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Integration Processes and State Interests in Eurasia

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Integration Processes and State Interests in Eurasia

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Edited by Jildiz Nicharapova and Sebastien Peyrouse

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Introduction: Central Asian States between Integration Processes, Foreign Actors' Influence, and the Quest for Autonomy

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Soon after independence in 1991, several post-Soviet states initiated new regional unions to alleviate the loss of funding that followed the collapse of the USSR and to reconstitute, although with revisions, some economic and security links between the former Soviet republics. Central Asian states took an active part in this process. Having signed the Alma-Ata agreement in December 1991, they were among the founding members of the Commonwealth of Independent States (CIS). Concomitantly, initiatives were launched to gain autonomy from the former Russian big brother. At the regional level, in 1993 the Central Asian states established the Central Asian Union (CAU), which would become the Central Asian Economic Union. The CAU aimed to promote economic integration between Kazakhstan, Kyrgyzstan, and Uzbekistan, and later Tajikistan, which joined the union in 1996. Outside the region, the Central Asian states initiated direct economic or security relations with new partners with which the Soviet regime had hitherto prevented them from interacting. Kazakhstan's president, Nursultan Nazarbayev, initiated the Conference on Interaction and Confidence-Building Measures in Asia (CICA), an intergovernmental forum to promote cooperation on peace, security, and stability in Asia and to foster an environment of confidence among member states. The CICA was joined by 20 states, including Afghanistan and all the Central Asian states except Turkmenistan. The Central Asian states also joined unions initiated by Middle Eastern or South Asian countries to forge new strategic synergies and develop new trade flows beyond the borders of the former USSR. All Central Asian states are members of the Economic Cooperation Organization (ECO), created by Iran, Pakistan, and Turkey in 1985 to promote economic, technological, and cultural cooperation, as well as provide support for drug abuse control and environmental protection.

Yet many of these initiatives failed or did not give rise to the hoped-for exchanges. Behind their rhetoric of openness and cooperation, several states have engaged in increasingly isolationist policies. Presidents and governments of the region have been reluctant to support supranational structures, fearing that their autonomy might be undermined by the re-emergence of the Russian "big brother" or the emergence of a new one—Turkish, Chinese, or otherwise. As explained by

Nartsiss Shukuralieva and Jildiz Nicharapova in their chapter, regional economic alliances have also been hampered by deteriorating relations between neighbors due to personal competition between leaders, underlying territorial or ethno-political conflicts, and growing competition to maintain foreign attention and investment, among other issues. Turkmenistan, in the name of a principle of neutrality adopted and recognized by the UN in 1995, has gradually withdrawn from most of its multilateral commitments, especially those related to the CIS.

Central Asian states' isolationism, combined with the regular deterioration of interstate relations, has impacted the regional geopolitical and economic balance, keeping Central Asian economies heavily geared towards major international trading partners. Yet in response to the limited success or even failure of the structures initiated, several states, especially Russia and Kazakhstan, have redoubled their efforts to mitigate the impact of isolationism on regional economic development and to respond to certain security emergencies such as the so-called Islamist threat from Afghanistan, an effective response to which would also have the effect of guaranteeing the autonomy of regional states. In 2000, Nazarbayev initiated the Eurasian Economic Community (EAEC), inspired by the European Union, to promote the creation of a joint economic space between member states and ensure free movement for its citizens. It was founded by five states—Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan—and joined in 2006 by Uzbekistan, although the latter suspended its participation in November 2008. Under Russia's leadership, some EAEC members decided to push for more integration. In July 2010, a Customs Union between three of the member states—Belarus, Russia, and Kazakhstan—came into force. The following year, the countries abolished customs controls on their common borders. A second phase of the integration project was inaugurated in January 2012 with the creation of the Common Economic Space (CES), which would become in 2015 the Eurasian Economic Union. Its mission is to develop an efficient common market in goods, services, capital, and manpower; to conduct coordinated tax, monetary and credit, currency and finance, trade, customs, and tariff policies; to develop unified transport, energy, and information systems; and to create a unified system of measures for state support in developing priority branches of the economy and cooperation in production, science, and technology.

Concerned about the gradual decline of the armies and defense systems of its Near Abroad, Russia has pushed for more strategic integration. In 1992, it founded the CIS Security Treaty, which would become in 2002 the Collective Security Treaty Organization (CSTO), the main security structure in the region. The organization currently has six members: Russia, Belarus, Kazakhstan, Armenia, Tajikistan, and Kyrgyzstan. (Uzbekistan, a former member, withdrew from the CSTO in

June 2012.) It aims to guarantee the regional collective security and territorial integrity of its member states, provide military aid in the event of aggression against one of its members, help in the fight against terrorism, and mitigate against the proliferation of weapons of mass destruction and cross-border criminality. The Kremlin's goal has been to transform the CSTO into a force on a par with NATO, so that it can speak to the latter as an equal and oblige the Central Asian regimes to go through Moscow before engaging in any common military initiatives with the West.

While the unions initiated by the new southern partners had mixed success, a new player, China, quickly emerged on the Central Asian scene. It developed strong economic relations with the Central Asian states thanks to the new conditions of independence and its own economic development. Beijing has established itself by strengthening its bilateral ties with each country in the region as well as by launching integration initiatives in the region. In 1996, it created—with Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—the Shanghai Group, which would become the Shanghai Cooperation Organization (SCO) in 2001. The SCO aimed at settling border disputes between China and its post-Soviet neighbors inherited from the Soviet era; strengthening mutual confidence and good-neighborly relations among member states; making joint efforts to maintain and ensure peace, security, and stability in the region; and promoting effective cooperation in politics, trade and economy, science and technology, culture, education, energy, transportation, tourism, and environmental protection. While striving to make the SCO the regional security nexus, China has also sought to give a more economic dimension to the organization by creating a huge free market with its member states. China's ambition to enhance regional economic integration has mostly materialized through the Belt and Road Initiative (BRI), announced by Xi Jinping at Nazarbayev University in Astana in 2013. Drawing on $40 billion in investment, an amount not seen since the Marshall Plan, the BRI aims to develop regional cooperation and connectivity on a trans-continental scale, with a vast network of railways, highways, and energy pipelines, as well as eased and modernized border crossings, across all the Central Asian states.

Regional Integration under the Thumb of China and Russia

Nearly thirty years after the fall of the USSR, despite the development of trade relations with countries such as Turkey and Iran, Central Asia's purported "return" to the Muslim world must be relativized. In the domains of politics, geopolitics, economics, and culture, the persistence of a Russo-Soviet framework of thought remains rather striking. Moreover, in the period since independence, Beijing has become one of the Central Asian countries' main partners. It positions itself as the second most influential external actor in the region and surpasses Russia in economic terms. The main structures of Central Asian regional integration have been dominated by Russia (CSTO, EEU), by China (BRI), or by both (SCO). These organizations have enabled the Central Asian states to establish a common discourse with their two main "parents," particularly in the security sector. There are several reasons for this cooperation between Central Asia's two large neighbors—and Central Asia's acceptance thereof.

First, Russia and China have similar geopolitical objectives in Central Asia. Both reject the notion that the West ought to have any right to oversee Eurasian space. Hence, they have supported Central Asian governments' growing anti-Western arguments. Since the 2000s, they have increasingly criticized the West's constant reproaches about democratization, civil society, good governance, and human rights. This triangular cooperation intensified after the "color revolutions" in Georgia, Ukraine, and Kyrgyzstan in the 2000s and the Arab Springs in the 2010s. Understanding that they faced the same kind of danger, Central Asian presidents sought the support of forces that would enable them to hold onto power. In this context, they have all fallen in line behind Vladimir Putin and Hu Jintao/ Xi Jinping, echoing the Russian and Chinese leaders' accusations of unacceptable Western interference and arguing that strong regimes are needed to avoid Islamist destabilization.

Second, both Moscow and Beijing desire stability on their borders. They are concerned about the ability of Central Asian states to withstand destabilization (whether from civil war, popular uprising, or palace revolution); they also consider the region the main transit zone for drug trafficking from Afghanistan. They have therefore coordinated their regional surveillance activities through measures designed to control military aid to the five states, to shape their chief security policies, and to give the regimes political support. This political rapprochement between Russia, China, and Central Asia has been facilitated by the common struggle against the Islamist threat. Both Moscow and Beijing established themselves in the region chiefly on account of their will to fight against the Islamist movements.

Regional organizations have also established a common discourse on the threats allegedly facing the states of the region, first and foremost Islamism. The CSTO is an essential source of military equipment and guarantees security for states like Tajikistan that border Afghanistan and are concerned about the reemergence of the Taliban or other violent extremist forces but have no capacity to guarantee their own border security. Since 2000, a series of multilateral security initiatives have been launched in the framework of the CSTO, which holds trainings and joint military exercises to simulate terrorist attacks or to fight against drug trafficking.

Third, the SCO has worked to attenuate old historical tensions between the Russian and Chinese spheres of influence, establishing mechanisms of cooperation and enabling the states of the former USSR to become more familiar with their Chinese neighbor. The multilateral dimension of the SCO has also enabled the Central Asian states to balance relations with their big neighbor, whose economic and strategic power is of growing concern in the region.

Potential Russian / Chinese Competition at the Expense of Central Asian States?

Russia and China's dominant role in Central Asia, combined with the prominence of the organizations they dominate, has raised many questions about the impact of their potential competition on the economic development, political autonomy, and strategic room for maneuver of Central Asian states.

At least at first glance, Moscow and Beijing appear to have separate spheres of influence in the region. For its part, Russia has been striving for a military and strategic return to Central Asia. Since independence, the five states have been politically incapable of developing military cooperation among themselves. Their armies are badly trained, they lack quality equipment and materials, their operations are undermined by corruption, and their mediocre living conditions mean that military personnel are small in number and unmotivated. Thus, Russia has managed without much difficulty to remain their principal military partner. In most Central Asian countries, Russia has military bases, rents strategic sites, or participates in joint military exercises. Moreover, it continues to train the majority of Central Asia's military cadres and remains the five states' primary partner with respect to purchases of military equipment.

At the level of security cooperation, China is far behind Russia. Its military aid to Central Asia remains very limited. Moreover, the Shanghai Cooperation Organization (SCO) is the only multilateral tool that China has at its disposal to influence the geopolitical positioning and military stances of the Central Asian states. It has no clearly defined common objectives. While this organization has been important in defusing potential border conflicts, unlike the CSTO, it has no solidly constituted military structure, does not present itself as a military defense alliance analogous to NATO, and has not tried to form multilateral military or police units. At the strategic level, the SCO's activities are numerous but mostly declaratory. The absence of coordination between member states is patently obvious, the willingness to exchange information limited, the financial means far too few. Moreover, the Central Asian governments are concerned about infiltration by the Chinese secret services and the negative popular reactions that would arise from any Chinese involvement in the local military sector. Beijing has thus had difficulty transforming the SCO into a security-oriented organization like the CSTO. This does not seem to be problematic, however: Beijing appears quite satisfied to leave Moscow in charge of the main security questions, which are difficult and costly.

Instead, China has taken the lead on economic investments in Central Asia, as evidenced by its activities within the framework of OBOR. Yet, as observed by S. Andrew K.T. Lo and Piotr Dutkiewicz, "such a 'minimalist' approach to Chinese security within the EAEU may not be sustainable in the medium and long term; China may have to take a more active and direct role." An evolution in this direction has already been observed with the organization of common military exercises in October 2016 and the formation of a strategic partnership between China and Tajikistan in 2017; the former is increasingly worried about the risks of destabilization faced by the latter due to a growing Islamist threat from Afghanistan and Tajikistan's lack of capacity to respond to it.

Even more questions are surfacing on the economic integration of the region, on the impact of the obvious dominance of China and Russia in the region's trade relations, and on the regional organizations and initiatives that are promoting this integration.

Russian-Central Asian trade grew quickly in the 2000s, reaching more than US$21 billion before falling to $US14 billion in 2010 as a result of the global financial crisis. As of 2017, it stood at almost US$20 billion, positioning Russia as the region's third-largest trading partner behind China and the EU. Russia has played a structuring role in the development of the Central Asian hydrocarbon market. In addition to oil and gas, its trade with Central Asia involves other important sectors: uranium, electricity, hydroelectricity, construction, telecommunications, transport and railways (but not the automobile market), banks, and certain agribusiness sectors. Strong economic relations with Central Asia seem to have provided Russia with a single path to achieving its multiple objectives: first, to maintain political influence over the Central Asian regimes by controlling resources; second, to continue to collect considerable transit revenues from these landlocked countries; third, to slow down the emergence of competing export routes.

By creating a common market of 160 million people and promoting an integrated economic space, the EEU has been an essential tool for updating the Soviet legacy. Through this union, the Kremlin has been openly mulling creating some supranational mechanisms—mainly in the economic and financial domains, but also potentially in the strategic sector—that would guarantee an integrative dynamic between Russia and Kazakhstan, Belarus, Kyrgyzstan, Armenia, and potentially Tajikistan, which is currently under pressure from Putin to join the union. Yet the EAEU has raised debates. Both through bilateral relations and within the EAEU, Russia has increased the export of Central Asian resources while reducing regional trade between the five states. The union also risks reinforcing Central Asia's role as an exporter of primary resources by neglecting to develop local hydrocarbon refining capacity and manufacturing, making it a risky proposition for Central Asia in the long term.

Growing Chinese influence, meanwhile, has profoundly changed the economic status quo in Central Asia. As in other regions where Beijing is establishing itself, its strategies respond to many objectives that are seen by the Chinese authorities as intrinsically related. First, China consolidates its geopolitical influence in Central Asia by creating economically-based good-neighborly relations that work to diffuse potential tensions. Second, it contributes to regional development in order to avoid political and social destabilization, which could have domestic consequences in Xinjiang and slow down Chinese economic growth. Third, the Central Asian states provide new markets for Chinese products, markets that could open up to the whole of Russia, Iran, and Turkey. For landlocked Central Asia, the Chinese economic engine opens up the prospect of new trans-Eurasian corridors and is thus seen as a unique historical opportunity.

However, China's attempts since the first half of the 2010s to broaden the SCO's competencies in the economic domain and to create a common market, a project through which it saw an opportunity to develop Xinjiang and its economic influence in Central Asia, have revealed diverging and even contradictory interests. In light of the growth differential, Russia and the Central Asian states are all fearful of becoming Chinese economic protectorates. They have underscored the differences in economic levels between the states, arguing that a free-trade zone is only possible between countries with similar rhythms of development. In a post-Soviet space where the industrial sector has yet to recover following the USSR's collapse, the existing enterprises are unable to match either the efficiency or the profitability of their Chinese competitors.

The Belt and Road Initiative confirms that China is on the economic offensive vis-à-vis the rest of the Eurasian region and underlines China's desire to increase its influence in Central Asia and worldwide. The BRI is supposed to ease the movement of goods, services, and people, and to integrate the region into a cohesive economic area by building infrastructure and developing trade exchanges. This huge Chinese investment increases the risk of trade imbalances between China and the Central Asian states, and also raises questions about a possible growing rivalry between Beijing and Moscow.

For a long time, China and Russia were not in competition with one another, since each had its own sphere of activity. Russia can reap some benefits from OBOR. As mentioned by S. Andrew K.T. Lo and Piotr Dutkiewicz, "Within the EAEU, Russia is the main promoter of OBOR, since it provides potentially crucial infrastructural support for the EAEU, which Russia lacks the financial and technical capacity to do. By securing capital from China on behalf of the EAEU, Russia bolsters its own legitimacy as the regional broker, as well as strengthening the EAEU's economic viability." Yet this situation has evolved. Both are trying to reinforce their political leverage over weak Central Asian states pragmatically through their growing economic presence. Such a strategy is made easier by the two countries' large, state-run energy companies, which function as instruments of official political interests. Although Russia was more present in Central Asia than China during the 2000s, this dominance has been reversed in the 2010s. This therefore raises questions as to whether Russia and China can coexist cooperatively in Central Asia and to what extent China's longer-term strategy is inimical to Russian interests.

The Great Game is Over

Yet despite the dominant role of China and Russia and the many questions raised by integration processes, it would be wrong to see the Central Asian states as mere victims of foreign powers—or pawns in a new Great Game, as some observers have described them. First, there is no longer a binary opposition between two major powers in Central Asia as there once was between St. Petersburg and London: there are many actors—from the Middle East (Iran or Turkey), South Asia (India and Pakistan), or East Asia (South Korea, Japan)—and therefore many potential games of negotiation, cooperation, and competition. In addition, and more importantly, Central Asian states are autonomous actors that, despite having limited room for maneuver vis-à-vis the big powers, are more or less independent in their foreign policy decisions. The regional states have also progressively differentiated themselves since independence in terms of their approaches to domestic and foreign policy; no longer are they an aggregate of political entities or clans, as they were in the nineteenth century. Second, Central Asia is not, as it was in the nineteenth century, a region of conflict between great powers, but a space of negotiations, alliances, and complementary approaches, between actors in general and between China and Russia in particular.

Central Asian states' assertiveness is evidenced by their desire to create their own structures, which they believe will guarantee them increased autonomy and mitigate against Russian and Chinese influence that some people judge cumbersome. This has been facilitated by Uzbekistan's turn away from isolationism and increasing openness to cooperation. In an address at the UN General Assembly in 2018, Uzbek President Shavkat Mirziyoyev officially made Central Asia the priority of Uzbekistan's foreign policy and suggested creating a new regional union. This new context should not, however, make us blind to local governments' persistent wariness about initiating structures that, at a time of rising nationalism, could be interpreted by local populations as leading to the loss of economic or political autonomy. This has raised debates about existing organizations and possible new regional organizations specific to Central Asia, and about the models on which these integration processes could draw. As mentioned by Kairat Moldashev and Ikboljon Qoraboyev, soft institutionalism might be more appropriate than hard institutionalism, which could result in ink-on-paper initiatives. An integration model inspired by ASEAN, for example, might "lead to the strengthening of collaboration without renegotiating existing commitments, while also avoiding unnecessary institutional burdens."

Integration processes and state interests in Eurasia therefore raise many issues, which are addressed by the contributors to this volume. This publication is the final product of an international conference that was held at the American University of Central Asia in June 2018. The conference aimed to provide a platform for expert and academic discussion of issues raised by the multitude of international initiatives that have sprung up in the Eurasian region in recent years. Structural questions related to why these institutions were created and what their main goals are; policy questions included whether there was a need for these organizations, what areas of common interest they might have, and what potential they have to increase cooperation in certain sectors. Looking at the regional level, participants explored what roles the Central Asian states could or should play in these institutions.

This scientific conference brought together scholars from the USA, Europe, Russia, and several Central Asian states. Representatives of local public organizations, non-governmental organizations, higher education institutions, think tanks, research centers, and other interested organizations and individuals were invited to participate.

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Chapter 1. Uneasy Development Options for Central Asia

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In the mid-2010s, Central Asia was faced with a choice between three development projects: Russian-Kazakh (regional development center); American (connection to non-Russian transport corridors); and Chinese (transformation of the region into an area that Chinese goods could transit by land en route to Europe and the Middle East).

By late 2014-early 2015, it had become clear that Central Asian countries could not—or rather did not want to—have to choose, even after joining the Eurasian Economic Union (EAEU), in the cases of Kazakhstan and Kyrgyzstan. The United States was the first to detect this sentiment. In the fall of 2014, U.S. diplomats invited their Chinese counterparts to discuss the possibility of coordination between the New Silk Road (NSR) initiative and the Silk Road Economic Belt (SREB) project. In March 2015, senior U.S. diplomats openly stated that they were positive toward the SREB (but negative toward the EAEU) and were confident that SREB and NSR were fully complementary, thus making explicit a position that had existed unofficially since the end of 2013.

In the spring of 2015, Russia likewise made a proposal to China, suggesting that SREB be integrated with the EAEU. On May 8 of that year, Xi Jinping signed a declaration in Moscow to that effect. A few days later, a U.S. delegation led by Richard Hoagland, Deputy Assistant Secretary of State for South and Central Asian Affairs, arrived in Beijing. Once again, the Americans proposed coordinating NSR and SREB. Perhaps intentionally, the delegation was received at a low level. This left China in the position of being able to choose between integrating its SREB with either the Russian-led EAEU or the American NSR project. Yet although the Sino-Russian negotiations have taken place on a higher level, the pace of coordination has been slow in both cases.

That raises the question: Which of the three projects could most easily be integrated with another? Or, considering that NSR-EAEU integration does not seem to be on the agenda of any of the parties, which project—Russian or American—could better be integrated with the SREB?

Interestingly, for all the difference between the U.S. Greater Central Asia/New Silk Road initiatives and China's SREB, they have something in common. Both the Americans and the Chinese rely, albeit for different reasons, on globalization. The U.S. wanted to give Central Asia access to the global market (and it still speaks about this, though without its former enthusiasm). China wants to remain integrated into the global economy and maintain its former model for as long as possible. For this, it needs access to Europe and the Middle East via Central Asia. Some U.S. analysts even write that China's plans are exactly what the United States wanted to do but never did.

Russia's integration project has a different priority—the creation of a coherent regional economic group. This goal requires establishing an economic association without internal barriers to the movement of goods, services, capital, and labor. But this is only possible to the extent that such an association's common external borders are strengthened.

Meanwhile, the similar motives underlying the U.S. and Chinese Silk Road projects may prove to work against their integration. Why would China need a U.S. analogue to its own project? The U.S. believes that the Chinese can create physical infrastructure ("hardware") while the Americans can draw on their extensive experience in establishing trade regimes to offer "software." However, China may see Washington as proposing that the two countries jointly manage infrastructure built with Chinese money, a dynamic that Beijing will hardly accept unless it brings additional benefits (for example, those related to regional security).

In contrast, the integration of the Russian and Chinese projects may make sense for both countries. There are great prospects not in uniting the two projects but in their coordinated and parallel implementation. The Eurasian Economic Union will offer China reliable and safe transit in the directions it needs, while Beijing will help develop the EAEU not as a periphery of the Chinese economic system but as an independent development center. Such an approach would also be in the interests of the Central Asian countries.

For their part, Central Asian elites would like to strike a balance between regionalism and globalism. The Central Asian republics do not want to see themselves isolated in Eurasia, far from the main trade routes. But nor do they need complete openness. In absolute terms, the region's contribution to the global economic system is very small. If all barriers were lifted, Central Asian countries might lose their economic sovereignty, becoming a space for land transit and large infrastructure and energy projects that would serve the economic interests of elites while doing little for the bulk of the population.

To maintain its long-term social stability, the region needs extensive economic development, including re-industrialization, to create jobs. Objectively, this can be achieved through both globalization and regionalization, and it is important to find a safe balance between them. Theoretically, China and Russia have the best chances of finding and maintaining this balance.

Efforts to resolve this practical problem will be made in parallel with scientific discussions of the relationship between globalization and regionalization trends in the contemporary world.

The aforementioned considerations are further complicated by shifting global trends. Representatives of different schools describe global changes taking place in the areas of information and technology in different ways: the Third Industrial Revolution (Jeremy Rifkin), new technological order (Sergei Glaz'ev), and even the "new reality." But these various terms have very similar meanings. Breakthrough technologies are replacing traditional production methods. The extrapolation of ongoing processes to the future brings scientists and entrepreneurs to the conclusion that many sectors of the economy will soon undergo transformation and that the geography and methods of production will change, along with value-added distribution among manufacturers. These changes will upset the balance between developed and developing countries.

It is expected that production will become less energy-intensive, as it will need less oil and gas; less resource-intensive, as the demand for industrial metals will decrease; and less labor-intensive, as less cheap labor will be used. All these factors may boost the emerging tendency to relocate production from developing countries back to the developed world. The role of countries that currently occupy industrial and resource niches will diminish, while that of countries with technological specializations will grow.

The question of how new technologies will change international politics and the world order remains open. Perhaps the globalization tendency will prevail, with the role of national governments declining and developed regions in various parts of the world becoming actors of globalization. At the dawn of globalization, Jacques Attali, in his book *Millennium: Winners and Losers in the Coming Order,* described a future world in which development centers (megacities) are integrated into a global system and where global elites lead a nomadic life, moving freely between development centers. Megacities are divided by vast spaces controlled by new barbarians, who are denied access to the new modernity and have to live outside civilization. Now, at a new stage of technological development, which holds promise for change, this line of thought is gaining momentum again. The terms are somewhat different, but the essence is the same. Some scholars predict the emergence of "valleys" (territories at the cutting edge of elaboration and use of new technologies) surrounded by "belts"—"a green belt" (less developed than "valleys" but friendly and living in symbiosis with them), "a yellow belt" (still less developed and living in a kind of symbiosis with the "green belt"), and "a red belt" (undeveloped and unstable).

Many questions remain unanswered. Will there be a rivalry between "valleys"? What forms might this take and what means might it use? Why should the less developed "belts" accept their status and not try to attack "valleys?" How will the entire system be governed, if boundaries between "valleys" and "belts" do not coincide with the present national borders?

In the longer term, attempts may be made to build a "new world" based on other technologies (and concomitant value and worldview paradigms), but in the foreseeable future, the role of governments (acting individually or in coalition) will remain high. Actors of the "new reality" will cooperate with the governments of developed countries, which have well-established elites, rather than isolating themselves in their "valleys" and building a parallel world, at least for the time being.

Under conditions of growing instability, the role of governments that can provide a safe environment for business will increase rather than decrease. Moreover, they will play a growing role in controlling the spread of advanced technologies and, in cooperation with businesses, preventing industrial espionage. This rivalry will cause the emergence of several competing centers—which, in combination with other factors, may encourage a move toward regionalization.

The global economic model of recent decades was based on global value chains (GVC) in which end products were produced in stages that took them all over the globe. In this model, developing countries attracted production from developed countries, which stimulated economic globalization. In the "new reality," at least in the early stages, globalization is not very necessary. Production is concentrated in countries and regions with a highly qualified workforce, which is consistently reproduced in those same developed countries. New "evolutionary spirals" will develop in which progress or demand in one segment will boost development in another. Only a few states have "evolutionary spiral" systems, and only they will be able to create new technological areas of regional scale, especially at first.

The purchasing power and capacity of markets will also contribute to regionalization in the "new reality." Since only developed countries can create technological and educational bases for the "new reality," they will also provide markets, as their populations have the required purchasing power. According to the Boston Consulting Group, "one implication is that global manufacturing could become increasingly regional. Because relatively low-cost manufacturing centers exist in all regions of the world, more goods consumed in Asia, Europe, and the Americas will be made closer to home." The process of relocating production and technologies previously moved to developing countries back to the developed world has already begun.

Initially, in the process of regionalization, developed high-tech centers focus primarily on technology-intensive and expensive production. But experts say that as technologies become cheaper, the manufacturing of cheap consumer goods will also coalesce around these centers, employing industrial robots and thereby reducing the cost of end products.

If both segments—expensive high-tech and cheap mass-produced goods—are concentrated in developed technological centers, this will be a severe blow to developing countries. Those latecomers who missed the distribution of dividends from globalization will gradually be cut off from intellectual resources, investment, capital, and technologies. This, in turn, will reduce their chances of building their own technological areas and increase the threat of internal instability and the prospect of "brain drain" due to a lack of jobs.

In the framework of the "new reality," there is no chance that technological areas will be created in Central Asia. Although the region's leaders loudly trumpet its vast reserves of raw materials and high GDP growth rates, its share of global resources is negligible. Such small economies are unable to finance the creation of their own technological and scientific bases. As for cheap manufacturing segments, including those that have been relocated from China, Central Asia can hardly compete with countries such as Vietnam, Laos, Cambodia, or Indonesia. The latter group of countries have already conquered this process and enjoy the advantage of proximity to international maritime trade routes.

Central Asia does not have the technological capabilities to become an independent regional development center. Sooner or later, Central Asian countries will have to join some of the emerging global development centers and one of the technological areas in order to remain involved in global processes. Their choice is limited, just as is the number of development centers in the "new reality." Broadly speaking, the options may be reduced to the "Greater West" (the United States, the European Union, Japan, and South Korea), China, and Russia. The competition between centers is growing, especially to win the upper hand in the transition to a new wave of innovation.

The United States and its technologically advanced allies are at the forefront. At the same time, the U.S. does not gain from globalization in its present form, as it cedes the clear advantage to China. The odds that Central Asia will join the U.S. technological area are not high. Economically speaking, the Americans do not need Central Asia as part of the "new reality"—as a source of raw materials or a regional industrial base. However, the U.S. interest in the region will continue, not because Washington needs it but because other countries may need it. In other words, the U.S.

wants to have more influence on processes in Eurasia than do other development centers located in various parts of the Eurasian continent.

Washington usually considers issues of geopolitics and economics to be interdependent. It was geopolitical loyalty that gave Japan and Germany (after World War II), as well as South Korea and Taiwan, access to U.S. technologies, financial aid, and markets. China is an exception to this rule: Washington's policy toward Beijing combines economic cooperation with geopolitical containment.

In the "new reality," the geopolitical factor, which is determined by competition with other development centers, may become even more important in U.S. regional policy (unless, of course, isolationist sentiment prevails in Washington). Therefore, geopolitical issues will be, at a minimum, a mandatory addition to a U.S. economic program for Central Asia (if there is one). More likely, such an economic program will be a sort of compensation for readiness to play a certain geopolitical role in Eurasia. But even in this capacity, Central Asia is well behind Europe and the Asia-Pacific region in the American system of priorities. These regions and the Transatlantic and Trans-Pacific Partnership projects, created for them, are more important to the United States.

It is more realistic to imagine Central Asia entering the realm of China's technological influence, with some reservations. The Chinese economy has drawn maximum benefit from globalization, becoming the world's second-largest economy (and the largest in terms of purchasing power parity). Beijing would like the current economic model, under which it steadily gained strength, to continue functioning. Nevertheless, China is aware of the new tendencies and its own inability to play against global trends in the long term; it therefore seeks to keep up with them. If viewed in absolute terms, China may seem to be creating a high-tech economy and technological area of its own as actively as the "Greater West" does. But in relative terms, the picture is not so optimistic. Beijing is having difficulty moving its economic system into the "new reality."

In theory, China can help Central Asia create a production area based on Chinese technologies. But in reality, it would be more beneficial and practical for China to invest in the development of such a center not in Central Asia but in its own western provinces, which border Kazakhstan, Kyrgyzstan, and Tajikistan. This does not completely rule out the possibility that some production facilities may also be created in neighboring countries, but the most that Central Asia can hope for is the creation of individual production facilities serving only the Chinese technological area (sub-area in the Xinjiang Uighur Autonomous Region) and producing products to those standards. In other respects, Beijing will focus mainly on its western provinces as it seeks to move its economy into the "new reality," which may take decades.

Central Asian states continue to maintain close economic ties with the Russian Federation. Russia is behind the United States, the U.S.' allies, and China in creating a technological area. For a long time, like other post-Soviet countries, it sought to catch up with globalization processes. However, high energy prices enabled it to accumulate substantial financial reserves and improve the welfare of citizens, turning them into active consumers and consequently propelling its strategic ambitions. Moscow thus adopted a more active industrial policy, including reindustrialization and modernization.

At present, the industrial and modernization projects in Russia rely on domestic resources, but not in an isolationist way. The corporations Rostec, Rosatom and Rosnano and the Skolkovo Innovation Center are engaged in industrial and technological projects that employ specialists and technologies available on the open international market.

It is too early to say whether Russia will succeed in creating a technological area of its own that would be a center of attraction for neighboring regions. But in any case, Moscow demonstrates its readiness to become an independent global player, which involves backing its ambitions not only with political will, military power, and an economy of a certain size, but also with the ability to manufacture advanced technologies and achieve their commercialization. Therefore, Russia will most likely make great efforts to create technological and industrial areas of its own.

However, the prospects of Central Asian countries joining one or another technological area should not be viewed only in terms of which area they would like to join or to which area they will be admitted. There is a gap between desires and reality, a dilemma that Central Asian countries have faced in different ways since regaining independence. The question is how to choose which technological area one would like to join. The desire to be among the most developed nations seems quite natural, prompting a state to decide in favor of a more advanced niche and then think whether it will be admitted or not, on what terms, and how those terms could be improved.

The U.S. and some of its allies are the undisputed leaders in creating breakthrough technologies and building the "new reality" on the basis thereof. China and especially Russia are lagging behind. Paradoxically, however, laggards may prove to be not just more accessible but also more promising partners for Central Asian countries than leaders, for the following reasons.

After they gained independence, the Central Asian states tried to become more prominent regional/global players in the energy sector (Turkmenistan and Kazakhstan with hydrocarbons and Tajikistan and Kyrgyzstan with hydropower); in industry (Kazakhstan and Uzbekistan); or in transit and transportation services (Kazakhstan and Kyrgyzstan). If, as many experts expect, these niches become less important and profitable with the large-scale introduction of new technologies, Central Asian countries will face serious problems.

It is hard to imagine what economic role Central Asia can play in the "new reality" and on what kind of basis it might be able to engage in economic cooperation with the Western development center if the latter's dependence on fossil fuels, industrial metals, and cheap labor declines dramatically. Central Asia would, however, remain important in some geopolitical configurations.

It will take China and Russia much longer to introduce breakthrough technologies. Thus, they are likely to remain interested for much longer in a considerable part of the "old economy" to provide jobs and an acceptable level of social stability. This "old economy" needs protectionist measures to survive and function. This is why, along with major changes in the world economy, regional processes aimed at extending the life cycle of the "old economy" will also retain their importance in Eurasia for at least one more generation of politicians. Arguments that those who fall behind from the very beginning will be behind forever are not always correct: formerly, when a new technological paradigm was taking shape, countries that initially lagged behind were later able to occupy a significant position in the new system.

Cooperation with Russia and China allows Central Asia to buy itself the time to find acceptable options for entering the "new reality." This does not mean that aspiring countries starting from the ground up can achieve success. A country must have some breakthrough technologies and be able to deploy them, but the transformation of the entire economy takes a long time. In other words, the "new" and "old" economies will inevitably exist in parallel for some time: a long-term future is impossible without the former, while the latter is vital for achieving basic social and political stability given the current demographic trends. Central Asia will need partners who are in a similar situation and who will help the region become part of the "new economy" while maintaining the "old economy" insofar as it is necessary for the transitional period.

If Russia builds a technological base of its own, it will be able to attract other countries to its economic and technological space as equal partners on a larger scale. But if Russia falls far behind the leaders, the Central Asian countries' choices will be reduced to two main options: 1) being a periphery for the Chinese economy and a transit space for China's land communication with the Middle East and Europe; or 2) becoming Eurasian "mercenaries" that find themselves involved in large-scale competition between development centers in Eurasia, impeding the policies of some on orders from others.

Ever since gaining independence, Central Asian countries have sought to integrate into the world system. But they have done so separately, rather than as a single region. These countries have sought different niches in the world economy. Turkmenistan put all its eggs in the energy sector basket, both strategically and tactically. Kazakhstan and Uzbekistan initially focused on raw materials, hoping to move into the industrial sector later. Kyrgyzstan and Tajikistan strategically relied on the water and energy sector, but in the short and medium term they tried to make money from transit and transportation projects. All the Central Asian countries wanted to be important players of global, not regional, scale in their niches.

Perhaps 2002-2007 were the years that presented the greatest opportunities to Central Asian countries. The geopolitical interest of the United States and its allies in the region gave them a chance to negotiate better terms for integration into the world system than those offered to dozens of other developing countries, which joined globalization by occupying niches at the bottom of the global "food chain." Yet due to historical circumstances, Central Asian countries failed to make a real development breakthrough at that time. It was then that elites in the region personally entered into the global World of Big Money.

Two of Central Asia's stakes—globalization and geopolitics—failed. Two events in 2008—a geopolitical crisis in the Caucasus and the global financial and economic crisis—were seen through the prism of existing and emerging doubts about globalization and the realization of risks involved in geopolitical games. Under these circumstances, the regionalization concept became of interest. In social and economic terms, regionalization theoretically creates new development opportunities for states that are on the fringes of globalization or occupy the most peripheral niches in the global economic system.

It turned out, however, that the regionalization process changed political rules so much that geopolitical elements emerged within it, too. At first, there were fears that regional leaders (particularly Russia, in the case of post-Soviet Eurasia) would infringe on the national sovereignty of other members of regional associations. These fears were only partially realized; there were other more important and more unattractive effects of regionalization for Central Asia—namely, the problem of borders between regions.

Central Asia's location at the juncture of regions seemed to be an advantage in the framework of the globalization trend. All the Central Asian countries dreamed of becoming a "bridge" between the North and the South, the East and the West. The regionalization process turned the "advantage" into a serious challenge, as illustrated by the Ukrainian crisis of 2013, when local elites divided over whether to choose Russia or the EU as their partner for deep cooperation. Central Asian elites have never resolved the conflicts between global and regional trends that emerged in the late 2000s-early 2010s. Old conflicts continue, as do the political games played over them. Meanwhile, the rapid development of new technologies is creating new challenges on top of the old ones.

The countries in the region have not been able to occupy a desirable place in the "old" world economy and continue struggling to achieve one. But now they need to find their place in the "new economy," where there may be even fewer chances for them but where opportunities may open up for individual elites or members of Central Asian societies.

Thus, local elites need to strike a multifaceted balance: between their interests in globalization and in regionalization; between their interests in projects that yield profits for elites (transit, major infrastructure projects, etc.) and in projects that would create economic opportunities for the entire population (reindustrialization); and between efforts to retain niches for themselves in the "old" world economy and efforts to find niches in the "new" one.

Chapter 2. The Eurasian Economic Union: Dreams, Nightmares, Realities, Prospects

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Despite the fanfare when Vladimir Putin first proposed it in October 2011, the Eurasian Economic Union (EAEU) has somewhat faded from the headlines. Almost seven years later, the organization that then-Secretary of State Hillary Clinton accused of being a vehicle to "re-Sovietize" Russia's neighborhood (*RFE/RL* 2012) has been little of the sort. Nor has the EAEU lived up to the aspirations Putin initially expressed for it, which had less to do with re-Sovietization and more to do with consolidating Russian economic and political influence over its neighbors. Yet despite some false starts along the way and the continued wariness of many post-Soviet leaders about potential Russian domination, the EAEU came into existence on schedule in 2015 and has continued to develop, establishing new institutional capabilities, broadening its membership, and pursuing trade agreements with non-member states. Even if the EAEU is the stuff neither of Putin's dreams nor of Clinton's nightmares, it has become an established fact, one with greater substance and capabilities than any other multilateral agreement in the post-Soviet region.

The concept of an EAEU first attained prominence when then-Prime Minister Putin mentioned it in an article published as part of his campaign to return to the Russian presidency. According to Putin's article in *Izvestiia*, the aim of what he then referred to as the Eurasian Union was to establish:

> a powerful supranational association capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region. This project also implies transitioning to closer coordination in economic and currency policies in the Customs Union and [Common Economic Space] and establishing a full-fledged economic union (Putin 2011).

The notion of building on existing integration initiatives to develop a new body that would deepen economic integration among member states while simultaneously building a Russia-centric bloc capable of maneuvering between the West and Asia had already existed in Russian thinking for several years. In May 2008, Dmitry Medvedev made his first foreign visit as president to Kazakhstan, where he emphasized the need to focus on "new forms of integration" in his press conference with Kazakh President Nursultan Nazarbayev. It was Nazarbayev, moreover, who first raised the idea of a Eurasian economic bloc in the early 1990s (President of Russia 2008; Mankoff 2013; Eurasian Economic Commission 2016). Subsequent meetings of heads of state from the Commonwealth of Independent States (CIS) worked to develop and fine-tune the mechanisms by which such integration would operate. The communiqué from the December 2010 CIS summit in Moscow specified the progress being made toward the creation of "a Eurasian Economic Union, which aims at securing harmonious, mutually reinforcing and mutually beneficial cooperation with other countries, international economic groups, and the European Union, in pursuit of a common economic space" (President of Russia 2010).

While these developments received little attention in the West, Putin's *Izvestiia* piece, which came in the midst of drama surrounding Putin's decision to displace Medvedev from the Kremlin and the overall deterioration of U.S.-Russian and EU-Russian relations, created much more of an impact. It also exacerbated concerns in the other Customs Union member states (Belarus and Kazakhstan) about the extent of Russian ambitions. Even though Nazarbayev had first proposed the basic idea and even the name Eurasian Union, the Kazakhs, like the Belarusians, feared that Moscow aspired to something that looked less like an interstate trade agreement and more like a supranational body designed to promote convergence around a host of political and economic issues.

Putin's op-ed also focused Western attention on the issue of a possible Eurasian Union at a time of rapidly cooling relations between Western capitals and Moscow. Most of the resulting Western commentary was negative, focusing, as Hillary Clinton did, on the potential for what was then still being called the Eurasian Union to recreate aspects of the Russian dominance of the post-Soviet region that had faded since the Soviet collapse in 1991. Other Western observers lumped the proposed Eurasian Union in with the alphabet soup of multilateral organizations that already existed in the post-Soviet region—the CIS, with its moribund customs union; the CSTO, which failed its first major test during the ethnic violence in Kyrgyzstan in mid-2010; EurAsEC; and the SCO, which remained less than the sum of its parts due to the inability of Moscow and Beijing to agree on its purpose—as likely to be little more than an on-paper agreement that member states would largely ignore.

Most assessments suggested that an effective Eurasian Union would negatively impact the economies at least of Belarus and Kazakhstan, not to mention some of the other post-Soviet states targeted for eventual inclusion. Central Asia in particular was already trading more with China than with Russia, and Chinese goods had become ubiquitous throughout the region. Preliminary analyses of the Eurasian Union suggested that one (perhaps intentional) effect would be to re-orient trade flows away from China and toward other members, Russia chief among them. Similarly, studies pointed to the growth of trade between Belarus and Ukraine, on the one hand, and the EU, on the other, to suggest that Moscow was seeking to slow or reverse the drift of its Western neighbors to the European fold. The initial spat over Kyiv's interest in signing an association agreement (which would create a so-called Deep and Comprehensive Free Trade Area, or DCFTA) with the EU fed into these concerns. Not only would a DCFTA be incompatible with membership in a customs union with non-members like Russia and Belarus, but both Brussels and Kyiv saw the agreement in part as a mechanism for refashioning Ukraine's internal "operating system" to make it more European (in the EU sense) and less post-Soviet.

Concerns that the Eurasian Union would be a vehicle for Moscow's neo-imperial aspirations were only exacerbated by developments in Ukraine, which Moscow regarded as a cornerstone of the planned union (Dragneva and Wolczuk 2017). Putin's efforts to compel Ukrainian President Viktor Yanukovych to abandon the trade agreement he had been pursuing with Brussels sparked the Euro-Maidan protests in November 2014, which ultimately led to Yanukovych's ouster and the subsequent Russian invasion of Ukraine—right around the time that the EAEU was supposed to come into effect. The impact of the invasion and annexation of Crimea was felt across the former Soviet Union, with elites in other post-Soviet states increasingly fearing the scope and nature of Russian ambitions and suspecting that the proposed Eurasian Economic Union was part of a larger Russian strategy of imperial revanche (Kuchins, Mankoff, Kourmanova, and Backes 2015).

Some of the specific proposals that Russian officials put forward regarding the union's competencies also fed concern in Astana and Minsk about the potential for the EAEU to act as a vehicle for Russian domination. At various times, officials from the Kremlin, the Russian Foreign Ministry, the Duma, and other government agencies suggested that the Eurasian Economic Union could encompass everything from a common currency to a joint parliament (modeled perhaps on the euro and the European Parliament) (Mankoff 2013). Needless to say, leaders in Astana and Minsk—not to mention the capitals of prospective member states like Armenia—were wary of the EU model of supranationalism given the sensitivity of issues touching on national sovereignty in countries that had only been independent since 1991, not to mention the potential for Russia to dominate such a bloc given its economic and military weight relative to its neighbors.

The Ukraine crisis also had an indirect impact on the non-Russian states' views of Eurasian integration because of its impact on Russian strategic thought, which increasingly came to focus on Eurasia as a counterweight to Europe and the West more broadly. Moscow had hitherto downplayed the connection between the ideological Eurasianism espoused by figures like the Moscow State University professor Aleksandr Dugin and the more prosaic idea of a customs union (Laruelle 2015). The crisis in relations with the West, though, led leading Russian officials, including Putin, to discuss Eurasia in more ideological terms (see Putin 2016a). In some ways, the Ukraine crisis appeared to mark a sea change in Russian foreign policy. Even though relations with the US and key European capitals had been difficult for much of the previous decade, Russia still appeared to be traveling along a "European vector," on the assumption that if Russia was not in Europe, it was nowhere. The post-2007 economic crisis in the West on top of the crisis occasioned by the conflict in Ukraine suddenly made it possible for Russian officials and serious thinkers to publicly contemplate a future for Russia outside Europe. Of course, once loosed from Europe, the natural arena for Russian strategic ambitions was the post-Soviet region.

Russian research institutes and think tanks did their part by accelerating their production of papers touting grandiose schemes for Eurasian integration that bore little resemblance to what officials in Minsk or Astana thought they had signed up for (see Valdai Discussion Club 2017; Karaganov 2016). Even if they wanted to trade more with one another—and even with Russia—they for the most part had little interest in being dragooned into Russian geopolitical games. The same was true of China, which Moscow increasingly came to view as its savior from the impact of Western sanctions and its partner in creating what Putin in his December 2015 annual address to the Federal Assembly called "Greater Eurasia" (Putin 2015).

The Establishment of the Eurasian Economic Union

Such concerns notwithstanding, the leaders of Belarus, Kazakhstan, and Russia signed on to the Astana Treaty establishing the EAEU in May 2014, and the Union formally came into effect at the beginning of 2015 (Eurasian Economic Commission 2015). The text of the treaty came about as the result of intensive negotiations among the member states, including attempts to address some of the concerns about Russian domination and the prevalence of political over economic criteria for integration. In response to such concerns, and in order to make the EAEU concept more palatable to the smaller post-Soviet states (not including Ukraine, which adopted a decidedly pro-European orientation in the aftermath of the Russian invasion), Moscow had to walk back some of the more ambitious integration proposals it had put forward and that seemed to animate Putin's initial vision of a Eurasian Union.

At Kazakh insistence, the association was formally named the Eurasian *Economic* Union to emphasize its lack of geopolitical aspirations, and Nazarbayev made clear that the union should stick to economic issues, noting Kazakhstan's right to withdraw should the union come to infringe on its sovereignty (*TengriNews* 2014). Compared to earlier visions of the union, the Astana Treaty walked back some of the more ambitious pieces of Russia's initial vision, placing greater emphasis on inter-governmental cooperation to the detriment of building supranational institutions on the model of the EU.

While the Astana Treaty established a series of supranational bodies, notably the Eurasian Economic Commission and the EAEU Court, these bodies are staffed by officials seconded from (and ultimately answerable to) the governments of member states, rather than international civil servants (Libman 2018). Only the lower tier of the two-tier Commission—known as the Collegium—is made up of international civil servants. These officials are allocated to member states on the basis of population (meaning upward of 80 percent are Russians) and the body makes decisions on the basis of majority voting (Eurasian Economic Commission n.d.; Dragneva and Wolczuk 2017, 13-15). However, the upper tier, known as the EEC Council, comprises deputy ministers who meet quarterly and take decisions based on consensus. Standing above the Commission, moreover, are two intergovernmental bodies, the Intergovernmental Council (comprised of heads of government) and the Supreme Council (comprised of heads of state), that make decisions on the basis of consensus—thereby allowing the governments of individual member states to block initiatives that go against their interests. As Dragneva and Wolczuk (2017, 13-15) note, "A member state that disagrees with a decision of the collegium or the council of the commission can appeal to higher bodies," a maneuver that has come to be known as the "Belarusian elevator" thanks to Minsk's propensity for employing it.

Overall, the EAEU's most significant action has been to reduce or eliminate tariffs for trade between member states while adopting a common external tariff and customs code. The effects have been mixed. The EAEU established comparatively high external tariffs, which contributed to a decline in trade with non-member states.[1] In theory, the drop in external trade should have been made up for by increased trade within the EAEU space. Yet with Russia's GDP growing by only 0.74

[1] For instance, Kazakhstan was forced to increase its average tariff on goods imported from outside the EEU to a trade-weighted average of 9.5 percent (from 5.3 percent) as a result of its membership in the EEU. See Kuchins et al. 2015a, 8-9.

percent in 2014 and then shrinking by 2.82 percent in 2015 (largely as a result of the sanctions and associated uncertainty caused by the conflict in Ukraine), firms in the other member states found that they could not make up the difference, even though overall figures for intra-EAEU trade rose.[1]

Part of the problem is that the economies of Russia and Kazakhstan are structured similarly. As both primarily export hydrocarbons and other raw materials, opportunities to expand bilateral trade are comparatively limited (see Khitakhunov et al. 2017). The smaller EAEU members, Kyrgyzstan and Armenia, likewise have little in the way of exportable commodities; consequently, EAEU membership has not had an appreciable impact on their exports to other member states.[2] Conversely, Belarus' export sector includes a significant industrial component (especially for light industrial goods), with the result that a reduction of trade barriers with Russia has had a positive impact on Belarusian exports (Sokov 2018).

Another issue is that Russia's currency collapsed in the aftermath of the Ukraine conflict and the imposition of Western financial sanctions. While the Russian Central Bank's decision to let the ruble float likely prevented Russia from defaulting on its debts and allowed Moscow to weather the economic crisis more effectively, it had the side-effect of pricing many imports, including those from other EAEU member states, out of the Russian market (Golunov 2015). The collapse of the ruble thus created an incentive for cross-border arbitrage, with individual traders buying suddenly inexpensive goods in Russia and re-exporting them for sale to Belarus and Kazakhstan in ways that reduced demand for domestically produced goods, including in sectors where Russian firms already enjoyed a dominant position in the market.

Deprived of the ability to adjust tariffs to protect their own firms from Russian competition, governments in Minsk and Astana watched as Russian consumer goods flooded their countries and had to face down the wrath of many domestic producers and business associations pressing for at least temporary restoration of customs controls (Golunov 2015). While Minsk and Astana managed to resist, these pressures highlighted the economic as well as political risks that the EAEU could pose, and could well limit the receptiveness of Russia's neighbors to additional steps toward integration. Members spent an average of 10-15 percent of their sovereign reserves defending national currencies that were wilting under the pressure of falling oil prices and Russia's souring economy (*EurasiaNet* 2016). Kazakhstan was eventually forced to devalue its own currency as well, effectively acknowledging that signing up for the EAEU had cost it at least some degree of

[1] See World Bank n.d. By 2017, Russian GDP growth had resumed, albeit only at a rate of just 1.55 percent.
[2] On Kyrgyzstan, see Esenaliyev and Asylbek kyzy 2017. For Armenia, see Ter-Matevosyan et al. 2017.

monetary sovereignty. Kyrgyzstan, whose economy as a whole is heavily dollarized, chose not to devalue and instead faced a surge in imports from both Russia and Kazakhstan that bred a backlash against the EAEU (Ensenaliyev and Asylbek kyzy 2017).

Another challenge for the smaller EAEU members is Russia's interest in applying its pursuit of "de-dollarization" to intra-EAEU trade. With U.S. sanctions facing Russia and the possibility of being excluded from dollar-denominated financial flows, Moscow has taken steps to develop alternative payment mechanisms, including increasing its use of alternative currencies for regional and bilateral trade. Within the EAEU, this push to "de-dollarize" has meant increased usage of the ruble to settle trades. From 2012 to 2017, the share of intra-EAEU trade denominated in rubles increased from 56 percent to 75 percent, while the share of dollar-denominated trade fell from 35 percent to 19 percent (Sanghera 2018). The growth of ruble-denominated trade exposes Russia's neighbors to increased exchange rate risk, which Western sanctions have only compounded. In that sense, the smaller EAEU members have found themselves facing collateral damage from Russia's standoff with the US and the European Union.

Russia's policy of imposing retaliatory sanctions, especially against Europe, made the dilemma facing the other EAEU member states even more acute. Recognizing that its efforts to target European food imports in particular would have little support among its fellow EAEU members, Moscow did not even raise the imposition of counter-sanctions at the EAEU level, instead imposing them unilaterally. In response, Minsk and Astana largely chose to look the other way at smuggling designed to evade the Russian counter-sanctions. Most notoriously, Belarusian firms re-labeled European goods for export to Russia (notably seafood, despite the fact that Belarus is landlocked) in contravention of the sanctions, leading to the appearance of "Belarusian" salmon, oysters, tangerines, and other exotic products on Russian store shelves (Zhavoronkova 2014).

Since Russia could not re-impose customs controls on its borders with Belarus and Kazakhstan without effectively sabotaging the EAEU and its customs union, Moscow took indirect steps, such as stepping up veterinary, sanitary, and phytosanitary checks on goods entering the country from Belarus and Kazakhstan, and even blacklisted some individual firms from exporting to Russia. While strictly speaking within the limits of EAEU regulations, this step exacerbated tensions with Astana and Minsk. In late 2014, Belarus responded by imposing checks on Russian trucks, interfering with the shipment of goods from Kaliningrad to the Russian mainland (Golunov 2015). Additionally, Moscow's 2016 effort to block Ukrainian vehicles from transiting through Russia (in response to a blockade by Ukrainian activists of Russian vehicles in Ukraine)—likewise imposed unilaterally—disrupted trade relations between Ukraine and Kazakhstan, prompting Astana to protest (Vinokurov 2017).

Politics, Economics, and the Future of the EAEU

While these problems have been real and will probably continue to act as a brake on further deepening of the EAEU, the union has not been without its achievements—though many of these need to be qualified. The overall impact has, as many analysts predicted from the beginning, been to tighten linkages between Russia and the smaller member states. Russia remains the driving force within the EAEU and the main proponent of both deepening and widening, arguing that the EAEU's shortcomings are the result of its underdevelopment. The EAEU has been a vehicle for re-orienting trade flows, with a larger percentage of member states' trade going to Russia and a smaller share going to non-members. Moscow has, moreover, used its neighbors' dependence on the Russian labor market as a tool for encouraging them to join the EAEU. As China's Belt and Road Initiative (BRI) threatens to overshadow the EAEU as a framework for Eurasian integration, Moscow has promoted an ambitious agenda of linking the two projects together (despite uncertainty as to what such linkage would look like in practice) and has sought to expand the EAEU by pursuing new agreements with outside states.

The EAEU did boost trade among member states. Trade among member states as a share of their total trade increased from 12.3 percent in 2014 to 13.5 percent in 2015 (Eurasian Development Bank 2017). Trade between EAEU members and the outside world increased by 24.3 percent from 2016 to 2017, while trade among member states grew by 26.4 percent in the same period (Eurasian Economic Commission 2018). Bilateral trade between Russia and Kazakhstan grew by more than 30 percent (Kremlin 2018). However, the overall pattern of member states' trade remains very much distributed in a hub-and-spoke pattern centered on Russia, which remains the only EAEU member to maintain a trade surplus with the other members (Eurasian Economic Commission 2018). This recent growth, moreover, comes after a period of declining trade, especially with the outside world, which fueled skepticism about the benefits of integration among elites in the non-Russian member states (Sanghera 2018).

The growth of intra-EAEU trade is largely the result of the elimination of tariff barriers within the EAEU space at the same time as external barriers were raised. Moscow sold the EAEU idea to its neighbors in part on the basis that a common customs space would make the entire post-Soviet region more attractive for overland transit between Asia and Europe (more recently, Moscow has made a similar argument in response to Beijing's announcement of the Belt and Road Initiative, including as part of its push to combine the EAEU with the Belt and Road).[1]

The development of the BRI, which Xi Jinping announced during his September 2013 visit to Kazakhstan, has posed a significant challenge to Moscow's vision of Eurasian integration. One of Russia's original aims in advancing the EAEU was to limit the drift of the Central Asian states into China's economic orbit. By the time the BRI was first announced, China had already become the largest trading partner for four of the five Central Asian states and was on the way to becoming their largest source of foreign investment as well (see Kuchins et al. 2015b). The BRI, which aimed at expanding Chinese investment and trade throughout Eurasia and was designed as an open platform rather than a closed economic bloc, appeared to directly contradict these plans. Moreover, the Central Asian states, including EAEU member Kazakhstan and soon-to-be member Kyrgyzstan, were largely positive about the BRI, which held out the promise of large-scale Chinese infrastructure investment and the opportunity to earn transit revenues from expanded trade between China and Europe (Gong 2018). Unable to match the sums on offer from China's development banks, Russia eventually acceded to participation in the BRI. In May 2015, Putin and Xi signed an agreement to coordinate the two projects (notably, the smaller EAEU member states were not party to this agreement) (*Xinhua* 2015). For the non-Russian EAEU members, this "integration of integrations" preserves the flexibility to benefit from the Chinese initiative while maintaining a semblance of balance in their relations with Beijing and Moscow. Many observers, though, are skeptical that the attempt to combine the two projects will in fact amount to anything.

Russian interlocutors also suggested that by combining China's interest in building new infrastructure with the creation of a single customs zone between the Sino-Kazakh border and Europe, joining the two projects would boost the attractiveness of trans-continental trade, which would be a source of revenues for the states along the route. Yet the challenge remains that the principal obstacles to the expansion of overland trade through Eurasia have less to do with customs barriers or even political difficulties between member states than with economics; apart from some high-value goods that require rapid delivery, it remains much more economical for most goods to travel between China's coastal manufacturing hubs and European markets by sea. Of course, some Russian analysts suggest that this lack of competitiveness can be overcome by greater coordination of transportation policy among EAEU member states—that is, through the kind of deeper

[1] Moscow and Beijing agreed at the 2015 Shanghai Cooperation Organization summit that they would take steps to integrate the EEU and the BRI, though many analysts are skeptical that such integration will amount to much. On these prospects, see, for example, Shtraks 2018.

integration that Kazakhstan in particular has been resisting (see Lissovolik 2017). Nonetheless, plans for deeper integration within the EAEU could make such overland transit more attractive at least on the margins.

Another area where the EAEU has had an appreciable impact is on migration. Population flows continue to be one of the most important ways in which the territory of the former USSR remains connected nearly three decades after the Soviet collapse, and the EAEU appears set to perpetuate this state of affairs—with a little help from changes to Russia's approach to migration. For many of the smaller and poorer states of the South Caucasus and Central Asia, remittances remain economically critical.[1] When Kyrgyzstan was on the fence about joining the EAEU, Moscow threatened that failing to join could jeopardize the presence of the nearly 1 million Kyrgyz migrant laborers working in Russia. At the start of 2015, Russia had implemented a significant change to its migration policy, demanding that migrants complete a series of bureaucratic procedures and pass an examination in Russian language, history, and law. The regulations were waived for migrants from EAEU member states (see Schenk 2017). Similarly, maintaining access to the Russian labor market was an important factor in Armenia's eventual decision to join the EAEU in 2014. Given the lack of a common border between Armenia and any other EAEU member, Yerevan in fact had few, if any, other economic reasons for joining the EAEU, a decision that President Serzh Sargsyan admitted was predicated on political and strategic considerations—above all Armenia's dependence on Russia for its security and Armenia's closed borders with neighboring Azerbaijan and Turkey (Ter-Matevosyan et al. 2017).

Looking Ahead

One of the main differences between the EAEU and previous iterations of multilateralism in the former USSR is the progress toward further refining the EAEU. Moscow still sees the organization as a platform for advancing its political objectives, even if it has had to scale these back to a significant degree as a result of the Ukraine crisis and the concerns of other member states about Russian domination. Still, Moscow remains intent on deepening integration among EAEU members and attracting new states to the organization (including Tajikistan, which Russian continues to court despite Dushanbe's skepticism) (Putz 2018).

[1] For an overview of migration within the former Soviet Union, see Vinokurov et al. 2016.

Among the items on the agenda for promoting deeper integration are the creation of a common services market alongside the existing common market for goods (overall, services account for more than 60 percent of GDP across the EAEU as a whole) (Kofner 2018). The creation of a common services market requires changes to state-level legislation, and the EAEU has established a working group to coordinate steps to harmonize the relevant legislation in each state. Subsequent planned steps include the creation of common markets in financial services and energy, as well as further steps to eliminate non-tariff barriers (Kofner 2018). Energy in particular is significant given the role that the energy sector plays as a source of revenues and patronage in the economies of several EAEU states. Precisely for that region, resistance to creating a common market in electricity or gas has been pronounced (Lukashenka 2018). Whether the reforms already on the EAEU's agenda will in fact be implemented remains an open question given the skepticism that the smaller member states continue to evince, but the existence of such concrete plans suggests that, at a minimum, the EAEU is seeking to address its shortcomings in a way that other multilateral bodies in the former Soviet Union have never done.

In addition to deepening, the EAEU is also exploring plans for widening—both taking in new members and, more significantly, signing trade agreements with outside states and multilateral groups. The first agreement between the EAEU and a non-member state was signed in 2015 with Vietnam, providing for a reduction in tariffs over ten years. Negotiations are ongoing with a range of additional states, including Singapore, Israel, India, Serbia, and Egypt. While agreements with these states could result in lowered barriers to trade, reaching agreement is not, in most cases, guaranteed, and for the most part, the provisions being discussed are relatively unambitious. The major obstacles to trade between EAEU members and outside states have more to do with the structure of EAEU members' economies, corruption, and low demand than with tariff levels. As a largely inter-governmental body with weak enforcement mechanisms, the EAEU is not in a position to do much about these obstacles.

The EAEU is already more developed than previous attempts at post-Soviet integration. It has succeeded in getting member states' buy-in for a series of steps to lower trade barriers and re-orient more of their trade to other post-Soviet states (chiefly Russia). Despite concerns on the part of the leaders of the non-Russian states about the potential politicization of the EAEU and its role in supporting Russian geopolitical ambitions, it has continued to progress toward deeper economic integration. Largely at Moscow's initiative, it has also developed plans for continued steps toward integration, even if such steps have been a source of worry in Astana, Minsk, and beyond. To a much greater extent than the CIS or other attempts at post-Soviet multilateralism, the EAEU has had a real impact and developed real institutions. Russia may still view it as a vehicle for maintaining political dominance in the territory of the former Soviet Union, but the resistance of other states has thus far limited Moscow's ability to fulfill these ambitions. Support for the EAEU outside of Russia remains thin (especially in Kazakhstan), and could in the future threaten the viability of the organization. For now, though, the EAEU continues to develop and possibly expand. Perhaps the level of concern directed at the organization when Putin first drew attention to it in 2011 was unwarranted, but nor is it irrelevant. Whether it becomes something more in the future will depend above all on its ability to meet the interests of its member states, allowing them to plug into global developments rather than walling them off in a Russia-centric regional bloc.

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Chapter 3. The EAEU and OBOR: Economics, Security, or Both?

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This paper makes three arguments. The first is that China is presenting the One Belt One Road (OBOR) project to the Eurasian Economic Union (EAEU) as being focused entirely on economics by creating transportation corridors that will open new space for regional economic development. In this way, the reasoning goes, OBOR will benefit the EAEU and its dominant player, Russia. We contend that this narrative deliberately understates existing regional security threats that may destabilize the region in order to leave those concerns to EAEU member states and existing security-oriented organizations such as the SCO and CSTO: China's narrative is something along the lines of "we provide the capital, and you provide the secure environment for it to work." In our view, such a "minimalist" approach to Chinese security within the EAEU may not be sustainable in the medium and long term; China may have to take a more active and direct role in regional security.

Our second argument is that within the EAEU, Russia is the main promoter of OBOR, since it provides potentially crucial infrastructural support for the EAEU, which Russia lacks the financial and technical capacity to do. By securing capital from China on behalf of the EAEU, Russia bolsters its own legitimacy as the regional broker, as well as strengthening the EAEU's economic viability.

Third, we argue that multiple security threats in the region—including terrorism, political instability, and water distribution conflicts—may soon either force China and EAEU members to include these issues in both OBOR and the EAEU to be addressed directly or else require that the common security interests of OBOR-cum-EAEU be given special representation in the SCO and CSTO (potentially necessitating the inclusion of China in the CSTO).

Economic Rationalization of OBOR Relations with the EAEU

On May 8, 2015, Chairman Xi and President Putin signed the Joint Declaration between the People's Republic of China and the Russian Federation on the Cooperation and Linking of the Silk Road Economic Belt and the Eurasian Economic Union (*Xinhua* 2015). On May 17, 2018, officials of the Eurasian Economic Union member states and the People's Republic of China signed the Agreement on Economic and Trade Cooperation between the Eurasian Economic Union and Its Member States, of the One Part, and the People's Republic of China, of the Other Part, which contains 13 chapters covering customs cooperation, trade facilitation, intellectual property rights, government procurement, e-commerce, market competition, sanitary and phytosanitary standards, etc. (Jing and Nan 2018; Eurasian Economic Commission 2018). Moscow hopes that China's recognition of the EAEU, which the latter sees as the main party with which it must deal on OBOR matters, will help legitimize the Union at global level and strengthen the EAEU's importance among its members (Duchâtel et al. 2015).

The Eurasian Economic Commission, along with the Ministries of Transport of EAEU member states, have a list of 39 priority projects to be implemented by EAEU member states to support the linking of the EAEU and the SREB. Interaction would be technological and regulatory, as well as including tariff regulation. The projects would build new roads and repair existing ones, create transportation and logistics centers, and develop key logistics hubs. The construction of new roads along the 8,445-kilometer Western Europe-Western China international transport route is nearly completed. The EAEU also wants a high-speed railway to be built between Moscow and Kazan, with trains running up to 400 km/h (Eurasian Economic Commission 2017b; Valdai Club 2017). According to an interview with the Head of External Relations for the Eurasian Economic Commission, Veronika Nikishkina, the railway infrastructure investment will likely receive a loan of up to US$7 billion because it can be considered an OBOR plan (Gabuev and Shtraks 2016). Also on the list of proposed projects are the China-Kyrgyzstan-Uzbekistan Railway, the Armenia-Iran Railway (Alekseenkova 2017), and the Brest-Minsk-Orsha-Russian Border High-Speed Railway Network (Eurasian Economic Commission 2017a, 2017b).

The EAEU also wants to develop railway corridors and simplify border-crossing procedures. The main priorities of the EAEU's transport policy include the efficient use of transit potential, the development of Eurasian transport corridors, and the coordination of transport infrastructure development (Eurasian Economic Commission 2017a, 2017b). The EAEU also aims to form a common transport space and a common market of transport services (Eurasian Economic Commission 2017a, 2017b). This development meets some of OBOR's goals of removing barriers to commerce.

OBOR projects in the EAEU include Kazakhstan's Nurly Zhol modernization projects,[1] the China-Belarus Great Stone Industrial Park,[2] and the majority of OBOR projects in Russia: oil and gas negotiations, investment in Russia's Far East, etc. (Feng 2017). In May 2017, COSCO Shipping Corporation and Jiangsu Lianyungang Port Co. purchased a 49 percent stake in the Khorgos "dry port" (International Crisis Group 2017, 8; Feng and Foy 2017).[3] In 2017, the Chinese invested in over 20 projects worth US$4 billion; a feasibility study for the Primorye-1 and Primorye-2 transport corridors was also proposed (Vasil'eva 2017, 2018). At the International Industrial Trade Fair INNOPROM-2018, Dongjn Group, the Far East Investment and Export Agency, and the Autonomous Non-Profit Organization "Territorial Agricultural Fund" signed an agreement to jointly develop the integrated Primorye-1 transport corridor (Shilova 2018).[4] Numerous similar examples could be cited, but the point is that the Chinese have thus far presented OBOR first and foremost as an economic project that can bring benefits to EAEU member states.

According to Hu, Liu, and Yan, internal EAEU trade is lower than trade between any EAEU member state and the non-EAEU world. External trade was 6.4 times that of internal trade (Hu, Liu, and Yan 2017). This makes a customs union, let alone a single market, economically doubtful. Hu, Liu, and Yan (2017, 419) also note that foreign direct investment by China into the EAEU has grown substantially, arguing that to keep the economies of the EAEU afloat and stable, the EAEU needs to be linked with the SREB (p. 16).

Russia as Broker of EAEU-OBOR Linkages

Most negotiations of OBOR-EAEU projects are conducted bilaterally, at state-to-state level. Russia does not intend to upend existing and ongoing OBOR projects by insisting that the Eurasian Economic Commission take over existing OBOR projects in the EAEU; China prefers that these projects proceed with as few impediments as possible and thus likely prefers that they not be under the operational jurisdiction of the Eurasian Economic Commission (Luzyanin et al. 2017). Tigran Sargsyan, the chairman of the Board of the Eurasian Economic Commission, also noted that

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[1] This infrastructure development project was negotiated after the linking of OBOR and the EAEU was announced.

[2] This project was retroactively added to OBOR and was agreed upon before the announcement of OBOR or the existence of the EAEU.

[3] A "dry port" is a break of gauge terminal where containers are transferred onto tracks of a different gauge. The Khorgos port on the China-Kazakhstan border, which has the potential to store up to 4 million tonnes of goods per year, is one of Central Asia's most expensive border crossings.

[4] The total investment in the project is US$120 million; it will include agriculture, agro-industrial storage infrastructure, and the development of a port in Khabarovsk.

negotiations that are not included in the EAEU mandate will be conducted at national level (Ramani 2017). Some of China's main goals in joining OBOR with the EAEU are to create high-level connectivity, reduce barriers, and harmonize rules and regulations; China would be happy to cooperate with the EAEU to achieve those goals so long as the negotiations and the implementation of projects do not take too long (Zhang 2016, 3). The Agreement signed between China and the EAEU demonstrates that the Eurasian Economic Commission formulates the overarching regulations concerning its single market; it seems to largely observe the principle of subsidiarity and does not overstep its bounds (Eurasian Economic Commission 2018). Bilateral negotiations seem to be China's predominant mode of negotiation with Central Asia (Duchâtel et al. 2015, 18). The Chinese Ministry of Commerce and the Russian Ministry of Economic Development cooperate to eliminate barriers to economic exchanges bilaterally without China dealing with the EAEU (Feng 2017).

China pays the respect that Russia craves by respecting Russia's wish that China should deal with the EAEU as the primary negotiating partner in OBOR projects in the EAEU. By extension, this gives Russia more negotiating power in relations with China by allowing it to pool the negotiating power of the EAEU states (Duchâtel et al. 2015, 18; Luzyanin 2017, 61; Ghiasy, Esenaliev, and Asylbek kyzy 2017, 26). Duchâtel et al. (2015, 18) observe that between May 2015, when the linkage of EAEU and OBOR was announced, and October 2015, when the EAEU Astana Summit was announced, the China Department, rather than the EAEU Department of Russia's Ministry of Foreign Affairs, handled OBOR-EAEU affairs. However, China would have greater certainty of substantial progress in the implementation of OBOR projects (Huang 2014; Liu and Sun 2015; *Xinhua* 2017; *TASS* 2017) were it to negotiate and implement projects at state-to-state level rather than at PRC-EAEU level, since any member state can veto a EAEU law and China is most accustomed to the bilateral negotiation format.

By linking the EAEU with OBOR, Russia has steered the commercial relations between China and the EAEU toward being governed by the EAEU in the spheres that it regulates. However, specific negotiations on projects are still conducted at state-to-state level, because this is the level at which the Chinese enjoy greatest leverage and can ensure the highest level of predictability. It appears that by securing trade/investment agreements between the EAEU and China, Russia demonstrates that it will allow trade between EAEU members and China to grow while creating safeguards against member states being potentially exploited by China and by-passing EAEU economic and regulatory network. Thus, we argue that by securing capital/technical capacity from China on behalf of the EAEU, Russia further legitimizes its role as the main region's broker and also strengthens the EAEU's economic viability. On the other hand by taking leading role Russia is taking a risk of being seen as marginalizing sovereign decisions by EAEU member states.

Regional Security from the Chinese and Russian Perspectives

Chinese conceptions of security have evolved in recent years from focusing on the local to addressing regional/global security issues (Feng and Huang 2014, 11). Chinese security concepts include: internal and external security, territorial security, citizens' security, traditional and non-traditional security, survival security, development security, personal security, regional and international security, and overseas assets security, as well as cybersecurity and outer space security. China considers the following as vital threats: hyperpower hegemony, extremism, interventionism, terrorism, ethno-religious conflict, hot spots in borderland conflicts, the absence of territorial integrity (Taiwan, Xinjiang, Tibet, and "Chinese" islands and waters that are currently "illegally" occupied by foreign states), the three "evils" (terrorism, separatism, and extremism), color revolutions, maritime piracy, regional and international instability, environmental degredation, epidemics, nuclear proliferation, threats to overseas energy resource supply lines, threats to strategic lines of communications, and threats to organizations, people, assets, and interests located overseas (The State Council Information Office of the People's Republic of China 2015).

It seems that China is aware that in the current setup OBOR cannot properly address regional security issues: it lacks the institutional framework to do so and its design is largely based on projects that are bilaterally negotiated with geo-economics in mind (Johnson 2016, 19-20). It also seems that China deliberately avoids addressing OBOR's security issues (Wuthnow 2017) but believes that "economic development and connectivity will help stabilize China's border regions, secure its energy supplies, and allow China to extend its strategic influence" (Wuthnow 2017, 3). In addition, China counts on OBOR to help spur economic development in Xinjiang, which would provide jobs to unemployed Uighurs living in poverty to alleviate ethnic tensions (Tiezzi 2014; International Crisis Group 2017, 5). Chinese assessments have identified some groups that are considered to engage in separatism, terrorism, or religious extremism: the Turkistan Islamic Party, Daesh, and Pakistani Insurgents/Taliban (Wuthnow 2017, 15).

For its part, The Military Doctrine of the Russian Federation notes the following security concerns: the build-up of the North Atlantic Treaty Organization and other powers near the borders and waters of Russia and its allies; the destabilization of states, the establishment and deployment of strategic missile defense systems, the implementation of a global strike concept, the weaponization of outer space, and the deployment of strategic non-nuclear systems of high-precision weapons; the undermining of global and regional stability; political, economic, and military pressure on the Russian Federation (sanctions and conditionality); the violation of international agreements and non-compliance with international treaties on arms prohibition, limitation, and reduction; the use of military force against the Russian Federation and its allies in violation of the UN Charter and other norms of international law; armed conflict near Russia and its allies; global extremism and terrorism; inter-ethnic and inter-confessional tensions; radical international armed groupings and private military companies; separatism and extremism; cyberthreats; the establishment of regimes with policies that threaten the interests of the Russian Federation in states bordering Russia, including by overthrowing legitimate state administration bodies (color revolutions); subversive operations performed by foreign bodies against Russia; and asymmetric operations.

It is also interested in strengthening the CSTO as a system of collective security and ensuring the security of the quasi-states ("states" that lack international recognition) of Abkhazia and South Ossetia (The Embassy of the Russian Federation to the United Kingdom of Great Britain and Northern Ireland 2015). The Foreign Policy Concept of the Russian Federation indicates additional security concerns: national security, sovereignty, and territorial integrity; economic security; the security of Russian citizens and compatriots; energy security; transnational organized crime; the proliferation of weapons of mass destruction; illegal migration; human trafficking; illegal drug trade and production; corruption; maritime piracy; cybercrime; global poverty; climate change; and food, environmental, sanitary, and epidemiological security. It also states that "human rights, security and sustainable development are closely intertwined" (Ministry of Foreign Affairs of the Russian Federation 2016). Even from this very brief enumeration of how China and Russia perceive their security threats, it is apparent that there is no conflict between the two assessments.

EAEU/OBOR and Security Threats

In our view, both Russia and China are being cautious and rational in their structuring of OBOR/EAEU relations, taking into account both opportunities (such as Chinese capital/technological capacity and Russia's presence in the region) and limitations (such as the EAEU's real economic capacity and intra-EAEU tensions). Both are taking a gamble. For China, OBOR is intended to secure its "strategic rear" in Central Asia but is likely to end up in China lending/providing funds that might not be recovered and may create fewer economic opportunities than expected. For Russia, the geo-strategic and geo-economic gamble is that economic and diplomatic gains from the EAEU shift will, in time, enable a strengthened Russia to return in its new incarnation as a "Eurasian powerhouse" to renew bargaining processes with the EU as an indispensable partner in this region.

However, both China and Russia seem to underestimate multiple security threats that may undermine OBOR and the EAEU alike. What is emerging in this region (as we argue with Richard Sakwa in Dutkiewicz et al. 2018) is a complex, multidimensional, and multilevel collage of Eurasian security challenges that includes at least three security dimensions: internal/domestic, regional, and global.

Internal/Domestic Security Challenges (at the State/Domestic and Community Level)

The first task for EAEU/OBOR is to face and deal with challenges at the state/domestic level to ensure that there will be no cross-border spillover of security threats and to prevent the formation of cross-border "security threat clusters" (for instance, relating to terrorism and religious radicalism, which is present in all countries of the region). Many of those challenges are a legacy of the Soviet past (eg., economic and transportation structures); some have been created, or exacerbated, by the post-communist transformation (eg., poverty and inequality); and some, paradoxically, are generated by the integration processes themselves (border transparency, for instance, enabled the growth of illegal trafficking).

Regional-Level Challenges (Inter-State and Regional/Institutional)

At the second—regional—level of analysis of security challenges in Eurasia, it is worth stressing that they are not only about state-to-state relations or the mediation of relations by regional institutions. In this region, a local issue can easily be transformed into a regional problem due to overlapping ethnic loyalties and the trans-border nature of local communities. Some of the issues are distinctively regional due to the current institutional set-up (for instance, the strength or weakness of regional institutions such as the SCO and the EAEU); some are transnational due to the global origin of regional processes (as with terrorism and migration); some are the result of increased regional integration processes (such as increased trafficking due to the relaxation of the border regime); some are a result of a complex mix of factors such as history, environment, space, and borders (for instance, inter-state water management and distribution); some are legacies of the

Soviet past (such as border delimitation); and finally, some are the byproducts of a high level of local community integration across state borders in the context of rigid bilateral state relations (as with water distribution in the Ferghana Valley).

Eurasian/Global Security Challenges at the Institutional and Process Levels (EU, NATO)

A number of things stand out about the security challenges in Eurasia that can have a large impact on global stability. The first is that despite a common Soviet past, it remains quite a fragmented region with some deep cleavages, such as culture, language, ethnicity, religion, resources, and capacities. Thus, it is hard to achieve a level of integration that could prevent potential open conflict. Second, even strong players (such as China or Russia) are not able to dominate/subordinate the region and mold it to their own security vision and needs, partly because their main security concerns are divided between Eurasia, East Asia, and the US and Japan, rather than being focused solely on the region. This means that both attention and limited resources are spread out beyond Eurasia to serve their national security goals elsewhere (in Southeast Asia, Europe, or the Middle East), leaving the instability-prone Eurasian region without the capacity to stabilize institutional and economic mechanisms. Third, differences in the internal governance of different Central Asian states and their visible irritation at everything that is perceived as intruding on their newly-gained sovereignty make even strong actors unable to wield enough pressure to act as a unified group to manage security challenges (we assume that big regional powers are uninterested in destabilizing the region). Fourth, a dense regional web of transnational institutions (such as the EAEU, OBOR, SCO, SCTO, and OSCE) are relatively new and although they are definitely having a stabilizing effect, the learning curve is ongoing. They still have to sort out overlapping competencies, the lack of effective coordination, political competition, inadequate funding, and the need for a stronger political commitment by member states.

Conclusions

It seems to us that sooner rather than later, both China and Russia will start to devise new approaches that will secure both OBOR and the EAEU against the possibility of derailment by a multiplicity of security threats. This can be done in at least two ways.

The first is for OBOR and the EAEU to include security as part of their mandate. China has already made some concrete steps in this direction, as recently noted by James Dorsey (2018). The second is for OBOR and the EAEU to enhance their security cooperation within an existing mechanism such as the SCO. Since one of the most ambitious projects sponsored by China and Russia is at stake, the two countries will increase the attention they pay to security and involve EAEU member states in that process.

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Chapter 4. Competitive Partners: Tensions Between Russia's Goals for the EAEU and the Chinese Vision of the BRI in Central Asia

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In the fall of 2013, Chinese president Xi Jinping announced a pair of initiatives that would collectively form the Belt and Road Initiative (BRI). Speaking at Nazarbayev University in Kazakhstan, Xi proposed that China and the states of Central Asia cooperate to establish trade and economic linkages that would form a modern version of the Silk Road. Several months later, Xi laid out his maritime vision of the project on a trip to Indonesia. Roughly conterminously, Russian president Vladimir Putin was working to upgrade economic structures in the post-Soviet space to the status of an integrated economic union. The Eurasian Economic Union (EAEU), composed of Belarus, Russia, and Kazakhstan, was formally established on January 1, 2015, and Armenia and Kyrgyzstan subsequently joined.

It was no accident that Xi selected Kazakhstan as the site for his announcement. The Chinese leadership envisioned Central Asia as a key component of the BRI (also known as "One Belt, One Road" [OBOR] and the Silk Road Initiative). For its part, the Kremlin hoped—with a combination of carrots and sticks—to persuade the Central Asian states to join the EAEU. In fact, the BRI originally provoked consternation in Moscow, with the Kremlin perceiving the project as Chinese encroachment on a region historically seen to fall within Russia's sphere of influence. At first, the Russian leadership elected to ignore the BRI; Russia also rejected an invitation to join the Asian Infrastructure Investment Bank (AIIB), the BRI's main funding body. Fairly soon, however, the Kremlin recognized that it had no realistic alternative but to endorse OBOR and (at least formally) welcome its presence in the post-Soviet space. At the May 2015 meeting of the Russian and Chinese presidents, the two sides released a joint declaration that noted their commitment to coordinating the planning processes of OBOR and the EAEU initiatives, with the eventual long-term goal of creating a free trade zone that would encompass the two structures (Zhong 2015).

Although both the EAEU and the BRI—and especially the BRI—have been the topic of extensive scholarly attention, there is a considerably more circumscribed literature on the conjunction between the EAEU and the BRI and its consequent implications. There is a virtually unanimous consensus that the task of "docking," or joining, the two projects presents a multitude of problems. These are treated as fully surmountable in many, but not all, Russian and Chinese accounts, while Western analysts tend to be more skeptical. There also exists a range of opinions as to the most salient aspects of the project. One approach stresses the economic and even technical dimensions of attempts at coordination (see Ostrovskii 2017; Timofeev, Lissovolik, and Filippova 2017; Svetlicinii 2018). An alternate approach emphasizes the political dimensions of these projects and the prospects for competition, if not conflict, especially in Central Asia. The official mantra is that there exists a complementarity of interests between Russia and China, including in Central Asia. Thus, Sergei Karaganov stresses the "incredible opportunities for building Central Eurasia" (see Bordacheev, Skriba, and Kazakova 2018) and Alexander Lukin (2014) asserts that the Chinese do not regard Eurasian integration as inconsistent with their own interests. A contrasting position is that Central Asia is the locale in which Russia and China, with their alternative economic proposals, face the greatest potential for collision (see Rozman 2015; Wilson 2016). Marcin Kaczmarski examines the BRI and the EAEU through a regionalist lens, arguing that Russia (2017a) is interested in establishing regional hegemony in the post-Soviet space, while Chinese aims are more inclusive and cover a far broader economic space. This further signifies (2017b) that Russia and China adhere to different understandings of regionalism, with China taking a functionalist view and Russia a spatial and historical one. These distinctions, according to Kaczmarski, further help to mitigate the chances that the two states will become embroiled in regional competition in Central Asia.

This chapter seeks to contribute to the emerging literature on the EAEU and the BRI by examining the Russian and Chinese roles in Central Asia in terms of their impact on the evolution of these two structures. My focus is on the geopolitical motivations of Russia and China in promoting their respective projects. It is evident that both the EAEU and the BRI are envisioned as serving a variety of diverse functions. Although Russian president Vladimir Putin's 2011 article in *Izvestiia* depicted the EAEU as performing the function of economic integration, his more recent rhetoric has drawn upon civilizational themes, to the point of portraying the Russian World as contiguous with that of the EAEU (see Putin 2011; Akapov 2014). Similarly, Chinese commentary on the BRI mixes economic and civilizational themes. The BRI, for example, is portrayed as a means of developing the economically laggard Western provinces and absorbing surplus capital through massive infrastructure projects. Moreover, Xi (2013) has repeatedly referred to the BRI as a means of establishing a "community of common destiny."

Although both Russia and China seek to expand their influence in Central Asia, there are noticeable differences in their approaches. For Russia, Central Asia is a "sphere of privileged influence" (see Medvedev 2008) but the Kremlin must be mindful (occasional provocative comments aside) of the sensitivities of the other political elites in the region. Both Alexander Lukashenka, the president of Belarus, and Nursultan Nazarbayev, until recently the president of Kazakhstan, have been adamant that the EAEU should function solely as an economic structure. China, on the other hand, inserts a strong ideational narrative in its approach to BRI, presenting China's goal of creating a community of common destiny as a win-win solution. Underlying the seemingly benign rhetoric, however, is the desire of the Chinese leadership to establish China as a regional hegemon (see Callahan 2016; Rolland 2017). This is not to say that Russian and Chinese interests in Central Asia are invariably in conflict—in the short run, a variety of factors are pushing them toward cooperation—but it is to note that China's longer-term strategy is inimical to Russian goals.

This chapter will proceed as follows. First, I will briefly describe the status of Russian and Chinese efforts to coordinate the EAEU and the BRI. Second, I will turn to the issue of China's economic presence in Central Asia and the attitude of Central Asian elites toward the Silk Road initiative. Third, I will assess the Russian presence in Central Asia through both the EAEU and alternative structures. Fourth, I will explore the complementary and competitive aspects of the Russian-Chinese relationship in Central Asia. The conclusion will summarize the main themes of the investigation.

"Docking" the EAEU and the BRI

The May 2015 Joint Declaration on Cooperation between the EAEU and the BRI was vague on actual details but mandated that the Eurasian Economic Commission (EEC), the supranational body of the EAEU, and the Chinese Ministry of Commerce (MOFCOM) set up a working group to propose concrete measures. A commitment to the joint development of these two initiatives continues to be set forth in formal joint statements but actual details have been sparse. A long-term goal has been to establish a free trade zone between the EAEU and China. In May 2018, the five member states of the EAEU signed a trade and economic cooperation agreement with China (see EA Union 2018; *TASS* 2018). The agreement does not remove or lower tariffs between the EAEU and China. It does, however, include a number of aspects of trade—such as customs cooperation, trade facilitation, etc.—with the goal of reducing non-tariff trade barriers. Given that the EAEU has already signed Free Trade Agreements (FTAs) with Vietnam, Moldova, Uzbekistan, and Iran, it seems likely that a future free trade deal with China will follow the procedures already outlined in these agreements (Shtraks 2018). The prospect of a free trade zone with China is a highly sensitive (and not very popular) issue; negotiations are likely to continue on this matter for a number of years (see Shtraks 2016).

The 2015 Document also mentioned that the Shanghai Cooperation Organization (SCO) would serve as a coordination mechanism between the EAEU and the BRI. One problem here is that the membership of the SCO and the EAEU does not overlap to any great extent: only Russia, Kazakhstan, and Kyrgyzstan are members both of the EAEU and of the eight-member SCO. There is a question as to whether the SCO, which is primarily concerned with security matters rather than economics, has any real mandate for (or interest in) serving in a coordinating capacity. The addition of new members Pakistan and India has further complicated matters, as India is openly wary of the BRI and especially of Pakistan's active involvement in Silk Road projects. In the 2018 SCO joint statement, India is conspicuous by its absence from the list of states reaffirming their support for the BRI and the conjunction of the EAEU with the BRI (Shanghai Cooperation Organization 2018).

While Chinese economic penetration of Central Asia has increased substantially (see below), there is little evidence that the conjunction of the EAEU with the BRI has been a factor of any importance in contributing to this phenomenon. The Eurasian Economic Commission (EEC) has proposed 40 specific projects in the transportation infrastructure sector to Beijing for joint development. The status of these proposals is unclear. Gabuev (2017a, 2017b) indicates that Beijing rejected all 40 transportation projects, but other sources are more equivocal. Tigran Sargsyan, the Eurasian Economic Council Board Chair, has indicated that these proposals are still under consideration (see Seisembayeva 2018; Eurasian Economic Commission 2017). They apparently include the stalled Moscow-Kazan high speed railway and the Western Europe-Western China expressway that would connect Lianyungang with St. Petersburg. It is likely, however, that the majority of projects—should they be implemented—would be located in Kazakhstan, where Narzarbayev expended considerable energy on promoting the linkages between BRI and his "Nurly Zhul" (Bright Path) infrastructure initiative (see Shtraks 2018).

The Chinese Presence in Central Asia

Since the collapse of the Soviet Union, the Chinese economic presence in Central Asia has grown exponentially. Table 1 indicates the magnitude of the increase in Chinese exports to the Central Asian states between 1996 and 2016: from 42 times for Turkmenistan to 225 times for Tajikistan.

Table 1. Chinese exports to Central Asia: 1996 and 2016 (US$thousands)

	1996	2016	Magnitude Increase
Kazakhstan	95,291	8,292,320	87
Kyrgyzstan	68,664	5,605,425	81
Tajikistan	7,636	1,725,083	225
Turkmenistan	8,451	358,478	42
Uzbekistan	38,150	2,007,463	52

Source: Compiled based on data from the World Bank, "World Integrated Trade Solution."

Table 2 compares Russian and Chinese imports, exports, and total trade turnover for 2016. The most notable point is that China's total trade turnover exceeds that of Russia for all of the Central Asian republics. The large volume of Kazakh, Turkmen, and Uzbek exports reflects the fact that they are shipping energy and raw materials to China (notably oil from Kazakhstan and gas from Turkmenistan). For its part, China exports a variety of products—chief among them consumer goods, textiles, and clothing—to the states of Central Asia or to third-country destinations with which Central Asia serves as a transit link.

Table 2. Chinese and Russian Imports, Exports and Total Trade from the Central Asian States 2016 (US$ Thousands)

	Imports		Exports		Total Trade	
	China	Russia	China	Russia	China	Russia
Kazakhstan	4,805,078	3,612,214	8,292,320	9,426,891	13,097,398	13,039,105
Kyrgyzstan	71,234	170,543	5,605,425	1,025,746	5,676,659	1,196,289
Tajikistan	31,255	26,405	1,725,083	661,481	1,756,328	687,887
Turkmenistan	5,563,294	331,174	388,478	570,574	5,951,772	901,748
Uzbekistan	1,607,057	761,041	2,007,463	1,964,967	3,614,520	2,726,008

Source: Compiled based on data from the World Bank, "World Integrated Trade Solution."

China has also emerged as the major source of foreign direct investment (FDI) in the region. Table 3 shows the level of Chinese FDI to the five Central Asian states and the two largest sectors of investment. Kazakhstan is by far the largest recipient of Chinese FDI, attracting more investment than the other four states combined. In fact, Kazakhstan is the greatest single recipient of Chinese FDI among the states of the former Soviet Union. During a December 2014 visit, Chinese premier Li Keqiang announced a new set of economic deals totaling US$14 billion; a second package of agreements signed in March 2015 was worth US$23.6 billion (Almaganbetov and

Kurmanov 2015; Lim 2015). This includes a US$2 billion agreement with the Chinese Silk Road Fund that provides for a joint project to coordinate the BRI with the Kazakh Nurly Zhul (Bright Road) Initiative (Silk Road Fund n.d. a).

Table 3. Chinese Investment in the States of Central Asia 2005-2017: State Investment Amount and Percentage of the Largest Sectors of Investment (U.S. $ Billions)

	Investment Amount	of which energy	of which transport	of which chemical
Kazakhstan	30.34	22.78 (75%)	-------------	3.68 (12%)
Kyrgyzstan	4.19	2.58 (62%)	1.69 (40%)	-------
Tajikistan	1.61	0.75 (47%)	0.56 (35%)	-------
Turkmenistan	13.60	6.3 0 (46%)	3.25 (24%)	-------
Uzbekistan	5.37	3.49 (65%)	0.46 (9%)	-------

Source: Compiled based on data from American Enterprise Institute, "China Global Investment Tracker Database." Errors due to rounding.

Table 3 indicates that Chinese FDI in Central Asia is directed first and foremost to the energy sector. The share of FDI devoted to energy projects ranges from 75 percent for Kazakhstan to 46 percent for Tajikistan. This includes investment in the oil and gas sectors, refineries, hydroelectric power, and mines, depending on the resource allocations of the state. In June 2018, for example, the Silk Road Fund signed a framework agreement with an Uzbek energy company to support Uzbek oil and gas projects (Silk Road Fund n.d. b). The AIIB is funding a hydropower project in Tajikistan (Asian Infrastructure Investment Bank 2014-2019a) and is contemplating a power transmission project in Uzbekistan (Asian Infrastructure Investment Bank 2014-2019b). Except in Kazakhstan, transport is also an important component of FDI investment. Transport constitutes 40 percent of Chinese FDI in Kyrgyzstan and 35 percent in Tajikistan. In both states, the Chinese are involved in road construction, including an AIIB-proposed road improvement project in Tajikistan (Asian Infrastructure Investment Bank 2014-2019b). The AIIB is also considering a railway electrification project in Uzbekistan (Asian Infrastructure Investment Bank 2014-2019b) and negotiations are underway for the construction of a railway between China, Kyrgyzstan, and Uzbekistan.

Generally speaking, the political elites of Central Asia have welcomed China's increased economic role in the region. All the Central Asian leaders have formally endorsed the BRI and four of the five states—the exception being Turkmenistan—are founding members of the AIIB. The leaders of Kazakhstan, Kyrgyzstan, and Uzbekistan attended the May 2017 Silk Road Forum in Beijing, another indication of support for the endeavor. There are, however, notable tensions between China and the states of Central Asia. As Sebastian Peyrouse (2016) has noted, the leaders of the Central Asian governments are not Sinophiles by conviction. China is a welcome partner thanks to its ability to contribute to the development of the region and to provide a counterbalance to Russia. But the local populations, especially in the states bordering China, tend to exhibit a xenophobic reaction to the Chinese presence, with China perceived as harboring imperialist ambitions. In the spring of 2016, public protests erupted in Kazakhstan in response to a proposed change in the land code that would have increased the timeframe for which foreigners (who were widely perceived as likely to be Chinese) could rent agricultural land. In a rare reversal, the Kazakh leadership tabled the measure. Anti-Chinese sentiment is also prevalent in Kyrgyzstan and Tajikistan, where citizens consider the flood of Chinese goods pouring across the border to be detrimental to local industries. Throughout the region, there is also considerable resentment of the Chinese practice of importing Chinese labor rather than hiring local residents.

In short, Central Asians, including the political elite, fear the potential consequences of turning into a semi-colonial economic appendage of the Chinese juggernaut. For their part, Kyrgyzstan and Tajikistan have been listed as two of the eight states most likely to encounter difficulties paying off their debt to China (Fernholz 2018). One of the incentives for Tajikistan to resolve its border dispute with China was debt forgiveness for some of its loans in exchange for ceding about one percent of its territory (Shahbazov 2016). Turkmenistan, facing a large reduction in its gas output and a loss of suppliers, is also encountering difficulties making payments on its loans to Chinese creditors. At the same time, the reality is that China is offering economic opportunities that are not available elsewhere, especially in the sector of transportation infrastructure, which is sorely needed.

The Russian Presence in Central Asia

In the 25-plus years since the collapse of the Soviet Union, the Russian influence in the Central Asian region has been greatly reduced but the Soviet legacy has managed to endure (see Skalamera 2017). The Russian cultural and political heritage is reflected in the continuing—if diminished—relevance of the Russian language and a Russified political culture in which long-lasting political leaders have been drawn from the ranks of Soviet officialdom. The network of ties connecting the Central Asian political elites to the Kremlin extends into an array of sectors, including the military and the security services. Russia is the primary source of arms sales to the

Central Asian republics. Table 4 provides comparative data on the volume of arms sales for Russian, China, and the United States to the states of Central Asia from 1992 to 2017.

Table 4. Volume of Russian Arms Sales to the States of Central Asia, 1992-2017 (US$ millions)

	Russia	China	United States
Kazakhstan	1.8	6.0	43.0
Kyrgyzstan	38.0	----	-----
Tajikistan	87.0	----	-----
Turkmenistan	370.0	230.0	-----
Uzbekistan	18.0	-----	35.0

Source: Compiled based on data from Stockholm International Peace Research Institute.

The data indicate that Russia is something close to a monopoly supplier of arms to Central Asia. Only in Turkmenistan does China assume the position of a potential competitor. The United States, despite its global predominance in arms, is not a notable player on the Central Asian scene.

Russia has also sought to make use of multilateral organizations—notably the EAEU, the SCO, and the Collective Security Treaty Organization (CSTO)—as a means of power projection. One of the Kremlin's goals is to present itself as a global power exercising regional hegemony in a multipolar world. But the Kremlin is also concerned with its regional impact and with maintaining its position as the dominant actor in Central Asia. To be sure, the membership in these organizations varies and Turkmenistan has maintained a position of determined neutrality by joining none of them. But these multilateral structures offer Russia the opportunity to promote its regional agenda.

The EAEU has struggled to perform as an effective structure since its inception. Here, the loss of Ukraine as a potential member appears to have struck a decisive blow to the organization from its beginning. The leaderships of Belarus and Kazakhstan have struggled against the Kremlin's desire to politicize the organization, insisting that its mission is purely economic. The addition of Armenia and Kyrgyzstan appears to testify to their lack of viable options: as then-president of Kyrgyzstan Almazbek Atambayev stated in December 2013, "Ukraine has a choice, but unfortunately we don't have much of an alternative" (Popescu 2014: 20). A major draw of the EAEU has been the movement of free labor throughout the union, which allows Kyrgyz migrant workers to legally seek employment in Russia and Kazakhstan. This fact is also attractive to Tajikistan, which has been contemplating union membership. Russian interest in bringing Tajikistan into the union one way or another is evident in the offer extended in the spring of 2018 for Tajikistan to take up observer status in the EAEU. The continued relevance of the EEAU is further indicated by the Uzbek government's spring 2018 announcement that it will harmonize its import tariffs with EAEU norms (Trickett 2018).

Although China took the initiative in establishing the SCO (which was born out of the negotiations over the former Sino-Soviet border), Russia has more recently taken the lead on promoting the organization. Russia has been the foremost advocate of expanding the SCO, championing the addition of India and Pakistan in 2017. Although China did not support the expansion of the SCO, nor did it raise a formal objection. In fact, Chinese interest in the SCO has declined considerably with the launch of the BRI. In previous years, China had attempted to expand the economic functions of the organization in the face of Russian opposition. The Chinese delegation routinely sought the establishment of a SCO development bank as well as the establishment of a regional free trade zone (Gabuev 2015a). In fact, Beijing's frustration with the SCO was apparently a factor in its decision to launch the Silk Road project (Gabuev 2015b; Lukin 2015, 4). It was presumably no coincidence that Xi first announced its creation during a trip to Kazakhstan.

China's increasing disinterest in the SCO has given Russia more of a free hand in bending the organization to its will. The problem, however, is that the SCO is an inert structure that, as Alexey Malashenko (2015) has noted, "plans to act more than it acts." This state of affairs does not seem all that troubling to the Russian leadership, which is primarily interested in the structure as a means to achieve its own political ends—that is, as a regional vector of power projection in the Kremlin's conceptualization of a multipolar world. The addition of India and Pakistan (with their own troubled bilateral relations) adds a second tier to the organization, which also includes the states of Central Asia, with the exception of Turkmenistan, as members. The enlarged structure is unwieldy, impeding policy formation, but it serves a purpose by enhancing Russia's ability to promote the SCO as an influential actor in the global system.

The CSTO was established in 2002 with the aim of coordinating security cooperation in the CIS states (although membership in the organization has been limited to Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan, and Tajikistan, with Uzbekistan drifting in and out of the structure). Moscow maintains a military base in Kyrgyzstan at Kant (the US withdrew from its base at Manas in 2014). A 2012 agreement extended Russia's presence at Kant for 15 years in exchange for a gradual writing-off of Kyrgyzstan's nearly US$500 million debt to Russia (Weir 2012). Russia also has a military presence in Tajikistan, where the 201st Motorized Rifle Division is stationed. Moscow has agreed to help modernize the armies of both countries.

Moscow has sought to present the CSTO as a counterpart to NATO. To date, the CSTO has never been involved in any real military action (although it holds annual training exercises). Russia did not seek CSTO members' assistance in the 2008 war with Georgia and the 2014 annexation of Crimea was a unilateral action. The Kremlin refused the government of Kyrgyzstan's request for assistance when ethnic conflict broke out between Kyrgyz and Uzbeks in Kyrgyzstan in 2010, nor did it seek CSTO involvement as a means of restoring order in the area. This raises a question as to the functional utility of the CSTO and the Kremlin's motivations in sponsoring the organization. One answer, suggested by Anna Matveeva (2013, 492), is that the CSTO provides yet another means for the Kremlin to increase its prestige and demonstrate symbolic great power status.

Russia and China: Overlapping and Divergent Interests in Central Asia

Russia and China do share a number of significant interests in Central Asia. Both states, as well as the leaderships of the Central Asian republics themselves, seek to restrain the growth of Islamic fundamentalism. Maintaining stability, which also means defusing the turbulence in Afghanistan, is a high-priority goal for all the states in the region. Moreover, Russia and China both feel comfortable providing political support to the authoritarian political elites of Central Asia, preferring this orientation to more liberal (and presumably pro-Western) democratic governments. Generally speaking, Beijing is content not to challenge the constructed Russian narrative, which posits a division of labor between Russia and China in which Russian provides security guarantees and China delivers economic benefits to the region. It should be noted, however, that Beijing has recently taken up some activities that fall into the category of security measures. China participates in the periodic military exercises organized under the auspices of the SCO but it has also set up an anti-terrorist alliance with Pakistan, Afghanistan, and Tajikistan. In addition, Beijing participated in counterterrorism exercises with Tajikistan along the Tajikistan-Afghanistan border in 2016 and has offered to build new border checkpoints and a military facility in the area (Shahbazov 2016). In addition, as Table 4 indicates, China has sold a substantial quantity of arms to Turkmenistan.

There is no doubt that Russia aspires to be internationally recognized as a great power and to act as a regional hegemon in the post-Soviet space. This is an entirely normal phenomenon by the standards of political realism. What is unusual about Russia is its willingness to promote a sort of virtual reality that lays claim to great power status but is relatively uninterested in the substantive details that would provide empirical verification of this status. Libman (2017) notes, for example, that the Russian discourse on the EAEU, which sees the body as capable of acting to reshape the global economy, contrasts sharply with the far more circumscribed performance of the organization. Putin has proved himself highly adept at playing a weak hand to its best advantage and framing what can be considered unpalatable choices in their best light. The Kremlin perceived that it had few realistic options but to welcome the BRI initiative, which, by creating the illusion of an equal partnership, allows Russia to save face. It is also advantageous for China, which sees no reason to antagonize its strategic partner.

Conclusions

Russian and Chinese interactions surrounding the EAEU and the BRI exemplify the weakest link in their relations, which can be found in the economic sphere. The two states share a largely consensual appraisal of the dynamics of the international system, rooted in a joint resentment of the neoliberal political values that the West presents as universal. In this sense, they have a convergent political identity (see Rozman 2014; Wishnick 2016). Although the Chinese leadership takes great pains to treat Russia as an equal partner, the asymmetry in their relative power positions, which is rooted in highly differentiated economic capabilities, is readily apparent in their interactions in Central Asia. It is here, in particular, that the narrative of equal stature is most strained.

Since coming to power in 2012, Xi has moved away from the mandate supposedly articulated by Deng Xiaoping to "keep a low profile and bide one's time" (*tao guang yang hui*). Indeed, Xi seems to feel that China's time has arrived. Speaking with U.S. President Barack Obama in 2013, Xi heralded a "new type of great power relations" (*xinxing daguo guanxi*) between China and the United States. Since then, Xi has referred to China as a great power on numerous occasions. For example, he identified China as a great power or a strong power no fewer than 26 times in his May 2017 speech at the Silk Road Forum, in which he also hailed the BRI as the "project as the century" (Buckley and Bradsher 2017).

Chinese rhetoric is extraordinarily careful to deny that China harbors any hegemonic ambitions, continuously repeating the mantra of win-win solutions for states becoming involved in the BRI initiative. The very concept of the community of common destiny, however, is Sinocentric in that it portrays China as the center of the surrounding region. Not only is China located at the center of this universe, but it also functions as the biggest and most powerful participant in the community (see Rolland 2017). In this sense, the BRI is as much a geopolitical endeavor as an economic one. Central Asia is a critical area for Chinese economic penetration, as most of the overland trade routes pass through Central Asia *en route* to Europe. Although Central Asia lacks a strong historical or cultural affinity with China, it seems to reside within the geographical parameters of the community of common destiny. The integration of the region with China increasingly places the Central Asian states within China's orbit (and outside of Russia's). In this sense, economic integration, following traditional functionalist logic, is a precursor, if not to political integration per se, then to forms of political influence. China's increasing economic domination of Central Asia testifies to the widening power disparity between Russia and China. These projections are speculative and dependent on the success of the BRI itself, which is by no means assured. But it does indicate that although China does not pose a serious threat to Russia in Central Asia in the short run, it will challenge Russian interests over the long term.

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Chapter 5. Which Regionalism for Central Asia? The Challenges of China's, the U.S.' and Russia's Integration Projects in Central Asia

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Globally speaking, Central Asia is a comparatively less mediatized and more remote area. Nonetheless, since the end of 2013, Mackinder's heartland has been regaining academic and media visibility, largely as a result of the Chinese initiative to convert this *space* of the *post-Soviet space* into the keystone of the Silk Road Economic Belt. Indeed, Xi Jinping's speech in September 2013, during his visit to Kazakhstan (Ministry of Foreign Affairs of the People's Republic of China 2013), symbolizes a new era in Chinese foreign policy quite marked by a proximity regionalism—which, in turn, turned the international gaze to the Central Asian countries that had emerged from the collapse of the Soviet Union in 1991. This new and promising context for Central Asian regionalism increases the value of any study on the subject. Furthermore, it served as a motivation for the author of this chapter to revisit the research he carried out in Central Asia in 2011 and 2012 (before the Silk Road Economic Belt was launched),[1] complementing it with current developments.

Based on a qualitative methodology,[2] this chapter argues that the New Silk Road is in itself an ambiguous concept that encompasses different views on Central Asian regionalism according to the interests of each country. The conceptual lenses used here derive from the securitization theory of the Copenhagen School, especially the word "securitize." In particular, the chapter sets out to examine the ways in which Beijing, Washington, and Moscow perceive the importance of the region and therefore develop their regionalism strategies. This gives rise to the following research question: how does each actor securitize its interests in Central Asia?

Anticipating the main conclusions, I argue that among the various projects that coexist in Central Asia, it is China that seems to offer the most promising proposal for regional integration. To answer the proposed research question, the first section will discuss the Chinese regionalism

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[1] In 2011 and 2012, the author of this article carried out doctoral research in Kazakhstan, Kyrgyzstan, and Tajikistan, where he interviewed experts, diplomats, and local academics about China's interests in the region.
[2] More specifically, on a hermeneutic understanding of China's, the U.S.', and Russia's interests in the region.

project, the One Belt One Road, which China currently calls Belt and Road Initiative.[1] The second section will analyze the U.S. regional integration project, known as U.S. New Silk Road. Finally, the third section will assess the performance of the Eurasian Economic Union. In the conclusion, I will highlight the main findings, identify future avenues for research, and make policy-oriented recommendations.

China's Belt and Road Initiative

The first section will analyze the Chinese integration project. It was not by accident that Xi Jinping chose to announce the Silk Road Economic Belt in Kazakhstan. As a manifestation of its increasingly proactive and assertive efforts to (re)define the regional order, China has been focusing, in recent years, on the consolidation of a neighborhood diplomacy, even at the expense of the traditional emphasis on relations with great powers such as the United States. With Xi Jinping's accession to power, Chinese regionalism entered a new stage (Bhattacharya 2016). Indeed, one of his priorities has been to bet on a new architecture for regional security, using multilateral organizations to promote Chinese interests: South-South cooperation, the Chinese Belt and Road, and the creation of a community of common destiny (Duarte 2017, 2018). The latter is based on the idea that China's re-emergence will only happen through the sharing of the fruits of development and progress with the regional countries (National Development and Reform Commission 2015). Along these lines, Tiezzi (2015) cites a Chinese proverb that illustrates China's increasing dynamism vis-à-vis regional affairs: "A near neighbor is better than a distant cousin."

Chinese regionalism in Central Asia resorts to multilateralism, as evidenced by the Shanghai Cooperation Organization (SCO), a Chinese institutional initiative (Singh 2017). In the framework of the SCO, China benefits from a more assertive leadership position than it enjoys in the ASEAN, since Beijing's relationship with ASEAN members is fraught with rivalries, tensions, and risks. Therefore, China prioritizes bilateralism in the South China Sea, in contrast to the way it securitizes its interests in Central Asia, where multilateralism[2] has proved to be the most suitable instrument (Duarte 2017). Besides its pragmatism, Chinese regionalism has other distinctive features. One can highlight, for instance, the search for mutual trust and benefits; the emphasis on sovereignty and political autonomy; the desire for China to be an active participant, rather than a

[1] We therefore use the concept of Belt and Road Initiative rather than One Belt One Road.

[2] The way China conceives multilateralism focuses on multilateral economic cooperation, soft power, the ability to capitalize on the relationship between multilateralism and bilateralism, and the implementation of institutional standards.

proactive leader; the promotion of Chinese regional identity; the option for an open and inclusive regionalism (which does not exclude the participation of others); a regionalism that aims to be an antidote to China's domestic weaknesses; and a regionalism that is based on building a community of common destiny (Zhang 2016).

Xinjiang is at the core of Chinese regionalism vis-à-vis Central Asia. In this sense, the Belt and Road Initiative seeks to securitize not only economic but also political, military, and social interests by promoting the development of the landlocked and restive Xinjiang (Clarke 2018). The economic factors inherent in Chinese regionalism include logistical, energy and strategic dimensions, materialized in the construction of railways, roads, pipelines, and power plants in Central Asian countries[1] as well as between these countries and China (Duarte 2017). The aim is to develop stronger ties between China and its neighbors through the reinforcement of trade and logistics, thus making it possible to sublimate tensions, separatism, and terrorism both in Xinjiang and in the great Central Asian periphery (Clarke 2018). By privileging the creation of logistical and economic hubs, which are likely to foster greater inclusion and integration, China conceives the future of Xinjiang as being interdependent with the regional context.

The stability of the periphery is also crucial to ensuring railway connectivity between East and West, which China aspires to make high-speed in the medium-to-long term (Duarte 2017). In this vision, Central Asia is of strategic importance, since it serves as a bridge between China and the European markets (Yilmaz and Changming 2018). But if the East-West dimension is of undeniable importance, so too is the North-South dimension, in particular the China-Pakistan Economic Corridor. Above all, this corridor, once constructed, will provide a considerably shorter and more direct route to the ocean than is currently available: about 1,864 miles by land from Kashgar to Gwadar compared to 8,077 miles via the conventional maritime route between the Middle East and the ports of Eastern China (Duarte 2018). This will serve as an alternative/complement to the long maritime route that crosses the Strait of Malacca and is also likely to relieve[2] the heavy congestion in Chinese ports. The Malacca dilemma is a recurring and omnipresent element of Chinese foreign policy (Lim 2018).

Having examined how China perceives its regionalism vis-à-vis Central Asia, let us now turn to assess the way the US securitizes its interests in the region.

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[1] Mainly in Kyrgyzstan and Tajikistan, which are the Central Asian countries that have water resources able to generate hydroelectricity. (J. Murphy, personal interview with the author, Almaty, 2012).
[2] To the extent that it will allow the transit of a significant part of China's oil imports.

The U.S. New Silk Road

Unlike China, the United States does not share physical borders with Central Asian countries. Moreover, unlike Russia, the U.S. was never the region's colonial power, delegitimizing any claim of it having a "sphere of influence" there. However, the opportunities created by the post-Cold War context, as well as the fight against terrorism in the post-9/11 world, help illuminate the U.S. interest in Central Asia (Rumer, Sokolsky, and Stronski 2016). We must also add to the equation energy interests,[1] as well as strategic issues. With regard to the latter, one should emphasize Mackinder's (2004) and Brzezinski's (2004) contributions noting the relevance of Central Asia, among others.

The United States' Central Asian regionalism project, known as the U.S. New Silk Road, was officially announced in 2011 by former U.S. Secretary of State Hillary Clinton, who called for the revitalization of the ancient Silk Road (U.S. Department of State 2011). According to Laruelle, "Washington embraced the evocative and romantic concept of the Silk Road in formulating its policy for Central Asia" (2015, 360). This is a similarity to the Chinese Belt and Road, which also takes a romantic and evocative perspective. Indeed, today's China is nostalgic for the glorious era of the Old Silk Road, within which China was the Middle Kingdom—that is, the center of gravity of a peaceful order based on a tributary system (Mayer 2018).

The U.S. New Silk Road aims to promote trade liberalization, develop economic cooperation, increase trade volume, and establish people-to-people connections between and within South and Central Asia. It envisions the development of logistics infrastructure in Afghanistan, in particular the construction of an integrated network of roads and railways, but also a regional power grid (Bhat and Kaw 2018). Furthermore, the U.S. New Silk Road aims to reduce trade barriers, as well as to enhance regional trade. The construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline and the promotion of the management of the region's water resources are also important goals of the U.S. New Silk Road (Bhat and Kaw 2018). It should be noted that like China, which had its Old Silk Road and has, since 2013, promoted a revival of ties between East and West, the US has also conceptually formulated two Silk Roads (Mayer, 2018). The first U.S. Silk Road dates back to 1991, when Washington sought to legitimize the project by describing it as an attempt "to reduce the dependency of South Caucasus and Central Asia on Russia, to prevent Iran from becoming a hub of regional commerce and to bolster Turkey's role as

[1] Materialized in oilfield exploitation in Central Asia by U.S. companies (J.-C. Lermusiaux, personal interview with the author, Almaty, 2011).

strategic partner of the US and Europe" (Laruelle 2015, 364). The second U.S. Silk Road strategy emerged in 2011 with Hillary Clinton's official announcement; it was intended to justify preparations "for the US withdrawal from Afghanistan by leaving a (hopefully) viable development project for Afghanistan's reintegration into the wider region" and "to confirm the new status of India, seen as possible US gateway to the Indian Ocean and Central Asia" (Laruelle 2015, 364-365).

A major difference between the U.S. New Silk Road and China's Belt and Road Initiative lies in the fact that while Washington's regionalism project is centered around Afghanistan (all routes and priorities lead to Kabul), China's vision tends to focus on Central Asia and sideline Afghanistan due to the insecurity in which it is immersed (Sternberg, Ahearn, and McConnell 2017). Moreover, one must acknowledge that China has been much more active in implementing its New Silk Road than the US. Indeed, whereas China's dynamism in Central Asia has gained momentum since 2013, the U.S. initiatives in the region have been decaying (Chen and Fazilov 2018). What is more, "several high-level officials have tried to downplay the Silk Road narrative, repeating that it is more of a vision or mindset than a strategy per se" (Laruelle 2015, 365). Not surprisingly, official discourse on the U.S. New Silk Road initiative is often vague, peppered with expressions such as "the US has supported" and "the US is working closely with" that do not really clarify what has been achieved so far (Kucera 2013). In addition, it is curious to note that after she gave the inaugural speech about the U.S. New Silk Road in 2011, Hillary Clinton never again mentioned the New Silk Road in a public address, nor did the rest of the Obama administration, with the exception of former Secretary of State John Kerry (2013), who referenced it in passing during his trip to India in June 2013.

Among the reasons for the failure of the U.S. New Silk Road, one could highlight the failure to mobilize capital for the project; the logistical, bureaucratic, and security obstacles to it; and the U.S. determination to exclude Iran and China from the initiative (Bhat and Kaw 2018). Besides, despite the U.S. focus on logistics and trade, "it has never been demonstrated that regional trade could be the main conduit of development in Central Asia" (Laruelle 2015, 366).

The Eurasian Economic Union

Unlike Beijing or Washington, Moscow does not have an official New Silk Road project. This has been substituted by the idea of the Eurasian Economic Union (EAEU). The latter is an economic union founded in January 2015 and loosely modelled after the EU that includes Russia, Armenia, Belarus, Kazakhstan, and Kyrgyzstan (Starr and Cornell 2014). Although it claims "a greater power status as a fundamental hallmark of its identity," Wilson argues that today's Russia "is engaged in essentially defensive behavior that seeks to preserve its perceived geopolitical interests, especially in the post-Soviet space" (2016, 114). All the same, "Russia is the only big external player that does not operationalize the Silk Road narrative to justify its involvement in the region" (Laruelle 2015, 363).

Historically and conceptually, Russia sees its central position within Eurasia as a precondition for a stronger role in global politics. The legitimacy of Russia's role in Central Asia is largely built upon the civilizational distinctiveness of the so-called Russian world (*Russkii Mir*) (Laruelle 2015). In that sense, the EAEU is the vector of a new vision of wider Eurasian integration. Here, Wilson (2016) recalls that the vision of a greater European space is highly evocative of Gorbachev's earlier invocation of a "common European home," an idea later promoted by Medvedev, who suggested the creation of a "Euro-Atlantic security community from Vancouver to Vladivostok." This idea would be revisited by Putin in 2010 when he called for the creation of "a harmonious economic community stretching from Lisbon to Vladivostok" (Wilson 2016, 115).

That said, will Russia be able to effectively securitize its interests in Central Asia through the EAEU? Judging by the experience of the organization that was the embryo of the EAEU, the Eurasian Economic Community (better known as EurAsEC), experts such as Movchan and Emerson (2018) are skeptical about the securitization potential of the EAEU. Indeed, although the designation Eurasian Economic Union indicates the economic essence that apparently characterizes this organization, the real lever underlying its creation is geopolitical (Dutkiewicz and Sakwa 2015). Russia sees the EAEU as a political project, whereas its other members view it as a way to further their own economic interests, rather than as "any dream" of forming a super-state between Europe and Asia. Russia's real goal in stimulating the creation of the EAEU is to adapt the essence of economic and political cooperation (and the models of supranationalism in the EU) to the case of Central Asia, Armenia, and Belarus. Nonetheless, its member states are not willing to give up what they see as their national sovereignty, to the detriment of any plans for a single currency or a regional Parliament inspired by the European Parliament (Duarte 2018).

One of the main reasons for the failure of the EurAsEC was that it imposed large costs on the Central Asian countries, which had to buy either lower-quality or higher-priced Russian manufactured goods under the common external tariff umbrella, which favored Russian industry (Starr and Cornell 2014). Having started with the Russian tariff—which, like the EurAsEC, protects Russian industry—the EAEU may suffer from the same ailments that caused the failure of the

EurAsEC. Furthermore, the crisis in the Russian economy makes the EAEU a "risky bet" for the states of the region.

Conclusion

As we have seen, each actor has different conceptions of Central Asian regionalism and, therefore, different ways of securitizing its interests in Central Asia. This is why we cannot talk about the New Silk Road as a unique concept, but rather an ambiguous one, since it has different meanings and senses according to each actor's point of view. In the case of China, the entity that best expresses Chinese regionalism vis-à-vis Central Asia is the land component of the Belt and Road Initiative, known as the Silk Road Economic Belt (Yilmaz and Changming 2018). In the case of the United States, the New Silk Road gets the name U.S. New Silk Road. Finally, in the case of Russia, it is the Eurasian Economic Union that best expresses Moscow's interests in the region. Nonetheless, while the EAEU remains far from the initial expectations of its members (due to Russia's economic decline and the fact that the EAEU focuses its attention on the search for political influence rather than on the promotion of free trade), the U.S. New Silk Road "rests mostly on a level of wishful thinking" (Laruelle 2015, 372). Thus, among the various projects that coexist in Central Asia, it is China that seems to offer the most promising proposal for regional integration.

Even though several interviewees in Central Asia have confirmed to this author that "the Renminbi is welcome but the Chinese are not,"[1] the fact is that the pragmatism of Chinese businessmen and the economic projects that China is currently developing in the region provide value for Central Asian states. One should recall that it was precisely China's interest in regional oil and gas that put an end to Moscow's decades-long monopoly over regional pipeline infrastructure, to the extent that China has built pipelines that connect Central Asian producers directly to Chinese markets.

That said, by way of a policy-oriented recommendation, I suggest that the Central Asian states take full advantage of their functional power—that is, their strategic location and their economic (gas, oil, minerals, and water) resources—to balance between great powers such as China, Russia, and the US. Avoiding a monopoly situation while simultaneously maximizing the great powers' interests in their resources and geography is essential to developing national economies and improving the standard of living of the local populations.

[1] R. Mogilevski, personal interview with the author, Bishkek, 2012; K. Guljahan, personal interview with the author, Almaty, 2012. See also Duarte 2018.

Now that the winds of political change in Uzbekistan, the most populous country in Central Asia, appear to be blowing the country along a different trajectory than in the Karimov era, it is possible that projects that have been suspended, such as the construction of the Rogun dam in Tajikistan, may resume peacefully. With this in mind, I recommend that China should bring Tajik and Uzbek leaders to the negotiating table to explore investment and water management opportunities beneficial to Tajikistan and Uzbekistan, as well as to Xinjiang, whose power deficit can be compensated for with hydroelectricity produced in Central Asia.

As regards future avenues for research, I encourage other researchers and/or texts to assess the geopolitical and geoeconomic challenges that will eventually result from the inclusion of Iran in the equation of Central Asian regionalism. Although rather marginalized by the international community thus far, Iran is nevertheless a regional player; it also shares cultural traits with Tajikistan. It could be therefore quite relevant to suggest a (larger) integration of Iran into major economic projects (including logistics and energy), as well as into those related to Central Asian regionalism. Considering that the China-Pakistan Economic Corridor (CPEC) will tend to provide uninterrupted access to the warm waters of the Indian Ocean, a logistics corridor from Central Asia through Iran to the Gulf of Oman or the Persian Gulf would not only supplement the CPEC, but also avoid the security issues relating to Afghanistan. Such a corridor would be beneficial to developing the landlocked Central Asia, providing it with direct access to the ocean.

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Chapter 6. From Regional Integration to Soft Institutionalism: What Kind of Regionalism for Central Asia?

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The first term of Shavkat Mirziyoyev, Islam Karimov's successor as president of Uzbekistan, has brought some liberal reforms to the domestic politics of Uzbekistan and also opened the country to higher levels of cooperation with its neighbors. Mirziyoyev's proactive efforts to strengthen regional cooperation in Central Asia and support other states in the region since 2017 have attracted scholars' attention to the dynamics of regionalization in Central Asia. The consultative meetings among Central Asian leaders, the cooperation among their governments' strategic think tanks, and official discussions on mutual visa recognition between Kazakhstan and Uzbekistan are all evidence of increased collaboration in the region.

Experts and journalists in the region have started to talk about regional integration in Central Asia and the possibilities for establishing a regional organization. Although cooperation has progressed significantly, we argue that it is neither feasible nor necessary to create regional organizations at this stage. Instead, we suggest soft institutionalism as a possible way of strengthening relations in Central Asia. Pursuing regional integration in Central Asia that necessitates hard institutionalism (as embodied in the EU and EAEU) may result in initiatives that are little more than ink on paper. It may also activate a strategic rivalry among external actors for influence in the region, as it would require Central Asian states that are members of other organizations to renegotiate their commitments.

Soft institutionalism (along the lines of ASEAN) is more appropriate, as it may allow for the strengthening of collaboration without requiring the renegotiation of existing commitments, while also avoiding unnecessary institutional burdens. Soft institutionalism, or soft regionalism (the terms are used interchangeably here), is based on informality, pragmatism, nonconfrontational bargaining, and consensus-building (Acharya 1997, 2009; Söderbaum 2012; Zhao 1998). Hard regionalism, by contrast, relies on formal structures, the delegation of power to supranational bodies, and legal agreements (Börzel 2016; Söderbaum 2012; Zhao 1998). When compared to the

EU, which is a model of hard regionalism, Central Asian regionalism is a failed project. Its revival and future success are often associated with the ability to build formal structures and institutions, with the EU model often proposed as a benchmark for regionalism in Central Asia (Tolipov 2017). However, we argue that given the empirical reality of domestic and international relations in Central Asia, the soft form of regionalism is a more viable alternative at this stage. The remainder of this paper will address two main research questions: (1) Why do we need a new debate on Central Asian regionalism? and (2) What kind of regionalism project is viable for Central Asia?

Is a New Edition of the Central Asian Regionalism Debate in the Making?

Regionalism is one of the major paradigms through which debates on contemporary Central Asia have unfolded since 1991. If the scholarly and policy literature focused heavily on endogenous Central Asian regionalism through the 1990s and early 2000s, this focus has gradually faded away to make room for regionalism projects initiated by external powers.

A brief reminder of the main lines of early debate on Central Asian regionalism is important in order to make sense of the phenomenon and to elucidate its future in the region. Three elements are relevant to this paper. First, the regionalism debate relied on a strong argument in favor of endogenous Central Asian regionalism. Second, the concept of regional integration dominated the pro-regionalism literature. Third, unfulfilled promises of regional integration led to frustration and disappointment among policymakers and scholars by the mid-2000s, which in turn moved them away from an exclusively Central Asian regionalism. Calls for a Central Asian regional framework became commonplace the moment the Central Asian republics achieved independence. The following quotation is a good summary of arguments in favor of Central Asian regional frameworks that were in vogue in the early 1990s:

> Following the collapse of the USSR in 1991 there was an expectation that the newly independent Central Asian states would form a coherent economic and security complex. A number of factors underpinned this regionalizing logic: the five states were geographically proximate and shared a common material culture, social structure, cultural value-system and historical memory; and, not least, they were bound by both the Soviet legacy and the need to find a way of collectively managing the region's transboundary natural resources (Bohr 2004).

The idea of Central Asian regionalism was promoted by different actors, including presidents, political and intellectual elites, international institutions, scholars, and experts. These calls for regional cooperation and integration can be grouped into three main arguments: unity, transition, and geopolitics.

The unity argument advances the idea that Central Asian nations enjoy many commonalities based on their shared historical experience as well as socio-cultural, linguistic, and religious elements. As a united region, the argument goes, Central Asia was prosperous and made important contributions to global scientific, political, cultural, and industrial processes. Hence, restoring Central Asian unity will enable the region to once again become an important player in global trade and economic exchanges (Canfield 1992; Starr 2013).

The transition argument underlines that Central Asian countries face the same kind of challenges as other newly independent countries in terms of political development, economic growth, and social modernization. It is therefore logical for them to address these common challenges through a common regional framework. According to this argument, the development of regional cooperation and integration will facilitate economic growth, modernization, and development for all Central Asian countries (Asian Development Bank 2006; UNDP 2005).

The geopolitical argument asserts that geography demands Central Asian unity. Located in the immediate neighborhood of powers like Russia and China, Central Asia sits at the juncture of Eurasian transport corridors and contains large reserves of natural resources—making it attractive from a geo-economic perspective. Central Asia will increasingly become a zone of geostrategic and geo-economic competition between great powers. Regional integration among Central Asian states is the only way to avoid great power confrontation and the "vassalization" of Central Asian countries (Tolipov 2002, 2010).

Arguments in favor of Central Asian regionalism rely heavily on the concept of regional integration. In particular, this concept was frequently used by policymakers and scholars of the region throughout the 1990s and early 2000s. According to Farkhod Tolipov (2002), a consistent proponent of Central Asian regional integration, "Central Asia today is an objectively integrative unit with many aspects, free from nuclear armaments, it is a single market, a historical entity, an indivisible security system, a single ecological system, and the independent geopolitical unit (a buffer, the Heartland, a center of power)". It is now necessary for contemporary actors in the region to find and implement a form of integration relevant for modern Central Asia. In the opinion of Inomjon Bobokulov (2006), "Stronger regional cooperation yielding to the multifaceted integration of the Central Asian states is the only viable avenue to achieving political stability, stimulating economic growth, and reinforcing the notions of democratic sovereignty." Umirserik Kasenov, who is from Kazakhstan, has argued that it is only possible to strengthen the fragile state sovereignties of Central Asian countries by deepening regional cooperation and integration in parallel with efforts to build nation-states (cited in Qoraboyev 2010).

At that time, the practical realization of Central Asian unity also seemed to be underway. The leaders of Central Asian countries, excluding Turkmenistan, created several frameworks to this effect: the Central Asian Community (1994),[1] the Central Asian Economic Community (1998), and the Central Asian Cooperation Organization (2002).

However, the concept of regional integration implied supranational structures, hard institutionalism, and the abandonment or sharing of sovereignty. Even if the idea of Central Asian integration appealed to the public imagination, its implementation would conflict with the central paradigm of independence. Moreover, the economic and foreign policy preferences of Central Asian countries were increasingly becoming differentiated (Rosset and Svarin 2014). Hence, political leaders and policymakers either shifted away from the concept of integration or intentionally kept integration agreements strictly on paper.

This unfulfilled promise of regional integration led in turn to the third feature of the Central Asian integration debate: frustration and disappointment among the public and in academia. This was preceded by the official dissolution of an exclusively Central Asian framework (the Central Asian Cooperation Organization) in 2005, when it was merged with the Eurasian Economic Community. The merger was the natural consequence of Russia's accession to CACO earlier in 2004. In Tolipov's (2005) words, Central Asia ceased to exist as "a quasi-political structure and institutionalized region." As stated by Marlene Laruelle and Sebastien Peyrouse, "All attempts to create regional institutions in which only the five Central Asia countries are members have therefore failed, due to a lack of political will" (Laruelle and Peyrouse 2012). For scholars, it seemed that not only was regional integration elusive, but even regional cooperation was difficult (Bohr 2003; Spechler 2002).

This reality saw scholarly attention shift away from the question of Central Asian regional integration to other aspects of post-Soviet regional dynamics. Security regionalism seemed to replace regional economic integration as an object of scholarly attention (Allison 2004; Bohr 2004;

[1] Officially, there was a Treaty on Creation of Common Economic Space between Kazakhstan and Uzbekistan, which was later joined by Kyrgyzstan. In the public sphere, these efforts were usually referred to as the "Central Asian Union" or the "Central Asian Community."

Collins 2009). Endogenous Central Asian regionalism disappeared from scholarly works, making way for outside-in regionalism projects. This refers to region-building efforts by external entities, such as the Shanghai Cooperation Organization or Eurasian Economic Union, that were more in keeping with great power geostrategic designs (Flikke and Wilhelmsen 2008; MacFarlane 2004; Qingguo 2007; Russo 2018). From the perspective of outside-in approaches, Central Asia was also studied as a zone of normative rivalry between great powers (Kavalski 2007; Russo and Gawrich 2017). Central Asian regionalism is increasingly subsumed into Eurasian integration projects (Hancock and Libman 2016; Moldashev and Hassan 2017). From the perspective of Central Asian states and societies, the objects of these works are better characterized as "great power tools for Central Asia" rather than "Central Asian regional institutions." This is because these outside-in processes most often result in the "unmaking" of Central Asia, as they lead to the fragmentation of traditional Central Asia.

Discussions on exclusively Central Asian regionalism thus seemed to have reached a dead end by the close of the first decade of the twenty-first century. However, recent events are showing that perhaps the discussion is not yet over; another round of the Central Asian regionalism debate may be forthcoming. A resurgence of interest in Central Asian regionalism is evident today both inside and outside the region. Uzbekistan's (re)turn to the Central Asian region, the resumption of summits between Central Asian leaders, external actors' hosting of multilateral meetings in the format of "Central Asia + 1 Dialogue," the launch of China's Belt and Road Initiative, and the increasing politicization of the Eurasian integration process help to explain the need for further debate on Central Asian regionalism. Importantly, the initial debate on Central Asian regionalism started in the context of the 1990s, characterized by the leaders of young nations locally and great geopolitical transformations globally. In 2018, both the regional and the global context are qualitatively different from those years. It may therefore be appropriate to re-imagine and reframe Central Asian regionalism under the new conditions of the evolving global order.

The global order should be a reference point for the renewal of Central Asian regionalism. In the first stage of the Central Asian regionalism debate, which involved the form of regional integration and cooperation, the main reference point was the local context. The debate was framed mostly with respect to the local dynamics of Central Asian politics and of the broader post-Soviet region, the dissolution of the Soviet Union and the newly acquired state sovereignties being the most important determining elements. In what follows, we argue that the second stage of the Central Asian regionalism debate should take the global order as a reference point and then incorporate the experience of other regions to reframe Central Asian regional frameworks so that they are more on a par with global trends. This is because regionalism has become a constant feature of world order and comparative regionalism provides a variety of important lessons derived from the experience of other regions across the world. Central Asian regionalism could benefit greatly from engaging in cross-fertilization with regionalism elsewhere.

Central Asian Regionalism since 1991: Experimenting with Hard Institutionalism

In the 1990s, Central Asian states were participating in wider post-Soviet regionalism projects and also pursuing Central Asia-only initiatives. One of the first Central Asian initiatives was the Protocol for the Establishment of the Common Market, signed by the leaders of all five Central Asian states in Tashkent in 1993. Kazakhstan, Kyrgyzstan, and Uzbekistan signed the Agreement on Single Economic Space in 1994 and established an intergovernmental council. In a broader post-Soviet framework, the Customs Union Agreement was signed by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan in 1995. Kazakhstan and Kyrgyzstan actively participated in both Central Asia-only and Russia-centered projects. It should be noted that the customs union or single economic space agreements require the creation of common customs territory, are exclusive in nature, and are to be pursued simultaneously. It was possible for some countries to pursue such deep forms of integration with various groupings in the 1990s, as these initiatives were never fully implemented. Trade and economic relations among countries were mostly based on bilateral free trade agreements that enabled tariff-free trade for most goods, with an annual review of exemptions.

The next step toward regional integration in Central Asia was the establishment of the Central Asian Economic Community (CAEC) in 1998, after Tajikistan joined the agreement made in 1994. The signing of such agreements and high-level intergovernmental meetings occurred in parallel with the weakening of relations in certain respects. Border delimitation, the upstream and downstream division of the water resources from the Amu Darya and Syr Darya rivers, and small-scale inter-ethnic conflicts were persistent issues. In 1999, Uzbekistan planted landmines in some areas of its border with Tajikistan and created additional barriers to the movement of people across the Kyrgyzstan-Uzbekistan border (Dadabaeva and Kuzmina 2014). That year, Turkmenistan introduced visas for citizens of Central Asia states. Amid these developments in Central Asia, the political changes in Russia that saw Putin come to power increased Moscow's interest in post-Soviet regional arrangements. Russia was always cautious with respect to Central Asian integration processes. The first attempt to build Central Asian institutions in 1993 was interpreted by some

Russian experts as the revival of Turkestan and the erosion of the Kremlin's influence in the region (Saidazimova 2000).

Putin's Russia used economic integration as its main tool to reclaim its influence in the post-Soviet space (Laumulin 2009). The signatories of the 1995 Custom Union agreement—Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan—established the Eurasian Economic Community (EurAsEC) in 2000. However, Central Asian states were still trying to maintain the existing regional framework, and in 2002 the CAEC was transformed into the Central Asian Cooperation Organization (CACO). But it lost its Central Asian character after two years when Russia, previously an associate member, joined the CACO as a full member. The CACO was fully integrated into EurAsEC in 2006, as the two organizations had similar structures and goals. Uzbekistan withdrew from the EurAsEC in 2008 after two years of membership. Karimov justified the move by noting the EurAsEC's duplication of CIS structures and activities as well as Uzbekistan's disagreement with the principles of the Belarus, Kazakhstan, and Russia customs union (BKR CU) that was to be built on the foundations of the EurAsEC (*RIA Novosti* 2008). The divergences in the Uzbek and Kazakh approaches to the scope and content of regional projects became more apparent in 2004, from which period onwards we can talk of Central Asia-skepticism.

The erosion of intergovernmental-level cooperation since 2004 has not led to the end of Central Asian regionalism. The non-governmental actors within the region and external actors such as Japan, the US, and the EU have contributed to regionalization in Central Asia. The epistemic community in the Central Asian states, which consists mostly of experts and scholars, has sustained the discourse on the necessity of regional integration (Moldashev and Nursha, forthcoming). The EU as a bloc and certain European countries have been promoting human security and development in Central Asia. U.S. policy is mostly associated with traditional security and linking Afghanistan to Central Asia. Japan and South Korea also maintain a regional approach alongside bilateral cooperation with Central Asian states. All of this allowed the idea of regionalism in Central Asia to survive the period of Central Asia-skepticism associated with a low level of interstate relations.

When Shavkat Mirziyoyev, the new president of Uzbekistan, expressed his new policy of openness to the region in 2017, this was welcomed by communities in the region and external actors supportive of Central Asian regionalism. It also coincided with a stalemate in Eurasian regionalism, as Moscow entered into conflict with Ukraine and sanctions imposed by the EU and US led to further divergence between Russia's foreign policy and those of its partners within the EAEU and CSTO. The period of Central Asia-optimism since 2017 has been characterized by the intensification of intergovernmental and private sector relations. Media coverage of regional issues has increased significantly. Currently, the discourse on Central Asia regionalism is dominated by speculation as to the possibility/impossibility of regional integration and by the Kazakhstan-Uzbekistan rivalry for the leadership role in Central Asia. This discourse ignores non-integrationist forms of regional governance and inhibits cooperation, as it suggests rivalry among the biggest economies in the region. In the next section, we suggest a possible strategy for Central Asia that avoids repeating previous failures in regional institution-building.

Soft Regionalism for Central Asia

There are a number of exogenous and endogenous factors that hinder regional integration and the implementation of a hard regionalism model in Central Asia. The exogenous factors include the membership of Kazakhstan and Kyrgyzstan in the EAEU, which requires delegating decision-making on international trade issues to the supranational level. Alongside this formal arrangement, Moscow is very cautious about developments in its "near abroad" that may reduce its strategic influence. Endogenous factors include divergent interests on certain issues (e.g., the upstream/downstream divide related to water resources), and regimes with high power concentration where relations between leaders significantly affect interstate (non-)cooperation. However, the region faces many pressing issues that require a regional response, including environmental problems, the spread of diseases, drug trafficking, and migration.

As integration or hard regionalism is not a viable option for Central Asia due to the aforementioned factors and failures, different models should be considered seriously. Contributions to the comparative regionalism studies field provide the theoretical foundations for considering other forms of regional governance (Acharya 2009; Börzel and Risse 2016; Fawcett 2004; Söderbaum 2012). Regional governance need not be considered as formal institution building and a purely state-led enterprise. Regionalization can be informal and society-based (Börzel 2016). In conceptualizing the "ASEAN way," Acharya (1997, 329) notes that it "involves a high degree of discreetness, informality, pragmatism, expediency, consensus-building, and non-confrontational bargaining styles which are often contrasted with the adversarial posturing and legalistic decision-making procedures in Western multilateral negotiations." ASEAN has platforms for ministerial-level and bureaucratic consultations and problem-solving, but it has avoided building supranational institutions and delegating authority (Acharya 1997, 2009).

This kind of informal and non-confrontational approach can be regarded by its critics as just another explanation of states' failure to cooperate and compromise. Notwithstanding such criticism, soft regionalism is valuable: in the process of continuous consultations, consensus-seeking, and interaction on different levels, regional actors can find ways to reconcile divergent interests and proceed in those areas where consensus is achieved. As theoretical concepts, the formal and informal modes of governance should be viewed as ideal types rather than the reality in certain regions. We usually find a combination of these two modes, with one of them having a dominant role. For instance, EU governance is characterized by a mix of networked governance based on intergovernmental negotiation and bargaining that operates in the shadow of a regional hierarchy in decision-making based on supranational institutions (Börzel 2010). ASEAN governance is more informal, with few formal structures that mostly serve as a platform for promoting consultation and problem-solving. In certain areas, such as trade and investment, ASEAN members have been able to reach a consensus and formalize relations.

Informal regional governance also provides room for non-state actors to play a greater role. Some regional networks that are comprised of trade unions, migrant rights organizations, and migrants' associations, such as the Task Force on ASEAN Migrant Workers (TF-AMW), contribute to the promotion of migrants' rights in Southeast Asia through three channels: through engagement with ASEAN structures; from below, by organizing and coordinating the work of civil society organization in member states; and by using a "vertical boomerang" that secures support from international actors (UN, ILO) to advocate for migrant rights on the regional or national level (Rother and Piper 2015).

As such, in our view, soft regionalism premised on informal governance is a viable option for Central Asian regionalism at the current stage. The following points support our argument:

First, divergent interests prevent the realization of an integrationist or hard-institutionalism model in Central Asia. The EAEU shows that divergences in trade policies are difficult to reconcile even within a strongly institutionalized framework with supranational bodies. Member states can find loopholes in existing rules and follow national interests at the expense of regional ones (Delcour 2018). For instance, despite the adoption of the Common External Tariff (CET) for goods imported to the EAEU customs area, the exemption list from CET includes more than 3,000 items. Regional cohesion within the EAEU also suffers from the ongoing Russia-Ukraine conflict, U.S. and EU economic sanctions, and counter-sanctions by Russia (Movchan and Emerson 2018). Russia's partners in the EAEU face limitations on trade with Ukraine and endure the costs of additional non-tariff barriers imposed by Russia to prevent the re-export of sanctioned goods through their territory. These problems are the consequence of pushing integration forward by building institutions without achieving full consensus among members of the EAEU. Thus, Central Asian regionalism should focus on achieving consensus before building any formal and legally binding institutions.

Second, informality is often regarded as a deficient feature of regional governance when compared to the formal institutions of, for example, the EU. However, in certain areas, informal and extensive consultations, dialogue platforms, and interactions provide better problem-solving opportunities than do hierarchical structures. The significance of interpersonal relations among the leaders and the high concentration of power in their hands make informal contacts a necessary precondition for furthering cooperation in Central Asia. Informality is also preferable in an environment where formalization may lead to over-bureaucratization of regional affairs, leaving very little room for civil society participation.

Third, flexible and soft regionalism allows various forms of membership in regional initiatives. In situations when all five post-Soviet Central Asian states reach consensus, the CA-5 format can be used. Where some countries abstain from participation in a regional initiative, the CA-3, CA-4, and Central-Asia-minus-X formats are options. Many initiatives can start as CA-2 if they are in principle open to the participation of other countries in the region. Kazakhstan and Uzbekistan recently agreed to recognize visas issued by the other in order to boost tourism. Although it was a bilateral agreement, other countries in Central Asia and outside the region were invited to join. In relations with other international actors, Central Asian states may adopt CA+X or CA3+X formats.

Fourth, soft regionalism in Central Asia will help to engage with a Turkmenistan that emphasizes sovereignty and neutrality. It is hardly possible to involve Turkmenistan in a regional organization with a hierarchical structure and a supranational mode of decision-making. But it is possible to establish dialogue and problem-solving platforms that include all five Central Asian states.

Fifth, countries like Kazakhstan and Kyrgyzstan, bound by strong commitments to the EAEU, will avoid the burden of re-negotiating previous agreements in order to proceed with the soft regionalism project in Central Asia. The strengthening of trade relations in Central Asia can take a bilateral form or involve deeper FTA agreements between EAEU members and non-member Central Asian states. The proposal of a Visegrad model for Central Asia seems very timely in this regard (Saruhanyan, 2015), and V4+CA meetings have recently begun (Polish Ministry of Foreign Affairs 2018).

Conclusion

There are many problems in Central Asia that cannot be addressed at national level and require regional responses. The low level of interstate cooperation in the last decade has created many pressing issues in the region. The new period of Central Asia-optimism, which is often associated with the political changes in Uzbekistan since 2017 and other countries' readiness for cooperation, raised questions about the future of regional integration in Central Asia. The failure of hard regionalism projects focused on institution-building that were attempted in the 1990s and the beginning of the 2000s has added to doubts about the possibility of integration. There are structural factors that impede the creation of strong regional institutions, including the role of actors outside the region and intra-regional divergences.

However, regionalization in Central Asia can successfully proceed if a soft regionalism approach is adopted. The establishment of a regional bureaucracy and formal structures without full consensus and commitment is not viable. Instead, countries may accept informality as a matter of fact and proceed with it. The increase of informal platforms for constructive dialogue and problem-solving may lead to consensus on certain issues and provide grounds for more compromise decisions where consensus is not possible.

The focus should be not on building structures per se, but on developing processes that will help to solve problems at regional level. A focus on process and informality will create more room for non-state actors too. Regional governance that includes civil society and societal issues such as migration, health, the environment, and human security is more sustainable and cooperation-enhancing than governance that focuses only on states and so-called "national" interests.

The soft regionalism approach may help Central Asia to develop norms through intensive interaction without relying on excessive institutional structures. These mostly informal norms will create a more predictable and stable environment for interstate relations and people-to-people cooperation in the region. As interpersonal interactions in Central Asia often require that tea be on the table, the term "Central Asian *Chaikhana*" (teahouse) is appropriate for referring to informality in regional governance.

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Chapter 7. Conjunction of EAEU and the Belt and Road Initiative: Challenges and Opportunities for Europe

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The "Belt and Road" is an initiative by the People's Republic of China (PRC) that involves two projects: the "Silk Road Economic Belt" (SREB, i.e., the "Belt") and the "21st-Century Maritime Silk Road" (MSR, i.e., the "Road"). The idea was first announced by Xi Jinping, Chairman of the People's Republic of China, in a speech at Nazarbayev University in Astana as part of a state visit to Kazakhstan in September 2013. It was subsequently promoted by Premier Li Keqiang during state visits to Asia and Europe. The "Belt and Road" initiative envisages the creation of two corridors: the land-based "Belt" corridor—through the countries of Central Asia and the Middle East to gain access to Eastern and Western Europe; and the maritime Silk "Road"—through the Pacific and Indian Oceans and the Mediterranean Sea (see Map 1). Both focus on connectivity along infrastructural trajectories. The Chinese-led Belt and Road Initiative is for Eurasia in the twenty-first century what the American Marshall Plan was for Europe in the twentieth century.

The land-based route, collectively called the "Silk Road Economic Belt" (SREB), is divided into three main corridors:

1. Northern: China – Russia – Belarus – Europe (Transsib)
2. Central: China – Kazakhstan – Russia – Belarus – Europe (Western China – Western Europe)
3. Southern: China – Central Asia – Southern Caucasus – Turkey – Europe or China – Central Asia – Iran – Turkey – Europe or China – Pakistan – Indian Ocean

The ocean-based routes, collectively called the "21st-Century Maritime Silk Road," are divided into the southern (toward the Suez Canal) and northern routes (through the Russian Arctic sea).

The Silk Road Economic Belt is a "brand" for the process, within the framework of which any projects aimed at achieving the main goal—supporting the economic development of the

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interior regions of China—can be implemented. At this stage, the SREB is a non-institutionalized "process in motion" for developing bilateral trade and economic relations with the countries of Central Asia, the Middle East, and Central and Eastern Europe. At least publicly, there are no specific quantitative benchmarks for the implementation of the SREB. For now, the SREB is, first and foremost, a transport project connecting China, Kazakhstan, Russia, and Belarus and then the countries of Central and Eastern Europe.

Goals

The main goal of the concept is the creation and modernization of transport routes from China to Europe and the formation of points of economic growth "along the road," further stimulating the development and modernization of the Chinese economy. The development of the Silk Road Economic Belt is aimed at increasing the volume of China's foreign trade, solving the problem of overproduction within the country, and stimulating the development of less-developed regions of the Chinese hinterland, including Xinjiang.

In recent years, China has been intensively developing its internal transport system, a process through which a large number of jobs have been created. Given that China's transport infrastructure has now largely been modernized, Beijing will be able to maintain this level of employment in the construction sector only by exporting China's infrastructure competencies and solutions.

All in all, the Belt and Road Initiative is intended to achieve the following goals:

- "Utilize" excess capital by investing it outside the country. Further investments in fixed assets within the country will lead to aggravation of the existing imbalances: creation of excess production capacity; deterioration of the environment; increase in corporate debt; delay in shifting the economic development model from "investment + export" to "domestic consumption."
- Create additional demand for Chinese excess capacity (in metallurgy, cement, glass, etc.) and "new" Chinese high-tech products (in turn providing an additional incentive to accelerate economic modernization).
- Support the Chinese business expansion program ("going out") by preparing the relevant territories for the arrival of Chinese companies, first large state-owned ones and later private small and medium-sized enterprises.

In the process, the BRI is intended to improve transit links, reduce trade costs, diversify investment markets, develop the Chinese hinterland, contribute to the internationalization of the yuan-renminbi, create an alternative cooperation network to counteract China's exclusion from the TPP, and address existing strategic supply issues such as the Strait of Malacca chokepoint.

Content

Within the framework of the Belt and Road Initiative, there are plans to build a network of roads, railways, ports, pipelines, and power stations along the routes connecting China with South-East and Central Asia, the Middle East, Africa, and Europe (see Map 1). The BRI focuses on infrastructural investments, construction materials, railways and highways, real estate, power grids, iron, and steel. Already, some estimates list the Belt and Road Initiative as one of the largest infrastructural and investment projects in history, covering more than 68 countries, 65 percent of the world's population, and 40 percent of global GDP as of 2017.

It is difficult to identify a concrete list of projects that will be or are being realized as part of the SREB. For one thing, the project has only existed for a few years; for another, the SREB is a brand for the process, rather than a defined business project in itself. There is also no single list of countries involved, only an approximate geographical area. Thus, in order to bolster and promote the project on foreign markets and declare its success, the Chinese authorities have been describing any projects that began after 2013 and employed Chinese capital in the countries along the Silk Road as part of the SREB project.

The Khorgos transport and logistics junction in the Almaty region of Kazakhstan, which is part of the special economic zone "Khorgos-Vostochnye Vorota" (under development since 2005), can be attributed to the SREB. The Khorgos special economic zone includes a dry port, a logistics and industrial park, the Altynkol railway station, and the Kazakh-Chinese International Center for Cross-Border Cooperation.

Other projects that can be attributed to the SREB and which were financed exclusively by the Silk Road Fund include:

- Purchasing a 9.9 percent stake in Yamal LNG for US$700 million.
- Financing the construction of a hydroelectric power station in Karot, Pakistan. The total investment (between SREB and the Eximbank of China) amounted to US$1.65 billion. Under the terms of the deal, the hydroelectric power plant will be owned by the Chinese consortium for 30 years, then transferred to Pakistan.

- Financing the purchase of the Italian tire manufacturer Pirelli. The Silk Road Fund purchased for US$1.8 billion 25 percent of the shares of the China National Tire & Rubber Co., which in turn used the proceeds to buy Pirelli shares (98 percent of the shares in October 2015). Pirelli's foreign assets include, among others, the Kirov and Voronezh tire plants in Russia.

According to the Ministry of Commerce of China, the volume of Chinese investments within the framework of the Silk Road Economic Belt in 2015 amounted to almost US$14 billion across 49 countries (an increase of 37 percent compared to 2014).

In the railway sphere, projects are under way to build a high-speed railway in Indonesia (Jakarta-Bandung) and between China and Myanmar (Guangdong-Dali). In February 2016, Chinese companies began the construction of a railway corridor in Iran that is intended to be the first stage in connecting Iranian transport infrastructure to its Turkish counterpart, thereby creating a continental rail corridor from China to Europe. The German company Siemens has been participating in the project by providing additional compounds, signal systems, and other equipment. In 2015, construction began on a high-speed China-Thailand railway (total cost: $470 million). At the same time, China provided Thailand with a quota of nearly US$8 billion for investing in China. In the future, it is expected that the China-Thailand railway will be connected with the China-Laos railway (Boten-Vientiane), for which a construction agreement was signed in 2015 and for which there is almost $6.5 billion in funding.

In order to implement the objectives of the Maritime Silk Road, the Chinese company COSCO received approval from Greece to acquire 67 percent of the Greek port of Piraeus. Under the terms of the transaction, at the first stage COSCO will receive 51 percent of shares for EUR280.5 million. The remaining 16 percent will be transferred over the next five years for EUR88 million. It is planned that within 5 years after the privatization, the Piraeus port will attract investments worth EUR500 million.

Nor is this the only maritime move that has been made by Chinese companies. In early 2016, a US$3.3 billion agreement was signed for the construction of the Sharshal seaport in Algiers. Chinese companies have rented part of the port of Darwin, Australia, for 99 years and part of the Gwadar port in Pakistan for 40 years. They have signed an agreement to construct a container terminal at the port of Sidney in Canada and agreed to build a military base in the immediate vicinity of the strategic Bab-el-Mandeb strait in Djibouti.

The use of the Silk Road for military purposes may meet with opposition from China's military opponents in the region: India, the Philippines, and Vietnam. Thus far, however, these countries' interests in receiving Chinese investment have prevailed.

Financing

The financial platform of the BRI is the Silk Road Fund (US$40 billion). The Fund, founded by the Central Bank of China (65 percent), the China Investment Corporation (15 percent), the Export-Import Bank of China (15 percent), and the China Development Bank (5 percent), focuses on infrastructural investments. The fund operates in accordance with Chinese law, but foreign investors can take part in its projects. The capital of the Asian Bank for Infrastructure Investments (potentially US$100 billion) and the BRICS Bank (potentially US$100 billion) can also be used to finance Belt and Road Initiative projects.

It is planned to create an additional fund (US$30 billion) to support those enterprises that will export Chinese industrial goods along the Silk Road. The Chinese investment corporation is also in the process of creating a mechanism to support direct investment of more than US$40 billion. On top of this, there are plans to adapt the Chinese Development Bank, the Export-Import Bank, and the Agricultural Bank of China to engage more deeply with the implementation of SREB projects.

Individual Chinese provinces have the right to create funds to support provincial companies involved in the implementation of SREB projects or in the usage of its infrastructure. For example, the authorities in Guangdong Province plan to create a fund for financing 40 key projects worth more than US$50 billion, including the creation of integrated transport hubs.

The main financial mechanism for the implementation of the Belt and Road projects is the provision of loans by Chinese financial institutions for the implementation of infrastructure projects (usually a linked loan for 20 years at 5 percent per annum with a deferred payment for the first 5 years). The main condition for obtaining financing is the use of Chinese equipment, goods, services, and labor.

Selected institutions supporting the BRI are:

- Silk Road Fund (US$55 billion)
    - Asian Infrastructure Investment Bank (AIIB, US$100 billion)
    - New Development Bank (BRICS, ca. US$50 billion)

- China's policy banks:
    - China-EXIM Bank (US$100 billion already disbursed)
    - China Development Bank (US$120 billion already disbursed)
    - Agricultural Development Bank of China (US$20 billion)
- Special regional sub-initiatives
    - "16+1" format (US$11 billion)
    - China-Russia Renminbi Investment Fund (US$10 billion)
- China's international reserves (potentially up to US$500 billion available to be used)

According to different sources, between US$500 billion and US$1.4 trillion has been committed to the Belt and Road Initiative to date.

Investments

One of the main drivers of the Belt and Road Initiative is the implementation of large infrastructure projects, in particular the construction of turnkey high-speed railways (HSR). This policy is described as "China's high-speed rail diplomacy." To date, talks about railway construction have been or are being conducted with almost 30 countries.

Another important component of the initiative, in addition to the "export" of high-speed rail technologies, is the construction of nuclear power plants and hydroelectric power stations. In 2015, Chinese companies won tenders for the construction of six nuclear power plants in South Africa (totaling US$93 billion) and 9 power units in Argentina (US$14 billion), as well as signing an agreement to finance the construction of a nuclear power plant in the UK (US$28 billion). By 2030, Chinese companies plan to have built 30 nuclear reactors in the countries along the Silk Road.

Conjunction of the EAEU and the Silk Road Economic Belt

At a Moscow summit in May 2015, Vladimir Putin and Xi Jinping agreed to combine their two economic initiatives: the Eurasian Economic Union and the Silk Road Economic Belt. To date, however, no principles for pairing them nor any concrete content have been worked out.

The Central Asian countries participate in the SREB—i.e., its main railroad from China through Kazakhstan to Russia and Europe—mainly as transit countries and recipients of Chinese capital, technologies, and equipment. The main risks for Russia in the implementation of the SREB are the exclusion of Russian enterprises from SREB projects and a reduction in the transit potential of Russian roads and railway lines. Opportunities include the use of Chinese capital for the creation and modernization of infrastructure on Russian territory and the participation of Russian companies in the implementation of SREB projects, including on the territory of third countries.

The idea of implementing the Belt and Road Initiative on the territory of the Eurasian Union was generally welcomed by the leaders of the member states of the Union. In the Russian academic and political community, the prevailing view was that the objectives of the Chinese Belt and Road Initiative were in full accord with Russia's interests in the Eurasian integration project, one of the flagship initiatives of Russia's foreign policy. It is also a perfect complement to Russia's "Turn to the East."

The Eurasian Economic Union as a Land Bridge between China and Europe

Established in 2015 by the Treaty on the Eurasian Economic Union, which was signed in Astana in 2014, the Eurasian Economic Union (EAEU) is a relatively young international organization for regional economic integration in the post-Soviet space. At present, it includes five member states: Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. Despite its youth, the Union already has an international legal dimension: it provides for free movement of goods, services, capital, and labor and it pursues coordinated, harmonized, and single policies in a broad range of sectors, including trade, customs, technical barriers, finance and macroeconomic stability, industrial development, infrastructure, energy and transport, competition, and digitalization. The Union was created to comprehensively upgrade national economies by increasing their competitiveness and the cooperation between them, as well as to promote stable development and thereby raise the living standards of citizens of the member states. Currently, the integrated single market includes 183 million people and has a gross domestic product of over US$4 trillion PPP.

The Union operates through supranational and intergovernmental institutions. The Supreme Eurasian Economic Council is the "Supreme Body" of the Union, consisting of the heads of the member states. The second level of intergovernmental institutions is represented by the Eurasian Intergovernmental Council, consisting of the prime ministers of member states. The day-to-day work of the EAEU is done through the Eurasian Economic Commission (EAEC), a supranational body similar to the European Commission. There is also a judicial body: the Court of the EAEU, located in Minsk. By 2025, it is planned that there will be a supranational regulatory body for the integrated EAEU financial market, to be located in Almaty. The Eurasian Economic Bank (EDB) and Eurasian Fund for Stability and Developments are usually seen as the main development institutions affiliated with the Union.

According to a report entitled "Long-Term Forecast of Economic Development of the Eurasian Economic Union up to 2030," the EEC predicts three likely scenarios for the further development of the EAEU.

Under the "Prolonged Status Quo" scenario, the national economies will operate more independently under the influence of internal and external factors. The economic development of member states will rely on "conventional" sources of economic growth, which will provide low but balanced rates of economic development, while the infrastructural restrictions will remain.

The "Transit-Raw Bridge" scenario is based on reaping the benefits of the Union's geographical location and the existing renewable and non-renewable resources of the member states. Under this scenario, collaboration between the European and Asian-Pacific regions is likely to promote deepened cooperation between member states. In that case, the Eurasian Economic Union would benefit from the transit of commodities and industrial goods via major logistics hubs and transportation routes. Freight traffic through the territory of the Union would increase by accelerating the delivery of goods, improving the reliability of transportation, and maximizing the simplification of the relevant procedures. For Belarus, a coordinated transport policy would result in a 14.1 percent increase in freight turnover over the status quo by 2030; for Kazakhstan, this figure would be 10.8 percent, and for Russia it would be 1.5 percent. The growth in EAEU GDP as a result of integration measures is estimated to be near 2.9 percent by 2030, or US$140 billion in 2012 PPP.

Under the third scenario, "Own Center of Economic Power," a boost in regionalization in the global economy would create favorable conditions for the development of the EAEU as a center of economic power in the wider Eurasian space in its own right. As such, it would be able to accumulate innovations, attract investments, build a skilled workforce, and produce competitive goods and services. This scenario would be characterized by a knowledge-based economy, cooperation in non-resource spheres, technology-intensive industries, human development, the scale effect, the technological effect, and the synergy effect. It would be based on searching for new opportunities for economic growth and the creation of new competitive advantages.

In the report, the Eurasian Economic Commission established the industrial cooperation priorities of the Union up to 2030. The economic spheres with the highest growth potential due to integration measures within the EAEU were determined to be pharmaceutical and chemical manufacturing and travel and transport services.

China's Economic Relations with the Eurasian Economic Union

China is the EAEU's second most important foreign economic partner behind the EU. Today, it represents 13.6 percent of the total trade turnover of EAEU countries, considerably behind the EU countries (48.9 percent). However, unlike its partnership with the EU, the EAEU's partnership with the PRC is of a strategic and long-term nature—and China's share of trade turnover is constantly growing.

In 2017, 24.2 percent of EAEU exports were sold to East Asian countries, mainly China (10.7 percent), South Korea (3.3 percent), and Japan (3.2 percent). China is the largest single exporter to the Eurasian Union, at 22.7 percent (US$45.7 billion).

The structure of EAEU imports from China was formed back in the 1990s. For consumers in EAEU member states, the most important Chinese imports are electronics, household appliances, and light industry goods such as footwear and clothing. Machinery and equipment also comprise a significant volume of imports.

China continues to increase its economic presence in the Eurasian Economic Union, not only by developing trade relations, but also by constantly increasing its level of direct investment. China is the leader among the Asian countries in terms of accumulated FDI in the region. According to EDB data, China continues to expand its economic presence in EAEU countries and other CIS states, retaining its leadership among Asian countries in terms of FDI stock in the region. At the end of 2016, FDI stock accumulated by Chinese TNCs in the five EAEU countries, Azerbaijan, Tajikistan, and Ukraine amounted to $33.7 billion, a 12.7% year-on-year increase. Even against the background of the 2015 crisis, the decline in accumulated Chinese FDI in the EAEU was insignificant (US$0.6 billion) and due mainly to the financial revaluation of assets. The main recipients of direct investment by Chinese TNCs are Kazakhstan and Russia, although Russia has just one-sixth the accumulated Chinese FDI of Kazakhstan. As of the end of 2015, the volume of accumulated Chinese FDI in Kazakhstan was US$21 billion (82 percent of all accumulated Chinese FDI in the EAEU), compared to US$3.4 billion in Russia at the end of 2016. One reason for this is that a significant number of the large transactions that have been agreed in recent years are still waiting to be implemented. Moreover, under conditions of weak economic growth, Chinese investors often expect more favorable offers from the Russian side than the latter is willing to give.

EAEU–China Trade and Economic Cooperation Agreement

To stimulate mutual trade and investment flows, negotiations began on a new agreement on economic cooperation between the EAEU and China in 2016. This topic was and is extremely complex for the countries of the Eurasian Union, for two main reasons. First, the EAEU member states are not yet ready to fully open their markets to Chinese imports. Too many Eurasian industries would be the victims of such a decision. Second, the EAEU and China seek to achieve very different goals through cooperation, and it was difficult to find a common denominator.

It took until late May 2016 to formulate a common vision of the format and content of the agreement. On May 31, 2016, it was submitted for approval to the Supreme Eurasian Economic Council in Astana, which in turn authorized the EEC to begin formal negotiations with China. Negotiations began in August 2016.

On October 1, 2017, Chinese Commerce Minister Zhong Shan and EEC Trade Minister Veronika Nikishina signed a joint statement on finalizing negotiations on the non-preferential trade-economic agreement between the Eurasian Economic Union and China. The agreement was signed on May 17, 2018, as part of the Astana Economic Forum.

The agreement improves access to the Chinese market by simplifying trade procedures and increasing transparency, as well as enhancing cooperation in other areas. The agreement is of a non-preferential nature and does not imply an automatic reduction of tariff barriers. However, it enables a potential harmonization of non-tariff barriers to trade and increases the transparency of trade policy. In addition, businesses will be able to resolve disputes with the Chinese side through the Eurasian Economic Commission.

On the one hand, the agreement can be regarded as a step toward the conjunction of the EAEU and the Belt and Road Initiative. It is certainly a positive signal for companies to work more actively on joint projects.

On the other hand, the signed agreement is not actually very deep, as it does not impose strict obligations on the parties. Instead, the document can be described as a "policy paper," as it outlines the mechanisms for setting up working groups and advisory committees to resolve possible disputes or determine more detailed cooperation in the non-tariff sphere.

The agreement includes the following chapters:

- General provisions;
- Transparency;
- Trade remedies (anti-dumping, compensation, and protective measures);
- Subsidies;
- Technical barriers to trade (including the wish to adopt European and international standards);
- Sanitary and phytosanitary measures;
- Customs cooperation and trade facilitation;
- Intellectual property rights;
- Competition;
- Government procurement;
- Sectoral cooperation (instead of a chapter on mutual investments);
- E-commerce;
- Institutional provisions;
- Final provisions.

The agreement has the following characteristics:

- It makes reference to WTO agreements and rules, even for the Republic of Belarus, which is not a member of the World Trade Organization.
- It is non-preferential, i.e., it does not create a free trade zone between the parties, since it does not imply a reduction of tariff barriers.
- It is aimed at eliminating non-tariff barriers to trade, but it does not impose strict obligations, instead offering only a mechanism for cooperation through the creation of various advisory committees and working groups.

- A great deal of emphasis is placed on increasing transparency in decision-making and informing each other about new policy decisions in advance.
- It contains a wide range of exceptions, including "for the protection for public morality;" for the protection of people, animals and plants; for ensuring national security; for the export and import of gold and silver, etc.
- Contrary to expectations, the agreement does not include significant measures to create attractive conditions for increasing mutual investment as part of the Silk Road Economic Belt (SREB) or to facilitate access to each other's public procurement markets. Instead, the sections "Sectoral Cooperation," "Competition," and "Public Procurement" assume the exchange of information and consultations only within the framework of working groups.

The EAEU–China Agreement perfectly complements the Belt and Road Initiative. The establishment of a common Eurasian market for the free movement of factors—i.e., the creation of "soft infrastructure"—and the internal filling of this common space with "hard infrastructure" and investment projects can be analogized to a bowl filled with noodle soup.

The EU and China

Over the past decade, formal cooperation between the European Union and China has intensified significantly, including in the areas of environmental protection, research and innovation development, education, and trade. This can be seen from the sheer number of strategic development papers, such as the Europe 2020 strategy, the Strategic Investment Plan (also known as the "Juncker Plan"), the PRC's thirteenth Five-Year Plan, the EU-China 2020 Strategic Agenda for Cooperation, and the planned EU–PRC Investment Agreement.

From the European point of view, the optimistic anticipation of possible Chinese investments and associated economic growth within SREB corridors cannot be separated from other basic socio-political factors or the potential entry of China into the European Fund for Strategic Investments (EFSI) and its role in the decision-making process of the Asian Infrastructure Investment Bank.

Furthermore, the Juncker Plan implies the deployment of a European Fund for Strategic Investments (EFSI) that would deliver ca. EUR315 billion (expanded to EUR500 billion) to long-term investment projects. Chinese officials have already expressed their interest in participating in such projects.

Formally, the European Union has already responded positively to the BRI initiative by suggesting a Connectivity Platform for EU–China cooperation on infrastructure and transport. However, not a single European country nor the EU Commission has gone beyond political statements of commitment and expressions of interests to formulate a clear and comprehensive action plan identifying concrete measures that EU countries might take to develop the BRI initiative. Moreover, a number of EU member states are suspicious of BRI, seeing it as a political framework that aims to advance China's relationship with the transit countries and especially with the Russian Federation.

At the moment, there is no common EU-level strategy, no officially appointed fund operator, and no official financial instruments for coordinating and managing infrastructural projects within the BRI.

To promote Belt and Road actions in CEE countries, in April 2012 a so-called "16+1" mechanism was created by 16 CEE countries and China. Besides addressing such topics as expanding the scale of trade, liberalizing investment, and facilitating projects, this structure aims to encourage participating countries to invest in transport-related projects, including land, sea, air, and Internet connectivity. Furthermore, the "16+1" platform currently actively involves other Eastern European countries—among them Belarus, Moldova, and Ukraine—in BRI-related actions. Although no platform similar to 16+1 has yet been established for the six Mediterranean countries (namely Greece, Malta, Cyprus, Italy, Spain, and Portugal), China's officials have clearly declared their interest in investing in transport, agricultural, and maritime sector projects.

In the context of current political tensions with Russia, there is European skepticism around China's clear statements that it will respect Russia's perceived sphere of influence within the Belt and Road Initiative. For example, some EU countries believe that China did not allow Moldova and Ukraine to join the 16+1 mechanism due to Russian concerns.

EU-China Commodity Flow

Despite the large financial value of mutual trade between the EU and China (which recently stabilized at the level of US$560–600 billion annually), the physical volume of these operations is relatively small (about 90–110 million tons annually). The volume of EU imports from

China over the past 5 years was approximately double that of exports in value terms and also approximately double in nominal terms, while the physical volume was about 25–40 percent higher. Nevertheless, the trade imbalance between the two is declining (especially in terms of physical volume). This tendency is considered positive, as it means a significant decrease in the number of empty containers flowing from EU countries.

China's largest trading partners in Europe (in terms of physical volume) are currently Germany, the United Kingdom, and the Netherlands, followed by Belgium, France, Italy, Spain, and Poland. Statistical data indicate that 98 percent of oth exports and imports are shipped by sea, 1.5–2 percent by air, and 0.5–1 percent by rail.

According to EuroStat, about 5 percent of import volumes and 1.5-3 percent of export deliveries between EU countries and China are serviced by road transport, but these volumes are in fact multimodal: road transport is used exclusively to transport commodities from ports to temporary storage warehouses or bonded warehouses (under DDU/DDP Incoterms) or vice versa (under FCA Incoterms), with the main delivery being made by maritime transport. According to the EuroStat Transport Database, there is no road cargo transport between the EU countries and China

The turnover in EU–China trade by rail approximately doubled in the decade between 2006 and 2016, going from 400,000–600,000 tons in 2006 to 1 million tons in 2016. The volume shipped by air increased 1.5-fold (from 1.2–1.4 million tons to 1.8–1.9 million tons), and maritime transport increased by 10–15 percent.

The doubling of export volumes from the EU to China by rail is due to the railway shipment of cars (including auto parts) and machinery and equipment (engines, transmissions, pumps, etc.); machinery alone now represents half of rail trade volume. Approximately 15–20 percent of European railway export to China is comprised of “metals and metal products” (this volume doubled in the decade from 2006, reaching almost 70,000 tons in 2016). About 10 percent of railway cargo is chemical products; timber products also play a significant role (approximately 5–8 percent of trade volume). According to Russian Railways statistics, all EU–China transit is shipped in containers.

Approximately 80 percent of multimodal maritime-railway cargo between the EU and China is containerized: this represents 90 percent of EU imports and 70–75 percent of EU exports. The 80 percent containerization level is due to the containerization of maritime trade.

Container turnover between the EU and China is steadily increasing and now exceeds 12 million TEU annually (as a result of increasing container shipments from China, which are 1.5–2 times higher than the counter-flow). China's main counterparts in the container trade are Germany, the United Kingdom, and the Netherlands, which together account for about 60 percent of total Sino–European container turnover. Germany's freight container turnover with China is 98 percent of total turnover, including 100 percent of the commodities imported by Germany from China and approximately 95 percent of cargo outflow from Germany.

From 2010 to 2017 the transit container freight flow from China to the EU increased from 5,600 TEU in 2010 to almost 100,000 TEU and is twice as big as the counter-flow. Shipment volumes via border-crossings are the same as EU–China transit volumes: the share of Dostyk has increased from 1 percent to 67 percent, and that of Zabaikalsk has decreased from 99 percent to 20 percent (the volume of container cargo increased 3.5-fold during this time). Cross-border shipment has also increased at Naushki (8 percent in 2016) and Altynkol (5 percent in 2016). Again, almost all container cargo is commodities, referred as "other commodities."

The dominance of container cargo along the route analyzed indicates growth potential for railway cargo transport from the EU to China and back in the coming years.

The potential for the development of container transport between China and Europe due to the advantages of "convenience" (time, regularity, door-to-door delivery) while maintaining the current level of through-tariffs (including subsidies by China) is far from being exhausted. The number of container train departures (currently about 100 per week) can be increased threefold by 2020.

Until 2020, the explosive growth of container traffic is believed to be secured. After that, a lower tariff would be required for further growth. This could be provided by investments (in physical infrastructure, transport and logistics centers, trains, border-crossing infrastructure, electronic technologies, etc.) and/or a tariff policy coordinated at the level of the EU – EAEU – China triangle.

In a long-term favorable scenario, total freight traffic along the China-EAEU-EU axis is calculated to grow to 1.3 million TEU. While maintaining the existing unbalanced ratio of container flows, where East-West flows outstrip West-East flows by a ratio of 2:1 and with loading of the West-East routes with any container-usable cargo in the long term, aggregate rail container traffic along the China-EAEU-EU axis could reach 2 million TEU per year.

Maritime connectivity still outstrips overland connectivity, although the latter is gaining ground. Maritime transport currently dominates the trade turnover between China and the EAEU. For example, in the flow of goods between Russia and China, 77 percent of the cargo is transported by sea; only 21 percent goes by land through the Russian-Chinese and Russian-Mongolian borders. This is even more true if we look at transit: maritime transport currently dominates trade between China and the EU. It accounts for about 98 percent of all cargo carried between EU countries and China, whereas railway transport via the EAEU accounts only for 0.5-1 percent. At the same time, over the last four years, cargo flows from China to Europe along railway routes through the EAEU have increased twofold every year (although from a low base). These flows reached ca. 97,000 containers in 2016. In the opposite direction—from Europe to China—the container freight flow in 2016 also almost doubled, reaching 50,000 containers per year.

For price reasons, the lion's share (around 80-90 percent) of long-distance trade over Belt and Road routes is likely to remain seaborne. However, modernization of relatively weakly developed overland transportation is bound to reduce the price gap somewhat.

We can see the emergence of a profitable niche for long-haul Eurasian rail conveyance of high value-added products, time-sensitive goods, or products involved in manufacturing processes.

Potential Interest of the EU Countries and China in Increasing Trans-Eurasian Overland Transit

According to expert estimates, the BRI could increase EU trade by 6 percent and Austrian trade by 9 percent.

In Europe, the most important BRI project countries (measured by Belt and Road expenditures/GDP) are in the Central, Eastern and Southeastern Europe (CESEE) space (see Map 2). Chinese investors are showing great interest in infrastructure development projects in Europe: COSCO, China's shipping and logistics giant, has invested or has expressed an interest in investing in port infrastructure development projects in such countries as Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia, and Lithuania. In terms of railways, EU-China projects that are relevant to trans-Eurasian overland transit include the planned construction of a new Belgrade–Budapest railway. Furthermore, a number of Chinese local authorities and Chinese companies are involved in overland freight services, connecting various Chinese cities with destinations in Belgium, Germany, Finland, Poland, the Netherlands, Belgium, France, Italy, Spain, and the UK.

As stated above, many EU–China port and rail infrastructure development projects that began before the BRI was initiated have since been "labelled" or "upgraded" to BRI-related projects.

Chinese financial offers and unbureaucratic project management are seen by many CESEE countries to complement or supplement EU programs. In addition, China is often prepared to take higher risks than multilateral development banks. In the long term, CESEE's participation in the BRI may contribute to overcoming this region's traditionally peripheral position in Europe. Austria, which connects central Europe to southeastern Europe, may be one of the first to profit from such an upswing. The convergence of "Breitspur" with the extension of Land-Sea Express Rout (LSER) to Vienna could turn the Vienna-Bratislava region into a new "key logistics hub" for the EU.

Technical Challenges

Differences in Length of Trains

Discrepancies between the national regulations established for railways present one of the most significant barriers to harmonization. The first of these is train length. The train length required by different rail administrations (Deutsche Bahn, Polish Railways, Russian Railways, Kazakhstan Temir Zholy, Belarusian Railways, China Railways) depends on a number of factors, such as the length of station railway tracks, train weight, traction capacity, route configuration profile, technical capabilities of railway stages (railway sidings and stations, overpasses and control posts, automatic blockage), shunting conditions at stations, technical and technological conditions at intermediate and local stations, sorting, etc.

Container trains from China reach the border with Kazakhstan with 54 conditional carriages (each 13.92 meters long, counted as 14 meters long). This train is 756 meters long (carriages), for a total of 801 meters including locomotive and train setting. For Kazakhstan, this length is acceptable, as the Dostyk station rails allow for trains of this length. In Russia, the average train contains 71 conditional carriages (994 meters), so the full train is 1,040 meters long. The train length could be shorter—about 800 meters—but only in special cases.

Differences in Gauges

Transit operations are also hindered by the difference in railway track gauges between China (1435 mm), on the one hand, and Russia, Belarus and Kazakhstan (1520 mm), on the other hand. This results in additional expenses being incurred in the course of cargo transport due to the need to change wheel pairs at border crossings; in addition, the procedure requires a lot of time, particularly for large freight trains.

The main technology for increasing the level of interoperability is transport in a container train, with the trans-loading of goods from rolling stock with a gauge of 1435/1520 mm to rolling stock with a gauge of 1520/1435 mm. However, one among many problems is that China uses Janey, the American type of automatic coupler, which is installed lower than the Russian one, making hitching impossible. The Chinese carriage is also less tall than the Russian one.

Chinese Provincial Subsidies

Chinese subsidies represent both an opportunity and a systemic risk to trans-Eurasian container transit. According to reports, Chinese transport tariffs are subsidized from the state budget. Analysts from Carnegie Moscow say that linking a project to a large concept like the Belt and Road Initiative makes it easier to get budget funding. The leading motive of the whole concept is the development of transcontinental logistics infrastructure. This prompts almost every Chinese region to report regularly on successes in the opening or modernization of East-West transport routes. However, as practice shows, many of these routes are as yet unprofitable, forcing local administrations interested in preserving the showcase of their "successes" to subsidize them.

The growth in container flows along the PRC – EAEU – EU axis seems to be supported by subsidies from the central Chinese provinces. The subsidies have enabled a 30-40 percent decrease in the cost of railway container transit between China and Europe, leading to a 19-fold increase in container flow over the past six years. The stability and possible expansion of subsidies is a key issue for the future dynamics of transit flows. According to estimates by the EDB Centre for Integration Studies, in 2016 subsidies by Chinese provinces amounted to about US$88 million. Researchers from IIASA and the EDB estimate that this means an average of $2,500 per FEU (40-foot container). According to these estimates, this represents only 0.3-0.4 percent of the cost of exports—thus, the relative costs are not high. However, this subsidy has dramatically improved the economics of Chinese land transport to the EU and the EAEU.

Polish Railways and Border-Crossings

The future of cargo flows depends largely on the development of Polish railway infrastructure and border-crossing points between Belarus and Poland. There is no more capacity at the Brest–Małaszewicze border crossing. Moreover, the technical parameters of Polish railway infrastructure (length of freight trains, types of platforms needed to transport containers, maximum allowed weight per axle, maximum allowed speed of freight trains) do not permit large container trains to be processed. While the container trains travel through the territory of EAEU countries at an average speed of 45 km/h, in Poland they are dramatically slower, at 18–20 km/h. Whereas the length of freight trains can reach 105m in the 1520 mm gauge space, they have to be reduced to 600m at Malaszewicze.

Political Challenges

China and Europe are increasingly being linked together through the building or modernization of infrastructural trajectories, which include rail, road, port, airport, pipeline, energy, and communication infrastructure and logistics. With extensive financial support and experience being injected from China, roads, railroads, and ports are being built or modernized in CESEE in little time and without being held up by bureaucratic and legal obstacles—not to mention the fact that certain competition, tendering, and procurement procedures, as well as national safety and labor laws, seem to be partially bypassed.

In addition to the aforementioned technical challenges, this active Chinese involvement in Europe and Eurasia can entail several political issues.

Chinese loans can lead to potential "debt traps," particularly for smaller economies. Chinese investors sometimes require sovereign guarantees. Frequent Chinese dominance of projects (financially and logistically) may result in limited regard for local conditions. EU and national standards/regulations are not always respected in BRI investment and construction projects. The attractiveness of EU integration and development programs in Southeastern Europe and the Western Balkans may come under pressure from Chinese "investment competition."

Many BRI countries are known for their weak local governance, bureaucracy, and potential political instability. Lavish BRI financial inflows and the frequent lack of competitive tenders might even add to corruption. In Central Asian countries, where Sinophobia has a long historical tradition, there have been instances of popular resistance to Chinese investment.

Finally, and obviously, in order to be effective, the Silk Road Economic Belt cannot go all the way from China only to stop at the Belarusian-Polish border. The success of the land-based Belt and Road route depends on deepened EU-EAEU economic cooperation and the possible creation of a common economic space from Lisbon to Vladivostok. This is currently rendered impossible by the political obstacles related to the Ukrainian crisis and the crisis in EU-Russia relations.

Policy Recommendations

Economists from the World Bank Group, the European Commission, the Eurasian Economic Commission, IIASA, and the Eurasian Development Bank all agree that for the Belt and Road Initiative to be successful, special attention ought to be given not only to the development of "hard infrastructure"—i.e., investment in and construction of railways, roads, logistics hubs, ports, etc.—but also, and equally, to the development of so-called "soft infrastructure."

The development of "soft infrastructure" in participant states of the Belt and Road project could encompass:

- The harmonization of national and supranational technical regulation systems. Surprising as it may seem, there has been substantial progress toward the harmonization of product standards between the EU and the Eurasian Economic Union (EAEU) as a result of the EAEU and its member states adopting increasingly international and European standards. Concretely, around 30 sector-specific framework regulations have been adopted by the EAEU that are "based on" EU directives, backed up by a listing of 5,821 product-specific standards that are harmonized with those used by the European Union (to a large degree, EU and international standards are identical). In addition, in May 2018, the EAEU and the People's Republic of China signed a trade and economic cooperation agreement that, among other areas, outlines the creation of a high-level working group on the harmonization of technical regulation.
- The speeding-up and harmonization of customs procedures and the creation of "green corridors" to increase China-Europe-China cargo transit flow.
- Greater transparency, clear conditions, and improved market access for foreign investors. These could be based on WTO and OECD rules or OECD instruments and outlined in potential preferential trade and investment agreements between the EU and the EAEU, as well as between the EAEU and China.

Queries by IIASA and the EDB have shown that the potential willingness of European stakeholders to invest in Belt and Road projects depends on the perceived quality of institutions in the EU, EAEU, and China; such factors as customs efficiency and quality of transport infrastructure also play an important role. European investors' willingness to invest in the EU parts of SREB infrastructure depends almost entirely on the quality of institutions in China—in other words, investment in Polish railway infrastructure might be positively assessed by investors if they are sure that Chinese institutions are stable.

The European Union is used to being a "rule maker," especially where the economic rules of the game are concerned. Partially for this reason, Brussels has not yet officially recognized the international legality of the Eurasian Economic Union. Similarly, despite a substantial number of declarations and agendas between the EU and China—the Europe 2020 Strategy, the Strategic Investment Plan ("Juncker Plan"), the EU-China 2020 Strategic Agenda for Cooperation, the planned EU–PRC Investment Agreement, the "16+1" platform of 16 CEE countries and China—actual progress toward deepened cooperation between the two is lacking. This is due both to the fact that there is still no common EU-level strategy toward the BRI and to Brussels' mistrust of China's activities in CESEE. However, with the potential formation of a Greater Eurasian Partnership led by China, Russia, and other non-Western Eurasian powers, and if Brussels continues not to cooperate with both the EAEU and China de facto, then the EU might turn out to become a "rule taker" in the next "Eurasian century." In order to remain an influential "rule maker," in particular on the Belt and Road Initiative, Brussels ought to make efforts to become more involved in Eurasian affairs.

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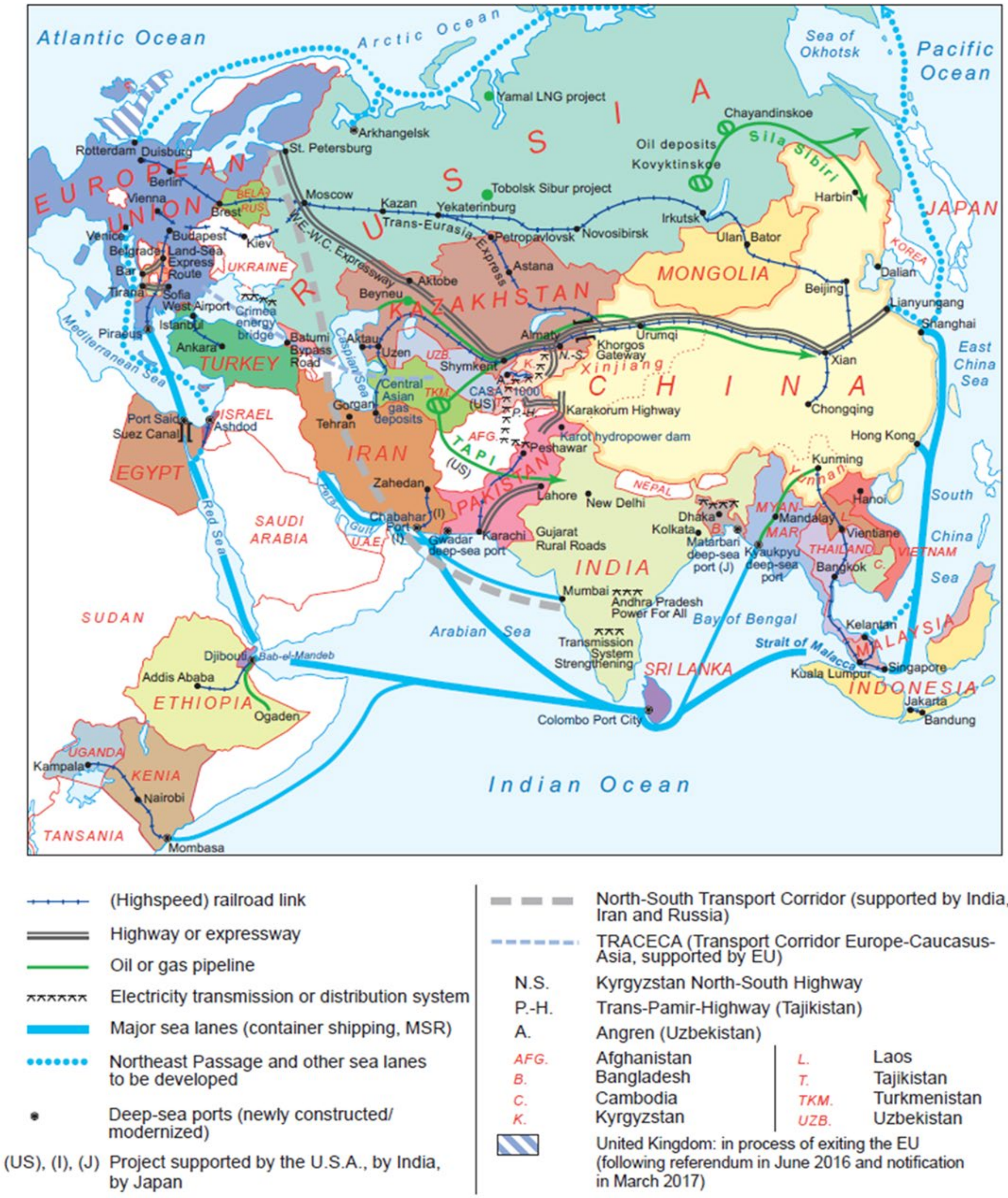
Annex

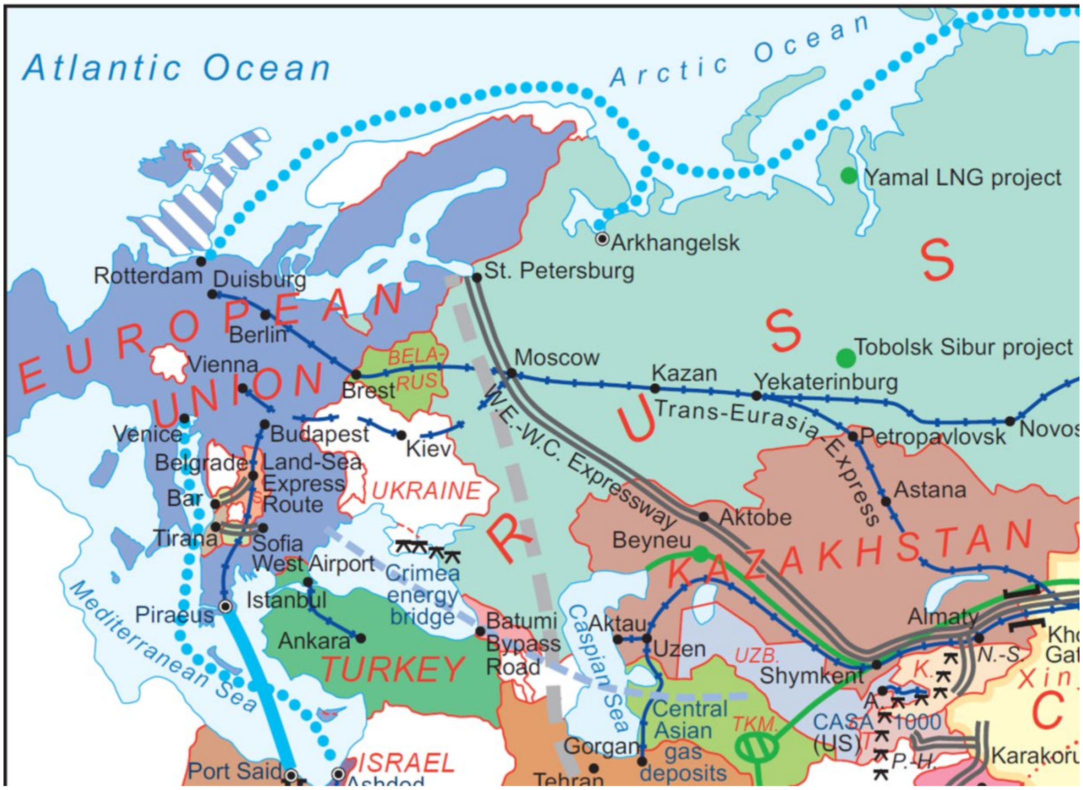
Map 1. The Chinese Belt and Road Initiative



Source: Authors' compilation, technical cartographic expertise of Florian Partl.

Source: Stephan Barisitz and Florian Partl. Previously published in: Barisitz, Stephan, and Alice Radzyner. 2017. "The New Silk Road, Part I: Stocktaking and Economic Assessment." In "OeNB Focus on European Economic Integration, Q3," 8-30. Oesterreichische Nationalbank, Vienna.

Map 2. Europe in the Belt and Road Initiative



Source: Stephan Barisitz and Florian Partl. Previously published in: Barisitz, Stephan, and Alice Radzyner. 2017. "The New Silk Road, Part I: Stocktaking and Economic Assessment." In "OeNB Focus on European Economic Integration, Q3," 8-30. Oesterreichische Nationalbank, Vienna.

Table 1. Key BRI projects and their financial support

Project	Host country of investment	Construction period (planned)	Amount of Chinese investment or financial support, or total costs (in USD bn)
Khorgos Gateway (Special Economic Zone)	PRC, KAZ	2014-17	6.5 (total)
Gas Pipeline Beyneu-Shymkent	KAZ	2013-17	1.8 (China Dev. Bank)
West Europe-West China Expressway	PRC, KAZ, RUS	2009-20	3.0 (Silk Road Fund)
High-Speed Rail Link Moscow-Kazan[1)]	RUS	2018-22	7.4 (China Dev. Bank et al.)
Yamal LNG Project	RUS	2015-23	12.0 (China EXIM, CDB)
Power of Siberia (Sila Sibiri) Gas Pipeline	RUS	2015-19	2.0 (Bank of China)
Deep-Sea Port Gwadar	PAK	2015-17	1.6 (total)
Karakorum Highway Reconstruction	PAK, PRC	2012-18	2.5 (China EXIM, China Dev. Bank)
Trans-Myanmar-Oil and Gas Pipelines	Myanmar, PRC	2009-2013/14	2.5 (total)
Colombo Port City and Sri Lanka infrastructure dev.	Sri Lanka	from 2014	5.0 (total, of which 1.4 bn for Colombo)
Kenya (Mombasa-Nairobi) High Capacity Railroad	KEN	2014-2018	3.8 (of which 90% EXIM)
Djibouti and Ethiopia infrastructure development	DJI, ETH	from 2010	12.0 (China)
Port of Piraeus (acquisition and modernization)	GRC	from 2016	0.81 (China Ocean Shipping Co.)
High-Speed Rail Link Belgrade-Budapest	SRB, HUN	2014-18	1.73 (total)
[1)] part of planned High-Speed Rail Link Berlin-Moscow-Beijing (see memo items below)			
Memorandum items:			
Trans-Siberian railroad link to Austria (broad-gauge track extension Košice-Vienna/Bratislava)	SVK, AUT	2023-2033	6.5 (total, financial commitments not yet determined)
High-Speed Rail Link Berlin-Moscow-Beijing (Evrazia)	BLR, RUS, KAZ, PRC	2018-2026	130 (total, fin. commitments not yet fixed)
Source: various international press articles, Silk Road Fund, Asian Infrastructure Investment Bank			

Source: Stephan Barisitz.

Table 2. Chinese investment and construction contracts in the transportation and energy sectors (2012-2017, US$ bn)

Chinese investment and construction contracts in transportation and energy sectors 2012 to 2017 (USD bn)[1)]					
Country	**Total amount (USD bn)**	**Chinese inv. as ratio to host country GDP (%)[2)]**	**Country**	**Total amount (USD bn)**	**Chinese inv. as ratio to host country GDP (%)[2)]**
Central Asia			**Southeast Asia**		
Kazakhstan	10.93	0.99	Cambodia	3.72	3.55
Kyrgyz Rep.	3.80	8.92	Indonesia	19.86	0.38
Mongolia	1.72	2.40	Laos	13.22	15.81
Turkmenistan	3.32	1.40	Malaysia	22.73	1.19
Russia and Eastern Europe			Philippines	6.27	0.36
Montenegro	1.12	4.34	**East Africa and Middle East**		
Russia	27.34	0.27	Djibouti	1.72	17.37
Serbia	5.04	2.06	Egypt	14.17	0.74
West Asia			Ethiopia	8.93	2.48
Iran	7.45	0.30	Kenya	13.79	3.67
Saudi Arabia	5.89	0.14	Tansania	4.97	1.77
Turkey	6.74	0.13	Uganda	8.95	5.35
U.A.E.	9.41	0.41	***Memo item (comparative Chinese investments)***		
South Asia			*Australia*	*27.71*	*0.33*
Bangladesh	21.30	1.93	*Canada*	*26.19*	*0.26*
Nepal	1.43	1.54	*Germany*	*8.08*	*0.04*
Pakistan	39.90	2.58	*Italy*	*14.62*	*0.12*
Sri Lanka	4.88	1.02	*United Kingdom*	*9.34*	*0.05*
			United States	*28.33*	*0.03*
[1)] Only host countries in which above Chinese investment exceeds USD 5 bn and/or 1% of GDP are listed.					
[2)] Respective countries' average GDP of the years 2014 and 2015 is taken as denominator. The contract sum total for the period 2012 to 2017 is divided by the number of years (6) of this period and related to the average annual GDP of 2014-2015.					
Source: China Global Investment Tracker (American Enterprise Institute, Heritage Foundation)					

Source: Stephan Barisitz.

Chapter 8. Regional Integration in Central Asia: Lessons from Northeast Asia and Southeast Asia

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A 2013 review of inter-state cooperation and economic integration in Central Asia concluded: "Central Asia currently possesses all the necessary prerequisites for region formation, including a range of shared economic and cultural factors, common geopolitical significance, and significant interdependencies through systems of water use, energy, and labor migration. However, in spite of these factors, Central Asia lacks a significantly-developed level of transnational cooperation between its countries. Indeed, its states can be characterized as being more integrated with extra-regional powers such as China and Russia than with each other" (Delovarova et al. 2013, 781). Central Asia is at the core of Eurasian economic integration (Linn 2012, 96-97), and its states' individual and collective interactions with major powers outside the region will affect and be affected by the development of intraregional relations.

This chapter will examine the prospects for Central Asian countries forging a community with shared interests and aspirations as they relate to each other and to their great-power neighbors, Russia and China. The five Central Asian countries—Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan—are unquestionably geographical neighbors. Their political, economic, and socio-cultural changes and continuities cannot but have important effects on the peace and stability of the entire region. In addressing their concerns and pursuing their aspirations, will they proceed as disparate and disjointed states or as members of an integrated regional community? Are there any lessons they can draw from other regions' experiences of cooperation and integration, such as those of Northeast and Southeast Asia? This chapter attempts to answer these questions.

The chapter will first examine the characteristics of the Central Asian countries and the region as a whole in terms of select indicators: population, GDP, international trade, foreign direct investment, and human security and human development. It will then introduce the very mixed record of political and security cooperation and economic integration in Northeast Asia and the relatively successful efforts in Southeast Asia, drawing out some lessons for the Central Asian countries to consider if they wish to form a sustainable regional community that will benefit them.

Central Asian Countries: Indicators of Size and National Power

Population

A look at some key indicators of Central Asian countries gives us a sense of their relative size and capacity (real or potential). In terms of population size, Kazakhstan and Uzbekistan were fairly close in the early 1990s, but Uzbekistan has since experienced substantial population growth, while Kazakhstan's population declined in the 1990s before recovering somewhat (see Table 1). As a result, Uzbekistan has become by far the most populous country in Central Asia. Meanwhile, the other Central Asian countries have experienced modest to significant population growth since the turn of the century. Nevertheless, there remains an enormous disparity in terms of population size between the Central Asian countries and their giant neighbors.

Table 1. Populations of Central Asian Countries, Russia, and China (millions)

	1990	2000	2010	2016
Kazakhstan	16.35	14.88	16.32	17.79
Uzbekistan	20.51	24.65	28.56	31.85
Turkmenistan	3.68	4.52	5.09	5.66
Kyrgyzstan	4.39	4.9	5.45	6.08
Tajikistan	5.28	6.22	7.64	8.73
Russia	148.29	146.6	142.85	144.34
China	1,135.19	1,262.65	1,337.71	1,378.67

Source: Constructed from data from the World Bank's World Development Indicators Database.

National Economies

The Central Asian economies experienced a devastating decline in the wake of the break-up of the Soviet Union (Linn 2012, 98-99). As Table 2 shows, the economies of Kazakhstan and Uzbekistan were fairly comparable in size in 1990 and 2000, but the former achieved phenomenal growth in the 2000s. Kazakhstan's $127.28 billion in 2016 far outstripped Uzbekistan's $31.85 billion. During the same period, Turkmenistan's GDP grew from $2.9 billion to $36.18 billion, beating out Uzbekistan for second place in 2016. Kyrgyzstan and Tajikistan both suffered an economic contraction during the tumultuous post-Soviet years but then recovered; they have since enjoyed modest yet still visible growth. It goes without saying that the economies of Russia and China are vastly larger than those of any of their Central Asian counterparts.

Table 2. GDP of Central Asian Countries, Russia, and China (in current US$ billions)

	1990	2000	2010	2016
Kazakhstan	26.93	18.29	148.05	137.28
Uzbekistan	20.51	24.65	28.56	31.85
Turkmenistan	3.19	2.9	22.58	36.18
Kyrgyzstan	2.67	1.37	4.79	6.55
Tajikistan	2.63	0.86	5.64	6.95
Russia	516.81	259.71	1,524.92	1,283.16
China	360.86	1,211.35	6,100.62	11,199.15

Source: Constructed from data from the World Bank's World Development Indicators Database.

International Trade and Foreign Direct Investment

Given that the Central Asian countries continue to have comparatively small populations despite population growth in recent decades, trade expansion would be a key element of economic growth. How economically interdependent are the Central Asian economies? Is this interdependence deepening? Table 3 shows merchandise trade in the Central Asian countries, Russia, and China as a percentage of their GDP, a measure of the importance of trade (imports and exports combined) for each economy.

Table 3. Merchandise Trade as a Share of GDP in Central Asian Countries, Russia, and China (%)

	1990	2000	2010	2016
Kazakhstan	..	76	62	45
Uzbekistan	..	40	52	32
Turkmenistan	..	148	54	50
Kyrgyzstan	..	77	104	83
Tajikistan	..	170	68	76
Russia	..	58	43	37
China	32	39	49	33

Source: Constructed from data from the World Bank's World Development Indicators Database.

We can observe the importance of trade for most of the Central Asian economies. In the year 2000, for example, Turkmenistan's and Tajikistan's merchandise trade exceeded the size of their respective economies; in 2010, Kyrgyzstan's merchandise trade, too, was larger than its national economy. In 2016, Kyrgyzstan and Tajikistan were the most heavily dependent on international trade. Even Uzbekistan, whose merchandise trade amounted to the lowest share of GDP (32 percent) of any Central Asian economy, still had a degree of trade dependence similar to that of Russia (37 percent) and China (33 percent). We also see, however, that trade dependence has declined in the 2000s in all the Central Asian countries, as well as in Russia and China.

How important is intra-regional trade to each Central Asian economy? Table 4 shows each country's exports to the other countries of the region and imports from them as a proportion of its total international exports and imports. Unfortunately, comparable statistics are not available for Tajikistan except for 2016. It is evident that trade with their regional neighbors is generally a very small part of Kazakhstan's and Turkmenistan's international trade. For Uzbekistan and Kyrgyzstan, meanwhile, regional trade is quite important. Uzbekistan's regional imports account for more than 10 percent of its global imports and its exports within the region approach 10 percent of its total exports, while the comparable figures for Kyrgyzstan are close to 20 percent for imports and well over 20 percent for exports.

Table 4. Regional Trade as a Share of Central Asian Countries' International Trade (%)

		2001	2004	2007	2010	2013	2016	2017
Kazakhstan	Imports	3.1	3.1	2.7	2.8	3.3	4.9	4.6
	Exports	3.6	2.9	3.3	3.3	2.9	4.7	4.7
Uzbekistan	Imports	9.4	7.6	14.9	13.8	10	11.2	12.2
	Exports	6.4	7.7	10	8.4	12.4	9.2	10.5
Turkmenistan	Imports	1..5	1.5	3	2.1	2	1.4	1.7
	Exports	3.7	2.1	2.1	0.4	1.8	3.9	0.5
Kyrgyzstan	Imports	34	27.5	18.1	15	11	18.6	17.1
	Exports	20	17.8	28.2	16.3	33.7	21.3	26.4
Tajikistan	Imports						20.7	
	Exports						26.8	

Source: *Calculated from UN COMTRADE statistics*

Table 5 shows that Russia and China are by far the most important trading partners for the Central Asian countries.

Table 5. Central Asian Countries' Trade with Russia and China as a Share of Their International Trade (%)

		2001	2004	2007	2010	2013	2016	2017
With Russia	Exports to Russia	20.8	15.4	10.6	9.9	6.7	9	9.1

	Imports from Russia	35	32.9	34.3	36.6	31.4	28.9	35.6
With China	Exports to China	7.5	10.1	11.2	19.9	25.2	22.1	21.9
	Imports from China	28.5	37.4	30.8	67.2	15.7	30.8	44

Source: *Calculated from UN COMTRADE statistics*

Foreign investment also has the potential to be an important engine of economic development in Central Asia. Kazakhstan is the most popular destination for foreign direct investment (FDI) in the region, with a net inflow (inbound FDI minus outbound FDI) of about $168 billion in 2016, far outpacing the second most popular FDI destination, Turkmenistan ($4.5 billion). The other three regional economies attracted limited FDI. For comparison, China is a hugely more popular destination of FDI (net inflows: $42.095 billion in 2000 and $174.75 billion in 2016), with Russia lagging far behind (net inflows: $2.678 billion in 2000 and $32.539 in 2016) (World Bank).

Human Security and Development Needs in Central Asia

Whereas national security focuses on the protection of political independence, national sovereignty, and the territorial integrity of the nation-state, "human security" is about the security of individual citizens. Human security is considered a precondition for human development, the two components of which are people's wellbeing and their agency—that is, their ability to enhance their own wellbeing and that of others (UNDP 2016, 87, 88). The two concepts can be captured by a variety of measures. In the present discussion, we will use the most recent indicators of human security and human development compiled by the United Nations Development Programme (UNDP). The indicators allow us to compare the level of human security experienced and human development attained by the people of 195 countries, including the Central Asian countries, Russia, and China.[1]

Human Security

As Tables 6a and 6b show, there are different levels of human security challenges in

[1] The UNDP's *Human Development Report 2016* (UNDP 2016) ranks the countries in terms of their level of human development, including human security.

Central Asian countries. It is beyond the scope of this chapter to discuss each of the human security threats included in these tables; suffice it to point out that all Central Asian countries are limited in their capacity to provide some of the most basic human security protections for many of their citizens. Particularly striking are: the sizable refugee population (4,200 persons) from Uzbekistan; the significant size of the prison population (583 persons per 100,000) in Turkmenistan; the regrettable homicide rate and male suicide rate (7.4 per 100,000 people and 40.6 per 100,000, respectively) in Kazakhstan (and also in Russia, at 9.5 per 100,000 and 35.1 per 100,000, respectively); the large shares of people ages 15-49 who justify wife-beating (70% and 61% of women and men, respectively) in Uzbekistan; and the extent of food deficits (258 kilocalories per day) in Tajikistan. Later, we will discuss the need to promote regional cooperation in addressing these and other human security challenges in Central Asia.

Table 6a. Human Security Indicators in Central Asian Countries, Russia, and China, 2016

	Birth registration	Refugees by country of origin	Homeless people due to natural disaster	Prison population	Homicide rate	Suicide rate	
	(% under age 5)	(thousands)	(average annual per million people)	(per 100,000 people)	(per 100,000 people)	(per 100,000 people)	
	2010–2015	2015	2005/2015	2004–2015	2010–2014	Female 2012	Male 2012
Kazakhstan	100	2.3	49	234	7.4	9.3	40.6
Uzbekistan	100	4.2	0	150	3.2	4.1	13.2
Turkmenistan	96	0.5	0	583	4.3	7.5	32.5
Kyrgyzstan	98	2.5	140	166	3.7	4.5	14.2
Tajikistan	88	0.8	29	121	1.4	2.8	5.7
Russia	100	67.1	9	445	9.5	6.2	35.1
China	..	212.9	203	119	0.8	8.7	7.1

Source: Constructed from data from the UNDP's Human Development Report 2016: Human Development for Everyone (New York: UNDP, 2016), http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf.

Table 6b. Human Security Indicators in Central Asian Countries, Russia, and China (continued)

	Justification of wife beating		Violence against women ever experienced		Depth of food deficit
			Intimate partner	Non-intimate partner	
	(% ages 15–49)		(%)		(kilocalories per person per day)
	Female	Male			
	2010–2015	2010–2015	2005–2015	2005–2015	2013/2015
Kazakhstan	12	17	..	..	19
Uzbekistan	70	61	..	..	31
Turkmenistan	38	..	..	..	24
Kyrgyzstan	33	..	25.4	0.1	41
Tajikistan	60	..	20.3	..	258
Russia	..	..	..	..	..
China	..	..	..	..	78

Source: Constructed from data from the UNDP's Human Development Report 2016: Human Development for Everyone (New York: UNDP, 2016), http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf.

Human Development

The Human Development Index (HDI) is a composite index that measures average achievement rates in three basic dimensions—a long and healthy life, knowledge, and a decent standard of living.[1] From Table 7, we can see that all Central Asian countries have basic human development needs that are not currently being met. The HDI for 2015 places all but one Central Asian country in the category of "medium human development" countries (between 107th and 147th out of the 188 countries for which the UNDP has comparable data).[2] Kazakhstan is ranked 56th, making it the only Central Asian country among the "high human development" countries. A negative GNI per capita rank value means that the country is better ranked by GNI than by HDI value: Turkmenistan and Kyrgyzstan fare much better relative to the other countries on the UNDP list if we focus on gross national income divided by population size rather than a variety of human development indicators.

Table 7. Human Development Indicators in Central Asian Countries, Russia, and China, 2015

	HDI rank	HDI Value	Life expectancy	Expected years of schooling	Mean years of schooling	GNI per capita	GNI per capita rank
			(years)	(years)	(years)		
Kazakhstan	6	.794	69.6	15	11.7	22,093	-3
Uzbekistan	05	.701	69.4	12.2	12	5,748	21
Turkmenistan	11	.691	65.7	10.8	9.9	14,026	-32
Kyrgyzstan	120	.664	70.8	13	10.3	12,087	-30
Tajikistan	29	.627	69.6	11.3	10.4	2,601	30
Russia	9	.804	70.3	15	12	23,286	1

[1] For a description of how HDI is calculated, see "Technical note 1" at http://hdr.undp.org/sites/default/files/hdr2016_technical_notes.pdf.
[2] The UNDP's annual human development reports classify the countries for which they have comparable data into four categories: "very high human development" countries; "high human development" countries; "medium human development" countries; and "low human development" countries.

China	0	.738	76	13.5	7.6	13,345	-7

Source: Constructed from data from the UNDP's Human Development Report 2016: Human Development for Everyone (New York: UNDP, 2016), http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf.

Northeast Asia

Let us now take a brief look at Northeast Asia's experience of regional cooperation and integration, which offers important lessons for Central Asian countries.

Diversity in Northeast Asia

"Northeast Asia," geographically defined, includes China, Japan, North and South Korea, Mongolia, and the Russian Far East (Pacific Russia). It is a region of great diversity. First, the regional countries are quite diverse in terms of their civilizations and cultures; many of them are described as "hybrid cultures."[1] Second, the countries vary widely in population size, ranging from China with around 1.38 billion persons to Mongolia with about 3.08 million persons in 2017.[2] Third, the political systems in the region run the gamut, including a parliamentary democracy (Japan), a democracy with a strong president (South Korea), a one-party dictatorship (China), a hereditary dictatorship (North Korea), a semi-presidential representative democratic republic with a multi-party system (Mongolia), and a presidential republic (Russia). Fourth, the Northeast Asian countries are just as varied in terms of their economic size, ranging from China, with a GDP of nearly $12.24 trillion (in current US$) in 2017, to Mongolia, whose GDP of about $11.49 billion in 2017 makes it the smallest economy in the region, with no reliable GDP estimate available for North Korea. Fifth and finally, the regional countries vary widely in their dependence on international trade and foreign investment for economic prosperity. In 2016, merchandise trade amounted to

[1] For example, Japanese culture is a hybrid of Buddhist, Confucian, and Western values and norms; China also has Confucian and Buddhist cultural traditions, although its Communist rule since 1949 has destroyed many of them. South Korea likewise has Confucian and Buddhist as well as Western cultural elements, as does North Korea, although under its hereditary dictatorship it has retained much of its premodern political and social values and norms. Mongolia contains Buddhist and nomadic cultural elements. Russia is generally considered an Orthodox civilization, although its Far Eastern territories include dwindling populations of Asiatic ancestry.

[2] These and other statistics in this paragraph are from the World Bank's "World Development Indicators," updated June 28, 2018.

32.93 percent of GDP in China; 25.31 percent in Japan; 63.73 percent in South Korea; 36.85 percent in Russia; and 74 percent in Mongolia. The net inflow of foreign direct investment (FDI) in 2017 ranged from over $168.22 trillion in China to a little over $1.49 billion in Mongolia (World Bank).

Economic Integration in Northeast Asia and Beyond

The most successful economies of Northeast Asia—Japan, South Korea, and more recently China—represent variations of the "developmental state" model with an export-driven growth strategy. In a developmental state, central government bureaucracies prioritize the development of key domestic industries as a national strategy and employ a variety of policy instruments, including administrative guidance, subsidies, investment incentives, resources and labor mobilization, and export promotion. They also shield some domestic sectors against foreign imports. The export-driven growth strategy of developmental states requires that foreign markets be open to their exports, so they actively pursue bilateral and multilateral trade negotiations.

There are multiple regional institutions in which Northeast Asian countries participate. These include the Asia Pacific Economic Cooperation forum (APEC); the Trans-Pacific Economic Partnership (TPP), renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or TPP11; and the Regional Comprehensive Economic Partnership (RCEP). There are also the Japan-China-ROK Trilateral Dialogue and the ASEAN-centered dialogue processes, both of which will be discussed in the next section.

APEC, established in 1989, is a forum for multilateral dialogue around common regional issues, mostly of an economic nature but occasionally political and security concerns as well. Among its most important achievements has been the advancement of the principle of "open regionalism," which calls for a trade liberalization agreement without prejudice to non-members by allowing the latter to enjoy the benefits of tariff reductions and other measures resulting from regional trade talks. APEC has also called for global trade liberalization efforts, most importantly through the WTO. However, due to the slowdown of the WTO-led global trade liberalization efforts since 2006, trade liberalization efforts have shifted to the regional level. TPP is one such process: it involved 12 countries until the United States withdrew in 2017 and TPP became TPP11. Japan led the TPP11 negotiations to their successful conclusion in 2018. The most substantial regional trade liberalization arrangement in decades, TPP11 also aims to eliminate many investment barriers and strengthen intellectual property protection. RCEP is a less ambitious regional trade framework that includes Australia, China, India, South Korea, New Zealand, and the ten ASEAN member countries. It should be noted that in both RCEP and TPP11 (as well as TPP before the U.S. withdrawal), the leading countries (Japan and China) consider the inclusion of Southeast Asian economies critical to the successful expansion of regional trade. This is also the case with respect to China's initiative, unveiled in 2013, to develop a China-centered trading network called "Silk Road Economic Belt and the 21st-Century Maritime Silk Road" (renamed the Belt and Road Initiative in 2016).

Stunted Regionalism in the Political-Security Realm

Regional cooperation in Northeast Asia on political and security issues has been constrained by a combination of factors. The legacy of prewar, wartime, and postwar (Cold War) history—territorial disputes, the wartime "comfort women" issue, and conflicting national history narratives in Japan, China, and Korea—has been and continues to be a serious obstacle. Other barriers to regional cooperation are of more recent origin, including the changing balance of power due to China's spectacular rise and the relative decline of the United States, which has occasioned a reassessment of foreign and security policies in all the countries of the region. Other developments constraining regional political and security cooperation include deteriorating Russia-U.S. relations, strained China-U.S. ties, and deepening China-Russia relations, all with important implications for U.S. relations with its allies, Japan and South Korea. North Korea's nuclear and missile development has added to the uncertainty of regional political relations and increased the complexity of the security environment.

The Six-Party Talks, established in 2003, involved North and South Korea, China, the United States, Russia, and Japan and discussed nuclear development in North Korea. The talks were subsequently tasked with facilitating the construction of a regional framework for addressing the future of the Korean peninsula and broader issues of regional peace and stability. Shortly after North Korea's withdrawal from the talks in 2009, the Six-Party Talks were suspended and have not resumed. The spate of bilateral summits involving North Korea, South Korea, China, and the United States in the early summer of 2018 and another pending summit between North Korea and Japan later in the year have generated cautious optimism but also serious doubts about the prospects for denuclearization on the Korean peninsula.

The Japan-China-ROK trilateral summit, begun in 2008, is the only formal multi-party summit framework in Northeast Asia. It is a forum for dialogue on issues of importance to the stability and prosperity of the three countries and of the Asia-Pacific region more broadly. It is clearly a welcome contribution to diplomacy in a region where summit diplomacy has been conducted largely through bilateral channels. Unfortunately, however, the trilateral summit has yet to demonstrate any capacity to drive regionalism: thus far, its pace and contents have been dictated by the state of bilateral relations between the countries involved.

Southeast Asia

In contrast to Northeast Asia, with its severely constrained regionalism, Southeast Asia has emerged as a regional community with a discernible common identity. Its economic development, however, depends heavily on the leading economies of Northeast Asia and the United States.

Diversity in Southeast Asia

The Southeast Asian countries—Indonesia, Brunei, the Philippines, Singapore, Malaysia, Thailand, Cambodia, Myanmar, Vietnam, and Laos—are home to numerous national and ethnic communities and multiple religions, including Islam, Buddhism, and Christianity as well as many indigenous religions. The history of the region is a tapestry of civilizational, political, and military intrusions by European colonial powers (Spain, Portugal, the Netherlands, France, and Britain) and military domination and intervention by Japan and the United States. The post-colonial process of nation-building in Southeast Asian countries was often disrupted by deep internal divisions over the legitimacy of self-anointed national leaders and fragile state institutions, as well as by inter-state contentions over such issues as territorial boundaries and trans-border ethnic communities. The region was then thrust into the throes of the global Cold War, which turned "hot" and left a mark on the regional powers long after the end of the Vietnam War in 1975.

ASEAN and Its Centrality to Regional Dialogue

With the goal of trust and confidence-building, the leaders of five countries—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—agreed in 1967 to establish the Association of Southeast Asian Nations (ASEAN 2018b). ASEAN has since become a 10-member regional organization thanks to the accession of Vietnam (in 1995), Laos (1997), Myanmar (1997), Brunei (1983), and Cambodia (1999). It has become the core of regional cooperation on intra-regional and cross-regional issues. ASEAN has been guided by the principles of peaceful resolution of conflicts; mutual respect for the independence, sovereignty, territorial integrity, and national identity of all countries; and self-determination and noninterference in the internal affairs of member countries. It has developed a unique dialogue and consultation process known as the "ASEAN Way," which refers to a "working process or style that is informal and personal" (Masilamani and Peterson 2014, 11).

ASEAN has maintained its relevance and currency concerning intra-regional and cross-regional issues by spawning several forums, namely the ASEAN Dialogue, composed of the ten ASEAN members and one or more non-member countries; the ASEAN Regional Forum (ARF); and the ASEAN Defense Ministers' Meeting (ADMM 2013). All of these forums have contributed to building mutual trust and confidence in the region. ASEAN has also been a key participant in two other important multilateral dialogue and consultation processes: the Asia-Europe Meeting (ASEM) and the East Asia Summit (EAS). The ASEM has brought together the national leaders of the participating countries,[1] their foreign ministers, and other high-ranking officials to exchange information and views on a broad range of issues, among them UN reforms, weapons of mass destruction, terrorism, migration, WTO negotiations, and regional integration and developments (ASEM 2019). The EAS is a "regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region" (Australian Government Department of Foreign Affairs and Trade 2018). It began in 2005 with the participation of the leaders of 16 countries in East, Southeast, and South Asian regions, but the United States and Russia also joined in 2011.[2] Indicating the central role of ASEAN in this summit diplomacy, the post of EAS chairman has always been held by an ASEAN member.

Building the ASEAN Community

The ASEAN process increased the level of trust and confidence among its member states to such a degree that they committed to building—initially by 2020 and subsequently moved up to 2015—an ASEAN Community, composed of a political-security community, an economic community, and a socio-cultural community (ASEAN 2018b). Initially, the ASEAN leaders' efforts were focused on intra-regional challenges, but as they gradually built mutual trust and confidence, they began investing their political capital in managing external or cross-regional issues as well, including North Korean nuclear and missile development. Nevertheless, Southeast Asia continues to face many contentious issues. Among the most serious are the territorial and maritime boundary

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[1] The participants in the ASEM process include: the ASEAN Secretariat, the ten ASEAN member countries, the 28 EU member countries, as well as Australia, Bangladesh, China, India, Japan, Kazakhstan, South Korea, Mongolia, New Zealand, Norway, Pakistan, Russia, and Switzerland.
[2] The participants include the ten ASEAN member countries, as well as Australia, China, Japan, India, New Zealand, South Korea, Russia, and the United States.

disputes in the South China Sea. So far, the ASEAN-hosted multilateral security dialogues to address these issues have failed to resolve these sovereignty-related issues.

On the economic front, the ASEAN leaders have pooled their diplomatic weight to contain the potential dominance of extra-regional powerhouses, particularly Japan, the United States, and China. "By combining the member states' influence, ASEAN has been able to affect Asia Pacific economic, political, and security trends to a much greater degree than its members could achieve individually" (ASEAN-US Business Council 2018). The ASEAN member countries' combined international trade in 2015 amounted to $2,270 billion, of which about $543 billion (24.0%) was conducted among the ten members. In other words, 76 percent of the ASEAN economies' international trade was conducted with partners outside of the ASEAN region, the most important among them being China, Japan, the EU, and the United States (ASEAN 2018a).

Conclusion: Lessons for Central Asia

Five broad conclusions can be drawn from the preceding analysis, each of which represents a potential lesson for the Central Asian countries.

First, the experience of **regional institution-building** in Northeast and Southeast Asia demonstrates the critical importance of establishing robust regional institutions through which to build trust and confidence among the members. This requires, first and foremost, that the regional leaders share a long-term strategic vision for the region and are willing to invest their political capital in regional cooperation. Regional institutions also need to be pliable and able to expand in membership, agenda, and cross-regional relations. The rules and principles guiding regional institutions also need to be flexible enough to allow their members to determine the pace and depth of their commitment to collective decisions.

Second, regional institution-building contributes to regional identity construction and, in return, deepening regional identity helps to sustain regional institutions as they address the region's changing needs. ASEAN leaders' sense of shared identity strengthened their resolve and ability to manage, collectively and on the basis of consensus, the region's relations with the extra-regional major powers, namely Japan, China, and the United States. In contrast, the regional identity in Northeast Asia is based largely on their prewar, wartime, and post-war experience of imperialism, nationalism, militarism, and humiliation at the hands of their regional neighbors, particularly the Japanese. That is, to the extent that Northeast Asian peoples share a common identity, it is a negative identity.

Third, what lessons do the experiences of Northeast Asia and Southeast Asia hold for Central Asia in managing their relations with Russia and China? These two countries' respective development strategies and resulting divergent economic performances present two starkly different models of development. China, since its opening to the world in the early 1980s, has become an integral and essential part of the global economy. Expansion of international trade and promotion of foreign direct investment in the manufacturing sector have been an essential part of China's growth strategy. Post-Soviet Russia, on the other hand, has been unable or unwilling to embrace global capitalism as an essential part of its development strategy, except in the area of energy and other raw materials exports. As a result, Russia has become a raw commodities export country, attracting foreign investment to its extractive industries and producing consumer goods with limited appeal to the rest of the world (Medvedev 2009; Levy 2009).

The Central Asian countries would do well to take advantage of the huge market demand and abundant investment capital in China, but they would need to be strategic about opening their markets to Chinese products. Their leverage in trade negotiations with China is very limited. After all, China's two-way trade with the Central Asian countries represents a very small share (less than one percent) of its global trade.[1] The same can be said about trade with Russia. The Central Asian countries represent less than five percent of Russia's international exports and less than three percent of its total imports.[2] However, Central Asia represents not only economic opportunities but also strategic value for both China and Russia (Bohr 2004). The Central Asian countries need to negotiate not individually but as a group, demanding fair and equal treatment of all interested Central Asian partners and pacing the market-opening measures to accommodate the states' different levels of readiness. Such a collective strategy would help them avoid being swallowed up by China's Belt and Road Initiative or being stymied by the "divide and conquer" effect of Russia's Eurasian Economic Union project. The same rationale suggests that they should further expand their growing economic ties with other extra-regional trade partners, such as India, Iran, Japan, South Korea, and ASEAN (Contessi 2016).

The fourth lesson for Central Asia concerns the role of the state in economic development. The Northeast and Southeast Asian economies have amply demonstrated the advantages of an

[1] Calculated using General Customs Administration of China statistics, 2017.
[2] Calculated using UN COMTRADE statistics, 2017.

export-driven development strategy. Japan, South Korea, and China provide variations of the "developmental state" model of economic development. State-controlled trade and investment relations are nothing new to the Central Asian economies, but the developmental state model is not a monolithic or static approach. The model envisions central government bureaucracies prioritizing some domestic production sectors for export promotion, selecting other sectors for protection from foreign imports, directing appropriate levels of capital and resource investment and labor mobilization, and leaving nonviable sectors to neglect and even abandonment. If the Central Asian leaders desire regional integration as an important element of their development strategy, then the model of developmental state with a focus on export promotion is a useful one.

The fifth and final conclusion is that ASEAN as a regional institution has played an important role in improving Southeast Asia's human security and human development. ASEAN has been directing their material and intellectual resources (and those from outside of the ASEAN region) toward building capacity in its member countries in myriad issue-areas, including public health, education, social welfare, international migration, environmental protection, and natural disaster management (Akaha 2007a; Akaha 2009). The need for capacity-building through regional cooperation has not been as acute in Northeast Asia, where the three leading economies—Japan, South Korea, and China—are adequately resourced to address domestic needs in human security and development (e.g., Akaha 2007b).

The Central Asian leaders would be well advised to promote regional cooperation in tackling the human security and human development challenges facing their citizens rather than seeking to cooperate on hard-core security issues or divisive sovereignty issues such as border demarcation and border security. They should cooperate bilaterally, regionally, and internationally on such issues as the wellbeing of refugees, IDPs, homeless people, and orphans; prison reform; homicides and suicides; wife-beating and violence against women; and household food insecurity. Southeast Asia's experience with these issues offers many practical lessons, and some Northeast Asian countries, particularly Japan and South Korea, are prepared to lend their support to human security and human development efforts in Central Asia.

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Chapter 9. Integration Processes in Central Asia

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Central Asia is the term used to refer to the five independent states located in the heart of Asia and bordering great powers like China and Russia. These five countries—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—were part of the USSR and gained independence after its collapse. They have relatively similar cultures and the populations of all of them except Tajikistan are Turkic. All the Central Asian countries practice Sunni Islam.

After the collapse of the USSR, however, each of these countries chose its own path of political, economic, and social development. Turkmenistan refused to participate in all regional and global structures. Kazakhstan chose an authoritarian regime and a freer economic regime. Tajikistan, which had problems with internal stability, also chose an authoritarian or even totalitarian political regime. Kyrgyzstan was the only one to become a democratic country; today, having had four presidents in the post-Soviet period, it has a parliamentary-presidential system. Kyrgyzstan and Tajikistan are the poorest states in the region, as unlike their other neighbors, they do not have energy resources.

In the more than 25 years since independence, the Central Asian countries have had numerous interactions, many of which have been problematic. Tajikistan, Kyrgyzstan, and Uzbekistan have all laid claim to parts of one of the others' territory; the tensions between them have sometimes escalated to clashes between their citizens. The inefficient management of water and energy resources has also created frictions.

Relations between these countries have deteriorated every year; even common problems such as terrorism and religious extremism have failed to unite them. There have been attempts to create a union of Central Asian countries, but these have proven unsuccessful. The reasons for this have varied, but the main issue is a lack of will among the country's political leaders. Similarly, regional powers like China and Russia have had little interest in uniting the countries of the region, instead offering them accession to various regional organizations that they themselves have created. Russia originated and supports the CSTO, the EurAsEC, the EAEU, and the CIS; China was the driving force behind the SCO, the SREB, and the BRI.

The very first initiative to integrate the countries of Central Asia was spearheaded by then-president of Uzbekistan Islam Karimov. He originated the slogan "Turkestan is our common home," which was aimed more at the social and cultural consolidation of the region's ethnic groups than at the political side of the issue (Smagulov 2010).

In December 1991, the Central Asian countries tried to create their own integration association, known as the Central Asian Community (CAC). This process has progressively been institutionalized, going from the CAC to the Central Asian Economic Community (CAEC) to the Central Asian Cooperation Organization (CACO), and the leaders proclaimed that the association had a view to political unification. Gradually, however, the organization was absorbed by another major integration project: the Russia-dominated EurAsEC. This is an excellent example of the fact that the regional big powers are not interested in uniting the countries of the region and will not allow this going forward.

Despite repeated attempts, the Central Asian states have so far failed to establish a regional organization that would represent their common interests. Since 2000, the Central Asian states have been discussing the creation of Union of Central Asian States, as proposed by former president of Kazakhstan Nursultan Nazarbayev.

The main internal regional causes of the lack of integration among Central Asian countries are as follows: lack of political will, the battle for leadership in the region, territorial problems, water and energy problems, different levels of economic development, different political regimes, and different visions of regional cooperation and integration. The lack of political will, at least, can be explained by the fact that the Central Asian states have been preoccupied by their nation-building processes since the collapse of the Soviet Union. As noted above, an external cause of the lack of integration is that regional powers are not interested in the unification of Central Asian countries.

To escape their economic woes after independence, the Central Asian countries created or joined multiple regional cooperation mechanisms of different types, including organizations among Central Asian countries (e.g., the Central Asian Cooperation Organization), organizations between Central Asian countries and their neighbors (e.g., the Economic Cooperation Organization and the Eurasian Economic Community [EurAsEC]), and organizations between Central Asian countries and international organizations (e.g., the Central Asia Regional Economic Cooperation and the UN Special Programme for the Economies of Central Asia) (Wang 2014).

External Causes of Disintegration in Central Asia

According to some experts, "Central Asia is a disintegrated region," which enhances the participation of non-regional actors, primarily Russia, the US, the EU, China, India, Iran, and Turkey. This situation results from insufficient pragmatism on the part of the regional countries even with regard to very minor problems (Sattarov 2010).

This body of literature uses a new approach to the concept of center-periphery relations. Industrially developed countries are considered to be the center, while developing countries are perceived as the peripheries. As post-colonial countries have usually struggled due to their lack of internal cohesion and their inability to develop independently, recent decades have seen a return to imperialism (Agnew 2005). But modern imperialism does not seek to impose territorial domination or build a classical empire. Contemporary domination policy is based on using tools of political pressure and, consequently, imposing particular values and models of development. The center-periphery model also emphasizes the role of Central Asian elites. It discloses, among other things, the multidimensional entanglements and dependencies of the peripheral elites on metropolises, their contradictory roles, and inconsistencies in many of their activities and declarations (Zarycki 2009).

There is also a realist approach to analyzing the creation and existence of international and regional organizations. According to Robert Keohane (2005), the regional hegemon exercises its power not through direct military or economic domination, but through the creation of an international regime, which, if successful, lives its own life and can even redefine the national interest. According to Professor Tsuneo Akaha, realists believe that members of international organizations use them exclusively to pursue their national interests.[1] According to this theory, any Russia- and China-led organizations in the region were created to promote the politics of these two giants in the region and mostly serve their national interests. Regional organizations, then, can be seen as nothing more than a tool in the hands of regional powers.

Any international institutional structure in Central Asia has always been established under the influence of external forces, usually Russia—a dominant player with a key role in integration

[1] Tsuneo Akaha, personal communication, 2011.

projects. Nowadays, there are Russia-led organizations operating in Central Asia's security sphere (the Collective Security Treaty Organization) and its economic sphere (the Eurasian Economic Community and now the Eurasian Economic Union). There are also China-led organizations: the Shanghai Cooperation Organization and now the biggest project, One Belt One Road or the Belt and Road Initiative. "… Any kind of unification in Central Asia, without the participation of Moscow, annoys the Kremlin" (*Radio Ozodi* 2018). In our opinion, the Eurasian Economic Union was established in part to fortify Russia's influence and presence in Central Asia and sideline other actors or prevent them from contesting Russia's place in the region.

Central Asian states are also engaged in other supranational integration groups, such as the Organization of Black Sea Cooperation and the Economic Cooperation Organization.

None of the existing organizations have ever managed to facilitate the coordination of national policies and the integration of markets. Instead, they have always maintained the status quo, further deepening the divide between the Central Asian states. The creation of China-and Russia-led organizations has made the existence of purely Central Asian regional organizations meaningless.

Central Asia is an important region for China, with which it shares a border and a people with the same culture and religion. The Xinjiang Uighur Autonomous region of China is the most problematic region for the Chinese government. It borders the Central Asian states of Kyrgyzstan, Kazakhstan, and Tajikistan. The Uighurs living in Kyrgyzstan and Kazakhstan maintain good relations with their co-ethnics living in China. After the collapse of the USSR, they supported each other in gaining independence. The main goals of the People's Republic of China (PRC) in Central Asia are security, the economic development of its Western frontiers, and gaining access to the energy resources of Central Asia (Mariani 2013).

For the Russian Federation, Central Asia is an important region in terms of resources. Furthermore, the Russian feeling is that, as Central Asia has historically been Russian territory, no one should contest its role in this region.[1] Russia is thus interested in all spheres of Central Asia, with the primary goal of preserving its influence in the region and thereby confirming its role as *the* Eurasian power (Malashenko 2013).

This text puts forward the hypothesis that the integration institutions of the Central Asia region have pursued goals that were in reality far from those officially declared. Most of the

[1] Moldaliev, personal communication, 2011.

organizations served the national interests of great powers. However, Central Asian leaders emphasize the significance for their foreign policies of post-Soviet macro-regional groupings, in particular the Eurasian Economic Community (EAEC), the Collective Security Treaty Organization (CSTO), and the Shanghai Cooperation Organization (SCO) (Allison 2008). However, the official discourse about these groupings notwithstanding, their cooperative projects usually lack substance and their agreements are mostly only partially or occasionally implemented by Central Asian states (Allison 2008).

Internal Factors Driving the Failure of Integration in the Region

Difficulties with integration in the region are usually attributed to structural factors, such as colonial heritage (Dodonov, Muzaparova, and Mukhamedzhanova 2015), the structure of interactions between the international actors (Kazantsev 2005, 2008, 2015; Hagelund 2015), competition between world powers for access to regional resources (Brzezinski, 1997; Blank, 2010), and the influence of non-state actors, including corporations and informal commercial networks, as well as non-state sources of norms and rules (Libman 2009).

Slightly different approaches are presented in texts that emphasize the agency of the Central Asian states. These researchers focus on the differences between state leaders with regard to questions of national interest (Tolipov 2007; Olcott 2011), economic policy (Spechler 2000), foreign policy (Anceschi 2010), and regional integration (Laruelle and Peyrouse 2012a, 2012b; Laruelle 2013a; Laruelle 2013b). From this angle, integration projects have failed due to divergent development strategies in the region.

Although different researchers privilege different factors in their explanations of the obstacles to regional integration in Central Asia, they all agree on one thing. After the collapse of the Soviet Union, many regional organizations were formed, but none of them has ever been treated seriously by the Central Asian states. They have merely served as platforms for meetings and discussions between presidents.

Summits usually ended with declarations of intent that were devoid of any implementation mechanisms. The best example is the functioning of the Shanghai Cooperation Organization from its inception to the present. When we asked experts for their opinions of the body, most of them responded that the "SCO exists from summit to summit."[1] A similar opinion was

[1] Marat Kazakpaev, interview, Bishkek, 2009.

that "all the SCO has is its summits of heads of state."[1] All its intended plans and activities remained on paper, earning the SCO the moniker of "paper tiger." According to Tokbaeva (2016), "the SCO proves unable or unwilling—or both—to intervene during explosions of violence or internal security crisis in Central Asia. These include Osh in 2010, the Rasht Valley in 2010, frequent clashes along the Tajik-Kyrgyz border as well as Janaozen in 2011 and Aktobe in 2016."

Furthermore, regimes' internal weakness, the corruption of state apparatuses, and states' high vulnerability to international influence have limited not only the transparency of decision-making, but also regimes' credibility, which is foundational for any cooperation that includes mutual obligations. This leads to the question of why integration rituals have been systematically repeated for over twenty years despite their participants' reluctance to increase actual integration. Why do new independent states regularly sign agreements that are doomed to be ineffective?

This reality is apparent from statistical data, which show very low levels of cooperation in trade, during high-level meetings, or on population migration. At the same time, data referring to informal cooperation and the gray economy, such as smuggling or illegal migration of people, reveal deep and intense social, economic, and political ties between the countries (see, for example, ADBI 2014; Czerniecka 2011; Beshimov, Abdykaimov, Radzhapov, and Tashbekov 2011; CADGAT 2013, 9; Mogilevskii and Akramov 2014; Mogilevskii 2012).

The dramatic discrepancy between the official and informal spheres is a pervasive characteristic of national and regional structures in Central Asia. Accordingly, international regional organizations have not sought to legalize informal cooperation. Instead, by providing the appearance of integration activities, they have been intended to provide a number of other benefits to both the countries of Central Asia and their international patrons. The United States, the European Union, and Russia have perceived integration projects as an important mechanism of socialization. In international relations, this has meant transferring rules and guidelines to states and their leaders regarding the lines of desirable behavior in the international system. In addition, integration projects have created the opportunity to influence the internal affairs of individual states. Maintaining open channels has been important for promoting particular values and development models. Particularly high activity in this regard has been observed in regional organizations formed around Russia (Laruelle and Peyrouse 2012b, 22).

[1] Interview, Bishkek, 2009.

What Type of Integration in Central Asia?

According to Alexander Libman and Evgeny Vinokurov (2016), international organizations in the post-Soviet area have consciously attempted to develop their management structures based on multifaceted and non-bureaucratic approaches. This phenomenon has four main dimensions: mutual penetration, integration rhetoric, discussion forum, and defense integration. Despite formal and institutional solutions, regional international organizations have not had exclusive areas of activity and competence, but rather overlapping fields of activity. For example, the Eurasian Economic Union (EAEU) was supposed to be solely responsible for commercial and economic issues, but it now includes other sectors of cooperation. Likewise, the Shanghai Cooperation Organization, created as a security organization, now operates in spheres as varied as economics, energy, tourism, agriculture, roads, culture, education, science, health, youth, etc.

In the post-Soviet reality of blurred borders between what is formal and informal, legal and illegal, it has been extremely difficult to separate these different levels of relations. Of course, this was due to some extent to the strong links with all aspects of Russia's foreign policy, shown in the close connections between the EAEU and the Collective Security Treaty Organization (CSTO),[1] where peripheral countries such as Kyrgyzstan had relatively lower weight and more limited ability to define the agenda (Dzhuraev 2015, 3-4).

Soft, non-bureaucratic management could also be observed in the Commonwealth of Independent States (CIS), which was not based on one structure, but was rather a set of contracts with various participants. As a regional organization, it not only inherited the resources of the Soviet Union, but also adapted them to the new conditions,[2] while retaining old dependency structures.[3] In a functional sense, this organization was a platform for "integration rhetoric," similarly to the Shanghai Cooperation Organization (SCO). Above all, the integration rhetoric was

[1] Russia, as a nuclear power and the second-largest arms dealer in the world (behind the United States), occupies a dominant position in the CSTO. For the most part, it has been Russia that has decided the agenda of CSTO meetings. The other members of the organization have all been post-Soviet countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Azerbaijan (1994-1999), Georgia (1994-1999), and Uzbekistan (1994-1999, 2006-2012).

[2] The "supporting" regional organizations were co-created by countries that in the past were part of an empire or another regional organization. These organizations were characterized by a high level of politicization related to problems caused by independence. The emergence of disputes over borders and access to natural resources, as well as ethnic conflicts, led to public discussions that complicated the functioning of the regional organization (Libman and Vinokurov 2016, 33-37).

[3] Center-periphery relations had an impact in the sphere of the imagined community, as researchers, analysts, journalists, and therefore ordinary people often used the term "CIS" to describe the whole post-Soviet region. Although it consisted of only 9 of the 15 former Soviet republics, its geopolitical image obscured that difference (Libman and Vinokurov 2016, 33-37).

attractive for countries that had recently gained independence. They were worried that a short period of sovereignty could undermine their legitimacy at both national and international levels. Membership in the CIS gave them legitimacy, confirming international recognition and status. In this sense, including former colonies in new networks of dependencies was associated with the formal strengthening of sovereignty. Secondarily, integration rhetoric was paradoxically an attractive political solution to the dispute between supporters and opponents of reintegration with the metropolis. It was a kind of facade rhetoric that lacked consistency, a language that created an illusion of integration in a context where no real internal policy restrictions were introduced that would normally accompany a genuine integration project (Libman and Vinokurov 2016, 33-37).

The CIS' role as a discussion forum was important for addressing the challenges facing these postcolonial states. After independence, they struggled with numerous conflicts: disputed borders, divided ethnic groups, contested access to shared resources, etc. During the Soviet period, Central Asia was broken down into individual republics that competed with one another. The top-down economic, political, and social framework was to prevent the launch of potential regional cooperation that could threaten Moscow. In addition, the colonial legacy—expressed in rivalries that diminished trust and solidarity among the Central Asian states—hampered the resolution of regional conflicts in the post-independence period. In a context where direct contact between post-Soviet leaders was difficult, the role of the CIS as a discussion forum was all the more important. The organization provided crucial opportunities for some form of dialogue to address their numerous shared problems, including those originating in recent history (Libman and Vinokurov 2016, 33-37; Wyciszkiewicz 2008, 139-185).

According to Roy Allison (2008, 188-189) and Alexander Libman (2007, 401-415), the virtual regionalism represented by the CIS, EAEU, CSTO, and SCO had a very specific function, which can be described as **defense integration**. Regional co-ordination within these international organizations, portrayed as **regional integration**, formed the basis for political solidarity between state leaders. It was not purely a reaction to political challenges that could trigger another "color" revolution; local political elites were looking for far-reaching solutions to address current challenges and ensure the stability of their authoritarian systems. The aim was to use an international structure to secure the regime and maintain power. The implementation of these common goals required some forms of cooperation that would overcome mutual antipathies between some presidents in Central Asia. In this sense, these regional structures played an important role as an **organizational platform for regular meetings** of high-level officials and politicians of member states (Libman and Vinkurov 2016, 33).

Roy Allison also mentioned **survival integration** and **protective integration** as part of the Central Asian political reality. Protective integration is used to prevent social, economic, and political changes in post-Soviet countries and includes two major elements: 1. protection of technological monopolies from domestic and foreign competition; and 2. protection of inefficient semi-authoritarian regimes, which seek the support of their neighbors to prevent democratization. Protective integration is often used as an argument by existing regimes in the CIS in their confrontation with the democratic opposition (Allison 2008).

The failure of Central Asian regional integration is partially explained by the "local preoccupation with sovereignty" and "a possible relationship between the virtual quality of regionalism and the political fabric of Central Asia—the flows of power and the ways in which leaders seek effective control over the distribution of material and political resources" (Allison 2008, 188; Kudaibergenova 2016). It seems that the decision-makers in the Central Asian region fully understand the necessity of regional cooperation and thus try to promote cooperation. Political analysts have indicated that regional integration would reinforce the sovereignty of the individual states, thus enabling the acceleration of economic growth (Gleason 2001; Geyikdagi 2005).

We are currently witnessing the next wave of regional cooperation and integration processes, led by regional powers like Russia and China. The Eurasian Economic Union and the Belt and Road Initiative are the most recent initiatives proposed by the regional giants that are supposed to be beneficial to all members. Some scholars claim that this is the start of true integration processes that go beyond previous attempts to cooperate.

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