internal infrastructure, increasing the country's regional profile.

Today Kazakhstan pins increasingly higher importance on deeper cooperation within the EEU and SREB, since successful interlocking between the two would mean great economic benefits for Kazakhstan. In particular, close interaction within the given projects will allow Kazakhstan to unlock its transport, transit and logistics potential. In expert estimation, thanks to this collaboration, trade flows worth more than 50 billion USD⁶ will pass through the territory of Kazakhstan.

The Kazakhstani government is already taking a series of measures to promote these sectors. “Nurly Zhol” State Program of Infrastructure Development for 2015–2019 is currently implemented in Kazakhstan. Furthermore, development of the transport sector is one of the main thrusts in the ‘Kazakhstan – 2050’ strategy. What’s more, back in September 2016 in the city of Hangzhou the leaders of Kazakhstan and China signed the Plan of Collaboration for Interlocking ‘Nurly Zhol’ and Silk Road Economic Belt programs.

At present, the consolidation of Kazakhstani–Chinese relationships is dependent on cooperation in delivery of joint business projects. **The joint declaration of RK and China heads of state on the all-round strategic partnership signed on 31 August 2015** also testifies to the onset of the era of closer integration and deeper economic cooperation between Kazakhstan and China.

Thus, within the program of relocating Chinese production facilities to the territory of Kazakhstan, 51 projects worth 26 billion USD in total are planned mainly in processing

⁶ Khon, E, ‘Kazakhstan v integratsionnykh protsessakh: rol’ EAES i Ekonomicheskogo poiasa Shelkovogo puti’ [Kazakhstan in integration processes: role of the Silk Road Economic Belt], Eurasia Hub. Available from: http://www.eurasiyahub.org/data/ftproot/2016/2015_GPAS_International/2-3.pdf (accessed: 10 April 2017)

industries including agribusiness, mechanical engineering and processing of natural resources. Twelve investment projects from the pool of joint Kazakhstani-Chinese projects have been launched in Kazakhstan this year, the biggest ones being the construction of a copper smelting plant in Eastern Kazakhstan, a polypropylene plant of KPI

in the Atyrau region as well as modernization of Shymkent Oil Refinery.

The covenants made between the two nations will mitigate the negative impact of the world crisis on the national economy of Kazakhstan, deepening the interaction in trade-economic, investment, transit-transport and fuel-energy industries.

2.4. Contradictions Between Eurasian Initiatives: China's Perspective

Chinese researchers argue that bilateral problems between China and Russia could be mainly attributed to 3 causes: inadequate mutual understanding and communication channels; overlapping or even conflicting strategies; insufficient projects in operation.

Firstly, despite the well-established China-Russia comprehensive strategic partnership of coordination, people in both countries lack adequate mutual understanding due to both historical and modern factors.

As a result of the dissolution of the Soviet Union in the 1990s, Russia's top leadership, especially in economic sectors, were seriously influenced by the Western ideology and keen to join the West for financial assistance and economic revitalization. Middle class in both China and Russia alike at that time would choose to get education in Western countries, overshadowing bilateral exchanges between the two. The 'soft power' of Western culture, lack of mutual understanding and distorted media coverage led to negative identification of each other between the two peoples, especially among the young, and subconscious recognition of the other side as a rival.

Since the commencement of the 21st century, Russia's political leadership turned

to China in light of good faith for cooperation on the Western side, while unable to divert the economic network between Russia and the West, as well as they are unable to convert the estrangement of young Russian people to China. In contrast senior Russian citizens, who grew highly hostile to the US during the Soviet period, tended to identify themselves more with Chinese people. Meanwhile, the shortage of visits exchange and lack of communication mechanisms are obviously inconsistent with the China-Russia comprehensive strategic partnership of coordination.

Secondly, China and Russia have overlapping development planning and directions, despite some conflicting parts.

Both emerging economies and members of BRICS, China and Russia are similarly dependent on foreign capital for domestic economic stimulus and are to some extent competitors to each other in capital market.

Russia's foreign strategy recognizes the Commonwealth of the Independent States as fundamental, in particular, the extended Central Asia and Belarus as the buffer zone, and goes southward to form alliances with Middle Eastern countries such as Iran and Syria. China's BRI highlights the idea of exchanges between

the East and the West, as well as connection development between Eastern manufacturing bases and Western markets. The simultaneous development of both strategies would inevitably bring each other to competition for influence in Eurasia.

Finally, as a result of the two above-mentioned causes, inadequate cooperation projects, that are to be put into operation, in turn will drive up mutual antagonism.

The China-Russia trade, frequent yet small, merely accounts for 15% of that between China and the US. This means more collaboration projects need to be put into operation.

As for the basis for economic and trade cooperation between China and Russia, there are still some differences in the spheres of infrastructure, laws and regulations, which could hinder bilateral international trade development.

China and Russia share a long land border and hold several Border Trade Centers. Their international trade and logistics heavily depend on land transportation, i.e. highways and railways. Therefore, the obstacles in onshore infrastructure and regulations spheres may cause much damage during the process of Eurasian international cooperation.

In the sphere of road transportations, for example, in 1998 the Russian Federation

published an act in order to comprehensively forbid foreign companies engage into the road transport business, including both passenger and cargo operations. Although the act has been abolished, Russian government still collects heavy road taxes from foreign transport companies, which can be defined as a 'market' means to protect national operators.

One of the most important factors that limits Eurasian railway transportation is the railway gauge issue. China has applied 1,435 mm standard gauge railway to strengthen the international connectivity; whereas Russia, Kazakhstan and other countries due to historical reasons use 1,520 mm broad gauge. As a result, the railway system of Russia and post-Soviet countries cannot suit China, Iran or the European Union. When a freight train arrives at the border port, such as Khorgas, it takes one or two days to transit the gauge. It causes extra expenses in time and money and also reduces competitiveness.

Overcoming protectionism in international cooperation is a problem that needs to be solved by both China and Russia. China, Russia and Kazakhstan or other Eurasian countries that have intention to participate in rational cooperation should be aware of some problems and make efforts to improve the situation.

2.5. Contradictions Between Eurasian Initiatives: Russia's Perspective

A number of factors are curbing development of Russian-Chinese cooperation and thus increasing the profile of the EEU and its participants. The first factor is sanctions. Chinese commercial banks thoroughly integrated into the international financial system, out of fear to mar their relations with US partners, have renounced financing of any

projects in Russia. Certainly, these restrictions did not apply to state financial institutions, such as Export-impirt bank of China, China Development Bank and Silk Road Fund. It is these institutions that were involved almost in every project implemented between China and Russia. However, their potential is not unlimited.

On the whole, China's approach to sanctions was unexpected to many Russian companies and banks. After financial sanctions were imposed on Russian banks and oil and gas companies, many of them hoped to replace the European capital in Asian financial markets, but failed to attract substantial loans. The financial institutions of EEU nations could play their role in this matter, since their cooperation with China is not restricted. And at the same time, they are under a less threat of sanctions from the United States.

The 'Belt and Road' initiative in itself remains very abstract and subject to ambiguous interpretation: even Chinese experts often hold to opposite views on its essence. The Silk Road Foundation that by now is almost the only institutional embodiment of the initiative had been inactive until recently. Perhaps negotiations on commercial-economic collaboration between the EEU and China will help filling the idea of coupling with more specific mechanisms.

One of the most important issues that concern Russia as part of these negotiations is the high level of customs protection in the Chinese market. Because of the limited capacity of Russia's Far East market, normally the only justified investments are those harboring the export potential. However, the Chinese market is almost closed for many Russian products. Let's take agriculture, for example – one of the most promising and fast-growing sectors in Russia's Far East. The high level of customs barriers to the Chinese market may be observed in customs duties which, for some important export groups (such as wheat), are several times higher than the EEU tariffs. At the same time, quota allocation is practiced for some agricultural products (including wheat, corn, rice and sugar).⁷

⁷ *Analiz bar'erov dlia dostupa sel'skokhoziaistvennoi produktsii na kitaiskii rynek' [Analysis: Barriers for Agriculture Products in Chinese Markets], Department of Agricultural Policies, Eurasian Economic Commission. Available from: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/monitoring/Documents/Барьеры%20в%20Кумае.pdf*

No sooner than in late 2015 did Federal Service for Veterinary and Phytosanitary Surveillance and General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China sign documents regulating phytosanitary requirements for grains and cereals supplied to China from Russia. Partially lifted were the restrictions imposed in 1997 on import of Russian wheat on the basis that the wheat had been cultivated in some Russian regions infested with *Tilletia controversa Kulehn* (dwarf smut of wheat).

Negotiations aimed at lifting the ban that had lost any epidemiological meaning a long time ago have been dragging for quite a while. Allowed at the present time are the supplies of summer wheat from Altai Krai, Krasnoyarsk Krai, Novosibirsk oblast and Omsk oblast, meant solely for grain processing. Also admitted to the Chinese market (for processing) are corn, rice, soya and rape grown in the territory of Khabarovsk Krai, Primorsky krai, Zabaykalsky Krai, Amur oblast and the Jewish Autonomous Oblast.⁸ The repeal of restrictions has opened access to the Chinese market for Russian grain from the mentioned above regions, although for other regions the restrictions are still in force. Another problem is that China requires grain to be supplied in sacks, rather than in bulk.

Vast restrictions were imposed on other products as well. In particular, since 2000 cloven-hoofed mammals and products there from, including dairy products and milk, eggs and some other products from Russia have been prohibited for import to China. The ban was imposed in the wake of Foot and Mouth epidemic in the Ussuriysk district of Primorsky Region, and since then has not been lifted. Direct bans

⁸ *Analiz bar'erov dlia dostupa sel'skokhoziaistvennoi produktsii na kitaiskii rynek' [Analysis: Barriers for Agriculture Products in Chinese Markets], Department of Agricultural Policies, Eurasian Economic Commission. Available from: http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/monitoring/Documents/Барьеры%20в%20Кумае.pdf*

are complemented with numerous technical barriers, quality standards, complicated customs procedures, special labeling and packaging requirements. All of those make the Chinese market hard to access.

An essential shortfall in Russian-Chinese cooperation is the underrepresentation of Chinese small and medium-sized businesses in Russia. One of the reasons is poor awareness which might well be improved. Another reason is the lack of any institutions that would support small Chinese companies investing in Russia.

This support could have been provided on the level of Chinese provinces by raising their awareness, offering them assistance in legal matters, and facilitating their centralized engagement with Russian municipal and regional administrations. This would be a great help for Chinese small and medium-sized businesses operating in Russia or willing to enter the Russian market. The Russian side is ready to keep in close touch with such support institutions, but will hardly be able to organize them on its own. On the whole, it appears that China has underestimated the Russian Eastern axis. Many in China perceived it as a forced measure in response to anti-Russian sanctions and hoped that Russia would agree to any terms of engagement with Chinese partners in a desperate attempt to preclude isolation.

If China redefines its interest in post-Soviet Eurasia, shifting its focus from mere transit to integration perspective, and if it starts not just to bargain the degree of transparency of the regional development center for its transit, but will actively counter it or refuse to invest, then the conflict of interests might become insurmountable and particularly harsh if external powers timely understand this conflict and try to sparkle it.

As mentioned above, maintaining numerous technical barriers to import along with persistent promotion of the free trade

area (FTA) initiatives by the Chinese side raises concerns. It would be advisable to proceed from the assumption that a solid foundation for a long-term cooperation and security in Central Asia can be laid only in case of developing diverse trade and economic relations that do not come down to exporting a limited set of Eurasian commodities to China.

Certain problems with shipping products to the Chinese market also arise. For now, China has been unable to comply with the demand of business for railway logistics. Small consignments of export from Russia are delivered to the border in an organized manner while in China they are crippled by shortage of shipment capacity, which can be graphically seen in ice-cream supplies. The given example shows some other specifics of trading in products made in Russia: the markets of dairy products in general, and ice-cream in particular are so different in our countries that food producers often need to remodel their production lines, rather than add certain ingredients. Few are capable of such radical changes, especially since the ice-cream market is insignificant in comparison with other food markets, slightly exceeding 1 billion rubles.

A similar problem hassles other markets (berries, nuts, honey, etc.) as well, since Russian and Chinese consumers expect a different product mix in these segments: some goods quite traditional for one country are not used at all in the other, or used very sparingly. The quality of food processing by the Chinese side is another major issue in export of Chinese products.

Certain hopes are pinned on development of cooperation in the automotive industry: a short time ago more than 200 VAZ automobiles were forwarded from Russia to China for testing. First results and cooperation prospects will be clear towards the end of this year. As for trading in crude oil and petroleum products, the engagement here is in running order.

The Russian side traditionally requests export of processed products instead of raw materials, but Chinese counterparties are often unwilling to accommodate such requests. Thus, while wood supplies grew by 21% to 3.2 million cubic meters in the first two months of this year (in money terms – by 33% to 628 million USD), it mostly consists of round timber shipped by motor transport.

This does not mean, however, that trade is developing only in the commodity sector, since Russia also supplies costly products to China, such as electronics, automatic equipment, turbines and arms. The problem is rather in underusing the potential of our bilateral contacts. It seems expedient for Russia to accentuate the development of non-material services, the main one being the service of transit via Russia and the EEU to Europe both ways.

Problems exist on both sides at the moment. In China, these are mainly excessive motorization and high tariffs. Russia expects China Railway to execute its plans of procuring 40,000 platform units and developing container traffic domestically as well as in export-import operations.

Both sides will have to put a major effort in introducing universal standards of railway shipments. It is necessary for Russia to reinforce the terminals strung out along the Trans-Siberian railroad and at the exit from Kazakhstan, as well as to further liberalize the regulation of the railway container market.

In its turn China could intensify its contacts with entrepreneurs and convince them to switch from motor transport to other types of cargo and product shipment. Today a significant part of trade with the EEU, especially with Kyrgyzstan and Eastern Kazakhstan, relies on motor transport. Several multimodality centers could be established for Chinese exporters-importers, where they could

switch from automotive to railway transport for a comparable pay, in order to optimize the whole process.

The fact that China has joined the international system of motor transport trans-border access is an additional challenge both for Russian bureaucracy and for underdeveloped transport business on our borders from the Urals to Primorsky Krai in the Far East. Logistics and motorization of shipments in XUAR, Inner Mongolia, Heilongjiang and Jilin are at a higher level compared to Orenburg, adjacent Kazakhstani regions, Chita, Khabarovsk Krai and Primorsky Krai. Not only the number of automobiles fit for TIR, but also the quality and quantity of border infrastructure as well as labor cost, suggests that unless the Ministry of Transport of the Russian Federation is persistent enough (at least as in the case of Polish long-haul truckers whose unscrupulous competition was nipped, albeit with a time lag), the border shipment markets can be taken over by Chinese counterparts.

Instead of denying access to the Chinese we would rather grope for the right balance in settling this issue. The same is true for Kazakhstan because our EEU colleagues can be tempted to follow the principle of ‘steering clear of regulation until it directly affects them’. This is a very likely outcome in transit shipments to Russia via Kazakhstan by Chinese motor transport.

Another potentially negative effect can be caused by the fact that the export of motor transport services by China may deal an even heavier blow on the Russian market of motor transport shipments, which is already overly politicized and disconcerted. Among possible consequences are price reductions, withdrawal of shabby fleets from operation and suspension of upgrading programs by large companies. This may also call for extra investments in road construction over the 10-year horizon.

2.6. Opportunities and Challenges for the Eurasian Initiatives of China and Russia

Creating joint production chains with the involvement of China and EEU nations for promoting jointly manufactured products to third-party markets is very promising. EEU works on maximum expansion of the geography of trade agreements, which will further this collaboration.

Some feel that integration of the two projects and their merging into one common endeavor is a daunting challenge. Yet both projects could be promoted in parallel and in a somewhat coordinated manner on the following foundation: China invests in the Russian-Chinese vision of New Eurasia (other investors might also be attracted) as a self-contained center of research, technology and manufacturing (not absolutely isolationist but closed enough to give an impulse to rapid development by means of limited protectionism). In exchange, China gets certain opportunities of free transit to the Middle East and Europe through this space with its protectionist barriers. This approach might well become an optimal model of ‘coupling’ the EEU with BRI.

The China-Russia relations are now witnessing an ‘all-time best’ after years of sound development. President of the People’s Republic of China Xi Jinping and President Vladimir Putin have so far met 20 times, 5 of which in 2016 alone, and a Russian poll revealed China as one of the friendliest countries. The Chinese-Russian Comprehensive Strategic Partnership of Coordination and the uniqueness as well as the highest level of bilateral diplomatic ties give momentum for a sustained, sound and steady development, and it could well be considered a model of relations between major power.

After the Cold War, Russia’s Eurasian strategy has gone through changes from a pro-west major power diplomatic strategy to a more traditional one highly valuing the Eurasian region. Meanwhile China is endeavoring to assert more proactive diplomatic strategies in this area. The Belt and Road Initiative and the Eurasian Economic Union strategy launched respectively by the two powers to push forward

the Eurasian connectivity and integration, came out overlapping in their goals.

Both have placed considerable emphasis on coordinated promotion of the Belt and Road Initiative and the Eurasian Economic Union. Russian President Vladimir Putin spoke highly of the ‘Belt and Road’ roadmap during the APEC Leaders’ Informal Meeting in Beijing November 2014. President Xi Jinping reiterated in numerous meetings the efforts to connect the construction of the Belt and Road Initiative to the EEU to expand Chinese-Russian practical cooperation so as to inject impetus to the development, cooperation and prosperity of the whole Eurasian continent. In May 2015, China and Russia signed the Joint Statement on Cooperation on the Construction of Joint Eurasian Economic Union and Silk Road Projects, confirming Russia’s support and close cooperation with China on construction of the Silk Road Economic Belt and implementation of the Initiative. June 23, 2016, China, Mongolia and Russia jointly endorsed the Plan on Establishing the China-Mongolia-Russia Economic Corridor for enhanced connection and cooperation in this regard.

Beijing and Moscow share a common understanding of the great significance of the Comprehensive Strategic Partnership on Coordination and the strategic inertia for continued development of bilateral relationship. Yet, practical details remain to be addressed in implementing Belt and Road and the Eurasian integration.

In the 1990s Chinese academics characterized the China-Russia relationship as ‘political closeness vs economic estrangement’, ‘closeness above vs estrangement below’ and ‘closeness among the elder vs estrangement among the young’, referring to the close communications between both governments and top leaderships against frustrations in trade and exchange of visits as well as the close emotional connection to Russia among the older generations against estrangement

among the younger generations. The situation has visibly improved thanks to a dozen years of joint efforts including the Year of China/Russia, cultural year, language year, tourism year, youth exchange year, press exchange year and other events held in both countries. Following the intensified implementation of the Belt and Road Initiative, strategic mutual trust has been basically established between the two powers, which still are subject to a number of specific issues in pushing forward the collaboration of the Belt and Road and the Eurasian Economic Union.

Some in Russia raised concerns that construction of the Silk Road Economic Belt would undermine the regional influence of the EEU due to China's escalating comprehensive national might. Besides, some Russian experts believe that the 21st century Maritime Silk Road would become rival to Russia's Northern Sea Route established after years of painstaking efforts.⁹

In regard to economic cooperation, Russian experts worry about China's investment priority in energy and resource projects in EEU countries in contrast to insufficient investment in manufacturing projects and shortage of technology transfer. However, China's comprehensive and in-depth reform on the issue of supply and manufacturing, as well as infrastructure construction chains going global have encouraged its investment and pushed cooperation programs with Russia, Central Asian countries and other Eurasian countries to a phase of all-dimensional partnership consolidating traditional cooperation on resource and energy sectors, on the one hand, and exploring capacity and technological cooperation involving multiple links along the overall industrial chain, on the other.¹⁰

In regard to international trade, Chinese academics hold that the EEU has put up some

undesired trade barriers against Central Asian and Eurasian countries that are closely linked with China. Some Central Asian countries may have to reduce cooperation with China for preferential transportation and trade policies as well as other priorities granted to member countries of the EEU. Meanwhile the EEU applies zero tariff among member countries and uniform tariff beyond the union, which drives up China's export cost to relevant countries and could most likely impede the integration and coordination program of the Silk Road Economic Belt and the Eurasian Economic Union.

In regard to investment and cooperation, China's FDI to Russia accounted for a mere 0.7% of the total amount, which is extremely incommensurate to its position as Russia's neighboring major power and partner.¹¹ In addition, joint investment projects have been clustered to energy development and other traditional sectors while investment in modern high-tech projects requires urgent progress.

In regard to security issues, the Central Asia and Eurasia are confronted with rigorous unconventional security challenges. The triple-edged sword of violent terrorism, religious extremist and regional separatist forces may bring about psychological barriers against the people-to-people bond between China and Central Asian countries and that between Russia and Central Asian countries, and even sabotage the benefits and sustainability of the Belt and Road and the EEU integration projects. Currently China and Russia are jointly fighting against terrorism among the 'triad' within the Regional Anti-Terrorist Structure of Shanghai Cooperation Organization, while effective coordination and communication mechanism addressing the more deep-rooted religious extremist and regional separatist forces have not yet taken shape.

⁹ Li, Xiujiào, 2015, 'Russian Think Tank Analysis on Belt and Road', *Siberian Studies*, June, no. (42) 3.

¹⁰ Zhou, Mi, 2015, 'Great Potential for Cooperation between the Belt and Road and EEU', *China Economic Weekly*, 11 May

¹¹ 'PZI Kitaia v Rossiiu prevysili 14 mlrd. dollarov SShA v 2016 g.' [Chinese FDI in Russia Reached Over 14 bn USD in 2016], *China.ru*. Available from: <http://www.chinaru.info/zhongjingmao/lubuhuilv/45753.shtml> (accessed: 11 April 2017)

3. SUGGESTIONS FOR CHINA–RUSSIA COOPERATION IN EURASIA

3.1. Removing Bilateral Regulatory Barriers

Unified rules would lay a solid foundation for connectivity and effectively reduce unnecessary costs in connectivity and trade barriers of various forms between Eurasian countries. To be specific, unified implementations and integrated regulations shall be gradually developed.

Assimilated and synchronized implementation operations shall be introduced to practice exemption of tariffs and inspections and other national treatment commitments, standardize customs clearance formalities, and strengthen bilateral cooperation and understandings in legal and regulatory fields. China and Russia are now working on unifying standards of customs clearance formalities, which could spread to wider regions.

Next, financial, trade and economic regulations in the Eurasian countries should be gradually integrated so that they could learn from each other's advantageous experience to establish an inclusive system that manages cooperation and connectivity-

buildings in the Eurasian region. At present, some Eurasian countries continue practicing protectionism to protect some of their domestic sectors. For example, it is stipulated in Russia that foreign investors and capital are prohibited to enter the highway transportation sector. Thus, the restrictions could be gradually lifted, or special MFN treatment equivalent to national treatment should be granted to China.

In addition, China and Russia shall forge ahead to push forward the China-EEU free trade agreement talk and seek to achieve an early outcome in cutting down technical barriers to trade and improving service trade so as to build a more convenient, open, transparent, fair and secure environment for Chinese investors in Russia and other Eurasian countries. In addition, China shall intensify coordination on investment and trade rules and regulations with Russia and other Eurasian countries to offer more protection over investors and foreign trade business from different countries.

3.2. Upgrading Infrastructure by Means of Industrial Capacity Cooperation

Infrastructure construction in Eurasian countries holds great potential for further cooperation with China since a great number of infrastructure objects in these countries, including railways, roads, sea ports, airports and grid, commonly demands upgrading and improving.

China and Eurasian countries shall actively work on investing more in upgrade and improvement programs of the land transportation network, port infrastructure

and grid. For example, road upgrade and grid reset in accordance with international standardization can better integrate with infrastructure in China and other countries along the route, and build favorable conditions for further trade contacts.

Industrial capacity and technological cooperation will create a strong impulse for Eurasian countries to upgrade and improve their infrastructure. Eurasian countries along the 'Belt and Road' today find themselves at

a turning point, when their infrastructure and industrial systems are improving, so these countries need a great amount of machine tools, steel, cement and other construction materials. China owns the quality industrial capacity, and has clear advantages in machine manufacturing, industrial design, engineering management and technology standardization.

Thus, there is a huge potential for industrial cooperation with Russia and other Eurasian countries. China should cooperate with these countries in all sectors of the entire industrial chain, including industrial capacity cooperation, connectivity and infrastructure construction, technological standardization and exports.

3.3. Expanding Resource Trade and Deepening Financial Cooperation

It is absolutely indispensable to connect China and the Eurasian countries in both material and financial resources.

Cooperation in the sphere of resources: the EEU region boasts abundant oil and gas reserves, with natural gas accounting for 25%, and crude oil for 10% of the world's total. China, as a major energy consumer, is in great demand for export of these energy sources, and could well acquire gas and oil from the safer EEU land passages. This makes cooperation beneficial for both sides.

Besides, Eurasian countries are rich in iron ore, uranium and other industrial mineral resources, as well as agriculture, husbandry and water resources that are all in demand in China and European markets. These countries should also consider importing China's technology and using China's investment to gradually shift from resource-export-dependent economies to refinery, which will create more high-tech industries and high value-added opportunities and markets for mutually beneficial cooperation.

Cooperation in finance: China is in the midst of a sharp momentum for outbound investment and expansion. In 2016, it conducted non-financial FDI to 7,961 overseas enterprises in 164 countries and regions across the world, amounting to 170.11 billion USD, up by 44.1% from the previous year.

Meanwhile, Chinese capital is increasingly ready to invest in the EEU region. Chinese investment in Russia grew by 600% in 2013 alone, achieving the highest growth rate among major investors during the same period. Most of the Chinese investment flows to manufacturing, retailing, mining, etc. to facilitate the growth of real economies and boost further development of international trade. Yet, there is also great room for China to invest in Eurasian countries, which will surely contribute to financial cooperation between them.

Evidently China is capable and willing to invest capital into the EEU region, while most offshore RMB clearing centers of the latter are located in Europe. The Eurasian countries, unable to conduct RMB settlement, have to settle regional trade by means of stock exchange of third countries, which could be replaced in the future with sovereign currency of major economies to reduce exchange losses.

China and the Eurasian countries should also further integrate and make the most of the financial capabilities of the Asian Infrastructure Investment Bank, the Silk Road Fund and other development financial institutions, deepening China's investment to Russia and the Eurasian countries along the Silk Road Economic Belt, and encouraging cooperation in the entire

industrial chain between China and these countries. International cooperation banks could be established to provide financing, credit guarantees and other services for trans-border transactions, infrastructure construction and other priority projects in the EEU region. Compared to the extended period of time needed to establish solid infrastructure and resource

cooperation, financial cooperation could take sound and fast effect, contributing to better cooperation in trade, connectivity-building and infrastructure construction. China has initiated the AIIB and the Silk Road fund to build closer ties with sovereign credit, and is ready to embrace Eurasian countries to engage in more active cooperation with AIIB.

3.4. Developing Multi-Dimensional, Multi-Level, and Comprehensive Communication

China-EEU cultural cooperation could be reinforced by deepening intelligent and education exchanges. Developing countries in the EEU region are in great demand of skilled workers and senior technicians, in particular gas and oil engineers, researchers, doctors and educators.

Education and training system in China is ready to provide practical training opportunities for overseas students from partner countries. China has now launched programs offering developing countries 120,000 training placements and 150,000 scholarships in China. Eurasian countries shall use the opportunity to work with China to promote domestic training and education.

A more diversified, multi-level and multi-dimensional dialogue mechanism is expected to establish long-term and stable non-governmental communication channels apart from the government-led dialogue mechanism that include exchanges in arts and humanities, trade, finance, security, and other spheres on the agenda. For example, it could work in the form of think tank dialogue mechanisms and business transactions between China and Russia, Iran, Kazakhstan and other Eurasian countries, which could be built up into more institutional and established think tank and business dialogue mechanisms in broader ranges.

3.5. Strengthening Cooperation and Coordination Against Non-Conventional Threats

In the context of the Belt and Road Initiative and EEU integration and cooperation, exchange of visits in Eurasia would hit a record high. Violent terrorist, religious extremist and regional separatist forces in China and Eurasia may swoop in to sabotage the deepening integration and cooperation as well as the growing people-to-people bonds between these countries, raising new challenges and threats to overseas Chinese enterprises and

citizens, as well as security of Russia and other Eurasian countries. Therefore, great efforts shall be made to strengthen the anti-terror cooperation among China, Russia and other Eurasian countries within the framework of the Shanghai Cooperation Organization, policy coordination in the United Nations and other international organizations, in addition to continuous communication and coordination against regional separatist and extremist forces.



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