

## Three powers, three visions: Eurasian economic union, new silk road initiative, and silk road economic belt

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**Abstract.** *The three world powers such as Russia, the United States, and China have their own visions of integration in Central Asia. The article analyzes the creation, and development of the Eurasian Economic Union led by Russia, The New Silk Road Initiative led by the United States, and the Silk Road Economic Belt proposed by China, and then the possible positive and negative effects on Central Asia. The article attempts to answer the question: Can these three processes exist and flourish side by side in Central Asia and which one will prevail in the long term? Since the economic and political relations between Russia and China have never been so good and Chinese influence over Central Asia is purely economic rather than political, Eurasian Economic Union and Silk Road Economic Belt initiative might coexist and prosper side by side. On the other hand, The New Silk Road Initiative will have a negative effect since the United States is withdrawing from the region and not committing enough funds to make the initiative sustainable. One part of the article analyzes the two main trends in international relations, globalization, and regionalization, and sketches the relations between these two. The second part explores the integration and integration theories. The third part describes the integration processes, such as Eurasian Economic Union and Silk Road Economic Belt, their history, structure, and institutions. The fourth section compares these two processes and concludes that they can coexist at the same time.*

**Keywords:** *Economic Integration, Eurasian Economic Union, New Silk Road Initiative, Silk Road Economic Belt, Central Asia, Russia, the USA, China.*

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### Introduction

There have been two opposing main trends in international relations during the last 30 years as Globalization and Regionalization. Globalization refers to the process through which goods, services, ideas, and people are moving cross-borders increasingly causing the interconnection of the countries. On the other hand, regionalization refers to a grouping of states that have a common interest in coming together for a specific purpose, such as the EU, NAFTA,

and ASEAN. There has been a debate on relations between globalization and regionalization. Two main questions have arisen during the study. The first one is whether regionalization or regional integration is a part of the globalization process. The second one is whether rather regionalization is a way to balance and control globalization. We see these two processes moving side by side in Central Asia.

There have been mainly three integration processes in Central Asia in the post-Soviet era. First, the last fifteen years of re-unification and

integration efforts in the territory of the former Soviet Union finally yielded results with Russia's reassertion and ending of its isolation. In Eastern Europe, the Eurasian Economic Union (EEU) has become an alternative to the European Union and a center of gravity. For many Central Asian countries, the Eurasian Economic Union has also emerged as an alternative. Kazakhstan is the founding member, Kyrgyzstan joined in 2015, and Tajikistan is expected to join soon. Second, after September 11 2001, the United States invaded Afghanistan militarily. After a decade-long invasion, the New Silk Road initiative was first envisioned in 2011 as a means for Afghanistan to integrate further into the region by resuming traditional trading routes and reconstructing significant infrastructure links broken by decades of conflict. China has paid greater attention to Central Asia in recent years. In September 2013, President Xi Jinping visited four Central Asian nations and unveiled the «Silk Road Economic Belt» initiative, which is a grandiose project of pipeline infrastructures, and economic development linking China with Western Europe through Central Asia.

The article analyzes the creation and development of the Eurasian Economic Union and Silk Road Economic Belt, and then the possible positive and negative effects on Central Asia. It has not been easy for Central Asian states to decide. For example The President of Kyrgyzstan, Almazbek Atambaayev stated in a speech on October 27 «We are choosing the lesser evil – no offense to the member states of this organization [1].» He did not mention the other evil. Although Kyrgyzstan chose to be a member of the Eurasian Economic Union, it still wants to utilize the advantages of being a neighbor to a rising economic power: China. The question, however, remains to be answered: Can these two integration processes exist and develop at the same time? The thesis of this paper is that since the economic and political relations between Russia and China have never been so good and Chinese influence over Central Asia is purely economic rather than political, Eurasian Economic Union and Silk Road Economic Belt initiative might coexist and prosper side by side.

## **Methodology**

In the course of the study, there were used such theoretical research methods as a systematic approach, analysis, deduction method, classification, clarification, and detailing. The Chinese initiative.

## **Discussion**

During the last thirty years, there have been two main trends in international relations. The first of these processes is globalization. There have been several definitions of globalization. One of which is the International Monetary Fund's definition in 2000. According to this, «economic «globalization» is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders. There are also broader cultural, political, and environmental dimensions of globalization.» (IMF 2000). Globalization refers to the growing interdependencies of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services, and of international capital flows, and also through the rapid and widespread diffusion of all kinds of technology. In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalization: trade and transactions, capital and investment movements, migration and movement of people, and the dissemination of knowledge. On the other hand, economic globalization refers to extending and deepening the economic interdependence between nations. (IMF 2000)

At the same time, there has been another process, regionalization, emerged at the same time. Regionalization refers to a grouping of states that, at that moment, have a common interest in coming together for a specific purpose. For example, EU, NAFTA, and ASEAN. Joseph Nye defined an international region «as a limited number of states linked by a geographical relationship and

by a degree of mutual interdependence», and (international) regionalism as «the formation of interstate associations or groupings on the basis of regions». (Nye 1968a, vii). However, there has been a debate on relations between globalization and regionalization: Is regionalization (regional integration) a part of the globalization process? Or rather it is a way to balance and control globalization? The answer to this question is both; regionalization is the result of globalization and at the same time it is an answer to the threat of globalization.

The term integration is often confusing. Merriam-Webster dictionary defines it as «to combine (two or more things) to form or create something». Political scientists define integration differently. Integration is defined as the establishment of linkages between different, and geographically near polities in the political, economic, social, and military areas. (Tavares & Schulz 2006) One of the leading scholars of International Relations, Joseph Nye (1968b) distinguishes between economic, political, and social integration. According to Nye, economic integration would constitute high trade; social integration would include the unification of masses, special groups, or elites; political integration would encompass a wide array of phenomena, including more decisions on the international level, international bureaucracies, and attitudinal similarity among nations. «The concept of integration, verbally defined as forming parts into a whole or creating interdependence, can be broken down into economic integration (formation of a transnational economy), social integration (formation of a transnational society), and political integration (formation of transnational political interdependence). » (Nye 1968b, 858).

Economic integration is concerned with two main purposes. First one is the removal of trade barriers or impediments between at least two participating nations. The second one is thus boosting the free movement of trade, investment, and services across national boundaries. Integration processes have six stages usually referred to as the «Balassa stages of integration» after Balassa (1961). First stage is Partial Trade

which Free trade in select industries. The second stage is the creation of a free trade area (FTA), which also includes the complete elimination of domestic tariffs between countries. The third stage is the Customs union which includes common external tariffs on top of the first three stages. The fourth stage is the establishment of the common market which means the mobility of labor, capital, and technology. The fifth stage is the creation of an economic union that implements a common macroeconomic policy and has a common currency. The stage is to creation of the political union which is completing the political integration.

### Integration processes in Central Asia

After the collapse of the Soviet Union, local integration attempts in Central Asia without involving great powers have failed. Currently there are two main successful integration processes in Central Asia. The first one is the Eurasian Economic Union: The last fifteen years reunification and integration efforts in the territory of the former Soviet Union finally yielded results with Russia's reassertion and ending its isolation. In Eastern Europe Eurasian Economic Union (EEU) has become an alternative to the European Union and a center of gravity. For many Central Asian countries, the Eurasian Economic Union has also emerged as an alternative; Kazakhstan is the founding member, Kyrgyzstan joined in 2015, and Tajikistan is expected to join soon. The logic behind this is to establish a power around Russia to balance western powers.

However, with the crisis in the Eurasian zone since 2014, Russia's ability to make good on economic commitments in the region is increasingly in doubt. Moscow's economic leverage on the region is waning, as the value of remittances drops, and some migrant workers return home to Kyrgyzstan and Tajikistan. Russia had backed out of financing Kyrgyzstan's large-scale hydropower projects: the Upper Naryn cascade and the Kambar-Ata 1 dam. However, Russia prefers that China would fill the vacuum in Central Asia rather than the United States and western countries. Before going into explanation,

we need to mention the New Silk Road Initiative supported by the United States

The New Silk Road initiative was first envisioned in 2011 as a means for Afghanistan to integrate further into the region by resuming traditional trading routes and reconstructing significant infrastructure links broken by decades of conflict. With multiple transitions underway in Afghanistan, the United States and its allies can bolster peace and stability in the region by supporting a transition to trade and helping open new markets connecting Afghanistan to Central Asia, Pakistan, India, and beyond.

The New Silk Road initiative is proposed to link Central and South Asia in four key areas. The first one is the Regional Energy Market which includes support for the CASA-1000 regional electricity grid, including a \$15 million contribution following the March 2014 World Bank commitment of \$526 million and support for the CASA Secretariat. More than \$1.7 billion in investments to support of energy transmission lines, hydropower plants, and associated reforms in Afghanistan since 2010. Adding 1,000 megawatts to Pakistan's power grid, supplying power to more than 16 million people was proposed.

The second aspect of the New Silk Road Initiative is trade and transport. For this purpose, more than 3,000 kilometers of roads built or rehabilitated in Afghanistan. The United States has supported Kazakhstan and Afghanistan's accession to the WTO. It also included technical assistance for the passage of the 2010 Afghanistan-Pakistan Transit-Trade Agreement (APTTA), and support for the Cross-Border Transport Agreement (CBTA) between Kyrgyzstan, Tajikistan, and Afghanistan.

The third aspect is customs and border operations. Since 2009, intraregional trade in Central Asia has increased by 49 percent. Since 2011, the average cost of crossing regional borders decreased by 15 percent. Customs procedures have been streamlined at seven Afghan border crossing points, resulting in expedited trade with average release time down from eight days in 2009 to three and a half hours in 2013, saving \$38 million annually.

The last aspect of the New Silk Road Initiative is Business and people to people interactions. It funded university studies for hundreds of Afghan students across Central Asia and sponsored the Central Asia-Afghanistan Women's Economic Symposium and South Asia Women's Entrepreneurship Symposium in support of thousands of women entrepreneurs and business owners. Moreover, it organized trade delegations, meetings and conferences in Almaty, Islamabad, Kabul, Mazar-i-Sharif and Termez resulting in over \$15 million in trade deals.

However, there is doubt about the seriousness of the United States in creating and sustaining full-fledged integration in Central and South Asia. As we will see in the next section, compared to SREB, the US's commitment in terms of money is minimal. The United States relied on minimal funding vehicles such as World Bank, compared to the Chinese Asian Infrastructure Investment Bank and Silk Road Fund. Moreover, during the Obama Administration, the United States withdrew from Afghanistan and Central Asia by focusing more on Asia-Pacific. Coinciding with the regional withdrawal, it can be said that the US-led New Silk Road Initiative is more like a vision rather than a policy. The next section analyzes the Chinese Silk Road Economic Belt Initiative in details.

## **Results**

The second integration process is the «Silk Road Economic Belt». China has paid greater attention to the Central Asia in recent years. In September 2013, President Xi Jinping visited four Central Asian nations and unveiled the «Silk Road Economic Belt» initiative, which is a grandiose project of pipelines, infrastructures, and economic development linking China with Western Europe through Central Asia. China's wider effort to bind surrounding regions more closely to it through pipelines, roads, railways, and ports. The rationale behind this is to access energy resources of CA and develop western China. The Silk Road Economic Belt is not only a project; already it is a functioning reality. «November 18, 2014: it's a day that should live forever in history. On that day, in the city of Yiwu



**Figure 1.** Chinese Silk Road Economic Belt and 21st Century Maritime Silk Road.



in China's Zhejiang province, 300 kilometers south of Shanghai, the first train carrying eighty-two containers of export goods weighing more than 1,000 tons left a massive warehouse complex heading for Madrid. It arrived on December 9 [2].»

China compares the Silk Road Economic Belt to the U.S. Marshall Plan, which helped rebuild Europe after 1945 and involves sixty countries (Figure 1). For this purposes a \$50 billion Asian Infrastructure Investment Bank was created and a \$40 billion Silk Road Fund established. Investments from Chinese private and state firms were expected to achieve this goal.

However, the question remains open: Can these two integration processes exist and develop at the same time? Some argues that «There is a good chance that economic jockeying between China and Russia in Central Asia will intensify in the coming months. For Russia, Chinese economic expansion could put a crimp in President Vladimir Putin's grand plan for the Eurasian Economic Union» [3]. However, the thesis of this paper is that since the economic and political relations between Russia and China

has never been so good and Chinese influence over Central Asia purely economic rather than political, Eurasian Economic Union and Silk Road Economic Belt initiative might coexist and prosper side by side. Recently, especially after the Ukrainian crisis between Russia and the West, Russia looked for diversification in energy markets and did not have to look far than the energy-hungry dragon neighbor China and both signed massive energy deals. «After Russia and China clinched a massive \$400 billion natural gas deal in May 2014—around the Power of Siberia pipeline, whose construction began this year—they added a second agreement worth \$325 billion around the Altai pipeline originating in western Siberia» [2].

Indeed, with the newly waged Cold War between the West and Russia, Russia and China will get closer and cooperate more and more in many areas including the military. «On the military front, Russia and China are now committed to large-scale joint military exercises, while Russia's advanced S-400 air defense missile system will soon enough be heading for Beijing. In addition, for the first time in the post-Cold

War era, Putin recently raised the old Soviet-era doctrine of «collective security» in Asia as a possible pillar for a new Sino-Russian strategic partnership» [2]. China and Russia along with Central Asian countries have been cooperating in many areas ranging terrorism, extremism and secessionism. Moreover, these two countries are working together in world politics can be seen clearly in the UN Security Council voting.

These two processes are not conflicting, and we can answer this question when we compare Eurasian Economic Union (EAO) with Silk Road Economic Belt (SREB). First, EAO is a real integration project following the example of EU, while SREB is not clear what it is yet. The second is that EAO is multilateral agreements while SREB is bilateral agreements between China and Central Asian States. The third is that EAO is institutionalized while SREB is not. The fourth, the EAO is an effort to fence-in economic activity within a regional block whereas the SREB is about connectivity between regions of Asia and Europe. Chinese SREB projects cover much larger areas including the Eurasian Economic Union countries. Therefore, if EAO will continue as one economic union, China will deal with it as a single unit as it has been dealing with the

European Union. The southern Central Asian countries, such as Uzbekistan and Turkmenistan stated that they will never join EAO. Therefore, there is no institutional structure that challenges Chinese SREB projects in dealing with these countries.

### Conclusion

More than twenty years after the collapse of the Soviet Union all local attempts for integration have failed in Central Asia. The only successful attempt at integration in Central Asia has been the Russian-led Eurasian Economic Union (EAO) which followed the European Union's example and became an Economic Union in January 2015. In the same year in August, Kyrgyzstan joined the EAO. Although it started late, China launched its Silk Road Economic Belt initiative in September 2013, and it has been already functioning. There has been no sign that these two processes cannot coexist and flourish because of good relations between Russia and China. On the other hand, The New Silk Road Initiative will have a negative effect since the United States is withdrawing from the region and not committing enough funds to make the initiative sustainable.

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### **Три державы, три видения: Евразийский экономический союз, инициатива «Новый Шелковый путь» и экономический пояс Шелкового пути**

**Аннотация.** Три мировые державы, главным образом Россия, Соединенные Штаты и Китай, имеют свое собственное видение интеграции в Центральной Азии. В этой статье изучаются создание и развитие Евразийского экономического союза во главе с Россией, Инициатива «Новый шелковый путь» во главе с Соединенными Штатами и Экономический пояс Шелкового пути, предложенный Китаем, а за-

тем анализируются возможные положительные и отрицательные последствия для Центральной Азии. В данной статье предпринята попытка ответить на этот вопрос: могут ли эти три процесса существовать и процветать бок о бок в Центральной Азии и какой из них будет преобладать в долгосрочной перспективе? Поскольку экономические и политические отношения между Россией и Китаем никогда не были такими хорошими, а китайское влияние на Центральную Азию чисто экономическое, а не политическое, Евразийский экономический союз и инициатива «Экономический пояс Шелкового пути» могут сосуществовать и процветать бок о бок. С другой стороны, Инициатива «Новый шелковый путь» окажет негативное влияние, поскольку Соединённые Штаты уходят из региона и не выделяют достаточно средств, чтобы сделать инициативу устойчивой. Эта статья организована следующим образом: В первом разделе анализируются две основные тенденции в международных отношениях, глобализация и регионализация, и описываются отношения между ними. Во втором разделе исследуются интеграция и интеграционные теории. В третьем разделе описываются интеграционные процессы, главным образом Евразийский экономический союз и Экономический пояс Шелкового пути, их история, структура и институты. В четвертом разделе сравниваются эти два процесса и делается вывод о том, что они могут сосуществовать в одно и то же время.

**Ключевые слова:** Экономическая интеграция, Евразийский экономический союз, Инициатива «Новый шелковый путь», Экономический пояс Шелкового пути, Центральная Азия, Россия, США, Китай.

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**Үш держава, үш көзқарас: Еуразиялық экономикалық одақ,  
«Жаңа Жібек жолы» бастамасы және Жібек жолының экономикалық белдеуі**

**Аңдатпа.** Үш әлемдік держава, негізінен Ресей, Америка Құрама Штаттары және Қытай Орталық Азиядағы интеграция туралы өзіндік көзқарасқа ие. Бұл мақалада Ресей бастаған Еуразиялық экономикалық одақтың құрылуы мен дамуы, Америка Құрама Штаттары бастаған «жаңа Жібек жолы» бастамасы және Қытай ұсынған Жібек жолы экономикалық белдеуі зерттеледі, содан кейін Орталық Азия үшін ықтимал оң және теріс салдарлар талданады. Осы мақалада осы сұраққа жауап беруге әрекет жасалды: осы үш процесс Орталық Азияда өмір сүре ала ма және қатар дами ала ма және олардың қайсысы ұзақ мерзімді перспективада басым болады? Ресей мен Қытай арасындағы экономикалық және саяси қатынастар ешқашан жақсы болған емес, ал Қытайдың Орталық Азияға әсері саяси емес, таза экономикалық болғандықтан, Еуразиялық экономикалық одақ пен «Жібек жолы экономикалық белдеуі» бастамасы қатар өмір сүріп, өркендей алады. Екінші жағынан, «жаңа Жібек жолы» бастамасы теріс әсер етеді, өйткені Америка Құрама Штаттары аймақтан кетіп, бастаманы тұрақты ету үшін жеткілікті қаражат бөлмейді. Бұл мақала келесідей ұйымдастырылған: бірінші бөлімде халықаралық қатынастардағы екі негізгі тенденция, жаһандану және аймақтану талданады және олардың арасындағы қатынастар сипатталады. Екінші бөлімде интеграция және интеграциялық теориялар зерттеледі. Үшінші бөлімде интеграциялық процестер, ең алдымен Еуразиялық экономикалық одақ және Жібек жолының экономикалық белдеуі, олардың тарихы, құрылымы мен институттары сипатталады. Төртінші бөлімде осы екі процесс салыстырылады және олар бір уақытта бірге өмір сүре алады деген қорытынды жасалады.

**Түйін сөздер:** Экономикалық интеграция, Еуразиялық экономикалық одақ, «Жаңа Жібек жолы» бастамасы, Жібек жолының экономикалық белдеуі, Орталық Азия, Ресей, АҚШ, Қытай.

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