

Russia's Greater Eurasia and China's New Silk Road: adaptation instead of competition

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The argument that a crisis in Russian-Chinese relations is unavoidable has been repeatedly referred to by analysts since the 1990s. The reason for this crisis would be geopolitical competition between the two powers in Central Asia. In 2013, China's President Xi Jinping announced the concept of the New Silk Road (referred to by the Chinese side as 'One Belt, One Road'). At the same time, Moscow announced its efforts to build its own integration project in the form of the Eurasian Economic Union. These two developments seemed to confirm that the initial argument was correct and that the two projects were apparently fated to compete. Meanwhile, in May 2015, during President Xi Jinping's visit to Moscow, a joint declaration was issued calling for combining the two projects and creating a formal mechanism for their coordination in the form of a joint task force. The vision of "a great Eurasian partnership" announced by President Vladimir Putin during the International Economic Forum in St. Petersburg on 16–17 June 2016 – which he also referred to as the Greater Eurasia project – is a signal that Moscow has ultimately opted for the strategy of joining a stronger partner (bandwagoning) instead of choosing the strategy of counterbalancing the rising power of China. At the same time, Moscow is trying to conceal the growing asymmetry in Russian-Chinese relations.

The New Silk Road: the Chinese vision for Eurasia

The Chinese concept of the New Silk Road, which was presented for the first time by President Xi Jinping in the autumn of 2013, provides for a construction of infrastructural connections between China and Europe, mainly in China's neighbourhood. Specific components of the New Silk Road include: Central Asia (in the form of the Silk Road Economic Belt), South-Eastern and Southern Asia (in the form of the 21st century Maritime Silk Road) and Pakistan (in the form of the China-Pakistan Economic Corridor). The Chinese initiative also includes transit countries and regions on the way to Europe, i.e. Russia, Central and Eastern Europe, the Balkans, the South Caucasus, Turkey and the Middle East

region. More than 60 states have declared their participation in the project. The new concept is the outcome of the rising material potential of China, which has become evident especially after the global economic crisis in 2008–2009, of the growing confidence of Chinese elites and of the search by China's leader Xi Jinping for a unique formula for Chinese foreign policy.

The New Silk Road reflects the Chinese vision of the organisation of relationships in Eurasia as broadly understood. The most important elements of this vision include: openness to potential participants, efforts to limit potential trade barriers and neutralise closed regional economic cooperation formats, as well as attempts to devise an economic and development cooperation formula with smaller states which would be an alternative to the

American concept. At the same time, using the initiatives carried out under the New Silk Road, China is striving to exert durable influence on states located in its neighbourhood. This type of influence should be independent of potential domestic changes in these states.

The aim of the New Silk Road project is to facilitate China's economic expansion and to maintain the openness of external markets to Chinese trade and investments.

The New Silk Road remains a very broad concept, with a framework which has been institutionalised to only a small degree. So far, only mechanisms for funding the New Silk Road have been created. A unilateral (i.e. Chinese-only) New Silk Road Fund has been established, and a multilateral Asian Infrastructure Investment Bank (AIIB) created as an additional tool to fund projects under the New Silk Road initiative. As a consequence, it can be expected that the New Silk Road will serve the purposes of public diplomacy and create the impression that Chinese policy is multilateral. However, a major portion of China's activity will continue to be carried out within a flexible formula of bilateral relations. Under the initiative of building the New Silk Road, China is carrying out several investment projects, mainly in the field of transport infrastructure (railways in Central Asian states, seaports in South-East Asia) and energy infrastructure (power plants in Pakistan). Over the last three years, most loans granted by Chinese state-controlled banks have been allocated to participants in the New Silk Road project.

This formula of the New Silk Road reflects the functional understanding by Chinese elites of the question of influence. From Beijing's perspective, the initiative is intended to facilitate economic expansion and help keep external markets open to Chinese trade and investments. It is also expected to help bypass certain re-

gional initiatives such as the Russian-controlled Eurasian Economic Union, which could form a barrier to the Chinese economy, for example by establishing a customs union. In addition, this approach is a method of 'concealing' China's economic expansion and presenting it as a form of multilateralism and self-limiting of political ambitions which potential partners could view as excessive. At the same time, the New Silk Road remains a unilateral initiative, which so far has been shaped by the Chinese side, in contrast to initial announcements. Moreover, Beijing is showing no particular readiness to define the rules governing the New Silk Road's activities more clearly. Instead, it limits itself to issuing vague statements in which it refers to "mutually beneficial (win-win) cooperation". The vague nature of the principles on which the Chinese concept is based seems to suggest that Beijing is only slightly interested in official announcements by those states involved in the project, in which they declared that they would accept China's leading role in the initiative. Real economic benefits seem to matter much more. These mainly include maintaining the openness of external markets to China's economic expansion and enabling the export of production surplus and excess capital. For Beijing, the form in which its influence is exerted seems to be much less important than the content of such influence.

Russia's response: Greater Eurasia

Russia has interpreted the launch of the New Silk Road project as a declaration that China is intensifying its economic penetration of Central Asia¹. Since at least the end of the 1990s, Moscow has been observing China's rising economic influence in this region with concern. There were fears that Beijing might

¹ For more on China's economic penetration of Central Asia, see Aleksandra Jarosiewicz, Krzysztof Strachota, 'China vs. Central Asia. The achievements of the past two decades', *OSW Studies* no. 45 (2013), especially chart 1, p. 57.

want to use this influence to challenge Russia's status as a regional hegemon. Russia's economic integration projects, which it has been dynamically implementing since 2011 (the Customs Union, the Common Economic Space, the Eurasian Economic Union), were intended to stop this trend, among other things. This is why initially Moscow was reluctant to accept the new Chinese initiative².

The Greater Eurasia project is intended to conceal and legitimise the growing asymmetry in Russian-Chinese relations.

However, at a summit in Shanghai in May 2014, Russia and China issued a joint statement in which they declared their readiness to launch talks on synchronising their economic cooperation projects: the Eurasian Economic Union (EaEU) and the New Silk Road. At the 2015 summit a separate declaration on cooperation between the two initiatives was adopted. During this year's International Economic Forum in St. Petersburg (16–17 June), at the Shanghai Cooperation Organisation summit in Tashkent (24 June) and during his visit to China (25 June), President Vladimir Putin proposed a new vision of economic cooperation in Eurasia: a "great Eurasian partnership" which he also referred to as "Greater Eurasia". It would involve the creation of a network of bi- and multilateral trade agreements between the Eurasian Economic Union, China, member states of the Shanghai Cooperation Organisation and ASEAN, as well as the European Union. Initially, these agreements would involve the simplification and unification of regulations regarding cooperation in specific areas and in investments, as well as of technical, phytosanitary and customs regulations and regulations concerning intellectual property. Later, the agreements would involve

² See *Rossiysko-kitayskiy dialog: model 2016* (ed.) I.S. Ivanov, (Doklad RSMD, #25/2016), p. 41-42.

the lowering of tariffs, and ultimately the creation of a free trade zone³.

Above all, the new project is intended to create the impression that it is Moscow that is taking the initiative in Russian-Chinese relations, and thereby to conceal and legitimise the growing asymmetry in bilateral relations. Secondly, the idea of Greater Eurasia – similar to the previous idea of 'Greater Europe'⁴ – is intended to be a propaganda instrument to persuade Western Europe to develop cooperation with Russia on Russia's terms.

The origin of the project

The Greater Eurasia project was devised at a point when the Kremlin began to face fundamental challenges. Some of these challenges (including the halt of Russia's economic growth) came as a consequence of the global economic slowdown and the lack of domestic reforms. However, other challenges resulted from Russia's revisionist policy towards the West which it has pursued at least since 2007 (the significant speech by President Putin at the Munich security conference). Russia's attempt to expand the Eurasian project to include Ukraine, made as part of this policy, has led to a confrontation with the United States and with the European Union, and ultimately caused a limitation of Russia's access to Western loans and technologies. At the same time, the rising economic power of China has led to an asymmetry in Moscow's relations with Beijing, which began to become increasingly evident in 2015.

³ <http://www.kremlin.ru/events/president/news/50864>; <http://kremlin.ru/events/president/news/52178>

⁴ The concept of 'Greater Europe' was proposed by President Boris Yeltsin in 1996 and continued by President Vladimir Putin. It involved the creation of a geopolitical Russia–Europe bloc composed of two elements: the European Union and the bloc of Eastern European states dominated by Russia. The concept of Greater Europe also provided for the breaking of trans-Atlantic ties and creating a 'complementary' partnership between Russia and Europe, to enable Russia to gain access to Western European capital and technologies without the need to adopt European standards. See Marek Menkiszak, *Greater Europe. Putin's Vision of European (Dis)integration*, *OSW Studies*, no. 46, 2013.

Despite the Kremlin's disappointment at the insufficient scope of China's economic assistance offered to Russia when the latter became detached from Western financial markets due to its confrontation with its geopolitical opponent, Moscow was forced to make a series of major concessions. These included the export to China of armaments systems of a higher level of advancement than before, which potentially could change the balance of power in the Pacific region (S-400 air defence systems and Su-35 fighter jets); the opening of the Russian market to Chinese investments, including allowing Chinese companies to operate in the energy sector as co-owners of deposits⁵, and indirect support for the Chinese stance in the territorial dispute over the South China Sea⁶.

Focused on building economic influence, Beijing's policy limits the potential rivalry between Russia and China, and paves the way for harmonising the projects that both powers have devised for Eurasia.

The intellectual background of the Greater Eurasia project was formulated by a group of experts working, most probably on commission from the Russian government, under the aegis of the Valdai Club. The group's work was presided over by Sergei Karaganov and Timofey Bordachev. In a report prepared in April 2015,

entitled "Towards the great Ocean – 3. The creation of Central Eurasia"⁷, they called for "the transformation of Central Eurasia into a zone of joint development" by combining the Chinese New Silk Road initiative with the Russian project of Eurasian economic integration. The goal would be to avoid geopolitical rivalry between the two projects and to create a mechanism fostering Russian-Chinese interaction in Central Asia according to the rules of a "non-zero sum game". This type of interaction should be based on the shared interest of Moscow and Beijing in stabilising the Central Asian states and eliminating "political interference by non-regional [read: American] forces". The core of this structure should be the common creation of a transport infrastructure connecting China with European markets via Central Asia and Russia. The report contained a proposal for the states involved in the project to create a joint "high-level committee" on cooperation in the development of transport-logistics corridors and the implementation of development projects. The report contained recommendations regarding the launch of a 'Central Eurasia Dialogue' between the EaEU, China and the remaining states of the region to serve as a political umbrella protecting the project. In the further perspective, the authors of the report proposed "the creation of a community (or a union) of cooperation, stable growth and security for the whole of Eurasia, which would stretch not only to the East, but also to the western ends of Eurasia"⁸.

⁵ The process by which Chinese companies entered the Russian energy sector was rather lengthy. For example, in January 2014 the Chinese state-controlled company CNPC purchased 20% of shares in the Yamal LNG gas project, and in March 2016 it purchased an additional 9.9% of the shares. In December 2015, the Chinese company Sinopec purchased a 10% stock package in the Russian petrochemical company Sibur. In June 2016, the Russian regulator approved the sale of a 13.3% stock package in the company Noril'skiy Nikel to Chinese investors.

⁶ See the statement by Russia's Foreign Minister Sergei Lavrov on 12 April 2016; http://www.mid.ru/press_service/minister_speeches/-/asset_publisher/70vQR5K-JWVmR/content/id/2227965; and the joint declaration by the leaders of China and Russia (25 June 2016) <http://kremlin.ru/supplement/5100>.

⁷ http://iwep.kz/files/attachments/article/2015-04-21/doklad_sozdanie_evrazii_ekonomicheskij_poyas_shelkovogo_puti.pdf; http://russiancouncil.ru/inner/?id_4=5710#top-content

⁸ See K velikomu Okeanu - 3. Sozdaniye Tsentralnoy Yevrazii. Analiticheskiy doklad Mezhdunarodnogo Diskussionogo kluba "Valdai" (kratkaya versiya), p. 4, 12, 13, 20, 21. The report did not mention the term Greater Eurasia. It was used for the first time by Sergei Karaganov in the interview "Kitayskii veter duyet v nashy parusa" in *Rossiyskaya Gazeta*, 1 June 2016. In autumn 2015 it began to be used by Putin's close associates, for example Sergei Naryshkin and Igor Sechin, see W. Petrov, *Bolshaya Yevraziya*, *Rossiyskaya Gazeta*, 7 October 2015, M. Melnikov, *Rosneft' mechtayet sogret' Yevropu v obyatiyakh*, *Russkaya Planeta*, 23 October 2015, <http://rusplt.ru/world/rosneft-mechtaet-sogret-evropu-v-obyatiyah-19376.html>

An escape into the future

The new vision of geo-economic order proposed by the Kremlin is mainly intended to create the impression, albeit false, that Russia is the initiator of the new economic order which is emerging in Eurasia and that, due to its role as an essential intermediary in contacts with Asian markets, it can impose certain conditions of mutual cooperation on the European Union.

The concept of Greater Eurasia is a propaganda tool intended to persuade Western Europe to develop cooperation with Russia on Moscow's conditions.

At the same time, it serves as an ideological screen intended to conceal the Kremlin's acceptance of the growing asymmetry in Russia's relations with China. This asymmetry is becoming evident in both the economic and the political sphere. In a more practical dimension, the rhetoric of the Greater Eurasia concept is intended to conceal Moscow's *de facto* abandonment of its attempts to block China's economic expansion in Central Asia and Russia's consent to a condominium in the region.

Several fundamental assumptions which the Russian authorities (and President Putin himself) apply in their policy towards China provide an important background for the project devised by the Kremlin. Firstly, Russia cannot afford to become involved in an open conflict with China, because the cost of such a conflict would be immense. Secondly, for Russia the policy pursued by Washington poses a greater threat than the policy pursued by Beijing, and a possible *Pax Sinica* would be more suitable for Russia than a *Pax Americana*. From the point of view of the authorities in the Kremlin, the most important point is that, unlike Washington, Beijing does not intend to change the system of governance in Russia by way of a 'col-

our revolution' (of which the Kremlin has long suspected Washington). Moreover, Beijing has demonstrated its readiness to work out a geopolitical compromise in Central Asia, which would require China to combine its dominance in the sphere of the economy with respect for Russia's interests in the sphere of politics and security. Experts associated with the Kremlin seem to believe that the Chinese political tradition – unlike the Western one – “does not provide for expansion with the use of force and for basing [its foreign policy – WR] on hard power”⁹. These assumptions exclude the policy of geopolitical balancing in Russia's relations with China, although they do not exclude efforts to strengthen Russia's position versus China by way of diversifying the economic ties.

The project's target recipients

Beijing is the first target recipient of the Greater Eurasia project. The sense of Putin's offer to Beijing seems to be Russia's consent to cooperation with China in the implementation of Beijing's strategy involving economic expansion westward, albeit only on condition that China takes Russian interests into account. These interests mainly include maintaining the institutional coherence of the Eurasian project and postponing the question of liberalisation of trade in goods. The Russian offer also includes tacit approval for a Russian-Chinese condominium in Central Asia, which involves Russia's dominance in the sphere of politics and security and China's dominance in the sphere of the economy.

⁹ Strategiya dlya Rossii. Rossiyskaya vneshnaya politika: konets 2010-kh-nachalo 2020-kh godov (2016), p. 4. A policy document prepared under the supervision of Sergei Karaganov by a team of experts and diplomats similar to the one which prepared the report “K velikom Okeanu”. There are many more similar quotes. For example, the text prepared in 2010 under the supervision of another key expert associated with the Kremlin, Vyacheslav Nikonov, directly states: “It should however be understood that direct *diktat* and dominance are absent from the Chinese tradition”; Tikhookenskaya strategiya Rossii, p. 6. It is difficult to say whether these assessments are manifestations of ‘wishful thinking’ or ‘putting a brave face’.

Other target recipients of the project are the key EU states, mainly Germany, France and Italy. In this case, the vision of Greater Eurasia is to serve the same purpose which Moscow intended to achieve when promoting the Greater Europe project. This purpose involved Russia's 'temptation' of Western Europe with the prospect of economic cooperation with the East and peaceful coexistence with Russia, which will ultimately lead to Western Europe's 'emancipation' from the American strategic umbrella and the West's consent to asymmetric economic cooperation on Russia's terms. The vision of the Russian market, or even the post-Soviet market, proved insufficiently attractive to convince Western Europe to strike a geopolitical deal.

Moscow chose to adapt to China's growing influence in Central Asia rather than counterbalance it.

Therefore, Putin is now trying to achieve the same result by presenting the Europeans with a vision of Asian markets and suggesting that they could significantly increase their presence on these markets if they cooperated with Russia. On the other hand, this offer contains elements of blackmail which threatens Europe with economic and political marginalisation, should Europe decide not to take advantage of the benefits of Russian 'mediation'. From Russia's perspective, the offer it extended to Western Europe is an attempt to avoid Moscow's excessive economic dependence on China¹⁰.

Other target recipients of Putin's project are Asian states, as potential participants in the economic 'cooperation network'. The implied

sense of Putin's offer is to invite Asian partners – India, Iran, ASEAN, South Korea – to join the Russian strategy of making an ever-stronger China an element of an increasingly complex network of multilateral economic and political institutions which will limit Beijing's potential to use its advantage in bilateral relations.

The consequences for Russian-Chinese relations

Unlike Russia's Greater Eurasia project, China's New Silk Road is a manifestation of a drive towards globalisation, rather than the regionalisation of international politics. This approach has several consequences for Chinese-Russian relations. Firstly, China treats Russia, and potentially also the Eurasian Economic Union, as one of the corridors of the New Silk Road, one which offers the shortest route while at the same time being a unified customs area. Secondly, China aims to prevent the EaEU from becoming a barrier to China's economic presence in the post-Soviet area. This would be likely if the customs union provided for in the EaEU treaty were implemented and specific economic policies were grouped under one coordination mechanism. At the same time, China does not, at least for the time being, intend to assume political leadership in Eurasia and is ready to share the responsibility with other actors (except for the United States). This policy as pursued by Beijing limits the potential rivalry between Russia and China in the post-Soviet area, and paves the way for harmonising the projects that both China and Russia have devised for Eurasia.

The Russian vision of Greater Eurasia is not an attempt to block the Chinese New Silk Road project. On the contrary, the Russian project represents indirect consent to the Chinese vision of economic cooperation in Eurasia, one in which specific economic blocs do not pursue a protectionist and limited policy. At the same time, this vision enables the Kremlin to main-

¹⁰ The authors of the concept of Greater Eurasia directly state: "[Russia's] economic turn eastwards... is not tantamount to Russia turning its back on Europe in economic terms or swapping its unilateral dependence on European markets for an equally unilateral dependence on China". K velikomu Okeanu - 3., p. 4.

tain an appearance that it retains the political initiative in its neighbourhood and is shaping the policy together with Beijing.

For Beijing, the future framework of China's cooperation with the EaEU is not a matter of key importance. The EaEU's potential is not significant enough to make the lack of a free trade zone (which is what China officially supports)

a barrier to cooperation. Similarly, it should not be expected that China will strive to make the Shanghai Cooperation Organisation the main forum for coordinating cooperation between the New Silk Road and the EaEU, due to China's reluctant approach towards institutionalisation and the weak results of the economic cooperation achieved so far within this format.

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