Reconciling the Silk Road Economic Belt and the Eurasian Economic Union in Central Asia: An Impossible Endeavor?

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Abstract

The introduction of the Silk Road Economic Belt (SREB) in late 2013 as one of the two core components of China’s One Belt One Road has kick started a flurry of infrastructure construction and transport connectivity projects throughout Central Asia as a means of linking East and West. Yet the wave of mass-scale projects along the “Silk Road” has brought Chinese influence right into Russia’s traditional backyard, raising the fascinating prospect of how the SREB and the Eurasian Economic Union will coexist in the same space. Despite Russian rhetoric expressing enthusiasm for the SREB following a state meeting between Putin and Xi in May 2015, few concrete, visible steps have been taken to this point to realize each leader’s stated goal to link the two platforms as a means of avoiding a potential clash of interests or outright conflict in the future.

A core issue regarding the harmonization of these two platforms revolves around the fact that a significant mismatch in organizational designs and objectives exists, with China and Russia attempting to link an outward looking, inclusive global campaign designed to break through trade barriers with an inward looking, regionally exclusive project designed to boost trade and economic growth within the organization at the expense of non-member states outside the bloc’s borders. Additionally, the core objectives of each initiative expose sharp divergences in how each actor perceives modern foreign policy and the international system, with China placing economic and commercial interests over everything else and Russia adhering to a traditional state-centric notion of geopolitical thought geared towards maintaining a regional sphere of influence over its traditional domain.

This paper will investigate the growing sense of competition between the SREB and the EAEU in addition to the actors behind these initiatives/organizations, beginning with separate explorations of each platform prior to examining areas of convergence and divergence between China and Russia in Central Asia. The paper rests on the concepts of geo-economics and postmodern geopolitics, resurrecting several theories that emerged around the turn of the millennium between the end of the Cold War and the War on Terror, arguing that globalization (with OBOR as the latest, most profound outgrowth of the concept) has tectonically shifted the way we perceive geopolitics in the 21st century.
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<tbody>
<tr>
<td>AA</td>
<td>Association Agreement</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>BRI</td>
<td>Belt and Road Initiative</td>
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<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China, and South Africa</td>
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<td>CDB</td>
<td>China Development Bank</td>
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<td>CIC</td>
<td>China Investment Corporation</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>CNPC</td>
<td>China National Petroleum Corporation</td>
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<td>CSTO</td>
<td>Collective Security Treaty Organization</td>
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<td>DCFTA</td>
<td>Deep and Comprehensive Free Trade Area</td>
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<td>EAEU</td>
<td>Eurasian Economic Union</td>
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<tr>
<td>EaP</td>
<td>Eastern Partnership</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EDB</td>
<td>Eurasian Development Bank</td>
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<tr>
<td>EEC</td>
<td>Eurasian Economic Commission</td>
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<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
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<td>ENP</td>
<td>European Neighborhood Policy</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>EurAsEC</td>
<td>Eurasian Economic Community</td>
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<td>Ex-Im Bank</td>
<td>Export Import Bank</td>
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<td>FSU</td>
<td>Former Soviet Union</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<tr>
<td>MERCOSUR</td>
<td>Southern Common Market</td>
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<tr>
<td>MOA</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NDB</td>
<td>New Development Bank</td>
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<td>OBOR</td>
<td>One Belt One Road</td>
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<td>PBoC</td>
<td>People’s Bank of China</td>
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<tr>
<td>PTA</td>
<td>Preferential Trade Agreement</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<tr>
<td>RMB</td>
<td>Renminbi</td>
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<td>SCO</td>
<td>Shanghai Cooperation Organization</td>
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<td>SRR</td>
<td>Special Drawing Rights</td>
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<td>SREB</td>
<td>Silk Road Economic Belt</td>
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<td>SRF</td>
<td>Silk Road Fund</td>
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<tr>
<td>SWIFT</td>
<td>Society for Worldwide Interbank Financial Telecommunication</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Introduction

In the fall of 2013, Xi Jinping, speaking before separate audiences in Kazakhstan and Indonesia, introduced the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road proposals for economic development. Each proposal would coalesce to shape China’s One Belt One Road (OBOR) or Belt and Road Initiative (BRI), arguably the single most far-reaching and ambitious set of global economic development plans in the modern era. This incredibly far-reaching vision entailed the construction of a vast network of overland and maritime trade and shipping routes designed to link disparate corners of the globe together. Viewed through a global lens, OBOR represents the apex of globalization, with the Chinese state, through the introduction of several new financial institutions, prepared to pour anywhere from $4 to $8 trillion dollars into the initiative over an indefinite period of time. These investments will be directed to mass-scale, cross-border infrastructure projects, making OBOR the story to watch as it unfolds over the next century, incorporating everything from trade, commerce, and state development to international relations and geopolitics. Yet one slight hitch stands in the way of Xi linking together the East Asian and European markets, with the looming specter of the Eurasian Economic Union (EAEU) standing between two of the most economically dynamic regions on earth.

The success or failure of the SREB could ultimately boil down to how it coexists with the EAEU in the same geographical space. While both Russia and China signed a memorandum of understanding in May 2015 on linking the two projects such that each initiative would facilitate the objectives of the other, to this point no constructive actions have been taken to realize this goal. Perhaps the lack of visible actions stems from the underlying “elephant in the room” issue bubbling just beneath the surface: the SREB and EAEU are fundamentally and philosophically
incompatible, divided by an outward looking sense of inclusivity and an inward looking, isolationist sense of exclusivity.

This essay examines how the EAEU and SREB will interact, focusing on the particular concepts behind each initiative prior to exploring the disquieting sense of growing competition in the region over the past twenty years. This reintroduces several post-Cold War theories relating to geo-economics and postmodern geopolitics, conceptual models developed when the commercial possibilities in a world devoid of ideological struggles seemed limitless.

**Aims/Objectives**

The primary objective of this research revolves around exploring how the SREB component of OBOR will coexist with the EAEU, specifically in the Central Asian states where the two platforms converge. As each initiative is still in its nascent stages, there are significant gaps in Western literature on this issue, with the confluence of Chinese and Russian “integration” efforts not yet not attaining the level of prominence afforded to OBOR and the EAEU in Chinese and Russian academic circles. With the evolving nature of each initiative and gradually shifting regional dynamics in mind, this topic continues to be fluid. This research contributes to the body of knowledge on this topic, striving to answer the following research question:

**RQ:** How will the SREB component of OBOR and the EAEU interact/coexist with one another in the spatial regions where the two initiatives overlap or converge, specifically in the geographically delimited space of Central Asia?
The sub-questions are as follows:

**SQ1**: How will the basic organizational composition and design of OBOR and the EAEU aid or hinder synchronization/harmonization between the SREB and EAEU in Eurasia?

**SQ2**: How do the concepts of regionalism and economic integration apply to the prevailing research question?

**SQ3**: Can Russian and Chinese foreign policies in Eurasia over the past twenty years be separated by an adherence to traditional geopolitical behavior and geo-economic/economic statecraft?

**Conceptual Framework**

The theories used to ground this paper revolve around both modern geopolitics and the postmodern strain of geopolitics that received attention within Western academic circles following the collapse of the Soviet Union. The concepts of regionalism and trans-regionalism will also offer a sense of insight on the organizational structure and design of each initiative.

The theoretical analysis of this essay then shifts to the more profound issue of the geo-economic/geopolitical divide separating China and Russia, using Edward Luttwak’s formative theory of geo-economics\(^1\). Other concepts from the seminal works of pre-millennial authors (Gearoid O’Tuathail, Timothy W. Luke, Arjun Appadurai, Daniel F. Burton, Stephen J. Kobrin, ...)

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\(^1\) This theory was formulated in the final days of the Soviet Union and the Cold War when the West was collectively anticipating a new era of economic statecraft as a means of replacing the suddenly antiquated modern geopolitical toolkit. This is relevant when it comes to breaking apart the primary Russian and Chinese means of advancing national interests and objectives.
and David Campbell) provide theoretical support for the analysis of the effects of globalization on modern geopolitics from a slightly controversial yet overwhelmingly deep but reflective strain of postmodern geopolitical thought, a branch of geopolitics currently on display in the OBOR-sphere.

**Research Methodology**

This essay uses qualitative research methods comprising content analysis of interviews with experts as well as analysis of primary documents/speeches on the topic. The analysis of OBOR/EAEU related documents and speeches were used for triangulating several conceptual underpinnings threading throughout the documents and interviews, with coded themes from the documents/speeches/interviews ultimately linking back to the selected theories as a means of tackling the aforementioned research question.

Interviews with representatives of the two key actors, Russia and China, are absent. Despite great efforts to include them, interview requests were denied or ignored.

**Section I: One Belt One Road**

While there are conflicting arguments over the geographical scope and scale of OBOR and whether or not this concept covers a concrete set of participating states or not, rhetoric within the *Visions and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road* along with Xi’s public addresses since late 2013 clarify the fact that OBOR is open, inclusive, and global. In order to further clarify the spatial scope of OBOR, the concept needs to be deconstructed to its two constituent parts: the Silk Road Economic Belt and the 21st Century Maritime Silk Road. Despite the slightly confusing terminology, the “Belt” refers to the

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2 Released by the Chinese National Development and Reform Commission during March 2015’s Boao Summit
 land-based component of OBOR while the “Road”\textsuperscript{3} refers to the sea-based cog, comprising both links between China’s coastal provinces, ASEAN, the Indian Subcontinent, the Persian Gulf, East Africa, and the eastern Mediterranean Sea in addition to a separate link that spirals out into the South Pacific. Each branch of OBOR will cover a geographic scope encompassing 4.4 billion people, or 63% of the world’s population (Appendix Figure 1), with a collective annual GDP of $2.1 trillion, or 29% of global wealth (Johnson, 2016). Meanwhile, despite the inclusion of the term “Silk Road” in the land-based aspect of OBOR, Xi’s public addresses have made it abundantly clear that the “Silk Road” is merely a state of mind, not a strict geographical delimitation. Further it is meant to recall a specific era of history that many positively associate with openness, inclusion, trade, and progress, congruent to themes at the heart of the Visions and Actions Plan. The cultural/symbolic importance of the original Silk Road provides the fundamental foundation for international cooperation and the realization of China’s interests and needs. Considering that this analysis targets the geographical region where the EAEU and the SREB collide, no further exploration of the 21\textsuperscript{st} Century Maritime Silk Road will be included.

Xi introduced the Silk Road Economic Belt in September 2013 while on an official state visit to Kazakhstan. In a speech entitled ‘Promote Friendship Between our Peoples and Work Together to Create a Bright Future’ delivered at Nazarbayev University (and representing the conceptual starting point for the BRI; Economist Intelligence Unit, 2016), Xi articulated his vision “…to forge closer economic ties, deepen cooperation, and expand space for development in the Eurasian region, we should take an innovative approach and join hands in building an economic belt along the Silk Road. We may start work in individual areas and link them up overtime to cover the whole region.” Similar to the original Silk Road networks, China’s SREB

\textsuperscript{3} Introduced by Xi on a state visit to Indonesia after unveiling the “Belt” component in Kazakhstan
comprises several different transport and economic corridors, including the New Eurasian Land Bridge\(^4\), the China-Mongolia-Russia corridor\(^5\), the China-Central Asia-West Asia corridor\(^6\), the China-Pakistan corridor\(^7\), the Bangladesh-China-India-Myanmar corridor, and the China-Indochina economic corridor (depicting China’s deepening penetration of the ASEAN market).

Of particular focus in this essay are the first and third economic/transport corridors that make up the Silk Road Economic Belt: the New Eurasian Land Bridge and the China-Central Asia-West Asia corridor. Each corridor and its constituent routes will bring the SREB directly into EAEU territory. Beyond these conceivable geopolitical developments, however, each of the six aforementioned economic/transport corridors heavily incorporate China’s own emphasis on reducing domestic gaps in income inequalities between rural, interior China and the developed, coastal East (Ferdinand, 2016: 951; Appendix Figure 2), with Urumqui, Kunming, and Hohot specifically geared to function as jumping off points along the western, southern, and northern branches of the SREB, stimulating provincial growth and development in the process. The plan appears to be working, considering that Urumqui, the key urban cog on the SREB routes into Eurasia, experienced a 7.3% growth rate from 2015-2016 (National Bureau of Statistics of China, 2017). Further, a far-reaching network of transportation infrastructure (railways, highways, airports, oil/natural gas pipelines) along with communication infrastructure will transform the Central Asian region into an economic conduit linking East (China) and West (the EU).

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\(^4\) This links the Xinjiang Uighur Autonomous Province with Kazakhstan, Russia, and the central/eastern EU member states.

\(^5\) This runs from Inner Mongolia/northeastern China to Mongolia and the Russian Far East/Primorye.

\(^6\) This originates in Xinjiang and traverses Central Asia, Iran, the South Caucasus, Turkey, and the southeastern portion of the EU.

\(^7\) This links interior Xinjiang with the Arabian Sea via a sprawling, ambitious set of road and rail links traversing the Karakorum mountain range.
While most of the literature has emphasized China’s push for infrastructure modernization as the primary, or even sole, component of OBOR, this represents but a single aspect of the Belt and Road Initiative. We can break the Visions and Actions Plan down into five constituent parts, from policy coordination, facilities connectivity, and trade facilitation to financial cooperation, and people-to-people bonds.

The policy coordination component revolves around the expansion of shared interests and the establishment of cooperation between interested parties, integral in terms of co-developing large-scale infrastructure projects under the OBOR umbrella. The second element involves development of infrastructure networks to facilitate the transport of commodities. This component gets most of the attention in the literature on OBOR, with the issue of connectivity contingent upon removing institutional bottlenecks and barriers to China’s vision of unimpeded trade and connectivity. The third component relates to the facilitation of trade by removing barriers to trade and outward investment while improving trade-related technology (information exchanges, inspection/supervision, customs clearance, and cross-border e-commerce). In terms of how OBOR and the EAEU will coexist within the same spatial sphere - Central Asia and the South Caucasus - the issue of trade facilitation and China’s staunch opposition to any barriers to trade and investment (in the form of the EAEU’s common external tariff) stand out as paramount to resolve. The restrictive tariff regime designed to increase the cost of Chinese goods within the EAEU market stands in stark opposition to OBOR’s vision of jointly developing a sound business environment in tandem with expanding mutual investment opportunities within Eurasia.

The fourth component of the Visions and Actions Plan relates to financial cooperation between China and interested states in the area of financial services. Here, China has arguably made the most measurable progress, with the creation and expansion of a new set of Chinese-led
financial institutions (AIIB, BRICS NDB, and SRF) alongside preexisting Chinese policy banks (CDB and Ex-Im Bank) taking on new responsibilities and significance in terms of improving the efficiency and stability of financial systems within OBOR’s scope.

The final component included in the Visions and Actions Plan stresses the conceptual importance of soft power and people-to-people exchanges. Here, the Chinese state wants to directly interact with the public/civil society within OBOR-affected states in order to positively affect public support for the rollout of OBOR while improving China’s global reputation. The heavy emphasis on soft power is evident in even a cursory reading of the Visions and Actions Plan (along with public speeches from Xi and Chinese Premier Li Keqiang). Soft power concepts and rhetoric embedded in the document like “jointly,” “cooperation,” “mutual,” “win-win,” and “connectivity” coalesce to form the underlying themes of the “Shanghai Spirit,” an amalgamation of Confucianism and commerce that stresses “lasting peace, common development, and common prosperity” (Cheng, 2013).

Each of the five aforementioned components of the Visions and Actions Plan coalesce to represent China’s key goals regarding the extension and expansion of OBOR, particularly in regards to upholding and maintaining a barrier-less environment of trade and investment (possibly leading to the establishment down the road of a free trade regime/network within OBOR, recalling Chinese proposals dating back to 2003 centering around the implementation of a free trade zone within the SCO) through the combination of state intervention and market tools (a reflection of China’s hybrid form of state-driven capitalism). Further, the rollout of OBOR strands in stark relief to the Western notion of neoliberal globalization, characterized by an extension of private property, the push for a universal network of deregulated markets, an emphasis on increasing shareholder value, win-lose competition between unequal participants,
individual responsibility, and a minimal state role/presence in development/economic affairs. OBOR, then, represents China’s unique, inclusive take on globalization, with the identification of shared interests between/amongst states and participation in win-win, mutually beneficial projects like infrastructure investment and construction (a direct call back to “Shanghai Spirit” style rhetoric embedded within the Visions and Actions Plan) representative of a means of both promoting trade and investment and cooperating with other states in the international community in tandem with tackling development/income gaps both within and beyond China’s borders through the spread of globalization’s benefits. Additionally, China’s adamant insistence that large-scale infrastructure investments will positively correspond to growth in both employment and income through the inherently open platform of OBOR (alongside “Shanghai Spirit” rhetoric embedded in the Visions and Actions Plan emphasizing the appreciation of cultural differences/diversity in social models and an all-encompassing respect for national sovereignty) appear to run completely parallel to neoliberal models of growth and development, in which the after-effects of no increases in growth or reductions in poverty and increases in social inequality continue to reverberate throughout the initial neoliberal test cases/laboratories in Latin America and sub-Saharan Africa.

**The Emergence of New Financial Institutions on the Belt and Road: The New Wave of Development Financing?**

In order to facilitate the overarching layers of infrastructure projects at the heart of OBOR, the Chinese state has gradually unveiled a new set of financial institutions to supplement preexisting forms of Chinese investment mechanisms. Three of the new funding mechanisms, the Asian Infrastructure Investment Bank, the BRICS New Development Bank, and the Silk Road Fund, have drawn particularly intense scrutiny from the literature, with arguments tending to
coalesce around the theme that these three particular institutions represent a concerted Chinese attempt to challenge the Bretton Woods system of global economic governance, with these assertions based on China’s growing discontent with the allocation of voting rights within the World Bank, ADB, and IMF (discounting the IMF Executive Board’s November 2015 decision to add China’s currency, the RMB, to its SDR basket of global reserve currencies alongside the USD, euro, yen, and pound sterling; Etzioni, 2016: 179). However, minority arguments emanating from the literature tend to draw a positive association between the rollout of these new institutions and the larger objectives of infrastructure development and poverty amelioration, with each institution potentially providing developing states both inside and outside of OBOR’s spatial scope with an additional source of development financing not under the direct dominion of the Bretton Woods institutions, a system largely typified by lending conditionality relating to standards on governance, human rights, labor, and environmental protection, policy stances largely viewed as inefficient and ineffective within the developing world.

Of the new financial institutions, the AIIB has perhaps received the lion’s share of coverage, attention, and focus, with Xi’s introduction of the AIIB in tandem with the 21st Century Maritime Silk Road in Bali during an October 2013 APEC summit proceeded by a sixteen month period of intense lobbying and discouragement emanating from the US to pressure and dissuade American allies around the globe from participating in the project, a campaign still actively questioned by veterans within the World Bank who mostly viewed the establishment of the AIIB as a positive development, representing an additional organization that could partner up with the World Bank to address Asia’s stunning infrastructure gap (Interview, with World Bank representative, February 24th, 2017), an issue the ADB estimated would require $750 billion in
annual investments in energy, transportation, information and communication technology, and water/sanitation infrastructure from 2010 to 2020 (Asian Development Bank and Asian Development Bank Institute, 2009; Kawai, 2015; Appendix Figure 3). The ADB later revised these figures to $26.2 trillion in investments from 2016-2030 (or $1.7 trillion per year/5.9% of the Asia-Pacific region’s collective GDP) as a means of stimulating economic growth across the continent (Asian Development Bank, 2017). The World Bank had already weighed in with its own estimates a few years earlier, determining that developing states/emerging economies throughout the world would need to divert 7% of their respective GDPs (or $2 trillion in annual investments) to reduce their own glaring infrastructure gaps (World Bank, 2014). On the surface, the AIIB represents an intergovernmental Asian regional multilateral development institution, primarily focusing on infrastructure projects (and thus deeply linking the bank with the larger OBOR concept). But despite the implications given off by the bank’s name, the AIIB’s Articles of Agreement stress that the organization is not merely limited to infrastructure investment, with the bank promoting private investment throughout the region and supporting the concept of “harmonious growth” (circling back again to China’s modern practice of inserting positive rhetoric in nearly every major contemporary global or regional initiative). Participating member states, meanwhile, span the globe, ranging from states in Latin America and Western Europe to China’s immediate regional neighbors. Presently, the AIIB is still significantly smaller than both the World Bank and the ADB, with an authorized capital level of $100 billion (as compared with $250 billion for the World Bank and over $150 billion for the ADB), with China providing half of the available capital. Despite smaller levels of capital availability, though, China’s voting shares in the AIIB (at 26.06%) considerably dwarf those of the United States in the World Bank (15.02%) and Japan in the ADB (12.84%).
Announced in November 2014 with an authorized capital base of $40 billion, the Silk Road Fund represents a long-term investment vehicle designed to promote economic and social development along OBOR’s connectivity routes, developed as a means of supplementing Xi’s visions and expectations for his initiative. But whereas the AIIB receives its capital from its participating member states, the SRF relies exclusively upon preexisting channels of intra-China financing, from the Chinese state’s foreign reserves and the CIC (the country’s sovereign wealth fund) to policy banks like the CDB and Ex-Im Bank, thus making the SRF significantly more flexible (owing to the fact that the SRF is not beholden to the acquiescence of any other member states). When considering the structure and design of each of these two OBOR funding mechanisms, the AIIB has arguably more in common with the BRICS NDB, a quasi-multilateral financial institution founded by the BRICS states during the 6th annual BRICS summit in July 2014 in Fortaleza, Brazil with any authorized capital base of $100 billion (but currently possessing only $50 billion in prescribed subscriptions). While the name of the bank connotes BRICS supremacy, any UN member state has the option of joining, according to BRICS NDB Articles of Agreement (2014). And unlike the SRF, the NDB (like the AIIB) is at least superficially and ostensibly geared towards the provision of funds for developing states’ variety of infrastructure needs meted out by its grouping of member states.

Each of the three new funding mechanisms is supplemented by the two preeminent Chinese policy banks: the China Development Bank and the Export-Import Bank. The CDB, a state-run development-oriented financial institution dedicated to the financing and development of basic pillar industries (infrastructure and energy), currently holds more assets than the World Bank and ADB combined, with funds primarily provided by the PBoC. The Ex-Im Bank, meanwhile, is tasked with providing financial services for mechanical/electrical equipment, the
import/export of high tech products, and contracting/investing in foreign projects. Like the CDB, the Ex-Im Bank is primarily financed by funds from the PBoC. Of particular relevance, the specific niche the Ex-Im Bank has carved out for itself in regards to financing trade agreements and providing access to subsidized loans for aid will feature prominently in the rollout of OBOR.

Given that mass-scale infrastructure investment and construction features heavily in OBOR’s vision of unimpeded continental connectivity, the role of these funding mechanisms will be nothing if not conspicuous, with infrastructure needs combined with unpredictable socio-political factors within OBOR-affected states beyond the control of the Chinese state temporarily excluding commercial banks from OBOR’s first wave of investments, with commercial banks inherently more vulnerable and exposed to risk than multilateral development banks (Griffith-Jones, Xiaoyun, and Spratt, 2016). The funding of these projects, then, may resemble an artful, intertwined dance between China’s closed, national funding channels (the policy banks and SRF), open, China-centric multilateral financial institutions (the AIIB and NDB), and other, global/regional multilateral development organizations like the World Bank, ADB, EBRD (which already signaled its intent to constructively work with the AIIB to fund and manage joint infrastructure projects linking the two ends of Eurasia in the summer of 2015; Xu and Carey, 2015) and (if all goes well) the EDB, with this plethora of financial institutions sharing the political risks attached to OBOR while economizing some of the astounding financial burdens associated with these individual projects through diversification. Perhaps the best course of action would involve the AIIB and NDB joining the Global Infrastructure Facility, the World Bank platform that coordinates and integrates the collective efforts of MDBs throughout the world, individual investors from the private sector, and state governments engaged in mass infrastructure investment throughout the developing world (Callaghan and Hubbard, 2016: 136).
By mitigating both the political and commercial risks inherently linked with large-scale infrastructure projects that transcend state borders, the variety of financial actors may additionally serve to facilitate the entry and leverage of the private commercial sector, with these development/policy banks (flooded with structured, public funds) reducing the potential of risk for the private sector through the securitization of loans or financial revenue streams and absorbing the first rounds of (inevitable) financial losses or setbacks (Callaghan and Hubbard, 2016: 122).

Regardless of how (and whom) will be providing the funds for these waves of infrastructure projects throughout OBOR scope, the fact remains that China is proposing (and in several cases has already begun) projects in clusters of states with the high potential for either indebtedness or a full-blown debt crisis, which could scuttle any previous, ideal visions of luring in private investment to supplement OBOR’s accompanying constellations of financial levers/channels, with the level of private investment provided for the facilitation of OBOR projects ultimately contingent upon each individual case/state (Cooley, 2016). Further, in light of the AIIB’s current governance structure, heavily informed and influenced by the World Bank, the question remains whether or not the AIIB will share the World Bank’s own project development stances regarding environmental, labor, human rights, and governance standards (Humphrey, 2015), which partially rules out the early ADB model (in its initial “Asian Dams and Bridges” phase in the aftermath of World War II) as a template for the AIIB. For instance, if even a single dollar is provided by the World Bank to supplement investment/capitalization provided by other financial actors or states, then that project will need to adhere to the World Bank’s tangled web of standards (despite the World Bank’s miniscule provision of capital).
Salient issues like these, then, will continue to drive speculation regarding the financial actors behind OBOR’s network of infrastructure projects.

Section II. The Eurasian Economic Union

The EAEU: Politics or Economics?

What even is the EAEU? Is it a political bloc, an economic bloc, a mixture of both, or merely an oblique concept, an inner Russian struggle over its modern, post-Soviet identity? The fact that ambiguity still exists regarding the EAEU’s intentions and direction despite entering its third full year of existence this past January underscores how difficult it has been to deconstruct the concepts and motives underpinning the organization. Comprised of five member states, the current iteration of Eurasian integration efforts follows the July 2010 formation of a Customs Union amongst Russia, Belarus, and Kazakhstan and the CU’s evolution to a Common Economic Space two years later, with the three core drivers of Eurasian integration efforts creating the EAEU with the Astana Treaty, signed on May 29th, 2014. From the geopolitical perspective (which may provide us with the best answer considering Russia’s mastery over traditional geopolitics), the EAEU is essentially an organizational mechanism designed to prevent the expansion of rival regional blocs/groupings from inching perilously closer to Russia’s self-constructed sphere of influence, from the EU’s ENP and EaP pre-Ukraine dalliances with the South Caucasus states, Belarus, Moldova, and Ukraine to NATO’s gradual eastward creep to the Baltic states in the north and western Black Sea littoral states in the south. In this way, the EAEU is not completely dissimilar to the underexplored aspect of OBOR’s shift to western markets as a rejection of Obama’s “Pivot to Asia” strategy and his (now dead) TPP. Further, Putin’s emphasis on the dangers of multi-polarity and the need to develop Eurasia as an
independent pole or bloc of global development reiterates the argument that the EAEU’s primary objectives revolve around establishing a political bloc independent of other regions (2013). But in spite of the political currents behind the EAEU, Russia is but one organizational member, albeit a heavily influential one. Recent efforts to create yet another parallel EU structure (a Eurasian Parliament) in addition to a common currency circulated within the EAEU market preceding the gradual phase-out of national currencies have been met with either indifference or outright indignation by Kazakhstan and Belarus (International Crisis Group, 2016), the only EAEU member states that joined the bloc of their own volition and weren’t coerced with threats of energy cancellations, annulment of security guarantees/weapons contracts, or crackdowns on laborers within Russian territory (Armenia and Kyrgyzstan). The lack of political solidarity, then, from intra-EAEU skepticism and skittishness on Russia’s intervention in Ukraine along with diverging foreign policy interests in terms of economic cooperation with other non-Russia actors in Eurasia, feeds into the notion that despite Russia’s emphasis on politics as the primary force behind the EAEU, other member states, through their own agency as independent actors, perceive reality a bit differently.

While Russia views the EAEU as a political project that occasionally dabbles in further developing economic links within its neighborhood, the other prominent, founding EAEU members view the EAEU as a strict economic bloc, with the current organization the most recent stage in a gradual evolution from the EurAsEC. The organization’s founding document, the Treaty on the Eurasian Economic Union, continues to mirror the EU in terms of standards on macroeconomic indicators, from intra-market protections against inflation to a budget deficit ceiling of 3% for member states and a foreign debt to GDP ratio cap of 50% for the bloc’s five members (Treaty on the Eurasian Economic Union, 2014). In addition to highlighting the free
movement of labor and capital throughout the market, the treaty also optimistically envisages several impending milestones, from a common market for electricity functioning by 2020 to a common market for pharmaceuticals up and running by. …last year (Treaty on the Eurasian Economic Union, 2014). Meanwhile, an organization designed to facilitate and stimulate trade amongst the organization’s member states through the imposition of a common external tariff that raises consumer prices on products originating from outside the union has shown repeated signs of strain and ineffectiveness. The fact that trade amongst the states paradoxically fell by 18.4% from $45 billion to $36.72 billion between 2015 and 2016 (Eurasian Economic Commission, 2016) in parallel with the ripple-down, recessionary effects spiraling out from Russia have exposed the dangers of complex economic interdependence with states heavily dependent on commodity exports that run afoul of the international community. Data collected from the EAEU’s statistics on mutual trade, meanwhile, reveal that for each of the non-Russia EAEU member states, trade with the organization is essentially the same thing as trade with Russia. In 2016 alone, Russia accounted for 96.79.6% of Armenia’s total trade with the EAEU, with Belarus, Kazakhstan, and Kyrgyzstan collectively combining for the remaining 3.21% (IMF, 2017). In that same year, Armenia imported a whopping total of $653,000 in goods from Kazakhstan and Kyrgyzstan (National Statistics Service of Armenia, 2017). These trends are even more alarming in Belarus, with Belarusian-Russian trade accounting for 98.06% of Belarus’s total intra-EAEU trade in 2016, with the other three members accounting for the final 1.94% (IMF, 2017). Declining imports within the EAEU are particularly troubling as well, with intra-EAEU imports declining in Kyrgyzstan (23.2%), Belarus (10.7%), and Kazakhstan (13.8%) between 2015 and 2016 (Eurasian Economic Union, 2017).
Further, Russian devaluation of its currency has stimulated an increasingly protectionist bent within the common market, with states like Kazakhstan subject to the singular oddity of competing with suddenly cheap Russian goods in its markets. Ironically, the one institution conspicuously present in the EAEU relates to the one area where Russia didn’t go out of its way to mirror the EU: the common external tariff. Part of the EU’s success over the past sixty years in terms of avoiding any major outbreaks of violence between its members stems from avoiding any contentious policies (like tariffs) that could trigger conflict within the union (Tarr, 2015). The warped construction of the EAEU’s common external tariff heavily favors the terms imposed on Russia by the WTO following its accession in 2012, leaving a state like Kazakhstan with a dual system of tariffs: one for goods strictly for domestic consumption and the other for goods outward bound to the broader EAEU market. The sanctions/counter-sanctions war between Russia, the West, and Ukraine and recent Kazakh/Belarus internal policies built around maintenance of trade agreements with those markets highlights the fact that despite being part of a common economic union each state will, in most cases, promote and pursue policies that benefit its common national interests.

**Sanctions, Commodities, Tariffs, Diverging Interests, and Intra-EAEU Squabbling**

The increase in bilateral cooperation agreements/memorandums of understanding between individual EAEU member states and China under the OBOR platform has concurrently revealed discrepancies at the heart of the EAEU’s regional integration format while appearing to place Russia and China on an irreversible collision course in Central Asia and (potentially) the South Caucasus, with Russia’s protectionist bent and the EAEU’s structural prioritization of intraregional trade stimulation running counter not only to OBOR’s identification of tariffs and other barriers to trade and connectivity as the single biggest threat to the initiative but to the
interests of individual EAEU member states that have witnessed their own trade volumes and broader economies crater in tandem with Russia’s sanctions war with the West over the conflict in Ukraine. Combined with the effects stemming from Russian annexation of Crimea and subsequent intervention in eastern Ukraine and the ensuing sanctions-counter sanctions war between Russia and the West, an uneven, varying set of WTO-mandated tariff requirements has additionally exposed flaws within the basic structural template of the EAEU, increasing the possibility that individual member states could strengthen ties with China under the SREB format as a means of balancing or hedging against exclusive participation in a stalled project.

The crisis in eastern Ukraine looms large over the delicate balancing act between Russia and China in Eurasia. Here, Russian intervention, interference, and violation of Ukraine’s national sovereignty has had an unsettling, disquieting effect within both individual EAEU member states and Beijing’s halls of power, with the former alarmed at the prospect of befalling the same fate as Ukraine and the latter appalled at actions that run counter to China’s full-hearted endorsement and appreciation of the non-interference in domestic affairs concept at the heart of Westphalian notions of sovereignty. Further, Russian seizures of territory/support for breakaway republics over the past decade does not necessarily sit well with a large country beset by its own territorial issues, leading Andrew Small to remark: “Sudden Russian referendums, declarations of independence, and small breakaway republics are still of the stuff of nightmares for the Chinese leadership as they cast apprehensive glances at Taiwan, Tibet, and Xinjiang” (2014).

Meanwhile, the Western wave of targeted and sectoral sanctions on both Russian industries and prominent individuals and consequent wave of counter-sanctions on Ukraine and the EU negatively impacted the other two cofounders of the EAEU (Kazakhstan and Belarus) heavily dependent on imports from the newly sanctioned targets, resulting in the warped phenomenon of
each state subverting Russia’s import embargo. Here, Belarus covertly imported products inbound from the EU/EFTA and Ukraine for its own domestic consumption in addition for re-export to the Kazakh market, severely undermining Moscow’s credibility in the process.

The aforementioned Belorussian/Kazakh actions based around the subversion of Russia’s counter-sanctions war against the EU and Ukraine exposes the fundamental debate at the heart of the EAEU: is the organization a purely economic project, as stated in in the organization’s charter, or is it a political bloc? If the EAEU is, as specified in the treaty, an economic project, then why shouldn’t these member states have continued to protect their own economic interests despite another member’s best intentions to do otherwise? Neither state, from the perspective of the EAEU, was expected to politically mirror Russian actions against the West in the wake of the Ukrainian crisis, a point further underscored by additional intra-EAEU squabbling over the nature and direction of the EAEU, with both Kazakhstan and Belarus loudly rejecting recent Russian proposals to shift the EAEU’s focus from an economic to political direction, from proposals of a Eurasian Parliament similar to the European Parliament as the primary legislative mouthpiece for EAEU members to the introduction of a new common union currency or the conversion of individual, national currencies to the ruble.

The lingering effects of Kazakhstan’s accession to the WTO in 2015 have thrown an additional wrench into the inner workings of the EAEU, with Kazakhstan’s WTO mandated customs duty of 6.1% significantly lower than the customs duty adopted by the EAEU as a whole (11.1%), standards that unsurprisingly favor Russia’s own WTO terms set three years earlier (Appendix Table 1). Armenia and Kyrgyzstan have also been affected by the common external tariff, with each state currently possessing lower WTO-set tariffs than Russia and the EAEU (at 8.5% and 7.5%, respectively), causing each member state to, like Kazakhstan,
construct dual sets of tariffs depending upon the final destination of the import. While Russia’s WTO-rate will gradually fall, with the EAEU’s common external tariff falling in tandem, by 2020 (to 7.9%), the 2020 EAEU tariff rate will still be higher than two of the three non-Russian WTO members in the EAEU (Kazakhstan at 6.1% and Kyrgyzstan at 7.5%). The EAEU’s common external tariff, one of the core components of the EAEU’s trade structure, has heavily affected both Kazakhstan and recent member Kyrgyzstan, with each state heavily dependent on bilateral trade links between their respective domestic markets and the Chinese market, exponentially increasing the difficulty of both importing products from China for either domestic consumption or re-export to the larger EAEU market while concurrently dimming the appeal and affordability of Chinese goods after factoring in EAEU mandated import taxation. The gradual displacement, then, of both Chinese and European imports in Kazakhstan, Kyrgyzstan, and Armenia by Russian imports is a classic case of trade diversion (exemplified by the 2.2% drop in European imports entering the Armenian market between 2015 and 2016; Eurasian Economic Commission, 2017), with the common external tariff favoring the most commercially viable member of the organization, a system that eerily recalls the thirty plus year collapse of the East African Customs Union between Kenya, Uganda, and Tanzania in 1978 (Tarr, 2015), wherein, an advanced member relative to the other economies in the group (Kenya), and an uneven tariff system ultimately led to an outbreak of violence between the two poorer members of the union (Tarr, 2015).

Perhaps it is slightly unfair to evaluate the viability of the EAEU as a regional economic integration project in the wake of several external events that have thrown the broader region into turmoil, from the aforementioned sanctions regime against Russia to a global decline in oil/commodity prices affecting not only Russia but the other principle member in the
organization (Kazakhstan) as well. But particular focus and emphasis on these external, contextual factors underscores the prevailing perception that Russia and the EAEU are one in the same, with Russian counter-sanctions against the West accentuating the fact that contemporary Russian foreign policy either unintentionally or purposefully neglects how its policies affect the economic health and interests of its partner states in the EAEU. These indirect, ripple down effects on smaller member states’ own economic health/sustainability have resulted in the growing contention that the EAEU is a purely political institution, with schisms appearing not only between Russia and its fellow EAEU members but within Russia itself, with the technocratic, more liberally minded wing of the EEC at odds with protectionist driven Russian economic policies. Additional fractures have opened between the country’s primary exporters of raw materials and hydrocarbons and the small, medium sized enterprises that have, up to this point, failed to reap or experience any visibly significant benefits from EAEU participation. Further, the effects of Western sanctions and plummeting commodity prices on the global market have resulted in corresponding devaluations of the ruble, resulting in Russian products competing with local products within the EAEU’s common market, causing a wave of nationally driven protectionist policies taken against fellow EAEU members. On March 5, 2015, for example, Kazakhstan temporarily suspended all Russian fuel and gas imports in order to protect its own domestic market from a growing surplus of Russian oil products (Bogulavska, 2015), a warped paradox within an ostensibly open customs market designed to facilitate unimpeded trade through the elimination of internal tariffs that obstruct closer, more intimate economic integration.

Ultimately, uneven economic growth within the EAEU and a distinct lack of coordination amongst the member state’s macroeconomic/monetary policies (like currency devaluation)
combined with fluctuations in exchange rates, an ensuing wave of intra-EAEU protectionism, and the proliferation and randomness of non-tariff barriers have weakened the larger objective of regional integration, creating a void in the wake of Russia’s domestic economic recession that China, through the SREB, is all too keen to exploit.

Section III. The SREB in Russia’s Backyard

A Pattern of Distrust and Diverging Interests

In order to understand the growing sense of strategic competition between China and Russia in the spatial areas where the SREB and EAEU collide, it is important to consider several key developments in the two state’s kaleidoscopic range of relations over the past fifteen years, with periods of close cooperation and joint pursuits of common interest heavily interspersed with feelings of distrust, suspicion, and frustration, leading to gradual shifts in how each state perceives the other, with each state simultaneously functioning as both a means to an end and potential stumbling block/source of contention further down the road. With the wave of connectivity projects flooding across Eurasia and an increasingly perceptible tension between the region’s two dominant actors, perhaps it’s as relevant as ever to ask whether Deng’s Three No’s (no alliance, no antagonism, and no targeting of third parties) regarding Sino-Russian relations will hold much longer.

The delicate relationship between China and Russia, or between OBOR and the EAEU, can best be approached by focusing on internal developments in the SCO, the regional security/economic forum comprised of the “Shanghai Five” (Russia, China, and the Central Asian states save for Turkmenistan), simultaneously viewed as the Eastern answer to NATO and nothing more than a talk shop where nothing of any significance ever appears to happen (Guang, 2013). Beginning as a series of security arrangements in 1996, serious fractures have opened up
over the past two decades, with rifts between the organization’s two heavyweights posing significant concerns, particularly with the SCO singled out by Putin and Xi as the primary vehicle best suited to working out the kinks between the SREB and EAEU. In 2003, then Chinese Premier Wen Jiabao approached his fellow SCO members with an audacious proposal involving the creation of a free trade zone within the SCO. Concerned with the prospect of having to compete with a flood of cheap Chinese products flooding its domestic market, Russia immediately nixed the proposal but, undeterred, Chinese officials continued to broach yet more regionally controversial proposals, from the creation of an SCO Development Bank, Stabilization Fund, and Energy Fund as a means of supporting the region in the aftermath of the global financial crisis, with $10 billion poured into the Stabilization Fund a year after the global financial crisis struck followed by an additional $10 billion three years later (regional relief packages paralleled by Hu and Jibao’s creation of a $10 billion infrastructure investment fund for ASEAN in the immediate aftermath of the global financial crisis along with a $15 billion line of credit for the region’s poorest states and $39.7 million earmarked as special aid for Cambodia, Laos, and Myanmar). The capitalization of the Stabilization Fund, meanwhile, was footed entirely by China, with Russia citing some arcane, technical legislative issues preventing the country from contributing to the fund (Cooley, 2009). Each proposition was either openly rejected by Russia or viewed through an intense prism of skepticism (Libman, 2016: 48). From China’s perspective, on the other hand, Russian opposition to these relatively well-thought out suggestions became all too apparent with the adoption of a common external tariff following the establishment of the Eurasian Customs Union within the Eurasian Economic Community (the predecessor to the EAEU), a policy that carried over into the current EAEU framework. Here, Russia had shaped an alternative framework to China’s SCO free trade proposals that
conveniently managed to exclude China from participation, with the common external tariff embedded in both the Eurasian Customs Union and EAEU masking an overt sense of import substitution directly targeting the export behemoth to East. On the political front, meanwhile, China led a silent internal revolt of the Central Asian SCO members against Russia’s role in Georgia in 2008, refusing to recognize the legal status of Abkhazia and South Ossetia during the 2008 SCO summit in Dushanbe a month after the “Five Day War” despite intense Russian pressure to do otherwise (Cooley, 2009). Russia, meanwhile, engineered the dual admissions of India and Pakistan to the organization, with each state signing a memorandum of accession in June 2016, suggesting a concerted Russian effort to “balance out” the composition of the members by teaming up with India as a counterweight to China’s strength in the region (Cheng, 2013).

Perhaps all of these Russian rejections can be further explored by focusing on the shifting economic environment within Central Asia, with China’s trade with Central Asia exploding from $1 billion in 2000 to over $50 billion by 2013, overtaking and supplanting Russia as the region’s primary investor, creditor, and provider of club goods at some point during the global recession (Appendix Table 2). Even after factoring in a drop in global commodity prices and China’s own internal recession from mid 2015-early 2016 (stemming from the country’s stock market bubble collapse), the eight states in Central Asia and the South Caucasus collectively combined for nearly $15.5 billion worth of exports to the Chinese market in 2015 alone (IMF, 2017). In 2016, meanwhile, total trade (exports and imports) with the Central Asian states still managed to reach over $30 billion, compared with a little over $18 billion of total trade between the Central Asian states and Russia over that same period (IMF, 2017). Prominent examples of this shift include the China National Petroleum Corporation’s displacement of Gazprom as the region’s primary
gas exporter and the ensuing reorientation of petroleum pipelines to the Chinese/East Asian market along with the increased prominence of the CDB and the Ex-Im Bank as the region’s primary providers of loans and credit in addition to functioning as the broader region’s lender of last resort (Downs, 2011). For example, as of mid 2014 the Ex-Im Bank held 41.3% of potential EAEU member Tajikistan’s external debt, compared with 16.4% by the World Bank and 14.3% by the ADB (Cooley, 2015). Lending to the broader region, meanwhile, has grown from a relatively paltry $300 million in 2007 to $4.4 billion in 2014, with OBOR-related investments in the region expected to flood both Central Asia and the South Caucasus with $35 billion in investments over the next five years (IMF, 2016; Appendix Tables 3-5).

The broader region is currently a buzzing hotbed of SREB-related infrastructure projects (Appendix Table 6), from high-speed rail lines and transcontinental highways to expansions of natural gas pipelines running towards the Chinese market. These shifting regional economic trends and growing sense of asymmetry have been complemented by a set of more substantive, profound political agreements since Xi’s introduction of the SREB, with a Treaty on Friendship and Cooperation and a Joint Declaration on Further Development and Deepening of Bilateral Relations of Strategic Partnership signed with Uzbekistan shortly after Xi’s speech at Nazarbayev University, which stated that neither China nor Uzbekistan would adhere to any political alliances or blocs that threatened the sovereignty, security, and territorial integrity of the other. The tightening relationship between China and Kazakhstan is arguably more alarming from Russia’s perspective, with Xi making sure to highlight how the SREB fundamentally complemented Nazarbayev’s own Nurly Zhol (Bright Path)\(^8\) concept for regional connectivity.

\(^8\) Nurly Zhol refers to Nazarbayev’s own fiscal stimulus plan. Announced in late 2014, the plan envisions an additional $9 billion allotted for infrastructure projects that promote regional connectivity between 2015 and 2018.
Xi’s blitzkrieg unveiling of the SREB in September 2013 during his whirlwind tour through Central Asia additionally resulted in $48 billion in loans and investments revolving around energy, minerals, trade, and infrastructure dispersed throughout the region, with $15 billion poured into Uzbekistan, $30 billion provided to Kazakhstan, and the final $3 billion allotted for Kyrgyzstan-related projects.

When contrasting China’s waxing leverage in Central Asia with Russia’s gradually waning clout in terms of trade volumes and foreign direct investment (with exports from Kazakhstan, in particular, tripling between 2000 and 2014 in tandem with a 25% decline in exports to Russia over that same period; World Bank, 2016), a more cynical, albeit realistic, perspective argues that, in spite of Putin’s and Xi’s May 2015 summit on harmonizing the SREB with the EAEU’s extant structures, cooperation between the two states throughout Eurasia may prove fleeting, with one initiative eventually subsuming the other. Within this struggle between Russia’s regional economic integration project and China’s monolithic, byzantine layer of continental connectivity, perhaps the smaller states where the EAEU and SREB collide will ultimately wind up determining the success or failure of each respective initiative. From the perspective of smaller FSU states with slow economic growth and sharp needs for investment and infrastructure modernization, China is viewed as a desirable, attractive partner, with the country consistently placing economics before politics in addition to reliably delivering and implementing large-scale projects in a timely manner (stemming from the absence of conditionality commonly attached to Western and Russian loans and investments).

**Russia: Between a Rock and a Hard Place**

Such differences aside, Russia’s public acceptance and acquiescence to an increased Chinese presence/flurry of activity in its allegorical backyard (combined with superficial
optimism surrounding OBOR) stems from Russia’s desperation for access to credit and investment in the wake of Ukraine-related sanctions (or arguably even earlier during Russia’s “Pivot to Asia” in the aftermath of the global financial crisis in its quest for new, non-depressed markets). A gradually budding integration of Russian and Chinese financial infrastructure stemming from Western imposed sanctions on specific industrial and financial sectors within Russia’s economy has been moving progressively forward, from efforts to link China’s national electronic payment network (UnionPay) with Russia’s banking system (where services provided by Visa and MasterCard were suspended following the Crimea annexation) to reducing reliance on the Western SWIFT system (perceived as a political tool of the West following the Iranian banking system’s access to the system being cut off in 2012). The standoff with the West over Ukraine also allowed China to effectively bail out the Russian economy in the form of a thirty-year agreement between Gazprom and CNPC in May 2014 worth $400 billion that would provide 38 billion cubic meters of natural gas every year to the Chinese market through the Power of Siberia pipeline, with another natural gas agreement the following year linking Russia’s Western Siberia region with Xinjiang via the Altai Pipeline. The Power of Siberia agreement was paired with the lifting of an informal Russian ban on Chinese investment in/ownership of key strategic assets throughout the country, from public infrastructure and natural resource fields/pipelines to real estate, exposing the fact that a country being squeezed by the West and rapidly hemorrhaging investments (particularly in regards to the torpedoed post-Ukraine partnership between Rosneft and BP/ExxonMobil; Trenin, 2015) could no longer afford to selectively pick and choose where its financing came from. However, the project has experienced multiple setbacks, with back and forth bickering between Gazprom and CNPC over
the sourcing of labor and equipment (Economist Intelligence Unit, 2016), with Gazprom refusing to accept Chinese contractors and labor for construction and maintenance of the project.

Russia’s frenzied search for access to new debt markets raises additional, murky questions about the financing mechanisms propelling OBOR forward, exposing the politicization of the initiative’s closed, non-public funding mechanisms. Here, the SRF, unlike both the AIIB and NDB, is not connected with international financial markets and, thus, not reliant upon transparent funding. As a direct consequence of the SRF’s sources of funding, this particular mechanism has proven capable of bypassing Western sanctions on Russia, with the fund acquiring a 9.9% stake in Yamal LNG (an Arctic gas producing project) on March 15, 2016 for $1.087 billion (Gabuev, 2016). In addition to the SRF, meanwhile, both major Chinese policy banks (the CDB and Ex-Im Bank) have also proven capable of bypassing Western sanctions on Russia, with neither bank conducting conventional retail operations either inside or outside of the Chinese market. The ability, then, of some of the key financial institutions/funding arms behind OBOR to subvert the onerous, constricting set of sanctions crippling Russia’s domestic economy is a critical factor to consider when exploring recent Russian statements that appear conciliatory to the impending reality of OBOR.

The Eurasian Web of Land Routes

A significant area of concern regarding the synchronicity of these two projects revolves around the SREB’s planned network of Eurasian transportation corridors, as specified in the Visions and Actions Plan (Appendix Table 7). There are currently eight functioning Sino-Europe rail links, with two linking Manzhouli in Inner Mongolia with Europe via Russia and the other six running from the Alataw Pass in Xinjiang through Kazakhstan and Russia. The SREB’s strong focus on Central Asia (and to a lesser extent, the South Caucasus) as an economically
pragmatic nexus between the Chinese market and the EU has resulted in a flood of questions over whether or not the key Eurasian corridors within the SREB network (the New Eurasian Land Bridge and the China-Central Asia-West Asia corridor) will wind up competing with one another in terms of transportation costs and time efficiency. Russia’s public expressions of support for OBOR, for instance, appear to be interconnected with China’s reciprocal support in terms of modernizing the preexisting Trans-Siberian Railway as the primary means of continental, Eurasian connectivity between the European and Chinese markets, allowing Russia to bring in revenue from transit fees reaped from Russia’s connecting role between East and West. China has already poured $5.8 billion into modernizing the Moscow-Kazan railway as a means of linking China with the EU, an investment vociferously supported by the Russian government, which has expressed additional backing for a proposed transcontinental highway linking China’s Jiangsu province with St. Petersburg, the Baikal-Amur rail-line in the Far East, the modernization of Vladivostok’s ports (Gabuev, 2016:10-11) and development of the Northern Sea Route shipping lane connecting East Asia with Europe via the Arctic Sea (Trenin, 2015).

Yet the China-Central Asia-West Asia corridor could prove potentially more practical from a time and cost perspective, ultimately leading to a phenomenon wherein Eurasian states with bilateral MOUs with China on implementation of OBOR-related infrastructure projects compete with one another for more infrastructure contracts as an attractive source of state revenue. A number of related transport/connectivity projects manage to skirt Russian territory entirely, with the Trans-Caspian International Transport Route originating in Xinjiang and linked with the Caspian ports of Aktau (Kazakhstan) and Turkmenbashi (Turkmenistan). Prior to crossing the Caspian Sea and reloading cargo onto the western portion of the rail link at Baku’s
International Sea Trade Port, goods will be funneled onward to Europe through Georgia and Turkey via the oft delayed, soon to be completed Baku-Tblisi-Akhalalaki-Kars Railway (Georgiev, 2015: 37). The China-Kyrgyzstan-Uzbekistan 270 km/hour rail-line, meanwhile, will run from Kashgar in Xinjiang through Osh (Kyrgyzstan) and Andijan (Uzbekistan) through Afghanistan, Iran, Azerbaijan, and Turkey to the final European destination. The proposed Line D of the Central Asia-China gas pipeline (scheduled to be completed this year and representative of the single biggest energy infrastructure project east of the Caspian Sea)) will expand the parallel A, B, and C routes linking Turkmenistan with Xinjiang via Uzbekistan and Kazakhstan to Kyrgyzstan and Tajikistan, with natural gas pipelines now linking all five of the Central Asian states. Each of these projects is further complemented by China’s $900 million investment in modernizing preexisting roads/constructing new highways throughout Tajikistan, connecting relatively isolated Dushanbe with the broader region in the process.

Arguments relating to the two primary Eurasian routes lead to pressing, fundamental questions about the nature of both transport corridors and the SREB in general. Are these corridors, for instance, purely geared towards building and developing links between the Chinese domestic consumer market and the EU? If so, a straight East-West corridor between the two markets would certainly appear more cost-efficient and practical, although the EAEU member states would reap only limited, marginal benefits from a straight East-West route beyond initial infrastructure contracts and transit fees. Alternatively, if the Chinese Ministries of Foreign Affairs, Finance, and Commerce placed a greater emphasis on developing North-South, intra-EAEU/intra-Central Asian linkages, Russia could potentially translate its superficial, public support of OBOR into hands-on steps designed to sync the two projects together.
Section IV. Globalization and Regionalism…Geopolitics and Geo-Economics

The Concepts

Issues over syncing up the fundamental, philosophical differences behind OBOR/SREB and the EAEU in addition to the growing potential for subtle forms of strategic competition between China and Russia in Central Asia raise the critical question over whether or not we’re currently witnessing the early, formative stages of a gradual shift from traditional geopolitical behavior to an updated, 21st century version of geo-economics. Xi’s unveiling of OBOR and the AIIB in the autumn of 2013 has arguably heralded a new era of infrastructure-driven alliances, with the physical, material nature of infrastructure investment and construction and diplomatic relations between and amongst states representing two sides of the same coin from China’s perspective. Additionally, the concreteness of the EAEU (backed by official state membership in the organization) starkly parallels the hazy, amorphous nature of OBOR, with China, for the time being, perfectly content with using bilateral MOUs with interested states to facilitate the larger goal of connectivity. OBOR, then, represents the fact that China is more interested and driven by the pursuit of rising trade volumes than organizing a regional bloc of states aligned by political similarities. The EAEU, then, resembles more of the late 20th century example of new regionalism, functioning in a distinct, delimited geographical region comprised of states with more or less similar political and economic values and institutions with OBOR looking more and more like a 21st century bloc piercer, hovering over regional subgroupings of states like an all-encompassing cloud while requiring nothing of participant states in terms of membership in (nonexistent) supranational governing institutions.
Incompatible Designs and Objectives: Hyper Globalization and Closed Regionalism

Any discussion of how the EAEU and the SREB component of OBOR will interact or coexist within the same broader region ultimately whittles down to a separate discussion on how the concepts of closed regionalism and supra-regionalism/trans-regionalism would interact. The EAEU functions to serve and, ostensibly, protect the interests of a spatially determined bloc of states. OBOR functions to connect the broader continent, refusing to let concepts like geographic determinism define the country’s economic fate by linking attractive markets to one another and significantly reducing transport costs/time over land. The EAEU is still very much a product of 20th century regionalism/new regionalism. OBOR is post-regionalism. The EAEU is a bloc. OBOR is a bloc piercer.

The EAEU (as an eastern mirror of the EU in terms of its supranational institutions) heavily conforms to the post-World War II, late 20th century theoretical framework of regionalism, the phenomenon revolving around political and economic loyalty to a distinct region. In this regard, the EAEU is hardly alone, joining an inexhaustible group of localized groupings (ECOWAS, MERCOSUR, ASEAN, etc.) that rally around a clear set of regional agendas. The classic conceptualization of regionalism stresses that politically benevolent and economically strong states can play a constructively leading role in bringing neighboring states together, functioning as the economic engine behind smaller, weaker state’s economic ascendance (Mattli, 1999). So if regionalism is just a tenuous concept, regionalization involves the actual, concrete processes to construct and develop a clear set of political and economic transactions or links within a pre-identified geographical space, furthering a regional grouping’s steps towards both regional independence and interdependence within the global community, with the organizational unit representing a single entity speaking on behalf of its constituent
states on matters of trade. But beyond these fairly straightforward answers for what actually constitutes regionalism/regionalization, perhaps the formation of regional economic groupings can be better understood, at least in the case of the EAEU, as a competition over control of the organization’s membership agenda, with founding members ultimately determining the exclusion of certain states that may be perceived as rivals while determining who sets the agenda. In this regard, regionalism has the potential to be inherently exclusive, closed to a specific geographical cluster of states.

The EAEU is often presented as a regional integration project. Framing the organization in this manner is misleading. Unlike the classic conceptualization of regionalism, wherein economic cooperation amongst a cluster of states gradually evolves into tighter layers of economic and, in the case of the EU, eventual political integration, the EAEU more closely resembles the new regionalism concept, wherein institutional arrangements exist amongst states in the organization for the sole purpose of cooperation, not integration, a trend that applies not only to the EAEU but to its immediate predecessors (the Eurasian Economic Community and Eurasian Customs Union) in addition to the CIS. Further, while the institutional structures within the EAEU, from the Eurasian Economic Commission and Supreme Eurasian Economic Council to the Court of the Eurasian Economic Union parallel their institutional brethren in the EU, the EAEU’s increasingly heavy emphasis on isolationism and protectionism represents the murkier path of regionalism/new regionalism, one directly at odds with the EU’s role as a unified vehicle to present its members to the open, global trading system. And where the EU is based on tight economic and, to a lesser extent, political integration, with the organization and its proponents stressing the values of economic interdependence and quasi-liberal peace theories/Kantian cosmopolitanism, the EAEU, at this point, through its internal customs liberalization, common
external tariff, and abolition of trade quotas and restrictions, still functions strictly as a means to further cooperation. Finally, while the EU’s sovereign debt crisis exposed ripples between the northern and southern tiers of the EU, with the “Club Med” states left fuming at joint decisions between individual member states in the north and the union’s supranational structures and pressing for greater national participation (or liberal intergovernmentalism/federalism), the sheer number of ethnic Russians within the EAEU’s supranational structures in comparison to other nationalities makes it difficult to separate the EAEU from Russia proper, weakening the credibility of the EAEU’s bodies and leaving the union dominated by Russia, Kazakhstan, and Belarus (in that order), with state decisions still prevailing over and carrying considerably more weight than decisions emanating from the EAEU’s supranational bodies.

If the EAEU provides us with a case of a closed regionalism, then OBOR is hyper-globalization taken to its logical extreme, recalling 90s era, post-Cold War/pre-millennial arguments within scholarly circles optimistically looking towards a future marked by limitless possibilities, driven not by ideological competition and binary perceptions of West vs. East and capitalism vs. communism but by commerce, trade, and interdependency (O’Tauthail, 1998). The stunningly intricate design of OBOR, marked by a dizzying array of infrastructure projects linking together a number of distinct geographic regions suggests that earlier predictions that globalization would usher in a new era of postmodern geopolitics have come to fruition, with the traditional “Euclidian” world of discernably discrete nation-states gradually dissolving into an amorphous whole (Appadurai, 1996), marked by deterritorialized currency (Kobrin, 1997) and a global networked economy of production and consumption (Burton, 1997), predictions that each conform to OBOR, with railways, roads, airports, and ports warping our sense of time and space as the RMB proliferates within non-Chinese foreign reserves (Liao and McDowell, 2016) and
production shifts outward into lower income states at the bottom of the value-added chain. Unlike the EAEU or any of the other surfeits of regional groupings that proliferated in the late 20th century, OBOR does not conform to either regionalism or integration, with the sheer scope and scale of the initiative revealing a supra-regional take on trade and economic cooperation not limited or bound to a specific region. Additionally, unlike Russia with the EAEU, China has no real political aspirations for the initiative, with no supranational political, or even economic, institutions that in any way encroach on the individual sovereignty of states along the Belt and Road, a legacy of Asian regional arrangements that have traditionally guarded sovereignty much more tightly than European regional arrangements, preferring to stress connectivity in lieu of integration, a term that inevitably triggers panic about sovereignty forfeiture (Ferdinand, 2016: 950).

**Infrastructure Construction and Shared Development: Postmodern Geopolitics?**

Do infrastructure alliances represent the future of geopolitics? Is security still the most important public good? Or has infrastructure provision and global connectivity displaced security as the primary objective/aspiration of states in the modern international system? And is geopolitics dead, throttled into obsoleteness and rendered irrelevant by globalization? When expanding upon the geopolitical/geo-economic gulf between Chinese and Russian objectives and activities throughout Eurasia, the basic fact that the Chinese state and its various initiatives in the region dating back to Jiang’s “Go West” campaign have consistently prioritized commercial aspirations (in addition to using untapped, underexplored markets as a means of furthering its own domestic development strategies) over political motives, in stark relief to Russia, immediately jumps out. When conceptualizing China’s geo-economic power within the context
of OBOR/SREB and the individual bilateral agreements in Central Asia and elsewhere, three distinct instruments are clearly on display: trade, investment, and currency internationalization.

The geopolitical/geo-economic divide can perhaps best be understood by focusing on the father of the concept, Edward Luttwak, who coined the term in 1990 to argue that methods of commerce were gradually displacing military methods as a means of problem-solving. Under Luttwak’s theory, a state’s disposable capital, civilian innovation, and market penetration pose an arguably greater threat than military clout. These arguments on the shift from geopolitics to geo-economics directly applies not only to the OBOR/EAEU schism but to Chinese/Russian activities throughout Eurasia in general, with OBOR revolving around an intricate network of infrastructure alliances (connectivity as a means of generating trans-regional growth and political stability), with states throughout the OBOR-sphere jointly participating in shared ventures and, ideally, reaping the ensuing growth and development benefits provided by the initiative.

Excluding the turmoil in the South China Sea, contemporary Chinese foreign policy has embraced Luttwak’s “grammar of commerce,” rejecting his “logic of war,” a logic still very much the modus operandi of Russian foreign policy, as indicated by the adversarial, zero-sum outcomes embroiling Ukraine and Syria.

As the world’s largest assembling hub of manufacturing products and the engine behind 50% of Asia’s economic growth as a whole, China’s intricate layer of trade networks represent a substantial barometer for the broader Asian economy as a whole, with China’s domestic growth over the past several decades spurring regional growth through trade osmosis and assimilation into China’s role in the global production chain. Within the OBOR-sphere, the number of either PTAs or full-blown FTAs between China and either individual states or regional organizations like ASEAN (or the oft-proposed, oft-rejected SCO free trade zone) extends beyond merely
furthering access to global markets and triggering economic growth, with PTAs and FTAs rewarding a state’s security partners, signaling a state’s benevolent or diplomatic intentions, and assuring future non-trade forms of economic cooperation, like resource extraction. China’s outward foreign direct investment flows, meanwhile, represent another distinct measure of China’s geo-economic might, with growing international investments, especially in states along the SREB and 21st Century Maritime Silk Road, progressively morphing from strict emphases on energy, raw material extraction, and infrastructure construction to a more diversified focus on technology, media, telecommunications, agriculture, and real estate (China Overseas Investment Network, 2015).

A deeper dive into China’s geo-economic toolkit and emphasis on bilateral trade agreements and international investment underscores the warped era in which we’re living, a world in which Xi can extoll the values and benefits of globalization before foreign audiences assembled at Davos, a world in which OBOR is now the paragon of free trade ideology, demonstrating the general ideological void or post-ideological era that is the 21st century, wherein commerce and trade fill the vacuum vacated by 20th century ideological competition (Khanna, 2016) while the West collapses into a collective fit of populism and protectionism. In a way, if we view the twin components of OBOR as the “hardware” and more substantive, comprehensive free trade arrangements (the RCEP, proposed free trade zones within the SCO, direct/bilateral agreements) as the “software” of China’s geo-economic playbook, we can detect faint glimmers of Ricardo’s classical trade theory updated for the post-globalization era along with Krugman’s new economic geography theory’s emphasis on spatial globalization (1991), with the fundamental, core aspects at the root of OBOR improving access to global export markets along China’s coastal, developed provinces (particularly attractive when considering the
landlocked nature of most of the states along the SREB) while benefiting, at least in theory, both producers and consumers through increases in specialization and the variety/quality of imports. Speaking of Krugman, OBOR threatens to explode his “natural blocs theory,” wherein Krugman came out in favor of the late 20th century proliferation of regional trading blocs, arguing that such structures were a more cost effective way to get around the exorbitant costs of intercontinental trade (1991). Such arguments don’t really apply to the trans-regional, transcontinental design of OBOR, with China, through OBOR, attempting to just barrel over, under, and through any trade barriers standing between it and profitable markets. Further, OBOR’s connectivity efforts and aversion to tariffs and other non-tariff barriers to trade serves to frame free, unimpeded trade as the catalyst to broader and deeper economic growth, with trade growth filtering throughout a state’s intricate layer of industrial sectors. Meanwhile, shifting development paths in China combined with spiking levels of outward foreign direct investment stock suggests that OBOR’s intense, aggressive push for connectivity directly applies to the concepts behind global supply chains and vertical integration of states/firms in the OBOR network, with China’s rise up the metaphorical development ladder and availability of cheap, unskilled labor in ASEAN, South Asia, and Central Asia providing lower-income states with new competitive advantages in assembling and manufacturing previously under the domain of China.

The geo-economic aspects behind OBOR essentially boil down to the Visions and Actions Plan’s positive and enthusiastic rhetoric perceiving shared infrastructure as shared wealth. From the perspective of non-Russian states in the EAEU, OBOR’s intrinsic attractiveness revolves around modernization (with the region still heavily burdened with aging, decaying Soviet-era infrastructure) and deeper integration into global markets through China’s connectivity scheme. The geo-economic nature of OBOR, characterized by continental
connectivity and infrastructure provision to facilitate global trade, starkly counters the concepts behind traditional geopolitics. These two conflicting concepts are thrown into further relief when exploring and comparing the respective means China and Russia took in cajoling other states to participate in/join OBOR and the EAEU. Whereas Russia dangled security provision (either in the form of CSTO obligations or direct, bilateral agreements) while threatening states with interruptions or cancellations of oil/natural gas shipments and incentivizing EAEU participation with heavily discounted access to arms, China’s more nuanced form of persuasion emphasized the mutually beneficial nature of OBOR-related projects, allowing smaller states to feel more empowered when determining their future rather than feeling like they were being backed into a metaphorical corner or dead end (bringing to mind Armenia’s about-face September 2013 decision to spur an EU AA and accompanying DCTFA in favor of EAEU membership at an EaP summit in Vilnius).

OBOR’s projected network of infrastructure alliances revolving around ephemeral partnerships based on hard, economic supply and demand complementarities and the economic/commercial threads running through China’s connectivity strategy has its roots in traditional geopolitics, particularly China’s long-standing use of economic statecraft/diplomacy as a means of purchasing political capital and goodwill, with OBOR arguably the latest in a series of initiatives dating back to the Hu era geared towards using financial largesse and benevolence in order to protect and secure its own national interests, from the 2007 China-Africa Development Fund backed by the CDB and the 2010 China-ASEAN Investment Fund backed by the Ex-Im Bank to 2012’s China Central-Eastern European Countries Initiative. By incentivizing the economic benefits states could potentially accrue through participation in Chinese initiatives, Chinese geo-economic statecraft/diplomacy directly contravenes the long-
standing Russian impulse to wield sticks/threats as a means of pressuring other states to cater to Russian whims and interests, from withholding energy flows to supplying or blocking arms shipments. A concept like OBOR (with the Visions and Actions Plan’s heavy emphasis on the benefits both Chinese and non-Chinese firms should anticipate) functions as a model designed to ease diplomatic relations between China and its neighbors (crucial considering regional turmoil in the South China Sea), temper public anxiety and suspicion relating to Chinese activities abroad (recalling the soft power aspects of the Visions and Actions Plan), and foster closer economic and diplomatic ties, with close, interdependent economic relations ultimately manifesting in closer political, diplomatic relations. Ultimately, the fundamental elements behind OBOR and China’s larger use of economic statecraft, such as heavily emphasizing the benefits of aid, investment, and trade, signals China’s supposedly inherent benevolent intentions while highlighting the advantages of accommodation and connectivity.

When focusing on Russia and the EAEU, meanwhile, the former’s emphasis and reliance on the traditional geopolitical toolkit as a means of reaching its national objectives is quite evident. Here, Russia’s almost exclusive reliance on the export of finite hydrocarbon reserves along with its repeated failure to diversify its economy has sharply limited the country’s geo-economic capabilities, leaving Russia arguably no choice in terms of exploiting its political influence, historical and cultural ties in its surrounding region, and its military/nuclear capabilities as a means of translating its inchoate desires into a fully-formed reality. The basic Russian strategy superficially boils down to a transactional foreign policy designed to secure and maintain political loyalty and subservience, serving heavily dependent and isolated markets within its traditional sphere of influence, from PTAs within the EAEU and control/regulation of oil/gas/electricity flows to neighboring states to political pressure emanating from the Kremlin.
This cursory depiction of modern Russia, with an inefficient economy marked by a glaringly distinct lack of diversity in its exports, has left the country with two primary methods in terms of geopolitically exerting its authority, from the country’s still potent military capability and status as a nuclear-armed state functioning to simultaneously defend its own political and economic interests while undermining the interests of its rivals to its enviable position within the international system (veto power as a member of the UN Security Council, albeit an advantage matched by China).

So, whereas traditional geopolitical power or influence can be gleaned by scrutinizing a state’s military spending as a percentage of GDP, greater focus on a state’s infrastructure spending, outward foreign direct investment flows as a percentage of GDP, and number of bilateral or multilateral trade arrangements may actually provide us with a stronger measure of what power even looks like in the 21st century.

**Conclusion**

Despite how smaller states at the intersection of the EAEU and SREB perceive the two actors behind these initiatives, the fundamental differences between each initiative appear too glaring and prominent to ignore. For instance, the EAEU’s consolidation of Russia’s regional hegemony within parts of the FSU confirms that Russia’s enhancement and protection of its great power status is prioritized over any genuine push for regional economic integration. And whereas foreign policy and political orientation/subservience to Moscow plays a central role within the EAEU, with the prospect of disentangling the EAEU from Russia increasingly arduous, China’s single-minded focus on economic expansion provides us with additional support for the geo-economic/geopolitical schism in Eurasia. The publication and release of OBOR progress reports is further emblematic of China’s prioritization of substance over style, sharply contrasting Russia
and the EAEU’s superficial mirroring of the EU’s legal foundations and institutions absent effectiveness or impact. Further, comparing the sheer, astonishing breadth, scale, and scope of OBOR with the EAEU underscores Russia’s “backyard mentality,” representative of Russia’s one-dimensional, anachronistic world-view based on developing an economically insignificant post-Soviet cluster of Eurasian states as a global force capable of leaping into the globe’s increasingly fragmented, multipolar system of power. Meanwhile, paltry trade volumes within the EAEU expose the finding that the EAEU is devoid of any real economic capabilities, representing a traditional, late 20th century regional bloc built on political complementarity. But whereas the EAEU resembles last century’s model of regional cooperation/alliance building, OBOR is very much of the 21st century, post-globalization design, dissatisfied with consolidating a bloc or sphere of influence within its own delimited region but on piercing through self-contained regions and linking competitive markets together regardless of distance. Ultimately, the open vs. closed systems behind OBOR and the EAEU combined with mismatching priorities on economic expansion and political loyalty (along with the regionalist/post-regionalist designs of each initiative) will make the reconciliation process difficult, to say the least.

Further comparison of OBOR and the EAEU serves to additionally underscore the dual perspectives/concepts of geo-economics and geopolitics propelling each initiative forward while simultaneously leading into theories behind regionalism, trans-regionalism, and post-regionalism. The fundamental spatial paradigms of OBOR and the Visions and Actions Plan’s emphasis on developing trade networks and global supply chains hews close to modern capitalist developmental concepts, directly countering the EAEU’s anti neoliberal (and, arguably, anti “Beijing Consensus”) proliferation of protectionism. Further scrutiny of each initiative reveals another prominent schism, with OBOR (through Xi’s calls for global participation and his
frenzied, hectic wave of official state visits to sell the initiative to foreign audiences) functioning as an open, inclusive system, countering the EAEU’s closed, exclusive system open only to FSU/CIS states for the time being. Additionally, the EAEU’s distinct geographical scope, condensed into an easily discernible region built around a common Soviet lineage/heritage directly contradicts OBOR’s ambitions as a 21st century bloc-pierce, with the sheer spatial scale of connectivity projects throughout the OBOR sphere warping and compressing our modern perceptions of geographic space and, thus, functioning as a possible postmodern take on the regionalism or new regionalism that informs the EAEU’s basic structural design. Meanwhile, the wave of new institutions (AIIB, NDB, and SRF) geared towards facilitating and supplementing the rollout of OBOR by attracting private investment exposes yet another crucial difference between geopolitics and geo-economics.

Yet in the end, perhaps we’ve all become too predisposed to cynically viewing shifting global developments through the lens of skepticism, competition, and conflict, with our global state of political and economic turbulence over the past several years suggesting that any optimistic perception of controversial initiatives like the global extension of OBOR is nothing if not incredibly naïve. All the doom and gloom, naysaying, and predictions of impending conflict throughout this paper could prove spectacularly wrong and misguided. In fact, there is much to admire from each initiative from a developmental standpoint, suggesting that a convergence of the SREB and EAEU in a part of the world long neglected by the West and isolated from global markets could have a profoundly positive impact on lifting individuals out of property and connecting these populations with the broader international community. Here, the EAEU could represent the how to OBOR’s what, providing the Chinese platform with the institutional, regulatory, and legal frameworks conspicuously absent from Xi’s grand vision. And, moving on
to the actors behind each vision, perhaps Russia and China could develop a constructive, symmetrical relationship in the region, with China’s apolitical economic largesse and insatiable appetite for raw materials matched with a Russian foreign policy obsessed with political stability and security in its backyard, portending a potential win-win dynamic with each state occupying its own relative niche.

Yet on the other hand, the sheer enormity of OBOR combined with Russia’s disturbing recent track record of combatively approaching any perceived encroachment on its “sphere of influence” with political and/or economic reprisals leads to the view that perhaps cynicism is the right way to approach the impending convergence of OBOR and the EAEU. Through a thorough examination of available documents and speeches relating to this topic in addition to applying a series of theories relating to the organizational structures/designs of each initiative along with the widening schism between each state’s foreign policies in Eurasia, it seems fairly clear that, despite public proclamations suggesting otherwise, the differences between both OBOR and the EAEU along with Russian and Chinese behavior in the region are too insurmountable to overcome, supporting this author’s initial hypotheses that each vision was fundamentally incompatible with the other, based on the organizational designs of each platform in addition to the conduct in how each actor perceives foreign policy in the 21st century.
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Ministry of Foreign Affairs of the People’s Republic of China, “President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries,” September 7th, 2013


Putin, Vladimir, “Russia and the Changing World,” RIA Novosti, February 27th, 2012


Appendix

Core Primary Documents used for Content Analysis:

- Visions and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road
- Chinese Communist Party’s 13th Five Year Plan
- AIIB’s Articles of Agreement
- Treaty on the Eurasian Economic Union
- SCO Charter
- Communiqués relating to SCO meetings
- Memorandums of understanding between China and other states on OBOR
- Public statements delivered by Xi and Putin relating to OBOR since late 2013

Economic/Trade Figures Collected from:

- IMF
- World Bank
- Asian Development Bank
- World Trade Organization
- European Commission
- Eurasian Economic Commission
- National Bureau of Statistics of China
- American Enterprise Institute’s and Heritage Foundation’s China Global Investment Tracker
- UN International Trade Statistics Database
Figure 1: Tentative Map of Proposed OBOR Land and Sea Shipping Routes

Source: European Commission, 2016

Figure 2: China’s Provincial Gaps in GDP per Person

Source: The Economist, 2016
Figure 3: Estimated Infrastructure Investment Needs for Asian Economies According to Asian Development Bank (Annual Average from 2010-2020 as % of GDP)

Source: Kawai, 2015

Table 1: Applied Most Favored Nation Average Tariffs for EAEU Members, Before and After Joining the EAEU and Tariffs in 2020 After Russia’s WTO Commitments are Implemented

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Tariff prior to joining the ECU</th>
<th>Average Tariff After applying the common external tariff of the ECU in 2010</th>
<th>Final WTO Bound Average Tariff</th>
<th>EAEU average common external tariff in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>un-weighted</td>
<td>trade weighted</td>
<td>un-weighted</td>
<td>trade weighted</td>
</tr>
<tr>
<td>Belarus</td>
<td>12.0(^a)</td>
<td>8(^a)</td>
<td>11.1(^a)</td>
<td>NA(^b)</td>
</tr>
<tr>
<td>Russia</td>
<td>11.9</td>
<td>11.6</td>
<td>11.1</td>
<td>11</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>6.7</td>
<td>5.3</td>
<td>11.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Armenia</td>
<td>3.5</td>
<td>3.4</td>
<td>8.5</td>
<td>7.9(^c)</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>4.6</td>
<td>4.1</td>
<td>7.5</td>
<td>7.9(^c)</td>
</tr>
</tbody>
</table>

Source: Tarr, 2015; World Trade Organization, 2017
Table 2: China/Russia Total Trade with Central Asia (2000 vs. 2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>China (Total Trade)</th>
<th>Russia (Total Trade)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$1,819,310,000</td>
<td>$6,467,380,000</td>
</tr>
<tr>
<td>2016</td>
<td>$30,170,170,000</td>
<td>$18,353,740,000</td>
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</table>

Percent Growth: 1558.33% for China, 183.79% for Russia

Data collected from IMF (2017) and UN International Trade Statistics Database (2017)

Table 3: Major SREB-Related Investments in Kazakhstan (2013-2016)

<table>
<thead>
<tr>
<th>Investor</th>
<th>Amount (Millions)</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNPC</td>
<td>$5,300</td>
<td>Energy</td>
</tr>
<tr>
<td>China Nonferrous</td>
<td>$490</td>
<td>Metals</td>
</tr>
<tr>
<td>Hainan Zhenghe</td>
<td>$530</td>
<td>Energy</td>
</tr>
<tr>
<td>Sinopec</td>
<td>$1,090</td>
<td>Energy</td>
</tr>
<tr>
<td>China Nonferrous</td>
<td>$560</td>
<td>Metals</td>
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<tr>
<td>CITIC</td>
<td>$550</td>
<td>Chemicals</td>
</tr>
<tr>
<td>China Railway Engineering</td>
<td>$150</td>
<td>Metals</td>
</tr>
<tr>
<td>Geo-Jade Petroleum</td>
<td>$350</td>
<td>Energy</td>
</tr>
<tr>
<td>Geo-Jade Petroleum</td>
<td>$120</td>
<td>Energy</td>
</tr>
<tr>
<td>China National Chemical Engineering</td>
<td>$1,870</td>
<td>Chemicals</td>
</tr>
<tr>
<td>Total</td>
<td>$11,350,000,000</td>
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</tr>
</tbody>
</table>

Source: China Global Investment Tracker (American Enterprise Institute and The Heritage Foundation, 2017)
### Table 4: Major SREB-Related Investments in Kyrgyzstan (2013-2016)

<table>
<thead>
<tr>
<th>Investor</th>
<th>Amount (Millions)</th>
<th>Sector</th>
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<tbody>
<tr>
<td>Shaanxi Coal and Chemical</td>
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<tr>
<td>CNPC</td>
<td>$1,400</td>
<td>Energy</td>
</tr>
<tr>
<td>Beijing Urban Construction</td>
<td>$990</td>
<td>Transport</td>
</tr>
<tr>
<td>Sinomach</td>
<td>$300</td>
<td>Transport</td>
</tr>
<tr>
<td>Rongsheng Heavy Industries</td>
<td>$280</td>
<td>Energy</td>
</tr>
<tr>
<td>China Communications Construction</td>
<td>$400</td>
<td>Transport</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,800,000,000</strong></td>
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</table>

Source: China Global Investment Tracker (American Enterprise Institute and The Heritage Foundation, 2017)

### Table 5: Major SREB-Related Investments in Uzbekistan (2013-2016)

<table>
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<tr>
<th>Investor</th>
<th>Amount (Millions)</th>
<th>Sector</th>
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<tr>
<td>China Railway Engineering</td>
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<td>Sinomach</td>
<td>$130</td>
<td>Real estate</td>
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<tr>
<td>Sinomach</td>
<td>$440</td>
<td>Chemicals</td>
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<tr>
<td>China Poly</td>
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<td>Transport</td>
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<tr>
<td>China Singyes</td>
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<td>Energy</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,360,000,000</strong></td>
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</tbody>
</table>

Source: China Global Investment Tracker (American Enterprise Institute and The Heritage Foundation, 2017)
### Table 6: Prominent SREB Infrastructure Projects in Central Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Sector</th>
<th>Investment (US$ m)</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uzbekistan/Tajikistan/Kyrgyzstan/China</td>
<td>Central Asia-China Gas Pipeline Line D</td>
<td>Energy</td>
<td>6,700</td>
<td>Construction</td>
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<td>Kazakhstan</td>
<td>Center South Road Corridor</td>
<td>Transport</td>
<td>2,563</td>
<td>Planning</td>
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<td>Kazakhstan</td>
<td>Almaty Ring Road</td>
<td>Transport</td>
<td>680</td>
<td>Tendering</td>
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<td>Kyrgyzstan</td>
<td>Kara-Balta Oil Refinery</td>
<td>Energy</td>
<td>430</td>
<td>Operational</td>
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<tr>
<td>Kazakhstan</td>
<td>Almaty Light Rail System</td>
<td>Transport</td>
<td>300</td>
<td>Planning</td>
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<tr>
<td>Kyrgyzstan</td>
<td>KyrgyzgazGazprom</td>
<td>Energy</td>
<td>40</td>
<td>Acquisition</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Kyzylorda Water Supply &amp; Wastewater Management</td>
<td>Water &amp; Waste</td>
<td>14</td>
<td>Planning</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$10,727,000,00</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit, 2016
Table 7: Major Eurasian SREB Connectivity Projects Currently in Development

<table>
<thead>
<tr>
<th>Russian Support</th>
<th>Non-Russian Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>(New Eurasian Land Bridge)</td>
<td>(China-Central Asia-West Asia Corridor)</td>
</tr>
<tr>
<td><strong>Moscow-Kazan Railway</strong></td>
<td><strong>Trans-Caspian International Transport Route</strong></td>
</tr>
<tr>
<td>770 km high-speed rail line connecting Moscow with Kazan (Tatarstan).</td>
<td>East-West connectivity projects that do not touch Russian soil. Projects will either cross the Caspian directly or run through Central Asia before skirting the Caspian’s southern coast.</td>
</tr>
<tr>
<td><strong>Trans-Siberian Railway</strong></td>
<td><strong>China-Kyrgyzstan-Uzbekistan Railway</strong></td>
</tr>
<tr>
<td>9,289 km network of railways connecting Moscow with China/the Russian Far East via two alternate branches: south through Ulaanbaatar to Beijing and east through Harbin to Vladivostok</td>
<td>270 km high-speed rail line linking two major Xinjiang cities (Kashgar and Kashi) with Kyrgyzstan and Uzbekistan via Osh and Andijon.</td>
</tr>
<tr>
<td><strong>Baikal-Amur Rail Line</strong></td>
<td><strong>Khorgos-Aktau Railway</strong></td>
</tr>
<tr>
<td>4,324 km railway linking together Eastern Siberia with the Russian Far East. Runs north of and parallel to the Trans-Siberian railway.</td>
<td>Trans-Kazakhstan Railway Connecting the Caspian port city of Aktau with Khorgos, a major Chinese SREB logistics hub in Xinjiang.</td>
</tr>
<tr>
<td><strong>SREB Transcontinental Highway</strong></td>
<td><strong>Iron Silk Road</strong></td>
</tr>
<tr>
<td>Would connect Jiangsu on China’s east coast with St. Petersburg, possibly via linking up with the Trans-Siberian Highway.</td>
<td>Would connect China with Europe via Central Asia, Iran, and Turkey.</td>
</tr>
<tr>
<td><strong>Power of Siberia Natural Gas Pipeline</strong></td>
<td><strong>Baku-Tbilisi-Kars Railway</strong></td>
</tr>
<tr>
<td>Natural gas pipeline connecting Yakutia in Eastern Siberia with northwest China via a series of other intra-Russian pipelines. Has the potential to transport 38 billion cubic meters of natural gas per year. Expected to be operational by 2019.</td>
<td>Northern route of the Iron Silk Road. Would jump from Aktau in Kazakhstan to Baku prior to using intra-Caucasus rail line linking the Caspian to Turkey via Georgia. Expected to finally become operational this year.</td>
</tr>
<tr>
<td><strong>Altai Pipeline</strong></td>
<td><strong>China-Central Asia Pipeline (Line D)</strong></td>
</tr>
<tr>
<td>Long-delayed natural gas pipeline temporarily suspended by Russia in favor of the Power of Siberia pipeline. Resurrected in 2014 during that year’s APEC summit. Will stretch 2,800 km with a carrying capacity of 30 billion cubic meters per year from Western Siberia to Xinjiang.</td>
<td>Traverses all five Central Asian states. Links Turkmenistan’s natural gas deposits with Xinjiang.</td>
</tr>
</tbody>
</table>