

VALDAI DISCUSSION CLUB REPORT



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CHINESE PERSPECTIVE ON THE CREATION OF A EURASIAN ECONOMIC SPACE

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Foreword

Chinese President Xi Jinping announced the initiative to create a Silk Road Economic Belt (SREB) in September 2013 during a speech in Kazakhstan addressed to the states of Central Asia. By late 2015, that proposal had gained a broad array of support across the entire Eurasian continent. Many states in the region signed official documents for cooperating with China on the construction of the SREB, or else included the SREB project in bilateral political documents.

Chinese and Russian leaders met in Moscow on May 8, 2015 to sign a Joint Statement of the Russian Federation and the People's Republic of China on cooperation in aligning efforts to build the Eurasian Economic Union (EAEU) and the Silk Road Economic Belt. They decided that the goal of such linkage would be the formation of a Common Space on the entire Eurasian continent. All of the EAEU states later expressed support for the initiative.

This report, prepared by a leading Chinese expert on the issue, aims to illuminate fully the Chinese approach to a comprehensive Eurasian partnership. It will also present what Chinese scholars view as the goals, objectives, and areas of cooperation for Eurasian states, as well as the long-term priorities and anticipated results of such cooperation.

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Conditions for Aligning the SREB and EAEU

Most Eurasian countries participate in the Eurasian Economic Union (EAEU) and the Shanghai Cooperation Organisation (SCO) as member states, observer states, or dialogue partners. They also enthusiastically support and participate in the Chinese initiative to create the Silk Road Economic Belt and the 21st-century Maritime Silk Road that China terms “One Belt, One Road.” A number of factors contribute to this cooperation.

The primary factors are the accelerating pace of change in the overall configuration of the world economy and regional economic integration.

The world economy has yet to recover fully from the effects of the global financial crisis that began in the United States in 2008. Various trends and forces continue to clash and post-crisis national economies are recovering at different rates, leading to disparities. Developed economies are showing signs of recovery while growth rates are slowing among most of the world’s emerging economies. The direction of global capitals flows has undergone a reversal, posing a new threat to the stability of developing economies and the global economy as a whole. Pressure from Western economic sanctions and a domestic economic downturn have pushed the Russian economy into a “new reality.” Meanwhile, slower growth has become the “new normal” for the Chinese economy.

Regional economic integration is simultaneously picking up speed, and the U.S. made it a top priority following the global financial crisis. In 2008, Washington announced that it was engaged in talks with the Trans-Pacific Strategic Economic Partnership member states of Chili, New

Zealand, Singapore and Brunei. In 2009, the U.S. officially proposed an expanded partnership and began fully dominating the negotiation process for a Trans-Pacific Partnership (TPP) agreement. The 12 participating countries concluded those talks in October 2015 and officially signed the TPP agreement in February 2016. In June 2013, the United States and the European Union announced the start of negotiations on forming the Transatlantic Trade and Investment Partnership (TTIP). The twelfth round of talks toward that agreement ended in February 2016, and plans call for completing the negotiation process by the end of this year – although that looks unlikely at present. If that initiative ever does come into being, we could compare the North American Free Trade Agreement (NAFTA) to the body of the “American eagle,” with the TPP and TTIP as its wings on either side. Such a structure would have global reach and the ability to control the political and economic development of the entire world.

Moreover, the U.S. and 21 other countries and regions, including the EU and Japan, began negotiations in 2013 on the Trade in Services Agreement (TiSA). Although China has announced its intention to join the negotiation process, the states with the most developed services sector have dominated and will continue to dominate those talks. Those countries in which that sector is less developed, including China, are unlikely to be able to greatly influence the substance of that agreement. We hold that the TPP, TTIP, and TiSA only serve to reinforce the dominant role of the United States in establishing the rules of global economic governance.

Efforts by the EAEU to Promote Regional Economic Integration Throughout Eurasia and the Emergence of a “Greater Eurasia”

In the mid-2000s, NATO began actively expanding eastward and deploying elements of a U.S. missile defense system in Eastern Europe. Almost simultaneously – in 2005–2009 – the EU began implementing its Eastern Partnership programme that included Ukraine, Moldova, Georgia, Azerbaijan, Armenia, and Belarus. In this way, the West extended its tentacles into the territory of the former Soviet Union. Under the banner of its fight against terrorism, the U.S. also managed to temporarily establish a military presence in Central Asia and increase its influence over local regimes. As a result, Russia’s “zone of influence” was greatly constricted. At the same time, Russia felt the pressure of economic competition from China in Central Asia.

In order to protect its traditional sphere of influence, Russia accelerated the Eurasian economic integration process in the post-Soviet space. Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan formed the Eurasian Economic Community in 2001, and building on that later, Russia, Belarus, and Kazakhstan formed a Customs Union in 2010. In 2011, the leaders of those three states signed a Declaration on Eurasian Economic Integration and a treaty establishing the Eurasian Economic Commission (EEC). The Declaration called for transitioning to the next stage of integration in 2012 – to a Common Economic Space (CES). In Astana in May 2014, the Presidents of the three countries signed an agreement establishing the Eurasian Economic Union. Armenia and Kyrgyzstan joined the EAEU in 2015.

From the moment it came into being, the EAEU has been subjected to negative economic pressures from the West, Western sanctions against Russia, and a recession caused by a sharp decline in raw materials and oil prices on world markets that was associated with the slowdown in the world economy. The economic growth rate fell by 0.6% in Russia and by 1.6% in Belarus in 2014. Combined GDP for the EAEU fell by 3% in 2015, including a 3.7% and 3.8% drop for Russia and Belarus respectively. The economic growth rate in Kazakhstan fell from 6% in 2013, to 4.3% in 2014, and to 1.2% in 2015. The national currencies in all five EAEU countries lost more than 50% of their value. Kyrgyzstan additionally suffered from the effects of a reverse labor migration flow in which citizens returned home from Russia’s crisis economy, driving domestic unemployment up to almost 30%.

In order to compensate for losses resulting from the recession, overcome the effects of the Western economic blockade, and respond to the TPP, Russia and the EAEU began strengthening economic cooperation with the SCO, ASEAN, and the Chinese SREB initiative. The expert discussion of that issue gained considerable momentum. The Valdai Discussion Club reports “Toward the Great Ocean – 3,” in which an understanding of the Greater Eurasian Community first appeared, and “Toward the Great Ocean – 4,” that first outlined the borders of that Community, were both prepared under the scholarly supervision of Sergei Karaganov, Dean of the Faculty of World Economy and International Affairs for the National Research

University – Higher School of Economics. Timofei Bordachev was the first in Russia to call for the creation of a “Greater Eurasia” and pointed out that “Russia’s main goal is to make the SREB a tool for strengthening and improving the EAEU, to prevent the two from competing with each other, and in the future, to make the resources of the SREB the foundation for creating an economic and political Greater Eurasian Community....Russian foreign policy is entering its Eurasian phase.” Dmitry Trenin holds that “Moscow should make the formation of a ‘Greater Eurasia’ the goal of a broader strategy in the Asia-Pacific.” Russian International Affairs Council (RIAC) experts argue that the earlier concept of a “Greater Europe” stretching from Lisbon to Vladivostok could evolve into the idea of a Greater Eurasia. The Discussion Valdai Club sees the linkage of the SREB and EAEU, along with expansion of the SCO as a basis for building a Greater Eurasian Community and predicts that the time for a Greater Eurasia has come. Kazakhstan has also expressed support for this concept. The Astana Club – that has close ties to the Kazakh leadership – confirms that the idea of a “Greater Eurasia” is moving from words to reality.

In May 2015, Russian President Vladimir Putin spoke of the need to link the SREB and EAEU and to form a Common Economic Space spanning the entire Eurasian continent on that basis. In a speech to the Federation Assembly in December 2015, he proposed “holding consultations, in conjunction with our colleagues from the Eurasian Economic Union, with the SCO and ASEAN members, as well as with the states that are about to join the SCO, with the view of potentially forming

an economic partnership.” In speaking before the St. Petersburg International Economic Forum in June 2016, President Putin also put forward an initiative to create a Greater Eurasian Economic Partnership. At the same Forum on the same day, First Deputy Prime Minister Igor Shuvalov called for creating a comprehensive Eurasian economic partnership based on the EAEU and SCO.

However, such cooperation is not limited exclusively to the northern part of Eurasia. After a long interval, the third ASEAN-Russia Summit took place in Sochi in May 2016. That summit resulted in the adoption of the Sochi Declaration “Towards a mutually beneficial strategic partnership.” At a meeting with representatives of the ASEAN-Russia Business Forum, Vladimir Putin not only invited “ASEAN businesses to take part in our priority development programmes in the Russian Far East,” but also outlined a promising picture of Russian economic cooperation with ASEAN. “The Eurasian Economic Union, where Russia is a member, and ASEAN have created common rules for the free movement of goods, services, capital and manpower.” “I believe we can eventually create a common free trade zone between the EAEU and ASEAN,” President Putin said. “This could be our contribution to the development of an Asia-Pacific free trade zone.”

Vladimir Putin also suggested linking the EAEU, ASEAN, the SCO, and the SREB. In separate meetings President Putin held with delegations from ASEAN member states Singapore, Thailand, Cambodia, Indonesia, and Malaysia, he reached agreement on creating a free trade zone between ASEAN and the EAEU. Vietnam also signed a free trade agreement with

the EAEU in May 2015. In addition, the Sochi Declaration at the ASEAN-Russia Summit states that it is necessary to “explore the possibility of mutually beneficial cooperation among ASEAN, EAEU and the Shanghai Cooperation Organisation (SCO),” and to consider Russia’s “proposal to launch a joint feasibility study of a comprehensive free trade area between ASEAN and the EAEU.”

In March 2016, the Economics Ministers of China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan met in Moscow to discuss opportunities and mechanisms for transitioning to a (continental) Economic Partnership within the framework of the SCO. The Ministers agreed on the need to study the feasibility of forming, over the long term, a free trade area within the Organisation. The concept for such an agreement was prepared for the meeting of SCO member state leaders held in Tashkent in June 2016. Thus, in under one year, the Russian concept of a “Greater Eurasia,” grew beyond the scope of the former Soviet Union to encompass the entire Eurasian continent – and might ultimately lead to the creation of a Common Economic Space throughout that territory. At its Summit in Ufa in 2015, the SCO launched the process of expanding the Organisation, and a memorandum was signed on the terms of accession for India and Pakistan during the SCO Summit in Tashkent in 2016. This was the first step toward making Russia’s concept of a “Greater Eurasia” a reality.

The creation of a “Greater Eurasian Community” is in line with the SREB

Chinese President Xi Jinping first put forward the initiative for creating a Silk Road

Economic Belt involving the Central Asian states during a speech on September 7, 2013 at Nazarbayev University in Kazakhstan. He proposed creating the 21st-Century Maritime Silk Road in cooperation with ASEAN countries during remarks to a congress on October 3 of the same year at a congress in Indonesia. At the instruction of the Chinese State Council, the National Development and Reform Commission, Ministry of Commerce, and the Ministry of Foreign Affairs of China published an official document titled “Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road.”

That document states that construction of the “One Belt, One Road” (or Belt and Road) project “is aimed at promoting the orderly and free flow of economic factors, the highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.” The SREB “focuses on bringing together China, Central Asia, Russia and Europe (to the Baltic Sea); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-Century Maritime Silk Road is designed to go from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China

Sea to the South Pacific in the other. On land, the Initiative will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors by taking advantage of international transport routes, relying on core cities along the Belt and Road and using key economic industrial parks as platforms for cooperation. At sea, the Initiative will focus on jointly building smooth, secure and efficient transport routes connecting major sea ports along the Belt and Road. The China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor are closely related to the Belt and Road Initiative.” The document also calls on member states to “enhance the role of multilateral cooperation mechanisms, make full use of existing mechanisms such as the Shanghai Cooperation Organisation (SCO), ASEAN Plus China (10+1), Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), China-Arab States Cooperation Forum (CASCF), China-Gulf Cooperation Council Strategic Dialogue, Greater Mekong Sub-region (GMS) Economic Cooperation, and Central Asia Regional Economic Cooperation (CAREC) to strengthen communication with relevant countries.” It also states that “countries along the Belt and Road...should promote policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds as their five major goals.

The Eurasian Economic Union is, in turn, an economic integration process among former

Soviet republics based on the Customs Union between Russia, Belarus, and Kazakhstan in which Russia’s economy dominates. Its purpose is to harmonize and unify the economic policies of the economic bloc’s member states and to create a Common Economic Space, a single monetary policy and a common energy market, and to provide for the free movement of goods, services, capital, and labor. As an international organisation, the EAEU has supranational structures – the Eurasian Economic Commission and the EAEU Court, both of which hold international legal standing. With its focus on creating economic corridors, China’s “One Belt, One Road” initiative will achieve a breakthrough in transport infrastructure by creating a platform for financing and by strengthening the bonds between nations. More than anything else, it will achieve a new level of integration of infrastructure in Asia.

What’s more, China’s “One Belt, One Road” initiative does not seek to create a sphere of influence or to establish regional hegemony. It does not create political mechanisms or have any legal standing. It will, however, create new areas of economic growth, stimulate economic development, and contribute to social and economic prosperity, peace, harmony, and stability in the region by establishing political coordination, interconnected infrastructure, unimpeded trade and the free movement of capital, and also by strengthening the bonds between nations. It focuses on promoting trade and investment, deepening economic and technical cooperation, and ultimately, on forming a Common Economic Space on the Eurasian continent.

As for cooperation between Russia and ASEAN, the Sochi Declaration of the ASEAN-Russia Summit delineates the main areas of cooperation between partners. They include finance, trade, investment, transport, agriculture, energy, science, mariculture, technology, culture, and others. This is fully consistent with the substance of the Chinese “One Belt, One Road” initiative. This is exactly the way in which the SREB and EAEU complement one another, form a solid basis of interaction, and benefit from mutual collaboration.

The SCO is committed to regional economic cooperation

Immediately after the SCO was established in 2001, the founding member states adopted the “Memorandum among the governments of the SCO participant states on the basic goals and directions of regional economic cooperation and launching process on creation of favorable conditions in the sphere of trade and investments.” That document declared the following points as the main objectives of cooperation: expanding the scope of trade and investment, improving the trade and investment environment, creating appropriate conditions for the gradual implementation of the free movement of goods, capital, services, and technologies, making effective use of existing transport and communication infrastructure, furthering development of transit capacity, increasing cooperation in the trade in services, and creating and developing mechanisms for implementing regional economic cooperation.

Despite whatever shortcomings it might still have, the SCO has played a major role in promoting regional economic cooperation

in the 15 years since its founding. Cooperation in the areas of trade, investment, and finance continue to deepen and expand. At the SCO Council meeting of Prime Ministers in Zhengzhou in December 2015, the SCO member states issued a Statement on Regional Economic Cooperation calling for multilateral cooperation in transport and the creation of international transport corridors. It also envisaged promoting bilateral trade in goods and services, improving the quality of such trade by diversifying the goods structure, promoting the creation of a favorable investment climate in the region, cooperating in the field of industrialization, creating industrial parks or economic cooperation zones on the territories of member states wherever suitable conditions exist, promoting cooperation and the formation of closer ties in trade and investment as well as science and research in high-tech sectors, promoting financial cooperation within the framework of the SCO by creating mechanisms of financial support for project activities, jointly preventing and counteracting regional financial risks, carrying out currency swaps to stabilize the financial market, and exploiting the potential of banking and investment structures for financing economic projects on the territory of the SCO. This statement will help SCO member states to coordinate their national strategies with the “One Belt, One Road” initiative. The total volume of foreign trade within the SCO grew from \$689.8 billion in 2001 to \$52,698.7 billion in 2014, while trade by Russia and China with the other SCO member states rose from approximately \$10 billion to more than \$100 billion over the same period.

The SCO as the Most Effective Platform for Aligning the SREB and EAEU

Russia's Valdai Discussion Club experts believe that "the SCO is the most important institution of international cooperation in Eurasia...and has great potential for becoming the main forum for interaction between China (the SREB) and the EAEU...With active development, the SCO could become the central institution of the planned Greater Eurasian Community project." In addition, "A developed SCO with strong institutions could serve as an umbrella organisation for the development, cooperation, and security of the Greater Eurasian Community." In Beijing in December 2015, Chinese Premier Li Keqiang and Russian Prime Minister Dmitry Medvedev signed a "Joint Communiqué on the results of the 20th regular meeting between the heads of the Russian and Chinese governments" that clearly states that "the parties hold that the Shanghai Cooperation Organisation is the most effective forum for aligning the construction of the Silk Road Economic Belt with the building of the Eurasian Economic Union."

There are a number of reasons, in our opinion, why the SCO could serve as a platform for linking the EAEU and SREB. The "Joint declaration of the Russian Federation and the People's Republic of China on cooperation in aligning the formation of the Eurasian Economic Union with the Silk Road Economic Belt" provides for strengthening connectivity in the areas of logistics, transport infrastructure and intermodal transport, expanding trade and investment cooperation, optimizing trade structures, streamlining mutual investment,

developing industrial cooperation, creating mechanisms for simplifying trade, increasing the use of national currencies in paying for trade, improving direct investment and lending, carrying out currency swaps, strengthening cooperation between various financial institutions, and increasing cooperation in multilateral regional and global formats. All of these priority areas for aligning the SREB and EAEU fully correspond to the regional economic cooperation of the SCO. It is also important to note that the geographic area of the SCO includes all of the EAEU member states. The SCO includes six member states (China, Russia, Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan), six observer states (Mongolia, Belarus, Iran, Afghanistan, India, and Pakistan), and six dialogue partner states (Turkey, Sri Lanka, Nepal, Cambodia, Azerbaijan, and Armenia). They are all important countries located along the path of the SREB, and they are located in six economic corridors that were delineated in the document "Vision and Actions on Jointly Building the Silk Economic Belt and 21st-Century Maritime Silk Road." Thus, the SCO should play a central role as a platform for aligning the SREB and EAEU.

The SCO Supports Construction of the SREB

At the SCO meeting in Tashkent in November 2013, Chinese State Council Premier Li Keqiang for the first time clearly stated that all SCO member states are located along the path of the SREB and called on all parties to participate actively in the construction of a new Asia-Europe land bridge in order

to further develop transport routes from the East to the West. At the SCO Summit in Dushanbe in September 2014, Chinese President Xi Jinping called on SCO member states to take part in the construction of the SREB in order to promote integration in the region and a new type of industrialization. Also, the “Joint Communiqué of the results of 13th meeting of the Council of Heads of Government (Prime Ministers) of the Shanghai Cooperation Organisation Member States” issued in Astana in December 2014 states for the first time that “the heads of government welcome the initiative of the People’s Republic of China to create a ‘Silk Road Economic Zone...’”

The Ufa Declaration issued at the SCO Summit in Ufa in July 2015 was the first to state that “the member states support the initiative of the People’s Republic of China to create a ‘Silk Road Economic Belt.’”

In December of the same year, the SCO Prime Ministers stated that they “reaffirm their support for the initiative of the People’s Republic of China to create the Silk Road Economic Belt, which is in line with goals of development of the SCO” and expressed their conviction that the “joint work of the SCO member states in close cooperation with observers and dialogue partners with the SCO, which includes implementation of the Silk Road Economic Belt initiative...will facilitate gradual and stable economic growth in the interest of keeping and supporting peace and stability in the region.”

The objectives, principles, and substance of the SREB initiative coincide with the regional economic cooperation that characterizes the SCO. The above-mentioned document “Vision and Actions on Jointly Building the Silk

Road Economic Belt and 21st-Century Maritime Silk Road” confirms this. First, the construction of the SREB coincides with the objectives of the SCO. Among the main goals set out in the Charter of the Shanghai Cooperation Organisation, adopted back in 2002, is the task “to encourage efficient regional cooperation in such spheres as politics, trade and economy, ... energy, transport, credit and finance, and also other spheres of common interest; to facilitate comprehensive and balanced economic growth, social and cultural development in the region.” And the “Visions and Actions” document cited here emphasizes that “the connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity.”

Second, construction of the SREB coincides with areas in which SCO member states already cooperate. The SCO Charter describes one area of cooperation as “support for, and promotion of regional economic cooperation in various forms, fostering a favorable environment for trade and investments with a view to gradually achieving the free flow of goods, capitals, services and technologies.” In turn, according to the “Visions and Actions” document, “The initiative to jointly build the Belt and Road... is aimed at promoting the orderly and free flow of economic factors, the highly efficient allocation of resources

and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.”

Third, both the SREB and SCO place a major focus on integrating infrastructure. In the document “Declaration of the Heads of State of the Member States of the Shanghai Cooperation Organisation on Building a Region of Lasting Peace and Common Prosperity,” “member states attach importance to developing transport infrastructure that connects Asia with Europe, building relevant international transport corridors and improving the efficiency of multimodal transport.”

“The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, and set up all-dimensional, multi-tiered and composite connectivity networks.”

Fourth, the basic principles underlying the construction of the SREB coincide with those of the SCO. The basic principles enshrined in the Charter of the Shanghai Cooperation Organisation, and that member states adhere to, have, in practice, gradually given rise to the well-known “Shanghai spirit” – namely, “mutual trust, mutual advantage, equality, mutual consultations, respect for cultural variety and aspiration for joint development.” The “Programme of Multilateral Trade and Economic Cooperation among SCO Member States” also includes the principle of economic

and trade cooperation. It states: “The interaction of the member states will develop and expand based on the principles of full equality, market relations, mutual respect and mutual benefit, non-discrimination and transparency, measured and gradual actions, the resolution of emerging issues through mutual consultations in a constructive spirit that take the interests of each state into account.” In its turn, the “Visions and Actions” document underscores that the Belt and Road Initiative is in line with the purposes and principles of the UN Charter. It upholds the Five Principles of Peaceful Coexistence, principles of openness and cooperation, principles of harmony and tolerance, the principle of market operation, and principles of mutual benefit and cooperative advantage.

Fifth, the SREB and SCO emphasize economic cooperation in the same areas. The “One Belt, One Road” initiative focuses on “five connected elements – political coordination, the interconnection of infrastructure, uninterrupted trade, the free movement of capital, and stronger bonds between peoples.” Back in 2001, the SCO identified the following main areas of cooperation: recognizing the economically complementary nature of member states, expanding the scale of trade and investment, improving the trade and investment climate, developing cooperation in the trade in services, making effective use of existing transport and communications infrastructure, continuing to develop transit potential, and gradually achieving the free flow of goods, capitals, services and technologies. The “Statement of the Heads of Government (Prime Ministers) of the Member States of the SCO

on Regional Economic Cooperation” issued in 2015 makes the first direct linkage between economic cooperation within the framework of the SCO and construction of the SREB.

Cooperation on Security Within the SCO Guarantees Security in Aligning the SREB and EAEU

Cooperation on security has always been an important part of cooperation within the SCO. In June 2001, SCO member states signed the “Charter of the Shanghai Cooperation Organisation” and the “Shanghai Convention on Combating Terrorism, Separatism, and Extremism.” Over the organisation’s 15 years of development, SCO member states have signed more than 300 important security-related documents and conducted counter-terrorism maneuvers on 10 separate occasions. The SCO has also created mechanisms for multilateral cooperation and achieved significant results in combating drug trafficking, ensuring security at borders and large international events, ensuring cyber security, and combating the financing of terrorism. This indicates that the SCO has become a stabilizing force for peace and security in the region.

The SCO member states and EAEU have faced a serious threat in recent years from the rapidly rising threats of terrorism, religious extremism and the so-called “Islamic State” (an organisation banned in Russia) that stem from the protracted problems connected with Afghanistan. The situation concerning the fight against terrorism has become increasingly serious. In order to eliminate all forms of terrorism, SCO member states

continue their concerted efforts to intensify the fight against terrorism and the “Islamic State (an organisation banned in Russia) and to help in the reconstruction of Afghanistan. Only joint efforts within the framework of the SCO can ensure that the implementation of the “One Belt, One Road” economic projects proceeds in a relatively safe environment and contributes to such basic SCO objectives as “the strengthening of peace and ensuring of security and stability in the region.”

Aligning the SREB and EAEU in terms of soft infrastructure: developing the rules of the game

Aligning the construction of the Silk Road Economic Belt and the Eurasian Economic Union can proceed in two ways: through soft infrastructure and hard infrastructure. China and Russia are the leading member states of the SCO. Aligning soft infrastructure can be divided into several stages.

First, negotiations began in August 2016 between China and the Eurasian Economic Union on aligning the SREB and EAEU. That dialogue could touch on the possibility of an economic partnership within the framework of the SCO, as Vladimir Putin suggested, “In the initial stage, such a partnership could focus on questions of protecting capital investment, optimizing the movement of goods across borders, the joint development of technical standards for products manufactured using next-generation technologies, and opening up mutual access to services and capital markets. Naturally, this partnership should be based on principles of equality and respect for mutual interests.” At this stage, the focus is on creating a soft regulatory environment – as a rule, monitoring,

standards, and so on. Efforts continue for facilitating regional economic cooperation within the framework of the SCO, increasing the volume of trade, and streamlining trade and investment.

The primary objectives include optimizing the soft regulatory environment for market activity, reducing hidden (non-tariff) barriers to trade, eliminating barriers to the movement of all economic resources between different economies, adopting measures to simplify customs clearance, simplifying customs, sanitary inspection and quarantine rules, and so on. The ultimate goal might be to gradually achieve the free movement of goods, capital, services, and technologies – that is, to reach the targets that, in 2001, the SCO set out to achieve by 2020. With a serious effort, an expanded SCO free trade zone could operate through 2025.

In the second phase, by approximately 2030, the SCO free trade zone will wonderfully transform into a comprehensive economic partnership resulting from the integration of the EAEU, SCO, and BRICS. At the St. Petersburg International Economic Forum in June 2015, Russian First Deputy Economic Development Minister Alexei Likhachev said that “In the SCO, BRICS, and EAEU we are looking for those economic elements that will make it possible to combine all three of those major alliances on a global scale...uniting them into one powerful economic ‘engine’: an organisation with a common economic zone ... a powerful economic union without peer in the world.” Likhachev announced in March 2016 that SCO and EAEU member states were already

preparing an economic partnership agreement with three components: “the free movement of goods, facilitating higher turnover, questions related to the free movement of capital, investment, creating a favorable environment for increasing the volume of payments made in national currencies, and preferential access to the market of services, including construction services.” This step should be aimed at eliminating internal barriers to trade, the creation and improvement of an unrestricted investment environment, an increase in the services trade that includes trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute resolution, and more.

In the third stage, based on integration of the Comprehensive Economic Partnership with ASEAN countries, or as a result of the creation of a Comprehensive Regional Economic Partnership (CREP), a Greater Eurasian Economic Partnership will form by about 2040. This economic space will include the development of a system of completely free trade, the free movement of capital, common financial and energy markets, unified rules of trade in goods and services, rules for access to markets, a common market for transport services and an integrated transport system. Such interstate coordination and cooperation will significantly increase the standard of living in the region. According to the World Bank, the combined population of that entire region numbered 3.92 billion people in 2014–2015, or slightly more than one-half (54.4%) of the world’s population. Those people generate an aggregate gross domestic product of \$25.08

trillion, or approximately one-third (32.2%) of global GDP.

Aligning the SREB and EAEU in Terms of Hard Infrastructure: Economic Corridors Open up the Eurasian Economic Space

Aligning the hard infrastructure refers primarily to strengthening physical connectivity, facilitating the integration of transport, energy, and information networks infrastructure among participating countries, and creating an Asia-Europe transport and logistics system for the unimpeded movement of goods, people, and information flows. Toward this end, the document “Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road” issued in March 2015 calls for creating six economic corridors that would open up the Eurasian Economic Space.

The aligning of the Chinese Silk Road Economic Belt initiative, the Russian Trans-Eurasian Belt Development (TEPR) proposed by Vladimir Yakunin, and the Mongolian Steppe Road would form the Sino-Mongolian-Russian economic corridor. The creation of this corridor dovetails with the development strategies of all three states, and, on one hand, facilitates the renewal of the Chinese Northeast and, on the other, provides for building a range of infrastructures in Mongolia – roads, railways, oil and gas pipelines, power lines, as well as the mining of mineral resources and development of the processing industry. At the same time, it would create favorable

conditions for developing a historic first: the Trans-Siberian Asia-Europe land bridge that, together with the Vostok oil pipeline and the Power of Siberia gas pipeline make up the TEPR – which would contribute greatly to the development of Eastern Siberia and the Russian Far East, and help connect them to the rest of the world. Moreover, the joint Sino-Russian construction of the Northern Sea Route represents not only a more convenient alternative to existing Asian-European maritime transport logistics, but also facilitates the exploitation and use of natural resources and the socio-economic development of the Russian Arctic. In addition, this economic corridor, with the participation of Japan and Korean, contributes to regional economic cooperation in Northeast Asia.

The Silk Road Economic Belt, starting in Xinjiang, China, and passing through Kazakhstan, Russia, Belarus and Poland would extend to the Baltic Sea and Europe – or else pass through Kazakhstan (or Kyrgyzstan, Uzbekistan, and Turkmenistan), the Caspian Sea, the Caucasus, the Black Sea, Ukraine and Romania before continuing into Europe – will form a new Asian-European continental bridge. That bridge would center on Central Asia as a hub for the flow of goods, people, information, capital and technology. It would pass through all EAEU member states and link the Asia-Pacific economic ring – a modern engine of the world economy – with the European Union – the world’s largest developed economy. That would lead to the overall socio-economic development of the “Golden Midline,” enabling Eurasian

countries to overcome their dependence on raw materials and energy exports, resolve their strategic objective of industrialization and re-industrialization, as well as their need for comprehensive modernization.

The Silk Road Economic Belt originating in Xinjiang, China and passing through Kazakhstan (or Kyrgyzstan, Uzbekistan, Iran, and Turkey and across the Mediterranean Sea to Europe, or else passing through Iran to the Persian Gulf), forms an economic corridor between China, Central Asia and Western Asia. On one hand, this serves as a corridor for the transit of mostly energy resources from Central and Western Asia to the more rapidly developing Asia-Pacific economic ring, and on the other, for the return exchange of investment, advanced technologies, and high-quality production capacity that should lead to industrial development and innovation, economic diversification, and the modernization of Central and Western Asia.

The Silk Road Economic Belt originating in Xinjiang, China, and passing through Pakistan, is the Chinese-Pakistani economic corridor. It could turn northward toward Iran, thus creating an important addition to the economic corridor between China, Central Asia, and Western Asia. It also opens the door to the South – to the Indian Ocean – not only for Northwest China, but also for the EAEU member states. This region will see the formation of a zone for economic cooperation and strategic security that begins at Kashgar (Xinjiang) and stretches 3,000 km. to Gwadar Port in Pakistan. It unites three major economic regions – Eastern, Central, and Southern Asia – with Western Asia through Gwadar Port.

The Silk Road Economic Belt originating in Southwestern China and passing through Myanmar, Bangladesh, and India will form an important corridor of economic cooperation that will not only closely link Southern Asia with Central and Western Asia, but will also make Southern Asia – headed by India – more economically integrated with Southeast Asia. This corridor will lead to the combined development of the economies of Central, Western, Southern, Southeastern, and Eastern Asia. As a result, an efficient international division of labor will form based on mutual benefit and the complementary contributions that each country will make. That, in turn, will naturally correct any economic irregularities and strengthen the economic might of the region, while also raising the quality of life in each of its constituent states.

The Silk Road Economic Belt originating in Southwestern China and passing through Vietnam, Laos, Cambodia, Thailand, and Malaysia through the Indochinese peninsula extends all the way to Singapore. It forms a transnational economic corridor between China and ASEAN countries, focusing on the central cities between which flow goods, capital, and information along roads, railways, and other forms of transport, thereby facilitating the formation of a regional economy of mutual development. It should be noted that the transport corridors of the Russian Northern Sea Route; the “North-South” stretching from Russia, the Caspian Sea, and Iran to India, Sri Lanka, and Singapore; the TRACECA extending from Europe to the Caucasus and Asia; and even the New Silk Road of the United States linking Central Asia and Afghanistan with

Pakistan and India; and other similar projects are cooperative elements of the Silk Road Economic Belt and are distinguished for their openness and tolerance.

Building economic corridors: initial results

In the two short years since President Xi Jinping issued the call to build the Silk Road Economic Belt, many European and Asian countries have begun aligning their strategic plans with the project. A whole range of manufacturing projects is underway that will facilitate the formation of economic corridors. A few of those projects are listed below.

The Sino-Pakistani Economic Corridor

Chinese Premier Li Keqiang first proposed building a Sino-Pakistani economic corridor during his visit to Pakistan in May 2013. During a visit to China in July of that year, Pakistani Prime Minister Nawaz Sharif announced that he and Li Keqiang had reached agreement to develop a long-term programme and action plan to build an economic corridor, with a focus on transport infrastructure and the creation of economic development zones and other major construction projects along its path. And during a visit to China in February 2014, Pakistani President Mamnoon Hussain announced that both sides would actively promote the Sino-Pakistani economic corridor, thereby deepening cooperation on energy, transport infrastructure, industrial parks, and other areas, and contributing to the construction

of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road. During a visit to Pakistan in April 2015, Chinese President Xi Jinping elevated Sino-Pakistani relations to the level of a comprehensive strategic partnership. He also proposed adopting a “1+4” format of economic cooperation involving the construction of a Sino-Pakistani economic corridor centered on Gwadar Port, as well as the expansion of other transport infrastructure and joint projects in the fields of energy and industry. Chinese President Xi Jinping and Pakistani Prime Minister Nawaz Sharif jointly announced that construction had begun on five major electrical power projects and the signing of 51 cooperation agreements and memoranda of understanding. Total bilateral investment reached \$46 billion.

The Sino-Mongolian-Russian Economic Corridor

In 2012, Russia began focusing on the development of the Far East by making it a key strategic objective. In March 2014, a meeting of the Presidium of the Russian Academy of Sciences approved a concept called the Trans-Eurasian Belt Development (TEPR) based on oil and gas extraction and processing, the development of a science town in Novosibirsk, the Trans-Siberian Railway, and oil and gas pipelines. A series of high-tech clusters should appear along that belt, forming the basis of a system of transport, energy, and telecommunications stretching from the Atlantic Ocean through Europe and Siberia to the Pacific Ocean. During a meeting

in Sochi in February 2014, Xi Jinping officially invited Moscow to take part in the construction of the Silk Road Economic Belt, suggesting that Russia link the Trans-Eurasian railway to the SREB.

In May 2013, the State Great Khural of Mongolia approved the “Main Course of Development of the Economy and Society” for 2014. That document included plans to develop five areas of transport infrastructure. It called for modernizing railways and building highways, oil and gas pipelines, and high-voltage power lines. The document termed those five components the Steppe Road. Mongolian President Tsakhiagiin Elbegdorj suggested to Xi Jinping and Vladimir Putin during their respective visits to Mongolia in August and September 2014 that his country align the Steppe Road with the Trans-Siberian Railway and the SREB. Elevating the level of Chinese-Mongolian relations to the level of a comprehensive strategic partnership, Chinese President Xi Jinping said that China maintains an active and open position with regard to Mongolia’s Steppe Road initiative within the framework of cooperation on construction of the SREB. Vladimir Putin also promised to help Mongolia modernize its railways and increase their speed and throughput. Mongolia is also striving to become a transit country for Russian gas deliveries to China. The Mongolian government decided in September 2014 to begin construction of the Steppe Road.

The leaders of China, Mongolia, and Russia held their first trilateral summit in September 2014 in Dushanbe. There, Chinese President Xi Jinping noted that the strategic development plans of all three countries were

in alignment. He also expressed support in this regard for the Russian and Mongolian idea of linking the SREB, Trans-Siberian Railway, and Steppe Road to form a Chinese-Mongolian-Russian economic corridor. As a result, the leaders of China, Russia, and Mongolia met again in Ufa in July 2015 and approved a Road Map for trilateral cooperation between China, Russia, and Mongolia in the medium-term. They also signed memoranda of mutual understanding on preparing for the construction of a Chinese-Mongolian-Russian economic corridor.

Significant progress was achieved in strengthening the interconnection of infrastructure with regard to aligning the strategies for reviving Northeastern China and for developing the Russian Far East. Construction of an oil pipeline from Skovorodino in Russia to Daqing in China concluded as early as September 2010. The heads of the two states attended a ceremony marking the completion of what was their first major joint infrastructure integration project. The pipeline went into operation in January 2011. The first Russian-Chinese railway bridge – linking Tongjiang in China with Nizhneleninskoye in Russia – across the Amur River is slated for completion in 2017. The leaders of the two countries also signed an agreement in 2014 stipulating that Russia would supply China with natural gas for 30 years at a total price of \$400 billion. Those leaders were also present at the groundbreaking ceremony for construction of the Power of Siberia gas pipeline that runs along the Amur River, the boundary line between their two countries. China and Russia reached agreement in May 2015 on Chinese participation in the construction of a high-speed railway

between Moscow and Kazan, and approved specific practical measures toward that end in summer 2016.

In 2013, China and Russia signed approximately 100 documents on cooperation in the fields of oil, natural gas, coal, atomic and other forms of energy, technical innovations in aviation, aerospace, shipbuilding, and other areas, the financial sector, streamlining trade, transport, the Internet, and other infrastructures, agriculture, and the environment. China and Russia are taking a practical approach to their cooperation in the Arctic. In 2013, the China National Petroleum Company participated with a 20% stake in the Yamal LNG project in the Russian Arctic. In December 2015, the Silk Road Fund acquired an additional 9.9% stake in the project. Also in 2015, in a joint communiqué of a meeting between the Prime Ministers of the two countries, the first ever mention was made that their agenda of cooperation includes the development and use of the Northern Sea Route.

The Economic Corridor Between China and Central Asia and the New Asian-European Continental Bridge

The global financial crisis of 2008–2010 reminded the Central Asian countries how very vulnerable their natural resource-oriented model of economic development is, of the need to build up their infrastructures and industrialize, and of the strategic importance of making a fundamental change to their development model. In response to fluctuations in the world economy, the fall in energy prices, and the diminishing growth

of the national economy, Kazakh President Nursultan Nazarbayev adopted a new “Shining Path” economic policy in November 2014 calling for reforms to economic structures, development of transport, energy, industrial, and social infrastructures, and support for small and medium-sized businesses. The second National Innovative Industrial Development Plan was approved in August 2014, and in order to implement these strategies and plans, Nazarbayev announced his “100 Concrete Steps” for institutional reform in May 2015.

Other Central Asian countries are creating socio-economic development strategies through 2030 and actively looking for ways to align those plans with the SREB. When Chinese Premier Li Keqiang visited Kazakhstan in December 2014, he and his Kazakh counterpart signed a number of cooperation documents, including a document on the construction of the SREB. In March 2015, the two sides signed a “Memorandum on Strengthening Cooperation in Industry and Investment” that consisted of more than 30 documents on cooperation on projects with a combined value of \$23.6 billion, making it a model of industrial cooperation within the framework of the “One Belt, One Road” initiative. During his visit to China in September 2015, Nursultan Nazarbayev told Xi Jinping: “Kazakhstan is actively working to align the construction of China’s SREB with Kazakhstan’s new ‘Shining Path’ policy.”

In May 2014, Uzbek President Islam Karimov told Xi Jinping that Uzbekistan was ready to take active part in construction

of the SREB in order to promote economic and trade exchanges and infrastructure cooperation, thereby linking Uzbekistan more closely with a prosperous China. In June 2015, the Chinese Commerce Minister and Uzbek Economics Minister signed a protocol on the expansion of mutually beneficial trade and economic cooperation within the framework of the SREB.

In December 2015, the Kyrgyz Prime Minister informed Premier Li Keqiang that Kyrgyzstan wanted to align its development strategy with China's, actively pursue industrial cooperation, cooperate on major infrastructure construction projects, build the China-Kyrgyzstan-Uzbekistan railway as quickly as possible, and increase the volume of bilateral trade.

During a visit to China in September 2015, Tajik President Emomali Rahmon

informed Xi Jinping that Tajikistan would like to participate actively in the construction of the SREB, take advantage of both countries' complementary strengths, and expand practical cooperation in the fields of electrical power, mineral resources, transport infrastructure, and cross-border shipping operations in the form of co-processing and co-production.

In meetings with their counterparts during consecutive visits to China in 2015, Georgian Deputy Prime Minister and Economics Minister Giorgi Kvirikashvili and Azerbaijani President Ilham Aliyev signed a Memorandum on the Joint Construction of the SREB in order to facilitate cooperation in industry and infrastructure construction. Georgia and China also signed a joint statement for launching work on a feasibility study for a free trade zone.



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