

# THE NECESSITY AND FEASIBILITY OF DOCKING CHINA'S 'THE SILK ROAD ECONOMIC BELT' WITH RUSSIA'S 'THE CROSSING-EURASIAN DEVELOPMENT BELT'<sup>1</sup>

Haiping Xu

SHU-UTS SILC Business School, Shanghai University, P.R.China

Ye Zhang

Zhejiang Institute of Advanced Technology, Chinese Academy of Sciences, P.R.China

## Abstract

The Silk Road Economic Belt and the Crossing-Eurasian Development Belt are two strategies which are respectively put forward by China and Russia for the common development of Europe and Asia. As the strategies are both coincident as well as complementary, how to dock these two economic belts has become an important and promising topic. This paper mainly analyzes the necessity and feasibility of docking the Silk Road Economic Belt with the Crossing-Eurasian Development Belt. Firstly, it is concluded that docking these two strategies is a necessary requirement due to the latest global economic background, offering golden opportunities for China and Russia to cooperate further for economic development, as well as benefiting the countries along these two economic belts. Secondly, it is feasible to dock these two strategies from the geopolitical point of view. Meanwhile, the common goal of Russia and China for pursuing national economic benefits and the abundant practical experiences of cooperation between these two countries can greatly enhance the possibility of the success in docking two economic belts. Policy recommendations are given accordingly.

**Keywords:** the Silk Road Economic Belt, the Crossing-Eurasian Development Belt, docking, necessity, feasibility

**JEL code:** F15, F42

'The Silk Road Economic Belt' is the Eurasian economic development strategy put forward by President Xi Jinping in September 2013 when he visited Kazakhstan and President Xi made it clear at the Third Plenary Session of the 18th Central Committee. 'The Crossing-Eurasian Development Belt' is a comprehensive development strategy advocated by Vladimir Yakunin, the chairman of Russian Railroad Corporation in March 2014, which is related to geo-economy, policy and culture. During the Sochi Winter Olympics, the leaders of the two countries formally raised the development strategy of docking Silk Road Economic Belt and Crossing-Eurasian Development Belt.

---

<sup>1</sup> This paper is supported by the National Social Science Fund of China (No. 15BJL080 and No. 14AGJ006).

Thus, docking two belts has become a very popular and important topic regarding to Sino-Russian cooperation, and the necessity and feasibility of docking two belts is worthy of study.

## **1. Docking Two Belts Contributes to a New Pattern of Sino-Russian Cooperation**

### **1.1 The Silk Road Economic Belt**

The Silk Road Economic Belt, which can be viewed as a framework of existing political-economic interests of the Chinese government that is aligned to a wide range of different policy proposals (see Ploberger, 2017), unites Central Asia, European countries and China, and it almost coincides with the ancient Silk Road, covering five provinces in the northwest, including Xinjiang, Qinghai, Ningxia, Shaanxi, Gansu, as well as four provinces and cities in the southwest, including Guangxi, Yunnan, Sichuan and Chongqing (see Figure 1). As a world economy corridor, Silk Road Economic Belt connects the eastern part of Asia-Pacific and the western part of the Europe so that it contains huge potential for development (see Yang, 2013). Zeng (2017) names Silk Road as ‘a new type of great power relations’.

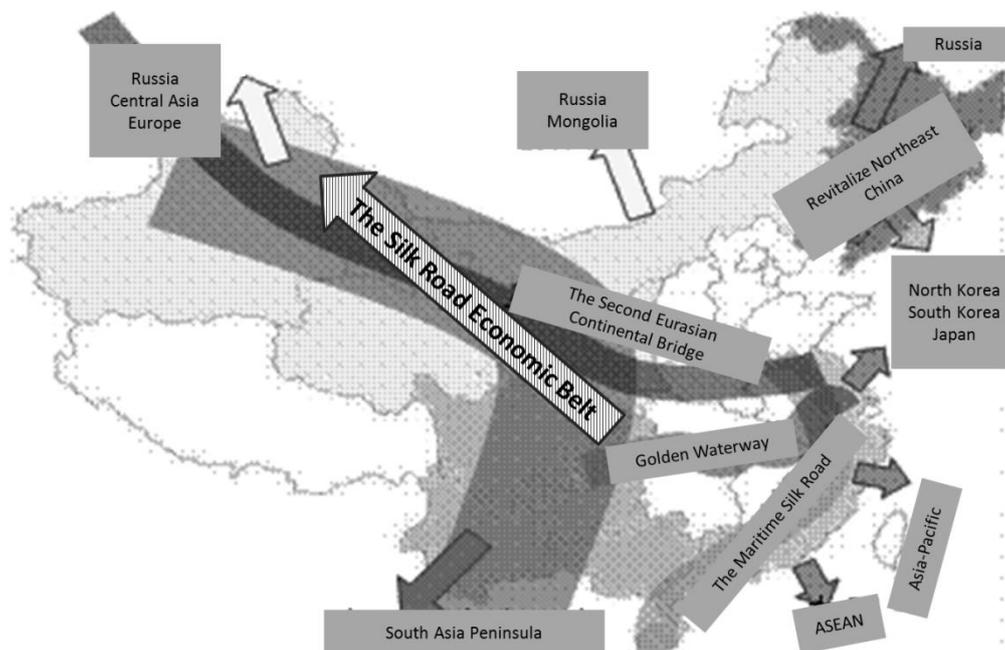


Figure 1 the Silk Road Economic Zone in China

Reference: The Public Information Platform of Continental Bridge Logistics Alliance

### **1.2 The Crossing-Eurasian Development Belt**

The Crossing-Eurasian Development Belt is proposed by Russian Railroad Corporation, involving the construction of the transportation facility including the railway, energy infrastructure regarding to electricity, oil and gas and social connection such as network

connectivity, science and technology education. It has been regarded as a large transport corridor connecting Europe and Asia (V.I. Y. & Zhong J, 2014). Its strategic conception can be divided into four levels. The first level is the national level. The second is the Eurasian level. The third level is cross-continental level and the fourth level is the world level. On March 11, 2014, Vladimir Yakunin, the chairman of Russian Railroad Corporation pointed out that Russia would invest tens of billions Rubles for constructing Crossing-Eurasian Development Belt at the Russian Academy meeting of Sciences. The investment may produce about 10 to 15 new industries, create a new city and provide a large number of employment opportunities. Thus, it can bring huge potential opportunities for economic development along the belt. On this basis, inclusive and integrated development will be well promoted.

### 1.3 Docking Two Belts

According to the basic scope of the Silk Road Economic Belt and the Crossing-Eurasian Development Belt, Figure 2 shows the detailed area of two belts. The area filled with oblique lines represents the Silk Road Economic Belt, while the area filled with dots represents The Crossing-Eurasian Development Belt. It is obvious that the two belts mainly concentrate in western China, northeast China and the East of Russian. In addition to important areas of China and Russia, Kazakhstan-based Central Asia also occupies an important position along the two belts. Thus, it is necessary and feasible to dock two belts considering from a geographical perspective.

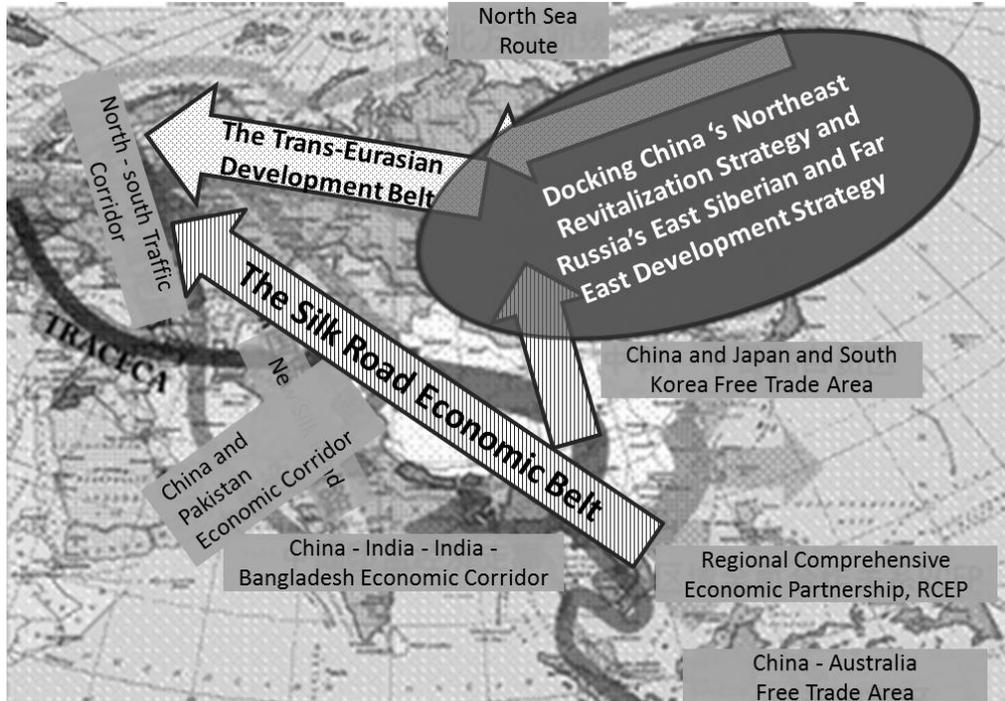


Figure 2 The Main Strategies Raised by Eurasian Countries

Reference: The Public Information Platform of Continental Bridge Logistics Alliance

## **2. Analysis on the Necessity of Docking Two Belts**

### **2.1 Sino- Russia Trade Relation Emphasizing the Need of Docking Two Belts**

With the deepening cooperation within the countries of Central Asia, the economic relationship between China and Russia is getting closer as well. It is showed that Sino-Russian bilateral trade volume reached 95.28 billion US dollars in 2014, which was the first time for China to become Russia's largest trading partner (Li, 2014). The test of historical data between China and Russia finds that there is a long-term equilibrium relationship between Russia's GDP and Sino-Russian bilateral trade, and there is also a causal relationship between GDP and the Sino-Russian bilateral trade volume. It means that the growth of trading volume between two countries can promote the growth of both countries' GDP. At the same time, the growth of both countries' GDP can also promote bilateral trade. Thus, as an in-depth cooperation, docking two belts will inevitably lead to an increase in the trade volume between China and Russia; meanwhile, the positive effect on both countries' GDP brought by the increase trade volume will become a great impetus for both countries to dock two belts. To sum up, it is an effective way for China and Russia to pursue economic interests by accelerating the speed of docking two belts and expanding trade volume.

### **2.2 The Challenge of Sino- Russia Relation Becoming the Need for Cooperation and Innovation**

As the vicious competition may occur in the future when constructing two belts respectively by China and Russia, it is imperative to take preventive measures and dock the two belts (Liu, 2014). In the strategic plan of Crossing-Eurasian Development Belt, Russia plans to build 19955 km highway to link the Atlantic and the Pacific. The highway will significantly narrow the distance between Eurasia and the United states. Compared with China's Silk Road Economic Belt, this highway is not only longer, but also encourages more countries to be involved. In addition, Russia's advantageous geographical position and abundant energy reserves will undoubtedly negatively affect the development of Silk Road Economic Belt. Besides, there is sometimes Silk Road Economic Belt Threat Theory occurring, which believes that China and Russia may have a conflict of interest in Central Asia and the increase in the influence of China will weaken the influence in Russia. In general, here is the utility of mutual exclusion and substitution between two belts. Therefore, it is important to dock the two belts, turning vicious competition to beneficial cooperation.

The two belts themselves are the ideas of cooperation, and docking the two belts is the idea of joint cooperation, which will further expand the region of cooperation and extend possibilities for cooperation in various fields. Compared to the simple idea of belt or road, docking two belts, as joint cooperation, can better integrate into the tide of economic globalization. As a result, docking two belts is a kind of innovation in regional cooperation, which indicates the deepening cooperation in all aspects,

providing a new and excellent reference scheme for regional cooperation within other countries or regions (Wang, 2014).

### **2.3 Docking Two Belts Contributing to Improving Sino- Russian Friendship and Enhancing International Influence**

Speeding up the connection of two belts can improve Sino- Russian friendship, strengthen economic cooperation and form a full range of strategic partnership between the two countries, which enables China and Russia to meet the challenge caused by the western economic group. The rapid development of economy and trade in China leads the United States to protect their own trade. President Trump of the United States intends to initiate the fair trade action with China in WTO, focusing on China trade agreements in order to reduce bilateral trade deficit. In addition, Clarke (2016) argues that the geopolitical calculus of the 'One Belt, One Road' strategy points to a fundamental incompatibility between US and Chinese interests. Thus, the development of China in the Asia Pacific Region may be suppressed. As far as Russia is concerned, the enlargement of the European Union and the economic sanctions from the West can raise restrictions on the Russian strategic deployment. As a result, docking two belts offers great opportunities for both countries to work together to meet challenges and gain national benefits through deepening bilateral cooperation in all aspects. For China, docking two belts is conducive to strengthening the partnership with Russia, which also helps China to increase international influence. Docking two belts, which put together both two countries' strength, is an important action for Russia to resist the enlargement of the European Union and defend territory (Qiang, 2014).

### **2.4 China and Russia Facing the Common Task of Industrial Upgrading**

The Silk Road Economic Belt and the Crossing-Eurasian Development Belt are both facing complex difficulties of development under the current international situation. First, China's economic is characterized by a slowdown, and the economic development model in China begins to emphasize on scientificness and rationality of economic structure. The imbalanced industrial structure is especially critical in western China, due to the lack of preferential policies during initial stages for reform and opening-up. The industrial development there takes the low end. In addition, energy industry is the main industry in the western region with high expected returns and low access threshold. Also as a result of short-term market economy, a large number of economic resources are invested to energy industry, further promoting the local resource-based economic development and leading to serious imbalanced industrial structure in western China. Second, Russia is characterized by downturn of the oil market and devaluation of its currency, due to the joint economic sanctions by the European Union and the United States. Oil exploiting and processing has always been the pillar industry of the national economy in Russia. The export of oil and gas to Europe, the United States and other countries plays an important role in the Russia's economic development. However, once the price of oil falls, trade volume will be seriously affected even if the export volume

keeps unchanged or even rise. At the same time, the devaluation of Russia's currency further strikes oil and gas export and the Russian who rely heavily on oil and gas and other energy industry may suffer.

Facing the same dilemma, China, Russia and countries along two belts are supposed to actively face New Normal by vigorously promoting economic restructuring and industrial structure upgrading, devoting themselves to the development of new economic growth. During the process of docking two belts, China can use Russia's rich strategic energy to develop its huge market potential and upgrade industrial structure, promoting sustainable economic development. On the other hand, Russia can get out of the economic contraction and bring recovery to its economy, promoting economic restructuring in virtue of China's strong economic support.

### **3. Analysis on the Feasibility of Docking Two Belts**

#### **3.1 Geographic Advantages Providing Opportunities for Docking Two Belts**

There is huge area of overlap within Silk Road Economic Belt and Crossing-Eurasian Development Belt, providing opportunities for docking these two belts. Russia, Kazakhstan, Belarus have reached and signed an agreement regarding to Crossing-Eurasian Development Belt, while these three countries are also the important countries along Silk Road Economic Belt. As major members of the Eurasian Economic Union, the Central Asian countries are also occupying an important position in the proposal of Crossing-Eurasian Development Belt. Besides, they are key areas in the idea of Silk Road Economic Belt as well. It can be seen that the two belts have obvious overlaps from the geographical point of view, providing a solid foundation and necessary conditions for joint cooperation.

#### **3.2 The Same Foothold and Economic Goals**

First, the foothold of two belts is the same, which is infrastructure construction. Silk Road is expected to deepen cooperation in infrastructure with countries nearby, connecting countries along Silk Road Economic Belt together and creating mutual win-win situation. Similarly, Crossing-Eurasian Development Belt which is also based on infrastructure construction cooperation focuses on the cooperation in the aspects of transportation, energy, telecommunications, water, oil and gas, science education and social infrastructure and others. The cooperation can lay a solid material foundation for local economic development as well as the new industrial economy development near Baya Route and the Siberian Railway. It can also provide important safeguards for the overall economic development in Europe and Asia. As a groundbreaking concept involving geopolitical, economic and cultural aspects, the core idea of Crossing-Eurasian Development Belt is the integration of infrastructure construction. Thus, whether it is China's Silk Road Economic Belt or Russia's Crossing-Eurasian Development Belt is based on interconnection of infrastructure so as to promote the

development of other aspects in two countries.

Second, China and Russia have consistent economic purpose which is to seek better development. The goal of Silk Road Economic Belt is to gradually promote the establishment of free trade fairs among countries along the Road, based on the interconnected infrastructure. It can contribute to the elimination of all forms of trade barriers across the borders in order to achieve the purpose of economic prosperity and development (Li, 2014). At the same time, Russia, Belarus and Kazakhstan along Crossing-Eurasian Development Belt, respectively, signed an agreement, which is conducive to better use and grasp the potential of a unified economic space, contributing the common economic and social development of Eurasian. In addition to the benefits of Eurasian, the Crossing-Eurasian Development Belt is committed to seeking further economic and social development for the whole world. In conclusion, the construction of two belts both focus on liberal world trading system, enhancing non-exclusive and win-win cooperation. The two belts have the characteristics of interoperability, and are committed to promoting regional cooperation and economic development for the benefit of Eurasian countries and the world. The economic objectives of two belts are of high consistency, which offers great possibility to dock them. Once consistent purpose has been formed, docking two belts will show infinite development potential.

### **3.3 China and Russia Having a Full Practical Basis**

First of all, China and Central Asian countries have a certain basis for cooperation. It took China and the United Nations two years to deploy Silk Road Regional Project, whose total capital investment reached 100 million. The project is to promote economic cooperation in tourism, trade and investment by encouraging the free flow of passengers, goods and services along the various regions so as to revive Silk Road. The project has significantly promoted mutual learning, solidarity and cooperation among related countries, which provide a practical basis for docking two belts. Second, among the leading countries of two belts, China, Russia, Central Asia and other countries are members of Shanghai Cooperation Organization who already have cooperation in political, security, economic and other fields, which also increase the possibility for the countries to work together under the idea of joint cooperation. In addition, Kazakhstan advocated New Silk Road Project for promoting economic cooperation among Sino-Kazakhstan and areas along Silk Road and maintaining friendly relationship among these countries. Russia's main push on Eurasian Continental Bridge aims to strengthen interconnection of all aspects between Sino-Russian as well as Europe and Asia. The establishment of the BRIC Bank is the great achievement of Sino-Russian financial cooperation, and the bank would like to help with infrastructure construction in the BRIC countries and other developing countries. There are other methods which can help with the construction, such as crowd funding that can offer an efficient mechanism to improve participatory budgeting and facilitate private-public collaboration while providing a high level of transparency in the budget decision process (see Lee *et al.*,

2016). Furthermore, Summers (2016) points out that the Silk Roads vision of land and maritime logistics and communications networks connecting Asia, Europe and Africa – has its roots in sub-national ideas and practices, and that it reflects their elevation to the national level more than the creation of substantially new policy content. Thus, convening of these projects has played a major supporting role in docking two belts. Meanwhile, success will require active and enthusiastic cooperation from many neighbors (see Ferdinand, 2016).

### **3.4 Infrastructure and Energy Cooperation Providing Strong Material Support**

First, Sino-Russian railway cooperation provides a good example. From 2011 to 2015, as two leading countries regarding to Silk Road Economic Belt and Crossing-Eurasian Development Belt, China and Russia are two countries who have top longest railways in the world. According to World Bank, the railway in China has the length of 66,989 km, while the railway in Russia has the length of 85,266 km during 2011 to 2015. Siberian railway is main Eurasian cargo road currently and in recent years, the increase in international trade gradually makes the Siberian railway to reach the transport limit. Combined with the new cargo requirements in Silk Road Economic Zone in the Eurasian continent, the two countries are planning to a new transport belt which is the new Eurasian Transport Corridor. This transport corridor is expected to pass through Xinjiang Alashankou, Kazakhstan, Russia and Europe, which will play an increasingly important role in Eurasian railway transportation. At present, China and Russia are working together to build logistics center, customs corridor and other supporting facilities along this international channel.

In addition, the two sides will work together to build a high-speed transport corridor in Eurasian from Beijing to Moscow. Russia decides to build about 5,000 kilometers of high-speed railway by 2030, and hopes to get investment from Chinese enterprises or banks, attracting China's advanced high-speed rail technology as well as capital to help improve the level of national railway construction. From an international point of view, the cooperation between China and Russia in the construction of high-speed rail is conducive to the formation of a safe and efficient international cargo channel, building a smooth logistics chain, connecting the Eurasian continent, and benefiting countries and people along the channel by providing more job opportunities. (Li *et al*, 2014). Thus, the status quo, development trend and its influence of the railway cooperation between the two countries have opened up a possible path for docking two belts, providing a precedent and a good foundation.

Secondly, the regions along two belts are rich in energy resources. Russia has huge reserves of resource, and coal, natural gas, oil, nuclear fuel, water resources are the most abundant. At the same time, Russia's energy production is also very impressive. Its annual oil production is about 550 million tons, ranking the second in the world. As a natural gas kingdom, the reserves, production and consumption of Russia's natural gas resources is the world largest. Meanwhile, Russia has the world's longest natural

gas pipeline and its total length has exceeded 20 km from the West Siberian to Europe. The export volume of natural gas in Russia also ranks first in the world. In addition, the export volume of iron, coal, aluminum and uranium and other resources reserves in Russia ranks the forefront of the world as well. As the initiator of Silk Road Economic Belt, the mineral, biological and water energy reserves are rich in western China, especially in Tibet, Qinba Mountain, Hengdian Mountains and northwest Yunnan due to its unique geological structure and terrain conditions. However, as a result of restricted accessibility, environmental protection measures and existing technical conditions, the degree of energy exploiting in most regions is relatively low and there are many areas maintain undeveloped. According to the world's energy reserves and the amount of exploration, the supply of traditional energy is increasingly tightening; while China's external dependence on energy resources is continuously growing. Besides, China's access to resources is relatively single.

Therefore, it is the future trend for Russia and China to cooperate in energy channel construction within western and northeastern China, Russia and Central Asia, which is also the necessary demand for common development. Furthermore, this cooperation can broaden China's energy access channels in order to protect energy security. At the same time, it also provide Russia with full chances to take advantage of energy reserves and help Russia further build its oil and gas transportation pipeline, promoting energy diversification as well as supporting the economic development of both two countries. To sum up, it is practical and feasible to dock two belts and promote energy cooperation as it enables both countries to achieve mutual benefits by playing complementary advantages.

#### **4. Conclusions and Policy Recommendations**

This paper mainly analyzes the necessity and feasibility of docking the Silk Road Economic Belt with the Crossing-Eurasian Development Belt. Firstly, it is concluded that docking these two strategies is a necessary requirement due to the latest global economic background, offering golden opportunities for China and Russia to cooperate further for economic development, as well as benefiting the countries along these two economic belts. Secondly, it is feasible to dock these two strategies from the geopolitical point of view. Meanwhile, the common goal of Russia and China for pursuing national economic benefits and the abundant practical experiences of cooperation between these two countries can greatly enhance the possibility of the success in docking two economic belts. According to the above analysis, policy suggestions are provided as following.

##### **4.1 To Strengthen Interoperability and Deepen the Level of Cooperation**

As Wang *et al.* (2016) point out the potential risks of Silk Road that it may lead to excessive competition, over accumulation and repeated construction due to local protectionism determined by the political promotion system in China, China should

closely follow the development strategy of the two belts, strengthening interconnection with Russia and neighboring countries as well as adhering to an open and compatible attitude to treat countries along the two belts. At the same time, China should deepen cooperation with Russia and other countries so as to promote international economy and trade development, creating a politically friendly and stable environment for development, which can also enhance China's comprehensive strength and increase China's international influence (Lu, 2014).

#### **4.2 To Dock Two Belts from Existing Areas of Cooperation**

China should continue to maintain the international cooperation in infrastructure, railway and energy areas. On this basis, China can expand, extend and deepen cooperation in these areas and create further remarkable achievements.

#### **4.3 To Promote Cooperation in Innovation Industries**

China should vigorously promote the international cooperation in innovation industries such as education, science and technology, aerospace and communications which are currently lack of international cooperation. In this way, China as well as the countries along the two belts can explore the benefits from the cooperation in new fields when docking two belts.

#### **4.4 To Promote Complementary Industrial Cooperation**

In order to avoid the industry competition, especially vicious competition in intensively competitive industries, create a good competitive environment and effectively promote the common economy development of China, Russia and other countries, China should promote complementary industrial cooperation, which can strengthen the relation, contributing to win-win situation.

### **References**

Clarke M. (2016) 'One Belt, One Road' and China's emerging Afghanistan dilemma', *Australian Journal of International Affairs*, vol. 70, no. 5, pp. 563–579.

Ferdinand P. (2016) 'Westward ho—the China dream and 'one belt, one road': Chinese foreign policy under Xi Jinping', *International Affairs*, vol.92 (4), pp. 941-957.

Lee C., Zhao J. and Hassna G. (2016) 'Government-incentivized crowd funding for one-belt, one-road enterprises: design and research issues', *Financial Innovation*, vol.2 (1), pp. 1-14.

Li J. (2014) 'Silk Road Economic Zone, Eurasian Economic Alliance and Sino- Russian Cooperation', *Russian Studies*, vol. 5, pp. 5-18.

- Li N. (2014) ‘Logistics foundation and construction of Silk Road Economic Zone’, *Economic Review*, vol. 5, pp. 134-137.
- Liu W. (2014) ‘The orientation and implementation of the construction of Silk Road Economic Belt’, *Inner Mongolia Social Science*, vol. 35. no. 6, pp. 1-4.
- Lu C. (2014) ‘Thoughts on the construction of Maritime Silk Road in the 21st Century’, *Decision-Making & Consultancy*, no. 4, pp.5-9.
- Ploberger C. (2017) ‘One Belt, One Road –China’s new grand strategy’, *Journal of Chinese Economic and Business Studies*, vol. 15, no. 3, pp. 289–305.
- Qiang C. (2014) ‘Economic Belt of Silk Road and Sino-Russian cooperation in Central Asia’, *Journal of Shanghai Business School*, vol. 15, no. 4, pp. 69-74.
- Summers T. (2016) ‘China’s ‘New Silk Roads’: sub-national regions and networks of global political economy’, *Third World Quarterly*, vol. 37, no. 9, pp. 1628–1643.
- V.I. Y. and Zhong J. (2014) ‘The Crossing-Eurasian Development Belt’, *Russian Studies*, vol. 4, pp.29-35.
- Wang F., Zhang X., Yang L. and Hong S. (2017) ‘Rescaling and scalar politics in the ‘One Belt, One Road’ strategy’, *Scientia Geographica Sinica/Dili Kexue*, vol. 36 (4), pp. 502-511.
- Wang H., Zhao C. and Li J. (2014) ‘The concept of the background, potential challenges and future trends of Silk Road Economic Zone’, *Russian Central Asian & East European Market*, vol. 4, pp. 5-58.
- Yang D. (2013) ‘Cooperation for building Silk Road Belt’, *New Silk Road Horizon*, vol. 12, pp. 36-38.
- Zeng J. (2017) ‘Does Europe matter? The role of Europe in Chinese narratives of ‘One Belt One Road’ and ‘new type of great power relations’’, *Journal of Common Market Studies*, vol. 55 (5), pp. 1162-1176.