

"ONE BELT - ONE ROAD": PROBLEMS AND IMPLEMENTATION PROSPECTS*Zhao Bing*

Abstract:The article analyzes the system of relations between the European Union, the Eurasian Economic Union and China in the light of the implementation of the Chinese project "One Belt - One Road". The prospects for its implementation, the associated difficulties and risks for Western Europe and Russia are described. Today, in the space of Greater Eurasia, which includes Western Europe, three integration mega projects have formed in varying degrees of maturity - "One Belt - One Road", vigorously promoted by China, has been added to the European Union and the Eurasian Economic Union. In this regard, experts discuss many questions: is it possible to combine these three projects; if so, what difficulties and obstacles may arise along the way; what are the prospects for the "triangle", historically unprecedented in its scale and, possibly, economic and geopolitical significance in the future? Analysis of this entire range of issues today is a complex scientific task.

Keywords:European Union, Eurasian Economic Union, One Belt, One Road strategy, economic relations, China, Western Europe, Russia, EAEU.

The EU is the world's largest economic bloc, the EAEU covers the world's largest territory, and One Belt, One Road covers the largest share of the world's population, over 60% of the world's population (together with China and those states that have already officially declared their intention to participate in the project). Geographically, the associations overlap, and this creates a situation that has always given rise to interstate and inter-bloc rivalry, conflicts and wars in the past. Can the motives and goals of the parties coincide today? In the long term, there is, of course, no answer to this question. For a more or less near future, we can cautiously say that the rapprochement of the three integration associations, which has already begun one way or another, will most likely continue. The process, however, is not without contradictions and serious uncertainty factors. The entire structure of the "triangle" is asymmetrical. The EU has a widely ramified institutional structure, the EAEU has also made significant progress in institutionalizing mechanisms and areas of regional cooperation, while the institutionalization of the Chinese project is currently virtually non-existent. The EU is the world's largest common market with a combined GDP of about 15 trillion euros, China is the world's second-largest economy; the economic indicators of Russia and its partners in the Eurasian Union are much more modest - here the combined GDP of the five member states in 2016 was below \$4.5 trillion. The EU, even with all its contradictions of recent years, is an internally quite solidary union of 27 states, while the issue of the internal unity of the EAEU, especially with the prospect of new members joining the Union, is still quite problematic, "One Belt - One Road" presupposes the interaction of 60 to 100 states, which naturally cannot speak from a single position. Finally, a weak link has recently emerged in the "triangle" – the crisis situation in relations between Russia and the EU, while the level of economic relations in the EU-China and EAEU-China pairs is constantly improving. It is obvious that the prospects for the establishment of new global highways should be considered step by step and in separate "construction sections", separating the facts and processes that are already taking place from assumptions. First of all, there is no doubt that the Chinese leadership will not only not abandon

the idea of building new transport corridors, but will also increase efforts in this direction. Beijing's motives in this case are varied. With the decline in economic growth rates, the country is in dire need of entering new markets. As one of the world's leading trading powers, China is, in principle, interested in reducing export and import transport costs, and this is precisely the prospect promised by new transport routes in Asia and Europe. The Chinese economy has accumulated excess production capacity, especially in heavy engineering, the production of consumer goods, cement, steel and other metals. New markets and, most importantly, the construction of new railway lines could solve this problem of redundancy. Beijing expects national companies to plan, execute and subsequently provide for the corresponding projects along the new Silk Road, and it is on these terms that they provide loans to their foreign partners. The country's energy needs are growing, and, consequently, its interest in importing energy from Central Asian countries and Russia (via gas pipelines), as well as from Southeast Asia (via deep-water ports). China's banking sector is seeking new investment targets, and infrastructure projects in this sense promise higher returns in the long term than investments in low-yielding US securities. By funding overseas projects where loans are provided in yuan, China is strengthening the yuan's status as a global reserve currency. Beijing's actions are also motivated by the desire to develop its relatively backward regions in the west of the country. Finally, by expanding cooperation with Central Asian countries, China, along with its other goals, is seeking to create a more stable international environment for itself in order to alleviate the severity of problems associated with the Uyghur minority. The "One Belt, One Road" project thus represents a complex combination of China's economic, geo-economic, and geopolitical interests. Beijing is mobilizing enormous resources to implement this strategy. Speaking at the Belt and Road International Economic Forum (May 2017), Chinese President Xi Jinping noted that Beijing plans to allocate over \$1 trillion in the medium term to support infrastructure projects in more than 60 countries. Experts, trying to determine the total cost of the project (in the more or less distant future), point to figures in the range of \$4 to \$8 trillion [10]. At the same time, analytical media note that "there are a huge number of figures associated with the New Silk Road concept. No one knows exactly how much the agreements already signed within the framework of the land and sea trade routes amount to, but the figure of \$300 billion is mentioned. Most of these projects will be developed in the next decade. The Fitch rating agency estimates investments in planned or ongoing projects at \$900 billion. It is widely believed that \$5 trillion will be spent on developing the concept by 2022. Experts at the Asian Development Bank believe that an incredible \$26 trillion will be invested in infrastructure projects by 2030." [4] So, no matter how fast individual projects within the "One Belt, One Road" develop, it is obvious that Beijing will persistently promote its regional and global integration strategy, and this will one way or another affect China's relations with other integration blocs. How might this affect its relations with a united Europe? The EU and China on the way to a "mature" partnership In our opinion, the starting point for the analysis of current relations between the EU and China should be the fact that a "comprehensive strategic partnership" has long been developing between the parties, officially declared in 2003 and since then constantly expanding new areas of cooperation. In 2013, within the framework of this partnership, the "EU – China 2020 Strategic Agenda for Cooperation" was adopted, outlining tasks in four broad areas designated as "peace", "prosperity", "sustainable development" and "people-to-people contacts". In 2015, several EU states joined the Asian Infrastructure Investment Bank, which today services projects within the framework of the "One Belt – One Road" initiative, and China became a shareholder in the European Bank for Reconstruction and

Development in 2016. In the same year, a roadmap for cooperation in the energy sector was signed, aiming to develop low-carbon energy projects, nuclear and renewable energy. In June 2017, after the United States announced its withdrawal from the Paris Climate Agreement, the EU and China, in order to further institutionalize their cooperation mechanisms, outlined a number of joint measures to combat global warming. The core of the relations between the parties is, of course, trade. Today, the EU is China's most important trading partner, and China is the second most important trading partner for the EU after the United States. From 2006 to 2016, EU exports to China tripled and reached \$170 billion per year, while imports from China reached an even higher level – \$345 billion per year [7]. The developed market of a united Europe with its half-billion population is perhaps the main target of Beijing's global trade strategy. It is no coincidence that the land and sea components of the New Silk Road converge in Western Europe. For their part, the EU economies, especially after the 2008–2009 crisis, are extremely interested in Chinese investments, the annual level of which now exceeds 35 billion euros. As the press emphasizes, "in recent times, the EU and its Member States have increasingly become isolated within the Union. In this situation, the EU desperately needs China's support and cooperation, especially in matters of trade and investment" [13]. Issues of scientific, technological and innovative cooperation are increasingly important in the relations between the parties. In the spring of 2017, priorities in this area were officially formulated in the Agreement on Scientific and Technological Cooperation between the EU and China, where the parties identified such "flagship" topics for joint development as food, agriculture, the environment and sustainable urbanization, land transport, aviation and biotechnology [9]. Both the EU and China attach exceptional importance to innovation today. In the EU, the extensive strategy "Europe 2020" assumes movement towards the so-called Innovation Union, in connection with which special attention is paid to issues of climate change, rational use of energy and resources, healthcare and demography. In the PRC, the next five-year plan (2016–2020) put forward the task of integrating the country into global innovation networks as one of the key strategies for the radical restructuring of the Chinese economy. In 2015, the first ten-year action plan in the country's history, "Made in China 2025," was adopted here. It is aimed at radically modernizing the manufacturing industry, promoting national brands, introducing "green production," accelerating the development of maritime and rail transport, etc. The rapid development of the Chinese information and computer technology sector continues - from mobile telephony and programming to e-commerce and all kinds of computer and mobile "applications." Experts believe that with its huge domestic market that quickly absorbs innovations, China may soon take a leading position in the world in all of these areas, which is spurring the interest of European manufacturers in expanding technological cooperation. In EU circles, the "comprehensive strategic partnership" with China is currently defined as approaching the stage of "maturity." The parties see this "maturity" as manifested in the rapid development of "people-to-people exchanges" - a broad area covering contacts in education, culture, healthcare, and tourism. Education is at the center of such relations. Today, the parties have over 80 agreements on cooperation in the field of education, and about 300 thousand Chinese students are currently studying in Europe, accounting for almost a quarter of the entire foreign student body. 45 thousand students from EU countries are studying in China, some of whom receive Chinese state scholarships. In addition, Beijing has established 160 so-called Confucius Institutes and almost 300 Confucius Classrooms [8] in Europe – cultural and educational centers for the study of the Chinese language and culture, which today form a network on a global scale. The importance and scale of mutual tourist exchanges have grown so

much that 2018 has been officially declared the “Year of Tourism between the EU and China”. In many ways, the relations between the parties today truly represent a model of a “mature” strategic partnership. However, at the same time, as analysts have repeatedly noted, the announcement of the “One Belt, One Road” initiatives initially caused a more than “cool” reaction in Europe. While cooperating in some areas, the parties remain competitors in others, and China is perceived as a “challenge” and a “threat” in a number of European countries. The stumbling block remains the problem of “Chinese dumping” – real or imaginary. The disagreements between the parties ultimately rest on the fundamental differences between the European and Chinese economic models: in Europe, as in other regions, the Chinese economy is not perceived as purely market-based due to the role that the state sector of the economy and state regulation play in the PRC. The most painful issue for Europe is the import of Chinese steel, which today occupies a quarter of the European steel market. European metallurgical companies are finding it increasingly difficult to compete with cheap Chinese steel, even with the anti-dumping duties with which the EU is trying to fence itself off from it. Chinese dumping and the resulting loss of jobs are especially feared in Southern and Eastern Europe. For its part, China is applying anti-dumping measures against European companies. With such contradictions, the issue of granting China the status of a market economy within the WTO remains unresolved, which is becoming a serious obstacle to Chinese trade policy and is perceived extremely painfully in Beijing. Despite all these contradictions, European elites have demonstrated a steady interest in various components of the One Belt, One Road program over the past two years. Analysts attribute this primarily to the deadlock in which the negotiations between the US and the EU on the Transatlantic Trade and Investment Partnership (TTIP) have found themselves. Unlike the American initiative, which is aimed exclusively at relations between the US and the EU and a market of 820 million people, “One Belt, One Road” could potentially cover over 65 countries and a total market of almost 4.5 billion people. Finally, Europe is currently searching for strategic paths for further development, and this search, like the Chinese initiative, is focused on large-scale infrastructure projects. In 2015, the so-called Juncker Plan created the European Fund for Strategic Investments, which, among other things, is aimed at the large-scale development of new transport routes both in Europe and beyond. Analysts are already discussing the prospect of a single “platform” on which the convergence of the Juncker Plan with the Chinese project would be possible [6].

The EAEU – China: Problems and Prospects of Integration The problem of implementing the “One Belt – One Road” program in relation to the Eurasian region obviously breaks down into two problems: firstly, “direct” relations between Beijing and Moscow, whether or not connected with the latest Chinese initiatives; secondly, relations between China itself and the EAEU and, more broadly, with the Central Asian states, where two states – Turkmenistan and Uzbekistan – are not part of today’s Eurasian Union, but take part in the region’s cooperation with China. As a result, a very complex “mosaic of relations” has formed, where the positive official rhetoric of all those acting in this case conceals, as analysis shows, an extremely broad and complex set of interests, aspirations, and contradictions, which will ultimately determine the course and prospects of the New Silk Road. In 2016, China, Mongolia, and Russia signed a number of important agreements on the creation of a common economic corridor, which experts assessed as a real breakthrough in the area of integration of existing plans and initiatives. A serious step in this direction today is Beijing’s participation in the construction and technical support of the first high-speed railway in Russia, Moscow-Kazan, with the prospect of extending it to Beijing. Given the general interest in developing trade and economic relations with China, Russia would

be extremely interested in increasing freight loads on its Trans-Siberian and Baikal-Amur Mainlines as the main transport corridors for the development of Siberia and the Far East. However, at present, freight transport from China and other East Asian countries is carried out only to a small extent via these mainlines, and their main flow generally leaves Russia on the sidelines. The connection of the Trans-Siberian and BAM with the future routes of the New Silk Road could, therefore, acquire enormous economic significance. The transit of Chinese cargo via the Trans-Siberian Railway has been growing at an accelerated pace in recent years, but due to its technical and logistical condition, the Trans-Siberian Railway is currently unable to take on the entire transit load from China, and this raises serious concerns in the Russian Federation that Beijing will eventually rely more on other, more “southern” and more modern, land routes for its cargo transport. Strategically, the solution to this and other problems of pan-Eurasian integration obviously lies in the accelerated deepening of the economic potential of the EAEU and all of Central Asia. For its part, Beijing, judging not only by official statements, but also by projects already being implemented, is ready for large-scale cooperation with Eurasian structures. It is symbolic that in 2013, Xi Jinping came up with the idea of the Silk Road Economic Belt precisely at the scientific center of modern Eurasianism – at Nazarbayev University, after which the Chinese leadership signed an agreement on strategic partnership with all five Central Asian republics. The problem in this case is different – to what extent is the EAEU ready for in-depth international cooperation along the New Silk Road. Here, manifestations of asymmetry in the potentials and relations of the current actors are revealed. As noted above, the “One Belt – One Road” program does not have any organizational structure in the sense that an international organization is understood today. Its critics even say that this is not a single and integral “project,” but a sum of specific projects, proposals, and initiatives – a kind of “brand” of China’s foreign policy. It is not yet entirely clear how this strategy of Beijing can be linked to the activities of the EAEU – an organization with a clearly defined legal structure and fairly strict norms of interaction between member states. Most likely, in this regard, multidirectional trends will develop, the final effect of which is unpredictable today. On the one hand, and this is already evident in practice, Beijing will probably in the near future build its relations with the region on the basis of bilateral relations with the states that are part of it, as a result of which the integrity and internal solidarity of the Eurasian Union may be under serious threat. Already today, in the capitals of the EAEU, especially in Belarus and Kazakhstan, there is considerable disappointment regarding the activities of the association. Russia, “under sanctions” and in a situation of falling world oil prices, has fewer and fewer opportunities to pursue an active economic policy in the region. China, on the contrary, is increasing the volume of its investments and loans in Central Asia year after year. Thus, Kazakhstan received over \$600 million in investments in 2016, which is 7 times more than in 2015, while the total volume of accumulated Chinese investments in the republic exceeded \$42 billion, and loans – \$50 billion [3]. In Kyrgyzstan, the volume of Chinese investments in 2016 increased more than 15 times compared to 2015 [2]. For Tajikistan, China is currently the main source of foreign direct investment, while Russia, with a significant lag, has moved into second place. On the other hand, there is every reason to believe that in the long term it would be more advantageous for China to solve the Silk Road problems with the EAEU as a single entity, rather than with individual Central Asian states. In the Customs Union of the Eurasian Community, customs procedures have been significantly simplified, internal customs borders have been removed, and uniform customs regulations have been developed. For third countries, in this case for China, all this means a situation of one customs barrier instead of several

borders that existed before. In the future, a huge Eurasian free trade zone could be formed here, where Central Asia (or rather, the territory of the EAEU) would become the main link. This would allow China, for example, to manufacture products in one EAEU republic and freely sell them in another – all the way to Russia and Belarus. Several circumstances are currently preventing the implementation of such a scenario, primarily the mismatch, and often direct conflict of interests of the Central Asian states. In the transport sector, for example, Kyrgyzstan expects China to assist in the construction of the North-South highway of Kyrgyzstan, Uzbekistan is seeking to complete the construction of the China-Uzbekistan-Kyrgyzstan railway together with Beijing, and Tajikistan, again, is placing its main hopes for the development of its infrastructure on China. All this is aggravated by intra-regional competition in the sphere of control over transboundary water resources (between Uzbekistan, Kyrgyzstan and Tajikistan) and the struggle for regional leadership (between Kazakhstan and Uzbekistan). Thus, at present there are no compelling reasons to say that the Chinese strategy of the New Silk Road is in direct competition with the goals and activities of the Eurasian Community. Of course, for Russia in the current situation there are certain geopolitical and geoeconomic risks generated by Beijing's active economic expansion, but Moscow's rejection of integration guidelines and programs, in our opinion, is fraught with even more serious risks. Observers are already expressing concerns that the highways of the New Silk Road under construction will bypass Russia, as can already be assumed after the recent commissioning of the Baku-Tbilisi-Kars railway line [5]. For now, the most promising route is considered to be the one going to Western Europe via Kazakhstan, Russia, Belarus and Poland, where three of the four countries are members of the EAEU. If events develop according to this positive scenario, the prospect of regulating relations between the Russian Federation (along with the entire Eurasian Union) and Western Europe will open up. In the triangle of relations between the EU-EAEU and the One Belt-One Road program, this is currently the most problematic side.

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