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EAEU and Silk Road Economic Belt: Is It Really a «Win-Win» Cooperation? The Case of Central Asia²

The study is examining opportunities created for Central Asia by the launch of China's Silk Road Economic Belt (SREB). The SREB is not only a transport and logistical initiative to deliver Chinese goods to Europe but it is a comprehensive project to develop Central Asian countries as well.

The SREB project was declared as a «win-win» option for countries participating in this mega-project, important features of which apart from building links include openness and non-discrimination. This research is analyzing the statement of the «win-win» option and evaluates all consequences for Central Asian countries considering performance of this initiative.

For some Central Asian countries such as Kazakhstan and Kyrgyzstan, there could be additional consequences from the SREB operation as these countries are members of the Eurasian Economic Union (EAEU). The paper covers possible impact of cooperation between the EAEU and the SREB on Central Asian countries.

Key words: EAEU, SREB, OBOR, «win-win» cooperation, China, Central Asia, conjunction, cooperation.

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Introduction

The Eurasian Economic Union (EAEU) is a relatively new regional economic integration bloc. Member states of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The Silk Road Economic Belt initiative (SREB) announced by the Chinese leader Xi Jinping during his visit to Kazakhstan in September 2013, drew attention to itself immediately. The SREB is not only a transport and logistic initiative to deliver Chinese goods to Europe but it is also a comprehensive project to develop Central Asian countries.

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2 The article was submitted in January 2018.

The SREB project was declared as a «win-win» option for countries participating in this mega-project, important features of which apart from establishing ties include openness and non-discrimination. This research is analyzing the statement on the «win-win» option and evaluates consequences for Central Asian countries determined by performance of this initiative.

For some Central Asian countries such as Kazakhstan and Kyrgyzstan there could be additional consequences from the SREB operation as these countries are members of the Eurasian Economic Union. The Joint Statement on Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects signed on May 8, 2015, has additional influence on Central Asian countries that are members of the EAEU. The article covers possible impact of cooperation between the EAEU and the SREB on Central Asian countries.

This study provides general information on the EAEU and the SREB, includes information on projects within the bilateral conjunction, with subtitles in cooperation of all EAEU and Central Asian countries in the framework of the SREB.

Eurasian Economic Union

The treaty on creation of the Eurasian Economic Union came into force on January 1, 2015. Actual members are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The EAEU introduces the free movement of goods, capital, services and people. There are common policies in macroeconomic sphere, transport, industry and agriculture, energy, foreign trade and investment, customs, technical regulation, competition and antitrust regulation.

Silk Road Economic Belt

The first proposal on creation of the SREB was made in September 2013, when the idea of connectivity with Europe via Central Asia with the purpose to increase trade between the Asia Pacific Region and Europe was declared.

Later, in October 2013 during the visit to Indonesia, President Xi Jinping put forward the idea of a «Maritime Silk Road of the Twenty First Century» (MSR). Taken together, the «Belt» and the «Road» initiatives reflect China's core strategy and policy orientation. Incidentally, in Chinese lexicon the two initiatives are referred to as the **Belt and the Road (BRI)**, or the **One Belt One Road (OBOR)**.¹

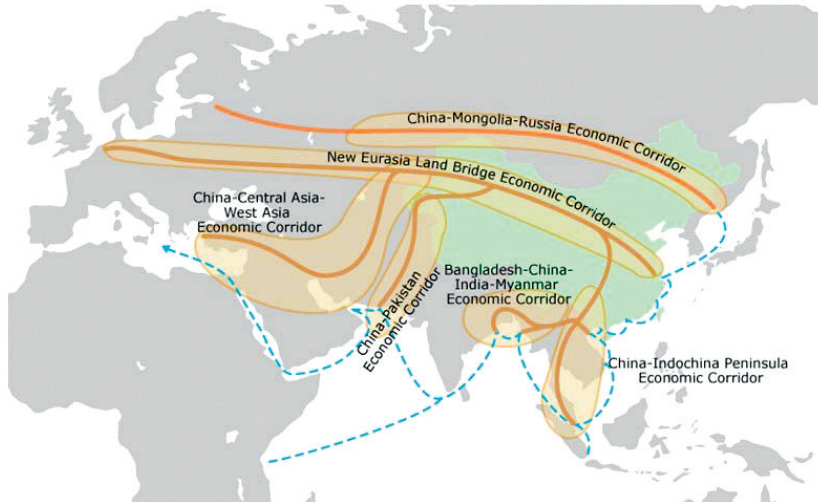
¹ J. Nirmala, K. Kamala. *China's Silk Road Economic Belt and the Central Asian Response*. Russian International Affairs Council. 2017. URL: <russiancouncil.ru/en/analytically-and-comments/analytically/china-s-silk-road-economic-belt-and-the-central-asian-response>.

The SREB is 8,400 km long originating in Xian and includes 3,400 km in China, 2,800 km in Kazakhstan and 2,200 km in Russia. This initiative is focused on economic cooperation and building cultural exchange. In the Chinese view, these are purely economic proposition and should not create any interference in affairs of the countries involved.¹

China aims at promotion of such cross-continental partnership in five areas: policy communication, road connectivity, unimpeded trade, money circulation, and cultural understanding.

The Belt and Road initiative is geographically structured along six corridors, and the Maritime Silk Road² as follows (see Fig. 1).

The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



Source: What to Know About China's Belt and Road Initiative Summit. Time. January 30, 2018.

The most interest is in those routes that come through territories of the EAEU and Central Asian countries: New Eurasian Land Bridge, China-Mongolia-Russia Corridor, and China-Central Asia-West Asia Corridor.

Funding sources for the BRI projects are the Asian Infrastructure Investment Bank (AIIB) with capital base of 100 billion U.S. dollars and the Silk Road Fund with the total capital of 54.5 billion U.S. dollars with capitalization increase possibility. AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond.³ Their mission statement sounds the following:

1 *Ibid.*

2 *What to Know About China's Belt and Road Initiative Summit. Time. January 30, 2018.*

3 *Asian Infrastructure Investment Bank. URL: <<https://www.aiib.org/en/about-aiib/index.html>>.*

«By investing in sustainable infrastructure and other productive sectors today, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.»

The Silk Road Fund is China's state-owned investment fund founded to foster investments in countries participating in the Belt and Road Initiative. The fund is capitalized mainly by China's foreign exchange reserves and is intended to be managed like China's sovereign wealth fund. Creation of the Asian Infrastructure Investment Bank and the Silk Road Foundation provides even more powerful and wider support for the Belt and Road Initiative. The bank will support the construction of infrastructure projects along the BRI, and the states participating in the project will establish close business and diplomatic relations.¹

Table 1

Main funding sources of BRI projects

Name	Size	Intended recipients	Focus	Funding source
Asian Infrastructure Investment Bank (AIIB)	Capital base is 100 bln USD	All regional member countries	Infrastructure	Member countries
Silk Road Fund	Total capital is 54.5 bln USD	Countries along BRI routes	Infrastructure, resource development, industrial cooperation	Mostly Chinese capital

Source: Compiled by the author.

EAEU and SREB Conjunction

Russia and China joined an agreement for greater cooperation between the EAEU and the SREB in May 2015. On October 1, 2017, in Hangzhou China's Commerce Minister Zhong Shan and the Eurasian Economic Commission (EEC) signed a **joint statement on finalizing the negotiations process on the trade-economic agreement** between the Eurasian Economic Union and China. The parties agreed to organize a binding legal adjustment of the documents to begin preparing them for signing in the shortest time possible.

On January 17, 2018, the Eurasian Economic Commission Collegium approved the draft Agreement on the exchange of information on goods and vehicles of international carriage moving across the customs borders of the EAEU and PRC.²

1 *Railway Infrastructure Upside Transit Potential*. 2016. URL: <<https://sk.kz/upload/iblock/d23/d23a0c84f62fb49326f88509caa04fae.PDF>>.

2 *Kollegiya YEEK odobrila proekt soglasheniya mezhdue YEAES i Kitayem*. International Information Agency Kazinform. 2017. URL: <http://www.inform.kz/ru/kollegiya-EEK-odobrila-proekt-soglasheniya-mezhdue-eaes-i-kitaem_a3124398>.

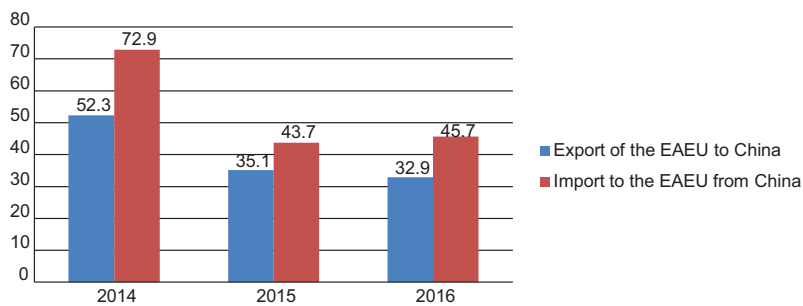
The agreement will speed up the clearance procedures for goods imported into the countries of the Union and China, as well as those transported by transit. The parties also plan to use the data to improve efficiency in the field of risk management and improving forms of customs control.

At the moment there are 39 priority infrastructure projects within the framework of EAEU-SREB coordination, in particular Armenia — 2, Belarus — 3, Kyrgyzstan and Russia — 12 each, and Kazakhstan — 10.

It should be noted that 20 projects from the list are related to the railway transport sector. The projects are at different stages of development and implementation, therefore, estimates of the possible amount of financing are conditional.

Trade turnover between the **Eurasian Economic Union** and **China** has been quite unstable due to the economic stagnation in the EAEU member countries, particularly Russia and Kazakhstan. At the same time, there is an asymmetry both in the relative weight of mutual trade and in the structure of mutual exports and imports. For instance, mineral raw materials, primarily fuel and energy, make up 73.3% of the EAEU exports. The main commodity groups of the EAEU imports from China are machinery and equipment (29.1%), textiles (17.5%) and non-precious metals (10.2%).

Figure 2.
Trade turnover between EAEU and China, bln USD



Source: UN COMTRADE.

Since 2007, exports to China has grown from 26.9 billion U.S. dollars to a maximum of 59.6 billion U.S. dollars in 2012 (share of exports to China in the total exports of the EAEU increased from 6.3% to 8.9%). In 2016 it amounted to 32.9 billion U.S. dollars (10.7%).

Since 2007, imports of goods to the EAEU from China increased from 39.9 billion U.S. dollars to 72.9 billion U.S. dollars in 2014 (the share of Chinese imports of the total imports of the EAEU rose from 15.0% to 19.1%). In 2016 it amounted to 45.7 billion U.S. dollars (22.7%).

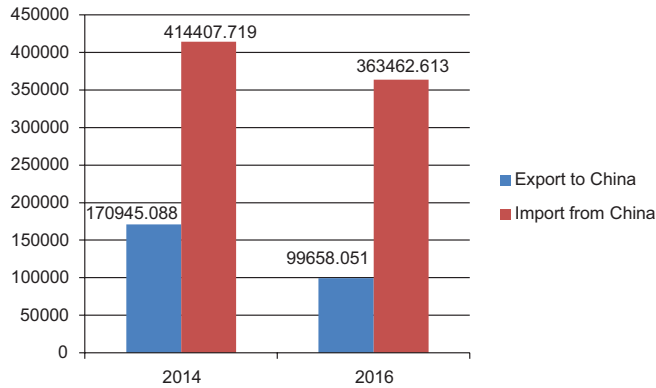
Despite the decrease in monetary terms, China's share in the trade turnover continues to increase, establishing the PRC as a key trading partner.

Armenia and China

Level of investment cooperation between **China** and **Armenia** is almost equal to zero.

Figure 3.

Trade of Armenia and China, thousand USD



Source: UN COMTRADE.

As it is seen from the Fig. 3, Armenia mostly imports from China than exports there (99,658,051 U.S. dollars was exports amount to China in 2016 while 363,462,613 U.S. dollars related to imports from China). Armenia exports minerals to China (copper ore — 85%, precious metal — 12%), and at the same time it imports Chinese machines, metals, instruments, chemical products and others.

The SREB could be a great chance for Armenia to connect with the world by using land border with Iran and linking the existing railroad system in Armenia with that of Iran. China's interest in the project designed to build a rail link between Armenia and Iran was announced by the head of the Department for Eurasian Affairs of the Chinese Civil Engineering Construction Corporation during the meeting with Armenia's Minister of Transport, Communications and Information Technology.¹

The agreement on the construction of the rail link was approved by Armenian and Iranian governments in 2009. In 2012, the Dubai-based Rasia FZE Investment Company was granted a 50-year concession by the Armenian government to build and manage the 305-kilometer railroad from Armenia to Iran, to be named the Southern Armenian Railway.

In 2013, Rasia FZE developed a feasibility study for the project, estimated to cost 3.5 billion U.S. dollars. The high cost is explained by mountainous terrain through which it is supposed to pass. Specifically, the 305-km-long railroad was to cross 64 bridges spanning 19.6 km and 60 tunnels extending over 102.3 kilometers.

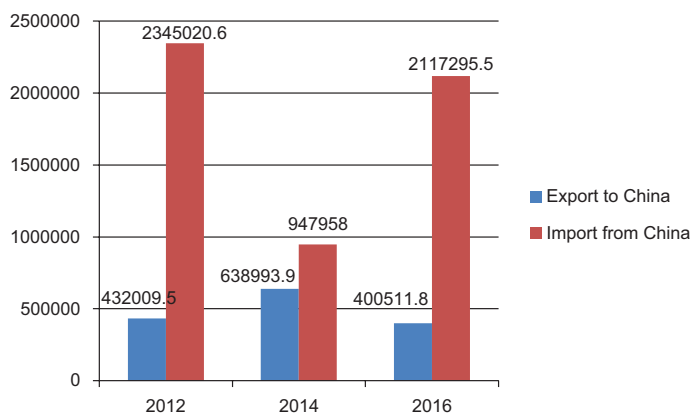
So, negotiations regarding the railway path are under discussions.

¹ *China Interested in Iran-Armenia Rail Project. Financial Tribune. 2017. URL: <<https://financialtribune.com/articles/economy-business-and-markets/83024/china-interested-in-iran-armenia-rail-project>>.*

Belarus and China

The same small level of investment cooperation takes place regarding **China** and **Belarus**.

Figure 4.
Trade of Belarus and China, thousand USD



Source: UN COMTRADE.

Imports of Chinese goods are extremely higher than exports of Belarusian commodities. Thus, the amount of exports to China was 400,511,800 U.S. dollars in 2016 and imports from China made up 2,117,295,500 U.S. dollars.

Belarus exports to China potassic fertilizers, polyamides, flax fibers; while it imports from China machines, transportation (e.g. planes, helicopters and/or space crafts), metals and chemical products. In the end of 2017, contracts for the supply of Belarusian dairy and meat products to China for 114 million U.S. dollars were signed. In 2017, there were deliveries of 15 million U.S. dollars, and 5 million U.S. dollars in 2016.¹

In 2017 Belarus signed an agreement on the expansion of container transport between China and Europe. Thus, 15 container trains run through the country nowadays.²

Belarus is aimed at building a section of the high-speed railway from the Polish border through Brest, Minsk and Orsha to Russia within the framework of the

1 *Rudyy: 2018 god dolzhen stat' proryvnyy v postavkakh belorusskoy pishchevoy produktsii na rynek Kitaya. Belarusian Telegraph Agency. 2018. URL: <<http://www.belta.by/economics/view/rudyy-2018-god-dolzhen-stat-proryvnyy-v-postavkah-belorusskoj-pischevoj-produktsii-na-rynok-kitaja-293090-2018>>.*

2 *Belarus' gotova stat' uzlovoj platformoy Ekonomicheskogo poyasa Shelkovogo puti — Makey. Belarusian Telegraph Agency. 2016. URL: <<http://www.belta.by/economics/view/belarus-gotova-stat-uzlovoj-platformoj-ekonomicheskogo-poyasa-shelkovogo-puti-makej-284128-2018>>.*

Berlin-Beijing project. Now there are negotiations with the Chinese corporation China Railway Construction Corporation Limited, which can act as a contractor.¹

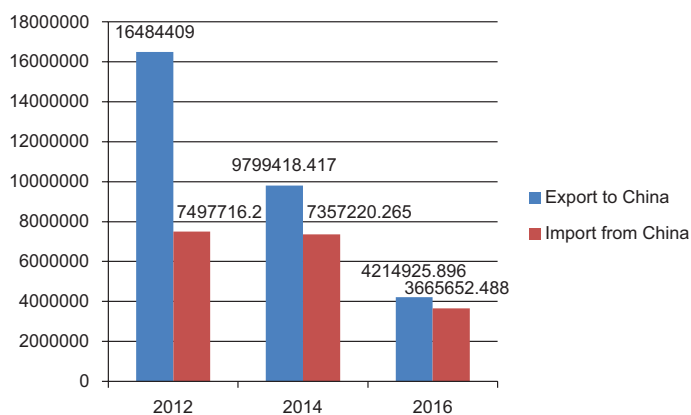
In 2014, the construction of the Chinese technological park has started near Minsk, Belarus. Belarus President, Alexander Lukashenko, described this park as a city of the future: eco-friendly, innovative and comfortable for work and life.

Initially, the park was conceived as a tax haven and a free customs zone, in which Chinese high-tech industries would be located — from microelectronics to bio and nanotechnology. However, to this moment the «Great Stone» performs more offshore zone tooled for China’s needs: visa-free entry for Chinese workers (Chinese companies do not hire Belarusian workers), exemption from income tax for ten years, exemption from payment of property tax and land tax for 50 years, exemption of goods from VAT and import duties, salaries from income tax etc.

Kazakhstan and China

Kazakhstan and China demonstrate excellent economic ties with bilateral trade totaling billions of U.S. dollars annually.

Figure 5.
Trade of Kazakhstan and China, thousand USD



Source: UN COMTRADE.

Exports of Kazakhstani goods to China are higher than imports from it although the total trade turnover with China has been decreasing during the last years. Exports to China were 16,484,409,000 U.S. dollars in 2012 and imports from there were 7,497,716,200 U.S. dollars, then in 2016 exports of Kazakh goods to China

1 E. Kudryavtseva. *Kak Kitay formiruyet transportnyu strategiyu kontinenta*. Gudok. 2015. URL: <<http://www.gudok.ru/newspaper/?ID=1376012&archive=2017.06.07%20>>.

dropped to 4,214,925,896 U.S. dollars and imports of Chinese goods amounted to 3,665,652,488 U.S. dollars. China imports metals, mineral and chemical products from Kazakhstan, at the same time it exports textile, machines, footwear and headwear, metals, animal hides and other products.

Within the SREB projects, Kazakhstan has great interest in their implementation although there are some concerns related to high dependence on Chinese investments. When Kazakh population heard about plans to transfer 51 Chinese enterprises to Kazakhstan's territory their reaction was full of fear and anger: there were rumors that «dirty» factories would be moved on the Kazakh territories and make damage to the local ecology.

In the framework of the EAEU and the SREB coordination, Kazakhstan has a specific state infrastructure development program called «Nurly Zhol» for 2015–2019 which allows to increase cargo turnover by 1.6 times and transit cargo transportation volume by two times to 2020.¹ Totally, the Program includes 11 projects of auto roads sphere, 3 projects in the sphere of railway transport and 1 project in the sphere of civil aviation.

In 2017, the joint direct investment fund «China-Kazakhstan Nurly Investment Fund» was created.² The target size of the Fund will amount to up to 300 million dollars. The geography of investments includes Kazakhstan (50%) and other countries (50%) covering the «One Belt — One Road» project, which consists of two plans: The New Silk Road and The 21st Century Silk Road. The funds are planned to be directed to the priority sectors of the economy, including to the development of high-tech, innovative and knowledge-intensive projects.

The top priorities for Kazakhstan are **rail and road transit corridors**, because the share of both types in transit is 90–95%. Transportation capacities not only expand bilateral trade volumes, but also provide opportunities to increase the **transit** of Chinese cargo into the EAEU and European countries.

The main project for Kazakhstan is the participation in the transcontinental corridor «**Western Europe-Western China**». The total length of the corridor is 8,445 km. In Kazakhstan it passes through five regions, namely Aktobe, Kyzylorda, South-Kazakhstan, Zhambyl and Almaty. Most of the Kazakhstani section has already been reconstructed and opened in the end of 2016.³

1 *Transport Infrastructure Development in the Frame of «Nurly Zhol» State Program. Ministry for Investments and Development, Republic of Kazakhstan. URL: <<http://mid.gov.kz/en/pages/transport-infrastructure-development-frame-nurly-zhol-state-program>>.*

2 *Kazakhstan, China to create joint direct investment fund. 2016. URL: <<http://strategy2050.kz/en/news/45648>>.*

3 *A. Gussarova, F. Aminjonov, Y. Khon. The Eurasian Economic Union and the Silk Road Economic Belt, Competition or Convergence? Implications for Central Asia. 2016. URL: <<http://library.fes.de/pdf-files/bueros/kasachstan/13620.pdf>>*

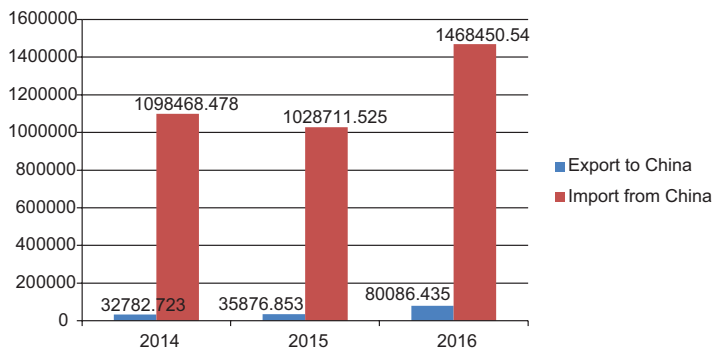
The highway «**Western Europe-Western China**» will significantly reduce the time of cargo transportation in comparison with the existing alternative corridors. The route from the Chinese port of Lianyungang to the EU will take about 10 days. According to experts this optimization will increase cargo transportation by 2.5 times by 2020 and the average annual total economic effect will amount to 33.9 billion tenge.¹ According to experts' estimates, by 2020 the cargo turnover on the Khorgos Gate which connects China and Kazakhstan through railway, road and oil pipeline will have reached 20 million tons per year, and by 2030 — up to 35 million tons.

While Kazakhstan is becoming a significant energy partner for China, at that time Kazakhstan has a strong interest in developing its potential as a transit route for Chinese goods to Europe.

Kyrgyzstan and China

China is the main trade and economic partner of the Kyrgyz Republic as well. Kyrgyzstan is a net importer of Chinese goods. Imports from China amounted to 1,468,450,540 U.S. dollars in 2016 while exports of Kyrgyz commodities were only 80,086,435 U.S. dollars.

Figure 6.
Trade of Kyrgyzstan and China, thousand USD



Source: Eurasian Economic Commission.

Kyrgyzstan exports minerals such as precious metal ore, coal briquettes, animal hides and vegetable products. At the same time, Kyrgyzstan imports textiles, footwear and headwear, machines, animal hides, metals, plastics and rubbers and other goods.

Within the Silk Road Economic Belt Initiative, Kyrgyzstan tries to utilize its transit potential and attract China's investment into its own transport infrastructure projects.

¹ The sum of 33.9 bln tenge is equivalent to 99,122,807 USD.

In terms of Kyrgyz-Chinese cooperation lots of debates are related to the **China-Kyrgyzstan-Uzbekistan railway line** which is being discussed since the beginning of the 2000s. Kyrgyzstan believes that the line could lead to direct revenues from transit activities and open access to new markets, including to Iran. The total length of the railway is estimated at 433 kilometers. The project requires 5 billion U.S. dollars and the construction is planned to last 8 years. It is expected that 12 million tons of cargo will be transported through the territory of Kyrgyzstan per year.¹

According to a feasibility study, the new railway will connect with the existing railroad crossing in Naryn and Jalal-Abad oblasts and leave Kyrgyzstan for Uzbekistan. The route through Kyrgyzstan will not be competitive with the one going through Kazakhstan's territory. Chinese authorities suggest that it reach the Kara-Suu district [Osh region]. But then it will go more than three thousand kilometers through the mountains. There is no infrastructure. The only advantage is money for transit. Therefore, Kyrgyzstan wants to make it pass through the settlement, and they evolved.

On the other hand, some experts question the potential benefits of building and operating the railroad. They emphasize that real income from transit, previously estimated at 200 million U.S. dollars, might actually be lower and the project will not even pay.

This is especially important considering that the Chinese share in Kyrgyzstan's foreign debt amounts to 38.4%. The total debt of the country equals 56.3% of the country's GDP.

Furthermore, it is planned to speed up implementation of the project for the construction of the Kyrgyzstan-China gas pipeline.² The cost of the project is 1.2 billion U.S. dollars. Construction is scheduled to begin in late 2019. The project implementation period is 3 years. The project envisages the construction of the fourth line of the main gas pipeline for the transportation of Turkmen gas through the territory of Uzbekistan, Tajikistan and Kyrgyzstan to China. The length of the territory of Kyrgyzstan will be about 215 km — from the checkpoint «Karamyk» on the border with Tajikistan to the checkpoint «IrkeshTam» on the border with China.

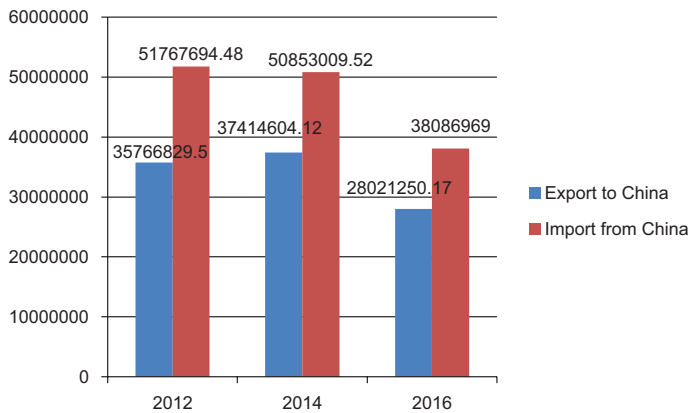
Russia and China

Russia and China are two big countries, and each of them has strong influence on their neighbors. One of the key areas of their mutual cooperation is fuel and energy sector.

1 A. Gussarova, F. Aminjonov, Y. Khon. *The Eurasian Economic Union and the Silk Road Economic Belt, Competition or Convergence? Implications for Central Asia*. 2016. URL: <http://library.fes.de/pdf-files/bueros/kasachstan/13620.pdf>.

2 *Kyrgyzstan i Kitay namereny provesti gazoprovod mezhdru stranami*. Azattyk Radio. 2017. URL: <https://rus.azattyk.org/a/28926026.html>.

Figure 7.
Trade of Russia and China, thousand USD



Source: UN COMTRADE.

Russia's exports to China are less than China's exports to Russia. Thus, imports of Chinese commodities were 38,086,968,999 U.S. dollars while exports of Russian goods were 28,021,250,166 U.S. dollars in 2016. China exports to Russia machines, textiles, animal hides, metals, footwear and headwear, transportation. Russia exports to China crude petroleum, sawn wood, raw nickel, non-fillet frozen fish, sulfate chemical wood pulp, etc.

Devaluation of ruble has made many Russian goods more competitive on Chinese market particularly — the question is in the development of central and eastern regions (production, logistics, etc.).

The share of agricultural and food products in the Russian-Chinese trade is 4.5% (2.9 billion U.S. dollars). In December 2015, the parties agreed on the opening of the Chinese market for Russian grain, which will increase the volume of trade. According to the Russian Grain Union, in 5 years Russia will be able to supply China with 3 million tons of grain (according to Rosselkhoz nadzor in 2015–2016, Russia practically did not supply wheat to the PRC).¹

Russia as well increases the capacity of its own corridors, including the Trans-Siberian railway, to attract a bigger amount of Chinese goods going west. In 2018, a new cargo railway route will be launched, which will connect the Yanbian-Korean Autonomous Region (Northeast China) with Europe.² Freight trains will start from Changchun city, the administrative center of Jilin Province, and continue through Khabarovsk to Europe via the Trans-Siberian Railway. Route operation

1 *Rossiysko-kitayskiye ekonomicheskiye otnosheniya*. Russian Information Agency. 2016. URL: <http://tass.ru/info/1956459>

2 *D. Verkhovtsev. Sopryazheniye Poyasa i puti i YEAEs: perspektivy infrastrukturykh projektov*. 2017. URL: <https://www.ritm Eurasia.org/news--2018-01-24--soprjazhenie-poyasa-i-puti-i-eaes-perspektivy-infrastrukturykh-proektov-34607>

in trial mode will be completed by March. Involvement in the project «Belt and Road» of the north-eastern provinces of the People's Republic of China dictated the use of the Trans-Siberian railway, for which there was no work in the economic corridor for a long time. Accordingly, there are financial prospects for its reconstruction.

To increase the carrying capacity of the Trans-Siberian Railway and the Baikal-Amur Mainline, Russian Railways has already begun modernization of the tracks on the route of Meget-Battery, Irkutsk-Sorting-Irkutsk-Passenger, Byronovka-Razgon, Golovinskaya-Kutulik, Tankhoy-Pereemnaya, Uda-Khingui. During 2017, the first stage of the reconstruction of Taishet stations, Novaya Chara, the technical re-equipment of several traction substations, the construction of the second track on the Sakukan-Sallikit stretch and the new Baikal tunnel in the Delbichinda-Daban section planned to be completed. In 2017, JSC Russian Railways planned to spend about 35.6 billion rubles to modernize the infrastructure of these highways.

The bridge across the Amur (Nizhneleninskoye-Tongjiang) which is under construction, will be part of the economic corridor between China, Russia, and Mongolia, and will also unite the network of railways of Northeast China with the Trans-Siberian Railway into a new international transport corridor. The financial operator of the project is the Russian-Chinese Investment Fund, established by the Russian Direct Investment Fund and China Investment Corporation.¹

Two investments funded from Silk Road Fund: **acquisition of 9.9% of shares in the NOVATEK project** for the production of liquefied natural gas «Yamal LNG» and the **purchase of 10% of the petrochemical holding «Sibur»**. Russian analysts claim that the Trans-Siberian is the easiest route for the SREB, arguing that the Central Asian routes are unprofitable and lacking prospects. There is a possibility for Far East to import goods from China and SEA and export raw materials, investment promotion to local production. There is increase of opportunities for transport, energy and financial interaction between Central Asia, Siberia and Far East.

Also, there is interest from Chinese investors in the construction of a high-speed railway from Moscow to Kazan on the condition that the rail line would be later expanded to Beijing. A memorandum of understanding has been signed. The original plan was that the rail line between Moscow and Beijing would pass through Yekaterinburg, Astana, Irkutsk, Ulan-Bator and Khabarovsk. Later, it was announced that from Astana the line would instead go through the Xinjiang Uygur Autonomous Region into Chinese territory, cutting travel time between Moscow and Beijing from six to two days. The approximate cost of this project will be 245 billion U.S. dollars. However, there are currently no actions regarding implementation of this project.

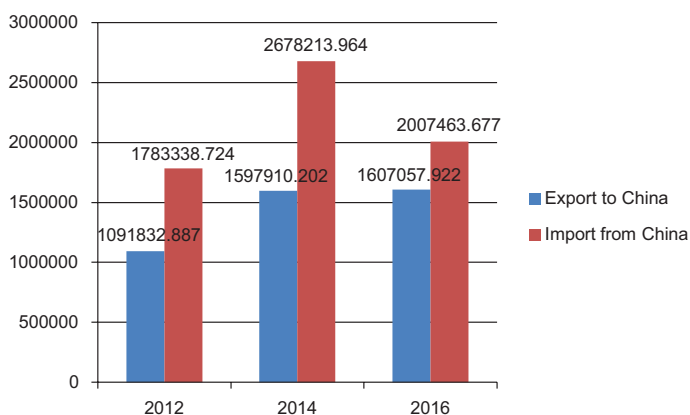
1 E. Kudryavtseva. *Kak Kitay formiruyet transportnyuyu strategiyu kontinenta*. Gudok. 2015. URL: <http://www.gudok.ru/newspaper/?ID=1376012&archive=2017.06.07%20>.

Uzbekistan and China

Uzbekistan and China closely cooperate in key sectors of their economies, and in the long term intend to bring the trade turnover to 20 billion U.S. dollars.¹

Export amount of Uzbek commodities to China is a little bit less than the amount of imports from China: 1,607,057,922 U.S. dollars versus 2,007,463,677 U.S. dollars in 2016.

Figure 8.
Trade of Uzbekistan and China, thousand USD



Source: UN COMTRADE.

China exports to Uzbekistan machines, metals, plastics and rubbers, textiles, chemical products, transportation and imports from Uzbekistan petroleum gas, non-retail pure cotton yarn, raw cotton, radioactive chemicals, ethylene polymers, refined copper.

Uzbekistan and China signed a Protocol on the expansion of mutually beneficial trade and economic cooperation within the framework of the construction of the «Silk Road Economic Belt» in mid-June 2015.

China heavily invests in transport projects in Uzbekistan. In 2016, the construction of an electrified railway which links the Fergana Valley with the main part of Uzbekistan was completed. The total cost of the Angren-Pap railway project was estimated at 1.68 billion U.S. dollars, of which over 1.08 billion is to be invested by Uzbekistan Temir Yollari, the Fund for Reconstruction and Development of Uzbekistan and the state budget. About 450 million U.S. dollars were provided

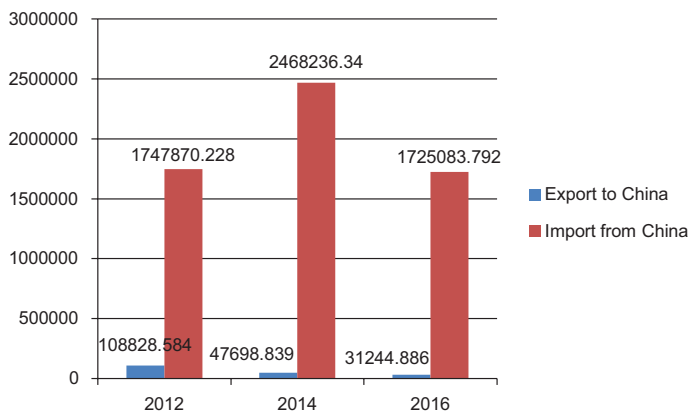
¹ *Uzbekistan i Kitay: vzaimodeystviye v politike, torgovle i kul'ture.* Sputnik. 2016. URL: <https://ru.sputniknews-uz.com/infographics/20170511/5382281/Uzbekistan-Kitai-sotrudnichestvo.html>.

by the Chinese «Eximbank» and 195 million U.S. dollars by the World Bank.¹ The new route may be used to include Uzbekistan into the global logistics network of China, if Beijing builds the China-Kyrgyzstan-Uzbekistan railway. If the project is implemented, the route through Uzbekistan will connect the Xinjiang Uyghur Autonomous Region with the countries of the Persian Gulf.

Tajikistan and China

China is now the main investor in **Tajikistan's** economy. Dushanbe's debts to Beijing exceeded 1 billion U.S. dollars which is a half of Tajikistan's foreign debts. These debts were mainly spent on infrastructure, in particular on the construction of roads and tunnels.

Figure 9.
Trade of Tajikistan and China, thousand USD



Source: UN COMTRADE.

The amount of Tajik exports to China is almost insignificant (31,244,886 U.S. dollars) comparing to the amount of imported Chinese commodities to Tajikistan at 1,725,083,792 U.S. dollars in 2016. Tajikistan exports mineral products, animal hides and textiles to China and imports textiles, machines, metals, footwear and headwear, transportation, plastics and rubbers and other commodities.

The priority of Chinese construction projects in the transport sector is the development of the Dushanbe-Kulma-Kashgar automobile corridor which should connect the main Tajik cities with the road system of northwestern China.

1 A. Gussarova, F. Aminjonov, Y. Khon. *The Eurasian Economic Union and the Silk Road Economic Belt, Competition or Convergence? Implications for Central Asia*. 2016. URL: <http://library.fes.de/pdf-files/bueros/kasachstan/13620.pdf>.

Tajikistan has only one railway line — through Uzbekistan — which connects the country with the post-Soviet space (which was closed since 2011). Dushanbe has repeatedly stated the need to build new railways, but has not yet managed to find investors to implement its plans.¹

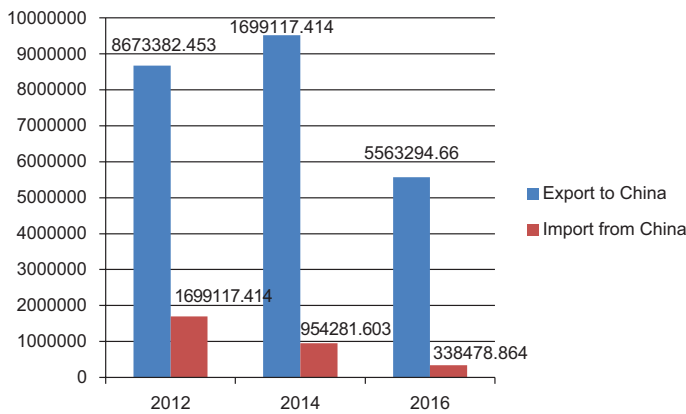
As well, there are concerns on negative effect on Chinese level of economic investments from local authorities. However, it is not a secret that Tajik authorities are concerned over joining the EAEU as well as it may negatively affect the level of Chinese economy. Tajikistan is expecting important investments from the EAEU, particularly in the hydropower and banking sector.

Turkmenistan and China

Together with Kazakhstan, Turkmenistan’s exports to China are higher than imports from it. Imported Chinese goods accounted for just 338,478,864 U.S. dollars in 2016 and exported goods amounted to 5,563,294,660 U.S. dollars.

Figure 10.

Trade of Turkmenistan and China, thousand USD



Source: UN COMTRADE.

However, China’s exports to Turkmenistan are diversified; that includes machines, metals and transportation, plastics and rubbers, textile, vegetables and food staff. At the same moment, 99% of total exports from Turkmenistan to China are related to petroleum gas.

Turkmenistan does not prioritize in its agenda to become a «key transit point» in the region. The China-Kazakhstan-Turkmenistan-Iran corridor is the main project. On January 28, 2016, the container train from Yiwu city in China to Tehran successfully crossed Kazakhstan and Turkmenistan. The trip took just 16 days

¹ *Ibid.*

which is twice as fast as the sea routes. This became possible with the Uzen-Bereket-Gorgan railway line which was opened in 2014.¹

Natural gas from Turkmenistan, Uzbekistan, and Kazakhstan reaches China through the Central Asia-China Gas Pipeline, actually a system of three (and soon four) pipelines. The system starts in the Turkmen-Uzbek border city of Gerdaim, runs through Uzbekistan and Kazakhstan, and crosses into China's Xinjiang province at the Chinese-Kazakh border near the town of Khorgos. The pipeline's length is 1,830 kilometers and its total capacity will increase.²

Challenges

Analysis of the economic cooperation among China, the EAEU members and Central Asian countries shows contradictory understanding of the SREB's strategic agenda. China prefers infrastructure projects to be undertaken by Chinese companies and Chinese workers, while local authorities intend to increase employment of local citizens.

The second and most important challenge is tracking gauges for railway projects. China prefers to use the European standard of 1,435 millimeters, while the track gauge on rail lines in the post-Soviet space is typically 1,520 millimeters.³ This is the main concern for Kyrgyzstan, as there are negotiations on which standard to use, because in case of using the Chinese standard the existing Kyrgyz railway system will be separated from the China-Kyrgyzstan-Uzbekistan route. At the same time, Kyrgyzstan does not have enough resources to construct the route from its own funds.

Although EEC's SREB related priorities are trade and technical regulation, investments and transport are not discussed. Also, there is still a slowdown of the EAEU and the SREB conjunction road map development.

Conclusion

Almost all countries excluding Kazakhstan and Turkmenistan demonstrate negative trade balance with China. This, in turn, is dangerous for many industries and

1 S. K. Dehghan. *China's Silk Road revival steams ahead as cargo train arrives in Iran*. *The Guardian*. 2016. URL: <https://www.theguardian.com/business/2016/feb/15/chinas-silk-road-revival-steams-ahead-as-cargo-train-arrives-in-iran>.

2 *Central Asia-China Gas Pipeline, Turkmenistan to China*. 2017. URL: <https://www.hydrocarbons-technology.com/projects/centralasiachinagasp>.

3 *Kandidat na post prem'yera S. Isakov nazval 2 punkta, voprosy po kotorym Kyrgyzstan ne reshil s Kitayem po proektu zheleznoy dorogi KNR-KR-RU*. *Tazabek*, 2017. URL: www.tazabek.kg/news:1401247/?f=cp.

agriculture, and enhances the competitiveness of Chinese goods on the markets of the Eurasian Economic Union and Central Asian countries.

The analysis of the Silk Road Economic Belt and the Eurasian Economic Union shows that the possibility of a «win-win» model in conjunction of these unions could be the case if interests of all participating countries are taken into account. Otherwise, talks about simultaneous development of all parties would be exaggerated.

The main tasks for the EAEU countries in the framework of cooperation with China on the initiative of the SREB are creation of conditions for better logistics in Central Asia, Siberia, the Urals, as well as development of new production and logistics niches with China and attracting investment in cross-border transport and logistics infrastructure projects.

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Евразийский Экономический союз и Экономический пояс Шелкового Пути: действительно ли это «беспроигрышное» для всех сотрудничество? (на примере Центральной Азии)²

В данной публикации анализируются возможности, которые появляются у стран Центральной Азии в связи с запуском со стороны Китая Экономического пояса Шелкового Пути (ЭППП). Как заявляет Китай, ЭППП создан не только для развития транспортной и логистической инфраструктуры и возможностей доставки китайских товаров в Европу, но также является проектом для всеобъемлющего развития центрально-азиатского региона.

Инициатива ЭППП провозглашена как беспроигрышная для всех стран, участвующих в этом мега-проекте, чьи важные функции, помимо создания возможностей внедрения в нее, включают открытость и недискриминацию. В данной работе проанализировано заявление о «беспроигрышном» варианте и оценены все последствия для стран Центральной Азии от участия в этой инициативе.

Для некоторых стран Центральной Азии, таких как Казахстан и Кыргызстан, могут быть дополнительные последствия от работы ЭППП, поскольку эти страны являются членами Евразийского экономического союза (ЕАЭС). Совместное заявление Российской Федерации и Китайской Народной Республики о сотрудничестве по подключению строительства Евразийского экономического союза и Экономического пояса Шелкового пути, подписанное 8 мая 2015 года, оказывает дополнительное влияние на страны Центральной Азии, которые представляют членство в ЕАЭС. В работе приведены возможные последствия для стран Центральной Азии от сотрудничества ЕАЭС и ЭППП.

Ключевые слова: ЕАЭС, ЭППП, беспроигрышное сотрудничество, сопряжение, Китай, Центральная Азия.

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