

# Russia in China's 'One Belt, One Road' Initiative: Possibilities and Prospects

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## **In the Beginning**

In Autumn 2013, at a summit with President of Kazakhstan Nursultan Nazerbaev, President of the People's Republic of China (PRC), Xi Jinping declared the beginning of a project called the "Economic Belt of the Silk Road." This project consists of two parts—a continental belt via Kazakhstan and Russia to Europe or the Mediterranean Sea, and a sea belt via South-East Asia. Later, these projects were



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called "One Belt, One Road" (OBOR).

In the beginning of 2015, President of the Russian Federation Vladimir Putin declared founding Eurasian Economic Union (EEU), where there are five members—Russian Federation, Kazakhstan, Byelorussia, Armenia and Kyrgyzstan. There was a proposal to establish a free trade zone "Eurasia Economic Union and China," but in May 2015 by the decision of EEU and China's leadership, the Russian Federation and the People's Republic of China made a joint statement about mutual cooperation for conjunction of two projects—EEU, and Economic Belt of the Silk Road.

The statement proclaims that both sides will "undertake joint efforts for conjunction of two projects—Eurasian Economic Union and Economic Belt of the Silk Road" and "adjust joint cooperation within bilateral



Six years after Xi Jinping announced the Silk Road Economic Belt and Maritime Silk Road in 2013, 157 nations and 30 international organizations are participating.

and multilateral formats, first of all within the Shanghai Cooperation Organization (SCO). . . .” (See *Joint Statement of the Russian Federation and the Peoples’ Republic of China about Mutual Cooperation on Conjunction of Two Projects—Eurasia Economic Union and Economic Belt of the Silk Road, May 8, 2015/Economic Belt of the Silk Road*. Russian Biographical Institute, Institute of Economic Strategies, Moscow, 2015. Page 22.)

China’s project “Economic Belt of the Silk Road” has evident advantages in comparison with Russia’s project “Eurasian Economic Union” because of its ancient basis (more than 2,100 years). Both projects have common and non-contradictory cultural standards, project “Economic Belt of the Silk Road” includes population of more than 3 billion people, and project “Eurasian Economic Union”—only about 200 million people.

In March 2015, the Ministry of Commerce and the State Committee of National Development and Reform of the PRC published a joint document, where it was stated: “On the one hand—developing economies of East Asian countries, on the other hand—developed economies of European countries, and between them there are countries with vast space of lands with big potential of economic development” (See *Wonderful Prospects and Practical Actions on Joint Building Economic Belt of the Silk Road and Maritime Silk Road of the 21st Century*. Russian Biographical Institute, Institute of Economic Strategies, Moscow, 2015. Page 30.)

For China the project “Economic Belt of the Silk Road” gives vent to rapid development of its Western areas—three provinces Shaanxi, Gansu, Qinghai and two autonomous regions—Ningxia-Hui and Xinjiang-

Uyghur, which are behind coastal areas by the GDP volume and growth rates. This project will promote even distribution resources and industries all over the territory of China for achievement of higher social and economic results.

### Initiative Becomes Part of China’s 13th Five-Year Plan

“Economic Belt of the Silk Road” project became a part of China’s 13th Five-Year Plan (2016-2020) that was adopted at the March 2016 Session of the National People’s Congress. This project

should be fulfilled within 30 years. It will include “Seven Belts”: transport, energy, trade, information, scientific and technical, agricultural and tourist.

In March 2015 at “The Asian Economic Forum,” Russian Vice-Premier Igor Shuvalov declared the decision of Russia to take part in the strategy of “Economic Belt of the Silk Road”:

Free movement of goods and capital within Eurasian Economic Union is bringing together European and Asian economies, that has in common with the Chinese initiative “Economic Belt of the Silk Road.” In Russia we are sure that joint work on two projects “Economic Belt of the Silk Road” and “Eurasian Economic Union” could create new possibilities for the development of China and countries of Eurasian Economic Union. (See Remyga V.N., Padalko V.I. *New Global China’s Strategy—‘Economic Belt of the Silk Road’*. Russian Biographical Institute, Institute of Economic Strategies, Moscow, 2015. Page 66.)

On the territory of the countries of Eurasian Economic Union—Russia, Kazakhstan and Byelorussia—growth rates of economy could be developed rapidly in the area of transport infrastructure construction (railroads and highways) by route Druzhba (Dostyk)—Almaty—Orenburg—Kazan—Moscow—Minsk as it had been developing in the zones of Trans-Siberia Railroad and Chinese East Railroad in the end of the 19th and beginning of the 20th centuries. As the experience of these projects (Trans-Siberia Railroad and Chinese East Railroad) shows, after building railroads of large length with sea terminals, the territories adjacent to the

railways develop very fast. For example, in that period of time the Russian Far East and East Siberia developed by this way, just as the Chinese territories in the Northeast provinces Heilongjiang, Jilin and Liaoning.

The conjunction of two large-scale projects on the one hand, helps Russia and other countries of Eurasian Economic Union to create a huge transit zone for goods from Europe to Asia, to develop a market for produced goods both in China and in Asian countries. On the other hand, China will have more possibilities for developing its sales markets and raw materials markets.

### **Conjunction of Eurasian Economic Union and Belt & Road**

The conjunction of these two projects—“Eurasian Economic Union” and “Economic Belt of the Silk Road”—could also help to develop trade and economic cooperation between countries of the Shanghai Cooperation Organization (SCO). “The North Route” of “Economic Belt of the Silk Road” passes through the territory of three main countries of the SCO—Russia, China and Kazakhstan. After developing the project, the route of “Economic Belt of the Silk Road” will pass from China through Central and Western Asia—to the Persian Gulf and the Mediterranean Sea. It can help to involve in the sphere of this project not only other countries of the SCO—Kyrgyzstan, Tajikistan, Uzbekistan—but a number of neighbor countries of Central and Western Asia as a result of mutually beneficial cooperation.

In the course of developing “Economic Belt of the Silk Road,” all sides should come to an agreement on the coordination of their development strategies, taking into account their economic, political and legal practice. The basis for the project is building, developing and improving transport infrastructure on the territory of “Economic Belt of the Silk Road” including super high-speed railway, for example: Moscow—Beijing.

The next stage of the conjunction of two projects is decreasing, and then eliminating, trade and investment barriers between members of “Economic Belt of the Silk Road.” It is necessary for increasing their trade and



*Tajikistan President Emomali Rakhmon (left), Russian President Vladimir Putin (center), Chinese President Xi Jinping (second from right), and Kazakhstan President Nursultan Nazarbayev (right) at SCO Summit on June 10, 2018 in Qingdao, China.*

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investment potential, speeding up capital movement within the economic system, and the harmonization of currency systems. It could be brought to the situation, if country-members of “Economic Belt of the Silk Road” were to refuse to use dollars in accounts between them.

For conjunction of the two projects—“Economic Belt of the Silk Road” and “Eurasian Economic Union”—it is necessary to use opportunities of new financial structures—Asian Infrastructure Investment Bank (AIIB) and Silk Road Foundation (SRF). It will help to solve, simultaneously, several tasks, connected with further activity of trade and investment cooperation including infrastructure development by rail route Beijing—Almaty—Moscow—Minsk, harmonization of currency for country-members, investment cooperation between “Eurasian Economic Union,” “Economic Belt of the Silk Road” and the Shanghai Cooperation Organization.

The fulfillment of this task is quite possible on the base of AIIB with \$100 billion of fixed assets and Silk Road Foundation with 40 billion of fixed assets. It helps to provide for the development of the project “Economic Belt of the Silk Road” on the basis of financial strength of China, its large amount of gold and hard currency reserves, a huge transit zone between the PRC and the European Union.

In April 2019, the Second International Forum on initiative “One Belt, One Road” (OBOR) took place in

Beijing. About 40 leaders of the countries along the OBOR route and more than 1,000 experts and journalists took part. PRC President Xi Jinping made a principal speech, and more than 140 cooperation agreements were signed. The volume of Chinese investments in the projects along the OBOR route was more than \$80 billion, and the volume of tax and other kinds of payments exceeded \$2 billion. (See Li Hui, “China Proposed a New Way for the World,” *Dykhaniye Kitaya*, No. 4, 2019. Page 11.)



### **China an Optimal Partner for Developing Siberia and Far East**

Now China is an optimal foreign partner for Russia’s solving the strategic task of developing Siberia and the Far East.

First of all, the orientation to the Chinese market can help economically with effective exploration of natural resources in these territories, which demands large investments and long period of time.

Second, the development of Siberia and the Far East is in line with China’s interests, because it will help solve the task of the reviving the old industrial base in the North-East China, in neighboring regions with Russia, and providing Chinese economy with necessary natural resources in general.

Third, the development of Sino-Russian foreign trade could stimulate economic relations of Russia with Japan and Republic of Korea. Russia takes an important place in foreign economic strategy of Beijing as a supplier of raw materials and energy resources and a market for Chinese machinery production and electronics.

China considers Russia an important partner for supplying crude oil and natural gas. Now by crude oil supply in China, Russia passed ahead Saudi Arabia, other Arabic countries, and several African countries. In the future, Russia is to take a leading position in supply of natural gas to China after putting into operation the gas pipeline “Strength of Siberia” from Chayanda gas deposit to Northeast China (gas pipeline capacity—55 billion cubic meters per year).

Nowadays the most part of crude oil and natural gas supply to the PRC is carried out from Arabic countries and several African countries by sea through narrow Strait of Malacca in Southeast Asia, which could be

*Russia sits on top of one of the greatest concentrations of raw materials on this planet, especially in Siberia. Pictured here, an oil-drilling site in Siberia.*

blocked in an emergency situation. That is why China is interested in alternative routes for energy resources and other goods supplies from Russia and Central Asian countries by land and from Latin America through the Pacific Ocean. In order to secure energy resources supply from Venezuela, for example, China began to develop building a channel from the Atlantic Ocean to the Pacific Ocean through Nicaragua. For this purpose, China put into operation the Gwadar Port in Pakistan. By this route it is possible to deliver cargo including crude oil and natural gas in tank trucks across the Khunjerab Pass, at least six months a year.

The Far Eastern Federal District occupies 36% of the territory of Russia; it has only 5% of Russia’s population, but 30% of Russia’s reserves of coal, 20% of hydrocarbons, 25% of timber and large reserves of rare and non-ferrous metals. But the Far East infrastructure is underdeveloped. There is only a motor road from Irkutsk to Vladivostok. There are only two railways—Trans-Sib and Baikal-Amur Main Line (BAM), which is underloaded because of economic backwardness of the region which otherwise has high reserves of natural resources and direct access to the deep-water port Sovgavan, which is better than deep water port San Francisco by its natural conditions.

The steamship communication by the Arctic Sea Way is underdeveloped too, but earlier it provided the most part of the so-called “Northern Delivery.” It is necessary to notice the weak development of the elec-



tric supply system, TV communications, and banking system. Till now, there were no oil and gas pipelines. The Far East and most of Siberia are separated from the European part of Russia. Besides, should we add high transport tariffs, which increase an economic gap between the Far East regions and European part of Russia?

The development of Siberia and the Far East is one of the most difficult strategic problems of regional development in Russia. But it becomes evident that for the Russian Far East, building “the growth poles,” increasing population, it is necessary to develop mutual cooperation with the states of the Asian Pacific Region (APR) for the establishment of joint ventures. The growth in Gross Regional Product (GRP) by means of these joint ventures and the growth of the GRP per capita will provide the basis for increasing demand by an increasingly solvent population, leading to the development of greater retail trade and service volumes. Russia could achieve these goals only by active regional economic cooperation and Russia’s inclusion in integration processes in the APR.

The participation of the Russian Far East and Siberia in initiative OBOR is one of the important forms of interregional cooperation in the APR.

There are three routes to the West. The first via Kazakhstan, the Caspian Sea, Transcaucasian Regions and Turkey; the second via Kazakhstan and European part of Russia, the third via Iran and Syria.

But there are a lot of Silk Road variants, beginning from Economic Belt of the Silk Road (*sichouzhilu* or *yidai yilu*) and Maritime Silk Road (*haisilu*) and finishing different sea and railroad routes over Eurasia.

There are three traditional routes through European part of Russia, Kazakhstan, Turkey, Iran, Georgia and Azerbaijan and there is an extra route via West Siberia, East Siberia and the Far East. There are plans to build two transcontinental bridges Europe—Asia (northern and southern), and the route Yekaterinburg-Novosibirsk-Krasnoyarsk-Irkutsk-Chita-Khabarovsk-Vladivostok will become an important part of northern transcontinental bridge. (See *One Belt-One Road. Yellow Book. 2014*. Yang Yanhong, ed. Ningxia Peoples’ Publishing House, Yinchuan, 2015. Pages 42-43.)

In the beginning of the 21st century, the authors of analytical report for Russia’s Federation Council of the Federal Assembly (Irkutsk, September 2000) determined four main directions for Russia’s integration into North-East Asia: (1) development of crude oil and natu-

ral gas resources of the Russian Far East and Siberia, and building an oil and gas pipeline network and electric power transmission lines; (2) utilization of Russia’s geographical position as a bridge between Europe and Asia; (3) attraction of foreign labor force for development of the Russian Far East and Siberia; (4) the establishment of technological parks on the basis of Russian scientific potential. (See *Russia’s Development Strategy in the Asia Pacific Region in the 21st Century*, Moscow, 2000. Page 33.)

### Integration into Northeast Asia

All these directions for Russia’s integration into Northeast Asia are of great importance. But we should pay attention at some point concerning the utilization of Russia’s geographical position as a bridge between Europe and Asia. For regular work of the bridge, it is necessary to use a sea component—seaports with a capacity to handle a large volume of freight turnover, and which could handle ocean vessels with large volumes of cargo in containers. Now there are a lot of seaports in the Far East, but most of them are frozen in winter. There are only three seaports in the Far East—Vladivostok, Nakhodka and Zarubino—where ice conditions are more favorable.

It is necessary to compare possibilities of these three seaports of the Far East.

Port Nakhodka is a basic trade port on the South of the Primorsky Krai. Its main shortcoming is bad transport accessibility, which creates extra difficulties for cargo transportation from the port and limits its freight turnover.

Port Zarubino is preferable to Port Nakhodka by its climate and natural conditions, but its underdeveloped infrastructure on the adjacent territories limits its development perspectives. The authorities of Jilin Province feel inclined to use the port as an outlet to the sea, but there are a lot of economic and political obstacles on the way of its realization.

The most preferable variant is the development of Port Vladivostok, because its geographical position is the most advantageous. Vladivostok, in contrast to Nakhodka, has a preferable geographic position because of its more developed infrastructure: There are railways and motor ways, two airports and better connectivity of the transport network in comparison with Nakhodka and Zarubino.

Far East development needs large scale infrastructural projects, which demand large investments. State

budget investments or foreign investments in the frame of state-private partnership programs could be main sources of financing. That is why we may consider cooperation with APR countries as a real tool of complex development in regional economy.

### **Aspects of Sino-Russian Trade and Economic Cooperation**

It is important to determine several aspects of Sino-Russian trade and economic cooperation, which have large influence on integration process in North-East Asia.

The growth of Sino-Russian trade and investment mutual cooperation promote China's economic development and help China keep high growth rates based on Russian natural resources. But the economic development of the Russian Far East and Siberia could be more

dynamic with a more developed infrastructure network.

There are four prospective directions of Sino-Russian mutual cooperation for the conjunction of the two projects—OBOR and EEU: (1) energy resources; (2) transport; (3) investment; (4) banking. The growth of Sino-Russian trade and economic relations now depends on trade exchange.

For better development of Sino-Russian trade it is necessary to pay attention to four above mentioned directions of Sino-Russian mutual cooperation. It could become a key link for the development of integration process in Northeast Asia and narrow the gap in economic potential between Asian and European parts of Russia. Russia should take a more active part in Chinese initiative “One Belt, One Road” in order to achieve the goal of the Russian Far East development.