

Is Russia Coming to Terms with China’s “Silk Road”?

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China’s Silk Road Economic Belt (SREB) initiative has been developing at a fast pace since its launch a few years ago. Stretching from China to Europe, the SREB encompasses a number of post-Soviet states and adjacent countries that are of strategic and economic importance to Russia. The SREB poses fundamental challenges to Russia’s regional and global posture. While opportunities for cooperation with Beijing exist, Moscow has been wary of involvement in China’s ambitious initiative.

There were expectations that Vladimir Putin’s meeting with Xi Jinping in late June 2016 (Putin’s eleventh visit to China) could push the process forward. Although many bilateral agreements were signed at that meeting, the scope of Russia’s involvement in the SREB did not significantly change. Russia’s unwillingness to pursue wider participation in the initiative is based on many considerations. Among the main factors are Russia’s drastic pendulum swings in relations with key associated actors (like Turkey and Iran), its current domestic economic challenges, and its own Eurasian Economic Union (EEU).

What Is The SREB?

The SREB is the land-based component of China’s One Belt–One Road (OBOR) project. The Maritime Silk Road (MSR) is the sea-based component. China announced the initiative in Kazakhstan in 2013, refined the concept—with the help of Chinese think tanks established for the very purpose—and began to actively implement it in 2015.

Unlike other large global integration projects such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), the SREB has developed primarily through bilateral (rather than multilateral) agreements and is focused on infrastructure rather than regional integration. The core of the SREB involves railroad construction and railway-related activities—China has been negotiating railway projects

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with thirty countries. China is involved in roughly 350 international engineering projects related to the project for an estimated \$25 billion and has invested overall roughly \$7 trillion into the plan.

The SREB is not a “closed” initiative. China looks for global partners and makes appeals for investment. For now, the SREB does not include free-trade zones, though it may eventually. Some observers [suggest](#) that China’s slow economic growth will dampen Beijing’s enthusiasm to pursue the SREB. However, this looks unlikely since the underlying logic of the project is to expand the market for Chinese goods. The SREB is viewed by the Chinese political and business elite as a key strategic economic tool for the country’s socioeconomic development over the next couple of decades.

China makes it difficult for states to refuse SREB projects because it provides vigorous financial guarantees. Though projects are nominally apolitical, Beijing occasionally imposes what look like certain conditionality requirements (for instance, on energy pricing). One positive effect of the project stems from China’s interest in stability along SREB routes. This has led it to increased engagement in regional conflict settlement efforts, particularly with regard to Afghanistan and Pakistan. Already, hundreds of Chinese-hired guards are providing security along the pipelines and road construction projects in Pakistan.

Russia and the SREB

Russia’s views toward the SREB stem from a mixed bag of political and economic considerations on many levels – national, bilateral, regional, and global. This mix reflects the range of complex and contradictory Russian attitudes toward China: from dramatic forecasts of rampant Chinese expansion into the Far East and Siberia to a future where Russia and China work together as strategic partners overpowering the West’s weakening hegemony. Moscow’s views are also directly influenced by Russia’s degraded relations with the West vis-a-vis the Ukraine conflict and sanctions. At the core, Moscow views Chinese regional policy through the prism of Russia’s own efforts to strengthen integration within the post-Soviet space.

Many Russian experts tend to view the project as primarily economic in nature but also part of Beijing’s longer-term geopolitical strategy. They see the SREB as China’s way of reaching new markets and creating new opportunities but over time, they suspect, Chinese standards, currency, and culture will follow. For the most part, Russian experts regard Russian participation in the SREB as desirable and necessary, not least in response to two global U.S. integrationist projects: the TPP and TTIP. They view the SREB as having a significant impact on geoeconomic and geopolitical regional rebalancing, in which Russia could have a stronger position.

Moscow remains challenged, however, in formulating and defending Russia's political-economic priorities in regard to the project. A central issue is the way in which the SREB challenges Russia's Eurasian integration plans. It is difficult to deny that the SREB offers Russia's EEU partners (Armenia, Belarus, Kazakhstan, and Kyrgyzstan) a more attractive alternative in practically all industrial, trade, and financial dimensions. EEU members have established bilateral cooperation agreements with China within the SREB format, to the neglect of the EEU (and Russian integration efforts and norms).

At the root of the discrepancies is the "philosophy" of regional integration. Russia suggests a more protectionist approach for the EEU, a sentiment that has increased as it confronts the effects of sanctions. However, Kazakhstan, for example, which recently outlined a new development concept, sees the EEU as an "open" project and itself as being an unrestricted "bridge" in regional endeavors such as the SREB. Kazakhstan wants to take advantage of any integrationist dividends and not experience restrictions, political or otherwise. Thus, it has not acceded to certain EEU agreements, such as in the liberalization of the services sector or in the auxiliary transportation services sector.

There was a sign of forward motion involving Russia's involvement in May 2015 when a joint [declaration](#) on cooperation between the EEU and the SREB was signed. However, EEU members were hard pressed to elaborate on common next steps.

Russian experts have analyzed options to prevent or neutralize detrimental consequences of the SREB. This includes supporting joint ventures in regions of particular importance for Russia. Another idea is to integrate into the SREB proposed transit initiatives of other regional players like Kazakhstan's "Light Route," Mongolia's "Steppe Route," and South Korea's "Eurasian Initiative." These projects are of incomparably smaller scale than the SREB, but diversifying transit routes, in the Russian outlook, could at least partly balance the Chinese project.

One logistical conundrum for Russia is that the overall orientation of the Chinese project runs from east to west, whereas Russia is more interested in trade routes north to south, corresponding to its own economic development needs. North-south trade corridors also correspond to the interests of Central Asian states, as well as India, Pakistan and Iran. However, Western sanctions on Russia create a serious barrier to the use of Russian territory as a main SREB transit route, even if the ending of sanctions on Iran could revitalize efforts to establish north-south corridors for Russia.

The EU and the SREB

Moscow is keenly watching the reaction of other international actors to the SREB. In particular, it is attentive to the view of the European Union, which is the main destination for SREB cargo. (The EU is still Russia's largest trading partner, even with sanctions.)

Brussels is still formulating its position toward the SREB, but European interest in it appears high. To begin with, many EU states are cofounders of the Asian Infrastructure Investment Bank. The EU sees the SREB as a supranational endeavor with itself as an equal partner. To facilitate dialogue, an EU-China Connectivity platform was created at the EU-China business summit in June 2015.

Currently, all seven existing railroad routes from China to western Europe go through Poland. Xi [sees](#) Poland as a “gateway to Europe” both by land and sea. During Xi’s visit to Poland in June 2016, he and Polish President Andrzej Duda signed an agreement to raise their bilateral state relations to the that of a “comprehensive strategic partnership.” The leaders [said](#) they hoped that Sino-Polish projects will have “a major role” in the “economic belt of the Silk Road.”

China has also signed memoranda with Lithuania and Hungary. At the same time, Germany (Russia’s largest EU trade partner) remains rather reserved. Germany is inclined to view the SREB from geopolitical and security perspectives.

Potentially, the SREB could enhance dialogue between the EU and the EEU, especially if the EU were to seek some kind of counterbalance to both the TTIP and the SREB. This assumption may look unrealistic now, but there was at least an [exchange of such ideas](#) between the heads of the European and Eurasian Commissions last November.

Conclusion

China is energetically pushing its colossal “silk road” blueprint forward. This is forcing Russia to confront considerable economic, political, and existential challenges. As Russia contends with the sustainability of its own EEU initiative, it has been unable to formulate a comprehensive strategy toward the SREB. Moscow’s approach, therefore, is to lean toward bilateral agreements where possible while taking a prudent role as junior partner in the SREB.