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The Belt and Road Initiative: Implications for the Eurasian Economic Union

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List of Abbreviations

ADB – Asian Development Bank

AIIB – Asian Infrastructure Investment Bank

ASEAN – Association of Southeast Asian Countries

BCIM EC – Bangladesh, China, India and Myanmar Economic Corridor

BRI – Belt and Road Initiative

BRICS – Brazil, Russia, India, China and South Africa cooperation association

EAEU – Eurasian Economic Union

EEC – Eurasian Economic Commission

EU – European Union

GEP – Greater Eurasian Partnership

IMF – International Monetary Fund

MSR – Maritime Silk Road

NDB – New Development Bank

SCO – Shanghai Cooperation Organization

SREB – Silk Road Economic Belt

SRF – Silk Road Fund

UN – the United Nations

WB – World Bank

Abstract

The Belt and Road Initiative (BRI) is the young, but ambitious strategy proposed and launched by China in 2013. Inspired by the ancient Silk Road, the newly emerged strategy aims to improve infrastructure connectivity on the Eurasian continent by building new road and railway networks or upgrade the existing ones to connect China, Central, South Asia, and Europe. Apart from the transit infrastructure plans, the BRI promises to unleash the economic potential of the participant countries by developing joint enterprises or providing investments in energy, agriculture, technological and other sectors. Due to the billions of dollars in loans provided by Chinese multilateral funds or banks every year, thousands of Belt and Road projects are being developed on the Eurasian continent. Since the independent states of the Eurasian Economic Union (EAEU) are going to play a major role in building key economic corridors to connect China and Europe, the influence of EAEU should not be underestimated.

This paper analyzes the aspects of motivation behind the Belt and Road strategy and tries to explain how the course of the initiative is going to influence the countries of the Eurasian Economic Union. The comprehensive and systemic analysis of the economic cooperation between China and the five countries of EAEU illustrates that the Chinese enterprises and investment institutions work actively to foster industrial development and bridge the gaps in transport infrastructure. In fact, three out of six major road networks of the Silk Road Economic Belt are going to pass through the territories Kazakhstan, Kyrgyzstan, Belarus and Russia. Although, the member-states of EAEU demonstrate stable progress in the framework of BRI, Armenia and Kyrgyzstan face risks of economic distress because of the rising amount of infrastructure deals with Chinese companies and growing amount of debt.

However, given that some of the essential road and railway networks are going to pass through the territories Kazakhstan, Kyrgyzstan and Russia, this work claims that China has little interest in losing support for joint construction projects due to potential issues caused by inability of any country from EAEU to repay loans. It is implied that Chinese investment institutions will be ready to conduct debt restructuring and grant financial support to countries facing high economic risks. This research asserts that because of the strategic importance of the EAEU region for the Belt and Road, members of Eurasian Economic Union have little reasons to worry about debt distress or political pressure. On the other hand, to support the progress of the Belt and Road Initiative in countries of Eurasian Economic Union, it is suggested that establishment of specialized Investment Fund of the Eurasian Economic Union would be helpful in analyzing the economic conditions in member-states beforehand. Consequently, such fund would provide financial support during the implementation of Belt and Road projects or even help to mitigate risks of economic distress in critical situations.

Since Russia aims to maintain its positions of the leading economy and key influencer of the Eurasian Economic Union, the country proposed the Greater Eurasian Partnership, which resembles strategic vision of the Belt and Road Initiative. However, to avoid complications associated with the possible competition between the two economic strategies, China and Russia agreed that the optimal cooperation with the EAEU economies will require synchronization or “interlinking” between the economic agendas. Following that, to ensure that the interlinking process will guarantee mutual benefits, while also protecting interests of the EAEU economies, it is suggested that the establishment of the separate international cooperation department between the Belt and Road Initiative and the Eurasian Economic Union could help to account for financial, environmental, social and legal aspects of interaction, which is especially important for the connectivity projects that cross several member-states.

Finally, to demonstrate the possible implications of Belt and Road Initiative for the Eurasian Economic Union and the rest of the World, this thesis presents three development forecasts based on the accumulated knowledge and information from the chapters of this paper. Considering the current progress, projected benefits and associated challenges of the initiative, the qualitative forecasts will try to construct the possible outcomes based on economic, environmental, social and other aspects for countries that are partnering with China within the BRI framework. The three scenarios represent the least expected, the most probable and the highly desired ways of implementing the global initiative. While the suggested forecasts should not be interpreted as the exact vision of the future, such scenarios provide useful emphasis on the key positive and negative factors that might define the development of the Belt and Road Initiative for Eurasian Economic Union and other countries in the long-term perspective.

Introduction

The Historical Significance of the Silk Road

The ancient network of land and water trade routes that existed roughly from the 2nd century BC until the 15th century is known as the Silk Road. This essential economic and cultural network was established during the Han Dynasty of China and fostered an exchange of goods, services, and knowledge between the East and West on the Eurasian continent (Mark, 2018). The system of trade routes that passed through Europe, Africa, and Central Asia was known as “Silu” in China and had historical significance also because it was the medium for cultural exchange (“The Historic Silk Road,” 2019). In fact, the Western community was introduced to the term of “Silk Road” rather recently. It was German geologist, Baron Ferdinand von Richthofen, who coined the notion in the 19th century and while the plural version of the term “Silk Routes” is applicable as well, it is “the Silk Road” term for the trade and communication network that became widely adopted by scholars (“About the Silk Road,” 2019). The merchants and travelers of the Silk Road participated in the exchange of skills, languages, and culture. Due to the routes that were passing through many cities, literature, technologies, religions were shared and adopted by nations, influencing societies historically.

One of the most widely known routes is shown on Figure 1. This pathway was starting at the Chinese city of Xi’an (Sian), followed through the Great Wall of China and continued through the Takla Makan desert right to the Pamir mountains. After that, depending on the route, the path would continue to India through the cities like Taxila, Punjab, and Delhi all the way to the Bay of Bengal. Alternatively, the path would go from Pamirs to the cities of Samarkand, Bukhara, and Mashhad and continue through the Persia to the Mediterranean Sea, where the goods would be taken by ships and delivered to Europe (“Silk Road: Facts, History, & Map,” 2019). Only a small fraction of people responsible for the trade caravans had to travel the complete route because the merchandise was transferred to the middlemen that could take the shipment from one major point to another, and delivering the goods in safety was important for the reputation of the conveyors in charge.

Although the Silk Road was famous for the trade of Chinese silk, there was a large array of products transported through the network. Such goods as fruits, grain, livestock, leather materials and clothes, animal furs, glassware, carpets, textiles, jewelry, weapons, armor, gold, and silver were delivered from West to East. Clearly, from China and East, such commodities as silk, tea, precious stones, plates, bowls, perfumes, ivory, medical herbs, and many other items were transported to Europe and India (Mark, 2018). In addition, such products as gunpowder and paper were both invented in China and made a strong impact on the technological development and culture of the countries involved in the trade ("Silk Road Economic Belt," 2017).

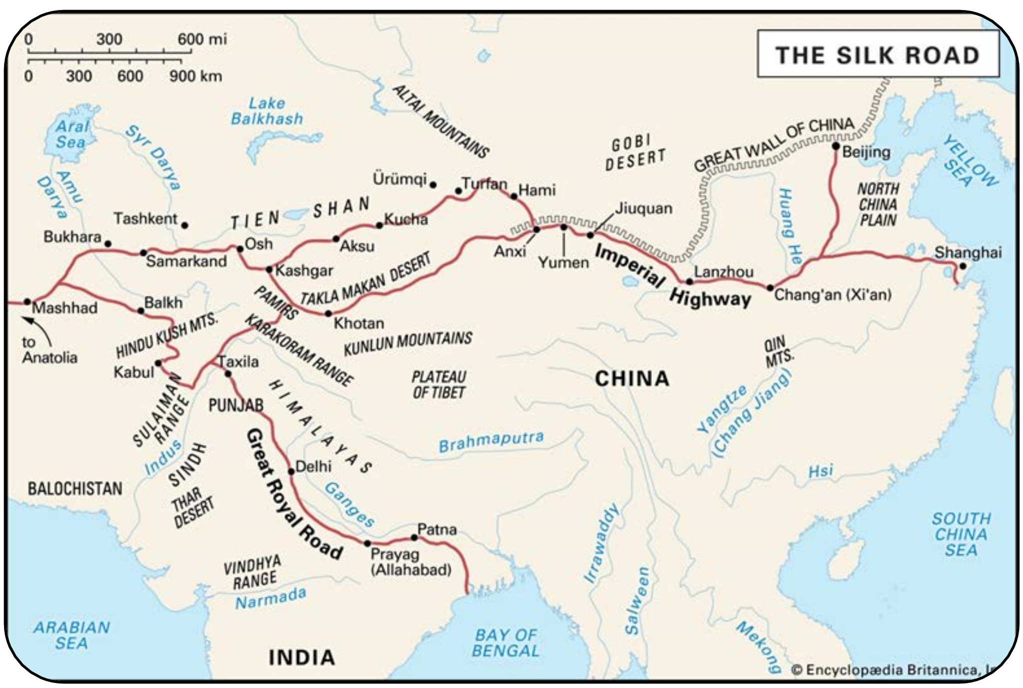


Figure 1. The Ancient Silk Road Pathway (*The Ancient Silk Road Map*, 2019)

As the material, silk was produced from protein fibers made by the silkworm and this process was discovered in China about 2700 years BCE. Due to the high value of the product, only the members of the Chinese imperial court could use this material as clothes or items of luxury decoration like drapes, cloths, covers, and banners. Evidently, the process of production was kept a secret for almost 3000 years, so China was the chief exporter of silk during the Han Dynasty and remained monopolist for almost 400 years starting from about 206 BCE ("About the Silk Road," 2019). According to historical findings, the production of silk fabric was entrusted to specially trained Chinese craftswomen and revealing the secret of making silk cloth was punished by death sentence. Although the method for producing silk was highly confidential, the knowledge managed to spread out of the Chinese borders, first to Japan and India, then to Persia and eventually to the west in the 6th century CE (Perez, 2017).

The 12th-century artwork of Figure 2 depicts a small team of high-ranked women that are engaged in the labor-intensive process of preparing the silk fabric. On the right side, there is a woman that work to unroll the filament from the cocoon and wind the silk thread onto a wooden reel. Another woman on the right is sewing to make a fabric. The four women on the left are preparing the material by unrolling, ironing and smoothing wrinkles on the silk (*Court Ladies Preparing Newly Woven Silk*, 2019):

Figure 2. The Silk Making Process (*Court Ladies Preparing Newly Woven Silk*, 2019)

In addition to the land routes, maritime trade was another crucial part of the global network. The waterways were famously used to transport spices like pepper, cinnamon, ginger, nutmeg, and others across the Indian Ocean and because of the importance of such supply, the maritime trade was known as the Spice Roads. The waterway trade was stretching from the west coast of Japan through Indonesian islands, past India and was reaching the Middle East, where the spices and many other valuable products would proceed to Arabia, Egypt and to Europe through the Mediterranean Sea ("About the Silk Road," 2019). The Figure below shows the map of maritime and land routes in the millenary timespan:

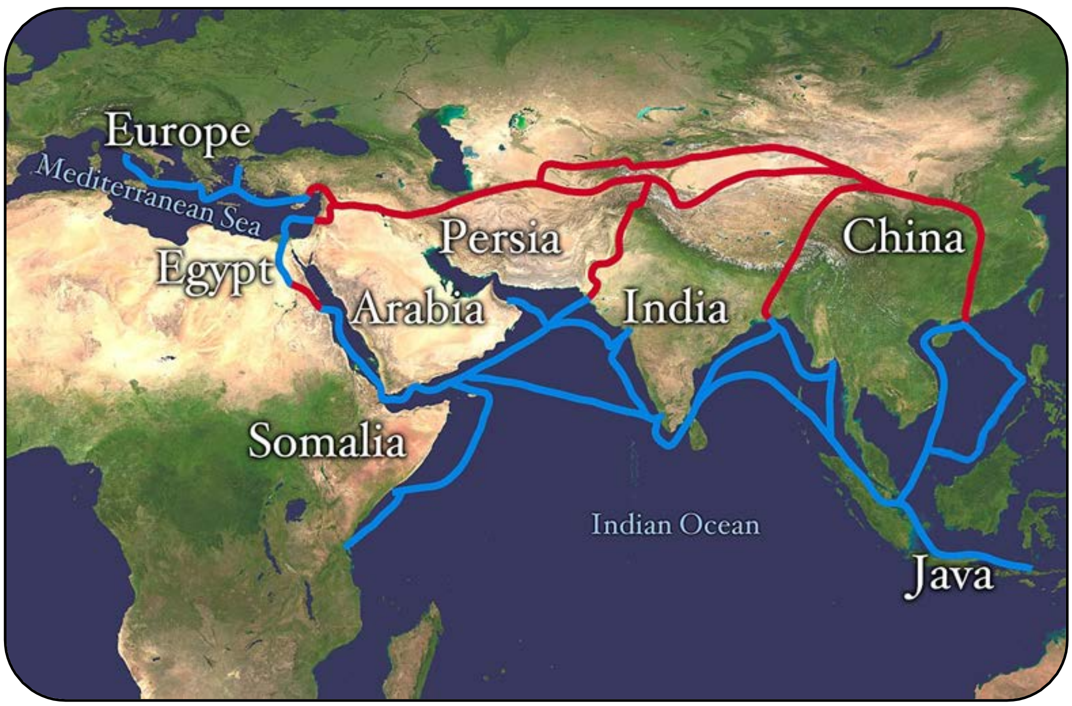


Figure 3. Silk and Spice Routes (*Map of the Silk Road Routes, 500 BCE to 500 CE,* 2018)

Due to the maritime trading, many technological advances were made in navigation, astronomy and ship engineering, allowing the possibility of long-distance sea travel. Furthermore, a lot of coastal cities started to grow and flourish due to their strategic importance as seaports that provided a medium for the exchange of goods and knowledge. Above that, the

Silk Routes allowed an opportunity to share arts, technologies, sciences, languages, and religions. As an example, Buddhism, Christianity, and Islam were spreading across the huge network freely, influencing minds of thousands of people and constantly reshaping the people's beliefs. In the process of bringing the different cultures in contact, it was important for merchants to learn the new languages and traditions to travel and trade prosperously (Perez, 2017).

The Silk Road was continuously used until the 15th century, when the emerging military conflicts in the Central Asian region made land travel of caravans increasingly unsafe, forcing a lot of merchants to switch to the sea travel. In addition, the declining land trade opened the opportunities for the modernized ships to transport the goods in a larger amount and cheaper prices compared to the habitual caravan trade, initiating the Age of Discovery and opening the new chapter in the World history (Mark, 2018). In any case, the Silk Road contributed to the broadened mutual understanding between people and cultures as well as laid the basis for the development of the modern world.

The motivation behind the Belt and Road Initiative

There are currently three major international initiatives on the Eurasian continent: the Eurasian Economic Union (EAEU), China's Belt and Road strategy and the European Union. While the Eurasian Union has the largest area and the European Union – highest combined GDP, it is the Belt and Road Initiative that is going to involve the largest amount of population accounting for more than 3 billion people. It is important to understand that the three projects are different by nature. The European Union (EU) is a political body that uses strong economic and political partnership to improve the well-being of the European citizens and preserve peace. The Eurasian Economic Union is seen as cooperation between post-soviet republics oriented to preserve and use the historically formed fellowship for the economic benefit of the participant countries (Bond, 2017, p.1). While the EAEU allows trade of goods between countries on the mutually beneficial terms, the strategy aims to gradually increase interaction between economies via adopting a single currency in the foreseeable future. To encourage cultural interaction, EAEU is also promoting the sharing of technologies, educational programs and allows to reduce the visa-related burdens to travelers. It is believed that the Eurasian Economic Union precedes a more intense, political interaction between countries that will be known as the Greater Eurasian Partnership (GEP), albeit the terms of such cooperation are not clear yet.

The third cooperation initiative emerged in China and is called the Belt and Road Initiative or simply BRI. The global plan of mutual cooperation and economic prosperity announced in 2013 was formerly known as “One Belt – One Road”. However, the government of China had to change the name of its initiative in order to avoid the misinterpretation by critics claiming that word “One” might imply that China aims to enforce its geopolitical agenda onto the participant countries. On the other hand, the name “Belt and Road Initiative” more clearly reflects on the fact that the China’s plan is not solely a network of routes across the continent, but rather a more complex project (Stanzel, 2017). While the Belt and Road is a young initiative, it aspires to serve a number of purposes for China and its partners.

Primarily, it is needed to link China to the Western part of Eurasia by using the network of roads, railway lines, and seaports. Secondly, the strategy will encourage economic and infrastructural development in the countries that will participate in the initiative. Each year, hundreds of Chinese companies are signing deals worth of billions of dollars to push infrastructure development in Russia, Central Asia and other countries. In the period from 2013 to 2018, China invested more than $600 billion into the BRI and half of this amount was distributed for projects in Asia. For the same five-year period, contracts in energy, real estate and transportation combined accounted for about 70% of all the BRI projects (Kong et al., 2019).

Given that Chinese multilateral funds and banks are ready to inject significant financial resources each year to bridge the infrastructural gap on the way to Europe, there is little doubt that the countries that share geographic borders with China should be impacted the most. There are three member-states of the Eurasian Economic Union that have borders with China, namely Russia, Kazakhstan, and Kyrgyzstan. As this research is concerned with the interaction between the BRI and the countries of the Eurasian Economic Union, analyzing the possible benefits, threats and consequences of the grand initiative on its close neighbors is important for understanding the potential influence of such a global cooperation.

The idea of the Silk Road Economic Belt (SREB) was announced in September 2013, during a visit of Chinese President Xi Jinping to Kazakhstan. Together with another plan, the Maritime Silk Road of the 21st Century, presented in Indonesia in October 2013, these two ambitious Chinese development strategies are known collectively as the Belt and Road Initiative (Kembayev, 2018). China’s plan is going to be implemented as a step-by-step regional cooperation strategy. As the first step to ensure productive cooperation, the national economic development policies of Russia, Central Asian and ASEAN countries were reviewed by China’s government to identify, where China could provide support. Such strategies include Master Plan on ASEAN Connectivity, the Bright Way (“Nurly Zhol”) of Kazakhstan, the Road Development of Mongolia, the Middle Corridor of Turkey, the Two Corridors & One Economic Circle of Vietnam and other initiatives (Li, 2018). Secondly, the transport and railway routes were planned for construction to enhance interconnection between China, Central, South Asia, and Western

Europe. In addition, construction or enhancement of seaports in the countries with access to the Indian Ocean was considered for countries that supported the initiative.

Along the way, joint trade and investments policies purposed to strengthen the economic competitiveness of the Central Asian region are being established with the Chinese investment banks and funds. On land, China is going to focus on the development of the Central Asian routes because they have the highest promise of channeling trade between Europe and China. Apart from the infrastructure, programs oriented to promote understanding and communication between people of the Belt and Road Initiative will be initiated (Bond, 2017). The programs of cultural interaction, including travel, education and entertainment are important for such a global international initiative as the Belt and Road, because the diplomatic image of the strategy and tolerance between a multitude of nations are quintessential for the stable long-term progress of the economic and social cooperation.

Chinese government believes that to organize a transcontinental partnership of countries along the Silk Road Economic Belt, with a view of strengthening economic ties, facilitating trade, investment and improving transport networks, the coordination with the major political embodiments have to be made. Primarily, these embodiments include the Shanghai Cooperation Organization, the European Union and the Eurasian Economic Union (Jinping, 2013). On the other hand, many participant countries outside of the span of organizational entities should anticipate the reduced economic barriers and enjoy more diverse trade markets as well (Kaczmarski & Rodkiewicz, 2016). The diverse number of routes was one of the key reasons why the ancient Silk Road could exist for many centuries. Thus, it is no surprise that China is interested in involving as many institutions and countries as possible, because the elaborate network of roads and railways can provide alternative connections in case any of the land routes become inoperable due to technical problems or political issues (Bond, 2017).

According to Ruta (2018), the Silk Road should allow faster GDP growth in Asia, Europe, and Africa in the long-term. Secondly, the project's large scales are going to result in the improved well-being of citizens and reduced poverty in participant economies. Another benefit is that developing infrastructure in underdeveloped countries will increase the throughput of goods and products, unleashing their economic progress. Furthermore, by sharing excess capacities of construction materials, including steel and cement as well as dedicating Chinese labor force into infrastructural projects abroad, China anticipates to reduce unemployment and balance out the decreasing domestic consumption of industrial products and services (Bond, 2017).

As of 2018, more than one hundred countries signed agreements of partnership with Belt and Road initiative and this number continues to grow each year (Xinhua News Agency, 2018). Due to the significant geographical scale of Belt and Road, it is clear that initiative is going to overlap geographically with two other major integration processes: European Union and Eurasian Economic Union. While EAEU and EU separately are open for cooperation with China, there are pollical tensions between Russia and Europe that were fueled in 2014 due to the accession of the Crimean Peninsula to Russia's territory. On the Figure 4 there is a chart representing the trade volumes between three major political bodies: the EU, Russia, and China. From the chart, it is clear that while the volume of China – Russia and China - Europe trade stayed almost the same throughout the period of 2011 to 2015, the turnover between Russia and European Union decreased dramatically shifting by almost 200 billion dollars in just three years. Without doubt, China has no interest in limitations in flow of goods between Russia and Europe, as the progress of the BRI might slow down in case EU and Russia will struggle to agree on the cooperation terms in regards to Beijing initiative in the near future.

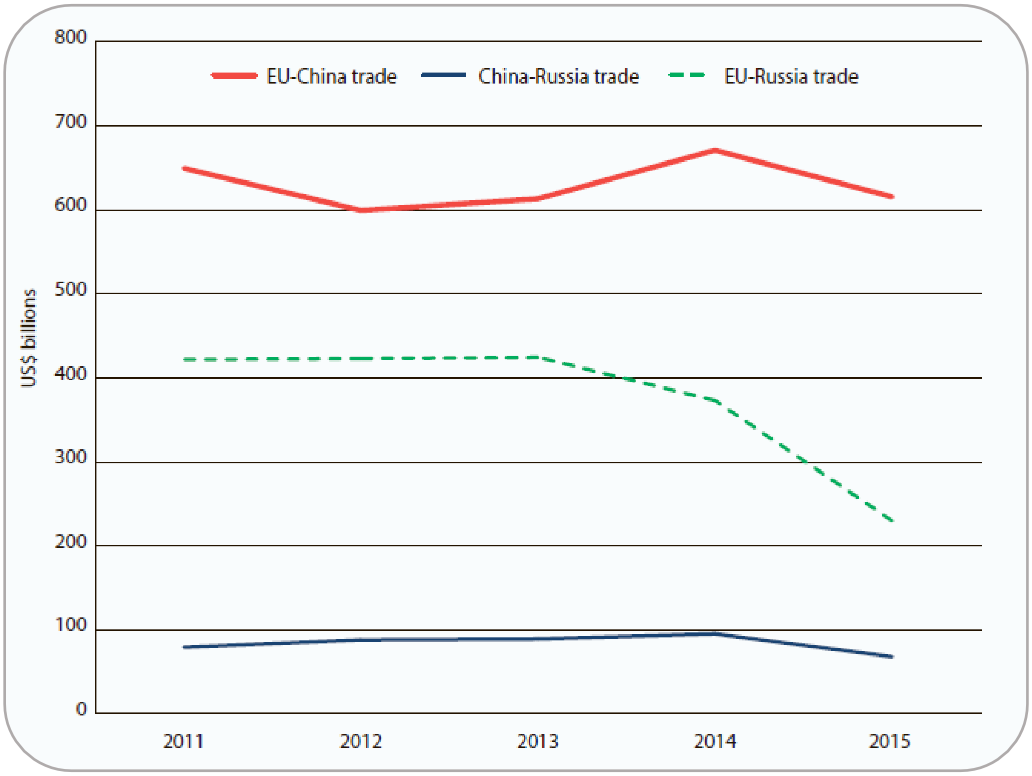


Figure 4. Trade Between China, the EU, and Russia. Adapted from (Bond, 2017, p. 9). Copyright 2017 by World Bank.

In addition, because of the Russia's strong political bonds with post-Soviet states, the Belt and Road Initiative cannot achieve its full geographic and economic potential without consideration of the Russia's interests within Eurasian Economic Union. Since the EAEU represents economic partnership by far, and the Beijing's initiative is also oriented primarily towards economic cooperation, it is important to minimize tensions between the visions of the two initiatives via a mutual dialogue. Bond (2017, p. 6) believes that today numerous countries involved in BRI, including states in Central Asia and EAEU, have concerns about the long-term geopolitical ambitions of China because of insufficient transparency in the roadmap of BRI projects and lack of joint consultation.

With a constant scrutiny from media all over the World, BRI projects are frequently depicted as attempts to establish a new geopolitical order in one or another region (Qoraboyev & Moldashev, 2017, p. 115). While China is putting efforts to present BRI as peaceful and pragmatic initiative, three main aspects are believed to be substantial for success of the global initiative. These include work of explanation, need to strengthen openness and inclusivity of BRI and appreciation of feedback and proactive involvement of partner countries in the Belt and Road projects (Qoraboyev, 2018, p.14). Clearly, as numerous roads, railways, pipelines and industrial facilities are being constructed in Russia, Kazakhstan, Kyrgyzstan, Belarus and Armenia, the Eurasian Economic Union is seen as important partner for Belt and Road. Thus, to mitigate risks of misunderstanding or misalignment in visions of the development strategies of EAEU and BRI, both sides will have to figure out a roadmap of common goals. Perhaps, to overcome lack of understanding, two regional entities have to establish new policies and structures to guide their cooperation within Belt and Road Initiative, opening a new chapter in their regional partnership.

Belt and Road: Challenges from the Perspective of the Eurasian Economic Union

Understandably, China sees Russia as the major land gate to European countries and in order to achieve its economic expansion, Beijing has to maintain diplomatic relationships with Moscow (Kaczmarski and Rodkiewicz, 2016, p.6). During the Shanghai Cooperation Organization summit in 2015, the Russian Federation declared about the new initiative on the Eurasian continent, calling it the Greater Eurasian Partnership (GEP). It was proposed that the GEP in long term is going to foster a number of multilateral trade agreements between EAEU, European Union, China as well as partner countries of the Shanghai Cooperation Organization (SCO) and ASEAN countries. The benefits of those agreements were to include simplification of customs procedures, protecting intellectual property, facilitating international investment, and other areas. In addition, the Greater Eurasian Partnership has ambitions of creating free trade areas for its members (Kaczmarski & Rodkiewicz, 2016, p. 3).

While the Greater Eurasian Partnership is a project yet to be realized, a consensus between Russia and China on the terms of cooperation has to be achieved to effectively align BRI and GEP projects. Primarily, both initiatives will have to put joint effort to develop modern communications infrastructure and establish efficient cross-border control points. Secondly, policies to protect the environment, invest in agriculture and promote cooperation in science and technology should be established. Thirdly, because any major international initiative has to ensure benefits for all the parties involved, infrastructure projects have to be built as result of joint consultation and effort, while the usage of the launched projects has to be available to every member of both BRI and GEP. In recent years, a new term describing the close cooperation between the Belt and Road and the Greater Eurasian Partnership has become increasingly popular in the Russian academic society. This term is widely used in the academic articles and known as “sopryazhenie”, which can be interpreted as “interlinking” between the two initiatives (Borisov, 2017; Likhacheva, Makarov, & Pestich, 2018).

Li (2018, p. 97) believes that interlinking of the two development strategies is highly important for the balance in the coordination of the economic agendas of the countries within the Eurasian Economic Union and Central Asia. As both Russia and China are the members of the United Nations Security Council, the two powers need to ensure that the final result of merging the two initiatives will also comply with the UN principles. These aspects include sovereign equality, avoiding interference in internal affairs of countries, mutual tolerance, respect for different cultures, traditions and other aspects.

As for the Belt and Road Initiative, various political and social challenges might arise during the course of implementation. First of all, the countries that do not possess large economic power or political influence might create barriers to the cooperation with Belt and Road because of negative prejudice regarding China's possible interference into national economic development models or potential debt burdens. Some of the bright examples include Myanmar, Sri Lanka and Malaysia, where heavy indebtedness or inability to repay loans for infrastructure deals with China forced these countries to cancel projects or reconsider their terms of cooperation (Lahiri, 2018). Second potential threat is that building large infrastructural projects is usually associated with a negative impact on the biodiversity and people living nearby the areas of construction (Ruta 2018, p.2). Therefore, countries cooperating with China also need to establish economic policies that would optimize for the principles of sustainable and environmentally friendly construction.

On the other hand, if BRI will manage to unleash its development strategies successfully, a new level of political tolerance and more balanced cooperation between economies on the Eurasian continent can be achieved. The global strategy is not designed just to increase the trade volume between China and other countries, but also to provide favorable conditions for the exchange of services, goods, technologies and attract a flow of investments for the partner economies (Li 2018, p. 95). Therefore, to draw a clear picture of the outcomes of the project in the long-term and understand how the smooth progress of the initiative can be achieved, it is required to take into account both advantages and challenges of the Belt and Road plan.

As the progress of the initiative is highly dependent on the cooperation between China and its neighboring countries, it is important to analyze the possible outcomes for the Eurasian Economic Union, as its member-states represent areas of high interest. While the states of EAEU can benefit from the strengthened cooperation with China, they will also have to take into account the common interests with Russia and realize, whether the process of Eurasian Economic Integration might interfere with the course of the Belt and Road Initiative. Since Russia is going to experiment with its soft power using the evolving Greater Eurasian Partnership, it is in the best interests of the Eurasian Economic Commission to work with China and find the ways of balanced interlinking between the two grand initiatives.

Considering that, this work will try to understand the main policies and development goals of the Eurasian Economic Union. After that, by providing systematic analysis of economic cooperation between the member-states of EAEU and China, this work will try to grasp what kind of economic benefits and what challenges are expected due to the partnership within BRI. Afterwards, this paper will try to investigate, in which aspects should the Belt and Road Initiative and the Eurasian Economic Union join efforts to achieve a positive cooperative effect. As the next step, this work will discuss the possibilities of aligning the global agendas of EAEU and BRI. Following that, by examining the notable cases of debt distress in BRI projects, as well as environmental threats in the countries where infrastructure projects are planned or already funded, this work will try to discuss the ways of mitigating possible risks. Furthermore, to provide a broader picture of Belt and Road perspectives, the geopolitical implications in South Asia will be analyzed. Finally, to envisage the possible long-term implications of the development of the Belt and Road Initiative in member-states of EAEU and the rest of the World, three development scenarios will be suggested.

Main Body

Understanding the Structure of the Belt and Road Initiative

The Primary Objectives of Belt and Road Initiative

Due to the massively effective economic reforms in China brought by Deng Xiaoping in 1980s, the country experienced accelerated industrialization and growth of cities, which drastically improved the infrastructure and well-being of Chinese citizens. During the reforms, the country has become open to foreign investments and companies. The influx of the abroad companies and large availability of cheap labor force helped China to become a prosperous industrial economy with unprecedented GDP growth of about 10% per year, which maintained for several decades (Mathews, 2019). Although the economic growth helped to significantly reduce the level of poverty and increased income levels, the price of the growth and massive investment was the increased level of overcapacity, especially in heavy industry as well as noticeably increased debt level. It is the state-owned enterprises or SOEs that are considered the main drivers of investment and production in the corporate system and thus economic growth in China. The large degree of autonomy provided by the Chinese government to state-owned enterprises allowed them to attract investments as the leverage to open more companies, employ new labor force and increase production levels, resulting in ever-expanding corporate debt, which today accounts to the 2/3 of the total debt in the country (Duceux, 2018).

Mathews (2019) believes that by extrapolating the similar mechanism of infrastructure development that China experienced during the reforms, the countries that agreed to participate in the Belt and Road Initiative can enjoy a boost in their economic growth too. In order to finance the variety of projects of the BRI plan, a number of new multilateral development banks and funds were established in the period from 2013 to 2016. These organizations include the

Asian Infrastructure Investment Bank (AIIB), BRICS New Development Bank (NDB) and Silk Road Fund (SRF). Although the major amount of investment is provided by the Chinese government, the banks and funds were also supported by more than 70 countries that partake in BRI. Because China will have the heaviest share of investment in infrastructure projects, special terms of operation for Chinese firms might be expected. For example, companies from China might gain a right to accomplish a certain part of the construction works or conduct engineering and management to build roads, bridges, pipelines or high-speed rail projects. This is especially true to the countries where the local labor force or resources are insufficient for constructing large-scale projects. By exporting the construction materials and workers abroad not only China can help to boost construction efficiency, but also can help to offset the domestic oversaturation with heavy industry materials and reduce unemployment. However, it is in the interest of every participating country to ensure that resources and labor force from China will not disincentivize domestic economies. Otherwise, by empowering local firms and workers, the countries where BRI projects are constructed have to negotiate to substitute imported goods and services.

According to the official document on the progress of the initiative that was prepared for the annual Belt and Road forum in 2019, the BRI is intended to promote economic cooperation and peaceful development for all the countries that desire to be involved, without creating geopolitical or military alliances. To ensure multilateral benefits, the interaction in the framework of BRI is going to focus on coordinating policies of economic partnership, enhancing infrastructure connectivity, allowing active trade and improving tolerance between different cultures (Belt and Road Portal, 2019). Some scholars believe that the vision of the initiative resembles the US Marshall Plan, which helped to stimulate economies after the Second World War by providing debt investments to European countries. In the similar fashion, BRI seems like a strategy that emerged shortly after the international financial crisis of 2008 and is aimed to disrupt the US position of the global financial leader. While it is correct that the Belt and Road allowed channeling a massive marketing campaign for China's investment abroad, the geopolitical intentions of the strategy are yet to be questioned (Kuo & Kommenda, 2018). On the other hand, the government officials present the Belt and Road as the initiative that does not seek for political dominance and instead insist that any partner country joined BRI will receive benefits of mutual consultation and joint contribution (Belt and Road Portal, 2019).

The international organizations including APEC, SCO, G20, and the United Nations supported BRI by incorporating the initiative into their action plans. The UN Security Council also adopted the resolution that encourages countries to participate in BRI in order to improve economic cooperation and build a community of shared benefits. As of March 2019, more than 120 countries and 29 organizations signed BRI cooperation agreements, while the trade volume between China and the Belt and Road countries surpassed $6 trillion (Xinhua News Agency, 2019). From South Asia to East Europe and Africa, more than half of the World's population and a quarter of the global GDP are involved into the grand initiative (Kuo & Kommenda, 2018). According to China's government, the investments under the BRI projects have to facilitate the following aspects (Wong, Tam, O'Connor, & Li, 2017):

- Boost China's exports of machinery and technical standards
- Strengthen cooperation with high-tech and manufacturing companies abroad
- Explore and develop offshore oil, gas, and other energy resources
- Enhance the productivity of the agricultural sector
- Promote trade and logistics by establishing a service network with reliable financial institutions abroad

From the above list, it is clear that the Belt and Road is not only intended to improve interconnection between East and West but also seen as an opportunity to stimulate the growth of China's economy. Only during the period from 2015 to 2017, Chinese companies signed more than 15 thousand construction contracts valued at more than $300 billion with BRI countries. In the same timeframe, China signed 46 agreements of cooperation in science and technology with BRI countries, including ASEAN, Central and South Asia, Arab States, Central and Eastern Europe (Belt and Road Portal, 2019). In May 2019, the participant countries of the international Belt and Road forum signed 283 more agreements valued at $64 billion. These figures indicate that China is serious about establishing diverse cooperation with the involved economies.

Recent studies revealed that the majority of countries that lie along the Belt and Road routes have trade levels that on average are 30% lower than their potential and receive 70% less of foreign direct investments because of the existing level of infrastructure. The new or enhanced transit corridors should reduce travel times and increase trade along the routes, incentivizing investments in the lagging regions. It is also estimated that improved transport infrastructure should lift about 8 million people from extreme poverty (Ruta, Dappe, Lall, & Zhang, 2019). While China already invested hundreds of billions of dollars into BRI projects, it is estimated that the combined cost of the planned infrastructure projects might be more than $1 trillion.

The improved connectivity along the BRI routes will also help China to enhance volume of export in industry. Similar to the United States after the Second World War, China nowadays is a globally leading industrial economy with problems of overcapacity and lack of demand on the global markets. During the implementation of the Marshall plan, the US provided a significant amount of debt investment to European countries to rejuvenate their economies, which helped to settle the dollar as a new international currency. Perhaps, also China expects that investing in other countries would stimulate exports and strengthen the position of the Chinese Renminbi currency on international level. However, Shen & Chan (2018, pp. 2, 4) argue that while China aims to expand the circulation of Yuan among the Belt and Road countries, the country does not have as strong geopolitical intentions as did the US in the post-War era. In this way, the Marshall plan had a clear goal to minimize influence of the Soviet Union in Europe. On contrary, the BRI presents itself as widely inclusive initiative and does not aim to counter a rival's political regime. Furthermore, Belt and Road is a rather massive and decentralized initiative, with projects being implemented across the whole Eurasian continent, which is confirmed by the diversity of marine and land routes of the BRI.

Since the Belt and Road Initiative spans from China to Europe, the recent interactions that led such leading European economies as the UK, France and Germany, and others to join Asian Infrastructure Investment Bank (AIIB) indicate that the US influence in the region might decline with the evolving dominance of China. If the economic cooperation between Asia and Europe continues, China might take the position of Europe's leading economic partner from the US (Shen & Chan, 2018). While today there are some heated discussions in Europe about China's strategy, during the Belt and Road forum in April 2019, Italy, which became the first G7 country to sign an agreement of cooperation with BRI, mentioned that every country, especially in Europe, should be confident about the positive effects and called out its European partners to endorse the global initiative (Xinhua News Agency, 2019).

While the BRI can be seen as an alternative to the US economic dominance, some experts believe there are some soft spots in China's plan that might impede the progress of the initiative. For example, in case a critical number of countries will fail to repay loans, investment institutions in China might be harmed significantly, causing credit crisis at national level, which might put economy in a downturn (Shen & Chan, 2018). Nevertheless, using debt as fuel for construction and development is inevitable for the BRI. Thus, if the state-owned development banks like AIIB, New Development Bank (NDB) or Chinese Development Bank (CDB) will gain international trust by allowing for transparent distribution of funding for infrastructure projects, these institutions might emerge as powerful players on the global investment market. While it is expected that some of the underdeveloped economies might end up with unsustainable levels of debt, banks in China are not interested in catching the vulnerable countries into debt traps because it might affect the positive image of the Belt and Road initiative. Therefore, countries partnering with China in BRI have to address debt and other challenges in advance (Mathews, 2019).

After the BRI was launched, Beijing started active promotion of the initiative as of a pragmatic and promising economic alternative to the strategies of Russia or the United States (Dave, 2018, p. 104). As part of its newly emerged protectionist policy, the US increased taxes on the variety of imported goods from China starting from 2019. The aim of such trade protectionism was to secure domestic companies from the competition abroad. While such a strategy might help the local enterprises to gain a competitive advantage in the short-run and even open more jobs for domestic workers, the long-run consequences can be worse. Without a fair competition, the industries will lack incentives to innovate and improve the quality of their products, which can result in more expensive prices compared to foreign producers (Amadeo, 2019). Since Beijing is one of the key trade partners of the US, tax imports negatively impacted the economies of both countries. On the other hand, by promoting the unimpeded stream of trade and investment among the Belt and Road countries, China is making a strategic move that can help to stabilize its economy and gain access to new markets (Xinhua News Agency, 2019).

Priorities of the Belt and Road Investment Funds and Possible Effects

Considering the spectacular scales of infrastructure construction, the investment banks, and sovereign wealth funds will play an important part in the financing of the BRI projects. In 2019, China's Ministry of Finance established the document on financing principles for the Belt and Road projects together with 27 other countries, including Russia, the UK, Indonesia, Singapore, and others. In line with the principles, the countries involved in the grand initiative agreed to support the initiative by channeling the financial resources to the responsible investment funds. In turn, the accumulated wealth will be distributed according to priority directions, which include infrastructure connectivity, trade, industrial cooperation and others (Belt and Road Portal, 2019). While more countries are expected to invest in the BRI funds in the future, these financial institutions already operate for years.

As the first example, China established the Silk Road Fund in 2014 and in just three years pledged almost $55 billion for the BRI purposes. In 2018, other newly emerged financial institution, Asian Infrastructure Investment Bank (AIIB), has become one of the key investors for BRI, providing loans of $7.5 billion and attracting $40 billion more from its partners. The loans approved with AIIB already helped to start construction of 35 projects in 13 countries. (Belt and Road Portal, 2019). During the Belt and Road Summit in April 2019, a number of Chinese state-owned firms signed infrastructure deals valued at more than $20 billion (Blanchard, 2019). Such an active response from the state-owned enterprises is beneficial for domestic economy, as it allows to bundle involvement of China's resources and labor force on top of the allocated debt.

Although, the figures represented above indicate only a small portion from the wide scale of international ambitions of China, the idea is clear: by investing in the Belt and Road countries, China seeks ways to reduce the bottlenecks of the international trade caused by lack of infrastructure. Potential appearance of new roads, bridges, efficient custom control points and free-trade areas should boost the cooperation across the Eurasian continent, and thus might enhance trade turnover for the involved countries (Belt and Road Portal, 2019). According to the study of the World Bank, by improving the road infrastructure alone, the trade flows among 70 Belt and Road countries can increase by 4.1 percent. As a byproduct of enhanced connectivity, foreign direct investment in the developing economies might increase by 5 percent, positively influencing their economic well-being (Baniya, Rocha Gaffurri, & Ruta, 2019).

Since a few major land routes passing through the Central Asia and Russia are going to be developed on the way to Europe, billions of the US dollars have to be invested into regions of the Eurasian Economic Union each year. Most probably, an increasing demand for energy, transport and telecommunication infrastructure in the developing Central Asia cannot be met by governments alone due to lack of resources and expertise (Cohen & Grant, 2018). Therefore, to bridge the gap in construction, it is essential for BRI partners to attract international investments from AIIB, ADB, Silk Road Fund and other related institutions. In addition, the Asian Development Bank (ADB) estimated that to stimulate economic growth, reduce poverty and offset negative impact of climate change in the developing Asian countries, it is required to invest about $26 trillion from 2016 to 2030 (Moldashev, 2019). Currently, the ADB plays an important role in the development of the Central Asia. Only between 2017 and 2019, ADB invested about $6.7 billion in the region, where $0.8 billion were dedicated for Kazakhstan’s transport sector and $2.65 billion for Uzbekistan’s energy sector (Cohen & Grant, 2018).

Apart from providing loans to develop BRI countries, development banks including AIIB, ADB, and BRICS New Development Bank have a strategic goal of promoting the use of the Chinese Yuan also known as Renminbi (RMB). In recent years, a larger amount of countries started using RMB as a settlement currency for goods and services. One of the strategic transport corridors of Belt and Road under construction is China-Pakistan Economic Corridor (CPEC), and due to the highly intensive economic cooperation, Pakistan accepted Renminbi as the dominant currency in its central bank reserves. Another step for wider acceptance of the Yuan was stimulated by Russia and Iran that already accept RMB in oil trade with China. In addition, by backing up Renminbi with gold reserves on Shanghai and Hong Kong financial markets, China is providing additional stability and attractiveness to its currency (Mathews, 2019).

Nonetheless, China seeks for more ways to increase cross-border circulation of RMB through regional economic partnerships (Shen & Chan, 2018). As of the April 2019, China made bilateral swap arrangement of currency with more than 20 BRI countries and signed cooperation agreements with financial authorities of 35 Belt and Road economies. Furthermore, Beijing established a research center for the BRI Financial and Economic Development and founded Capacity Development Center together with the International Monetary Fund (IMF). Those steps should strengthen the RMB’s function of multinational currency for investment and trade, especially among the BRI economies (Belt and Road Portal, 2019).

The Belt and Road Transport Corridors and their Importance

One of the primary goals of the BRI is enhancing infrastructure connectivity because reasonable access to transport corridors is essential for economies to grow and prosper. The Belt and Road initiative envisages six major transport corridors for international cooperation:

1) The New Eurasian Land Bridge
2) China – Mongolia - Russia Corridor
3) China – Central Asia – West Asia Corridor

4) China – Indochina Peninsula

5) China – Pakistan Corridor

6) Bangladesh – China – India – Myanmar Corridor (or BCIM)

If the first three routes are being developed to improve transport connection from China to Europe, the corridors four, five and six have a purpose of enhancing economic cooperation with countries of South Asia and gaining more comprehensive access to marine ports of the Indian Ocean (Belt and Road Portal, 2019).

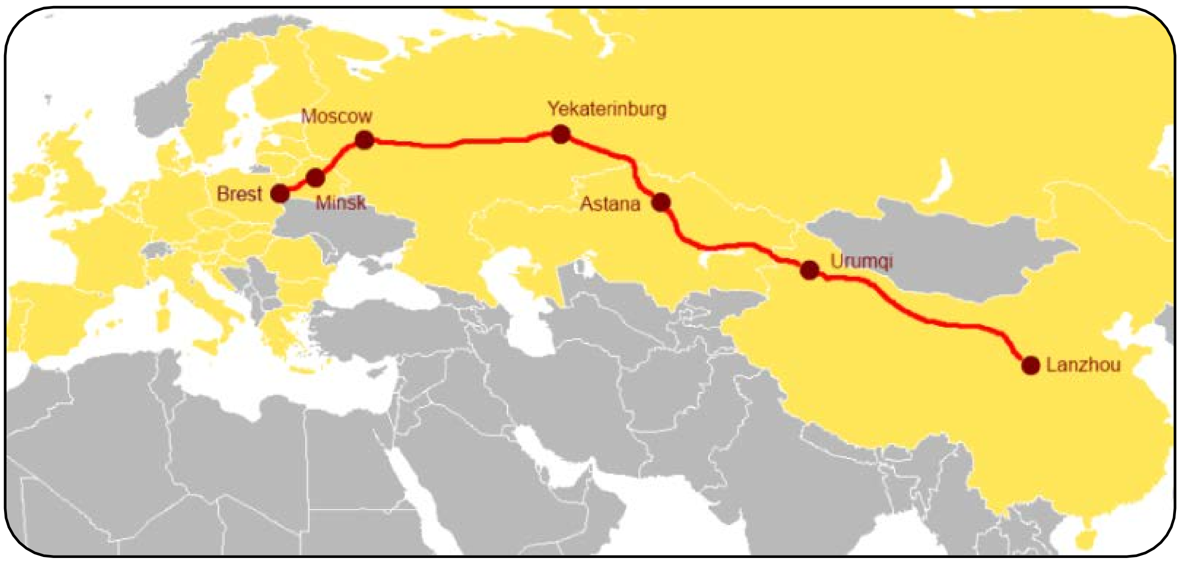


Figure 5. The New Eurasian Land Bridge. Adapted from (OBOR Europe, 2019c).

As can be seen from the figure above, the first economic corridor intersects China, Kazakhstan, Russia, and Belarus. The New Eurasia Land Bridge is going to be a railroad and is intended to enhance the capacity of land transportation. The important feature of this route will be the simplified customs regime across the route, which should theoretically allow increased delivery speeds (OBOR Europe, 2019c). The second corridor, which spans through China, Mongolia, and Russia is intended to upgrade transport, telecommunications, and energy infrastructures along its way. The corridor presented in Figure 6 is known as the Asian Highway

Network and should positively influence the trade turnover between Russia, China and Mongolia. (Belt and Road Portal, 2019):

Figure 6. China – Mongolia – Russia economic corridor. Adapted from (OBOR Europe, 2019b).

The China-Central Asia-West Asia route is going to connect China to the Mediterranean Sea via Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkey. This economic corridor resembles the geographically similar ancient Silk Road route and aims to provide a revived international communication network between Central, West Asia and Europe. This corridor also envisages a number of energy and transportation projects constructed along its way (OBOR Europe, 2019d). The respective scheme is presented in Figure 7:

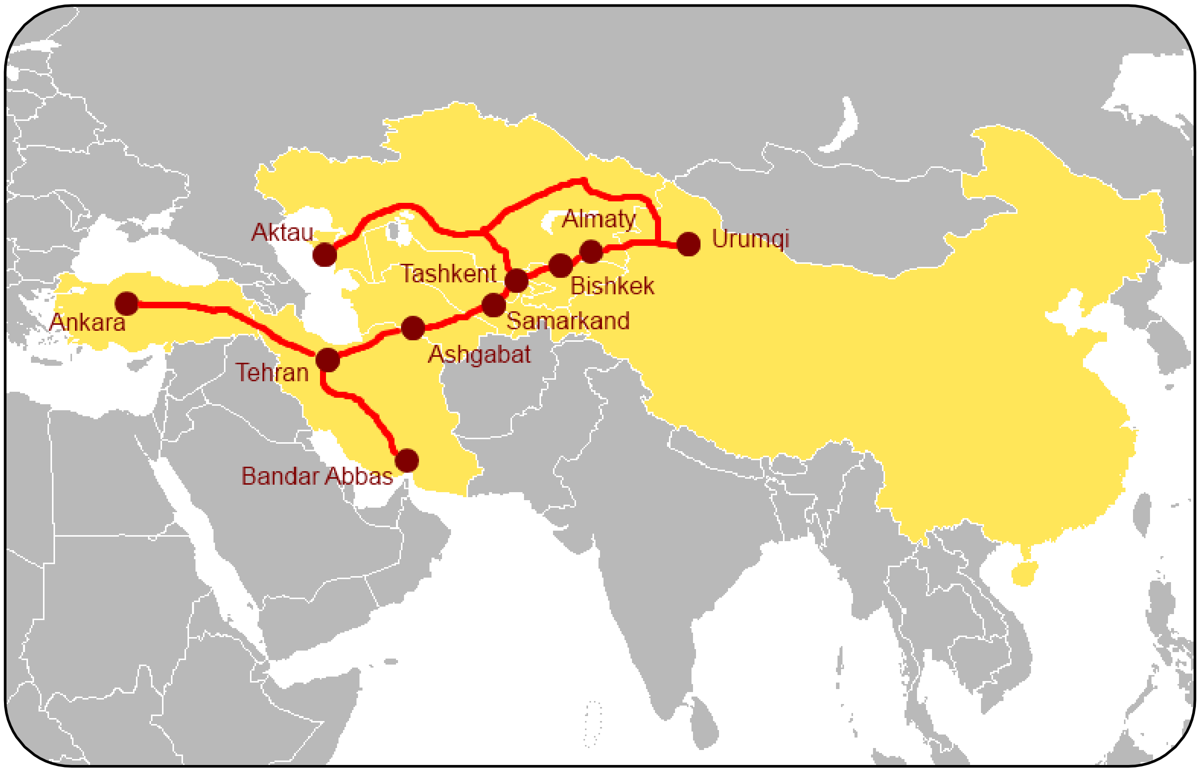


Figure 7. China - Central Asia - West Asia Corridor. Adapted from (OBOR Europe, 2019a).

All the three land networks mentioned above have an intersection with four out of five countries of the Eurasian Economic Union, namely Russia, Kazakhstan, Kyrgyzstan, and Belarus. This should imply that the economies of these four countries should be impacted by a new infrastructure in a positive way. By 2018, railways spanning from China to Europe connected 108 cities in 16 countries via a combined network of old and new routes. Prominently, these routes include Russia, Kazakhstan, and Belarus. As a way to decrease custom clearance time along the routes, China signed a series of multilateral international agreements with members of Shanghai Cooperation Organization and other Belt and Road partner states (Belt and Road Portal, 2019). This fact indicates that the institutional forces like SCO are capable of easing economic cooperation between countries.

The rest of the three economic corridors are crossing through the South Asia to the Indian Ocean with an aim to strengthen economic cooperation between China and ASEAN countries as well as India, Pakistan, Bangladesh, and Myanmar. However, apart from the six official transport corridors and marine passages in the Indian Ocean, it is possible that an Arctic passage will become an additional corridor of the Maritime Silk Road. From recent times, the climate change and rising temperatures allowed the Russian cargo ships to voyage in the Arctic Ocean without the assistance of the ice-breakers (Saran, 2018).

This potential route spans across Russia’s territory all the way to Europe and currently is viable only during the summertime. Known as the Northern Sea Route, it emerged as an area of high interest for China due to its potential applicability in the Maritime Silk Road network. In fact, Beijing already works with Moscow to invest in the infrastructure and marine ports of the potential Arctic Silk Road. Although in case this potential route ever appears on the map and becomes operational throughout the full year, this might become one of the clearly unfavorable results of the climate change. Nevertheless, if Russia and China will manage to develop the route, the trade between Eastern and Western parts of Eurasia should probably a boost, unless the environmental societies stand up for the protection of the Arctic region. The scheme of the proposed Northern corridor is provided on the Figure 8:

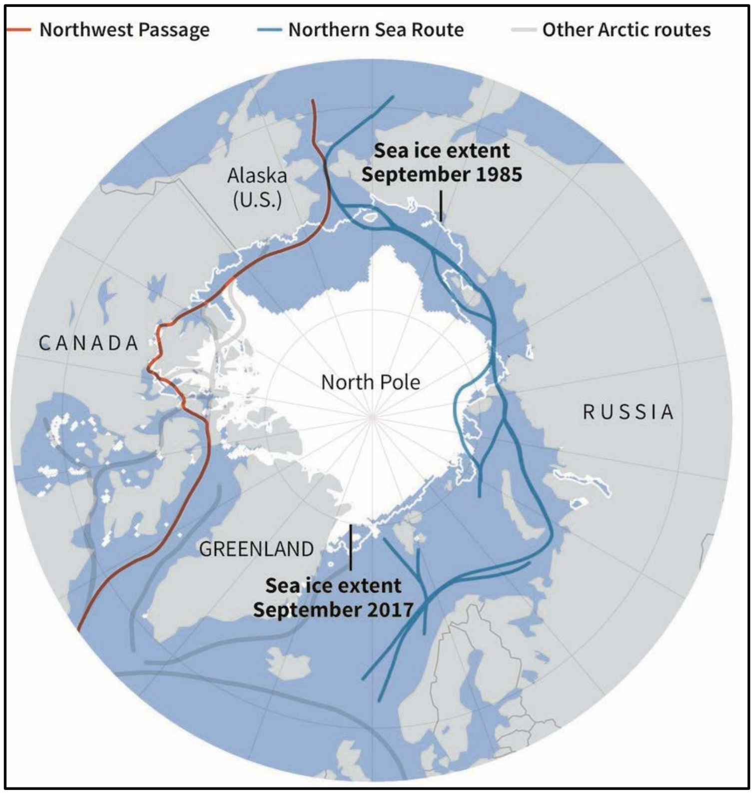


Figure 8. The Arctic Shipping Routes. Adapted from (Cabrera & Desrayaud, 2018), Adapted from https://assets.weforum.org/editor/large_MaOSB4i6z-pKWZGnnavj832BujCiaTEhWSKN87Hh-5Y.jpg

Considering the above information, Belt and Road passages are going to increase trade, facilitate foreign direct investment and improve the well-being of the citizens along the new corridors. The land part of the BRI or Silk Road Economic Belt (SREB) will not be limited by roads and railways, but will also include gas, oil pipelines, and free trade areas. However, in order for the new routes to thrive, policy reforms and proactive involvement of the participating countries are essential. Nowadays, main concerns of the emerging BRI passages include transparency of the contract terms, debt sustainability, environmental and social risks (Ruta et al., 2019, p. 9). Therefore, commitment to high social, environmental and financial standards from the partners of the initiative is vital for reaching desired economic benefits.

The Role of the Eurasian Economic Union in the Belt and Road Initiative

The EAEU: Missions and Key Policies

In order to realize the role that China's major geographic neighbors, including Russia, Kazakhstan, and Central Asian economies, will play in the progress of Belt and Road Initiative, it is important to understand the development model of the EAEU. The Eurasian Economic Union is the international organization established for regional economic integration and was founded during the Treaty on the Eurasian Economic Union signed in Astana on May 29, 2014. This agreement came into full operation in 2015, and in the same year Armenia and Kyrgyzstan joined the EAEU. Currently, the member-states of the Eurasian Economic Union are represented by Russia, Kazakhstan, Belarus, Armenia, and the Kyrgyz Republic.

The main purposes of the EAEU are to ensure free movement of goods, services, capital, and labor. Currently, the independent Eurasian states are in the process of creating common economic space in order to allow the four freedoms, including free movement of goods, services, capital, and labor. After the EAEU was established, each member-state delegated the part of its authority to the Eurasian Economic Commission (EEC), which is the single regulatory body that promotes the aforementioned degrees of freedom and pursuits coordinated policies in key sectors of the economy. Eurasian Economic Commission (2018, p. 195) designates that amongst other reasons, the purposes of establishing the Eurasian Economic Union include providing favorable conditions for stable economic growth in partner economies and raising the living standards for their inhabitants; creating common market of goods, services, capital and labor; providing comprehensive modernization of infrastructure, and cooperation to build thriving and competitive economy for members-states on global market.

As of today, one of the major features of the EAEU is the system of mutual obligations aimed at coordinating activities in the economic development of member countries. It is believed that such a system should guide the process of economic integration more efficiently than the Commonwealth of Independent States (Eurasian Economic Commission, 2018, p.13). The integration process can be understood as highly optimized economic cooperation and will be formed by the principles of mutual tolerance, equal rights of the member-states, respect for the territorial integrity and non-interference into internal policies. Since the union is an economic institution by far, the principle of mutual benefits is the key factor that holds the member-states together (Eurasian Economic Commission 2018, pp.13-14).

Economic Potential of the Eurasian Economic Union

It is no secret that the Eurasian continent has become major geography for the experiments on the developing different economic integration initiatives, including the European Union and most recently – the Belt and Road Initiative. In order to evaluate, whether the Eurasian Economic Union fits into the emerging reality of continental strategies and can foster economic development, it is important to analyze the Union’s economic potential. On Figure 9, the gross domestic product (GDP) of the EAEU is represented as the sum of GDPs of its member-states. In the period of 2013-2017, the level of the Union’s GDP dropped by 30%. It appears that the main factor influenced this reduction was the GDP of Russia, which accounts for about 85% of the Union’s total value. According to Frenkel, Tikhomirov, Sergiyenko, & Roshchina (2016, p.2), the economic policies of Russia in 2014-2016 did not provide a well-timed response to challenges associated with the fall in prices on mineral energy resources. In addition, the trade sanctions against Russia by the European Union and the US as well as the Russian countersanctions aggravated this situation.

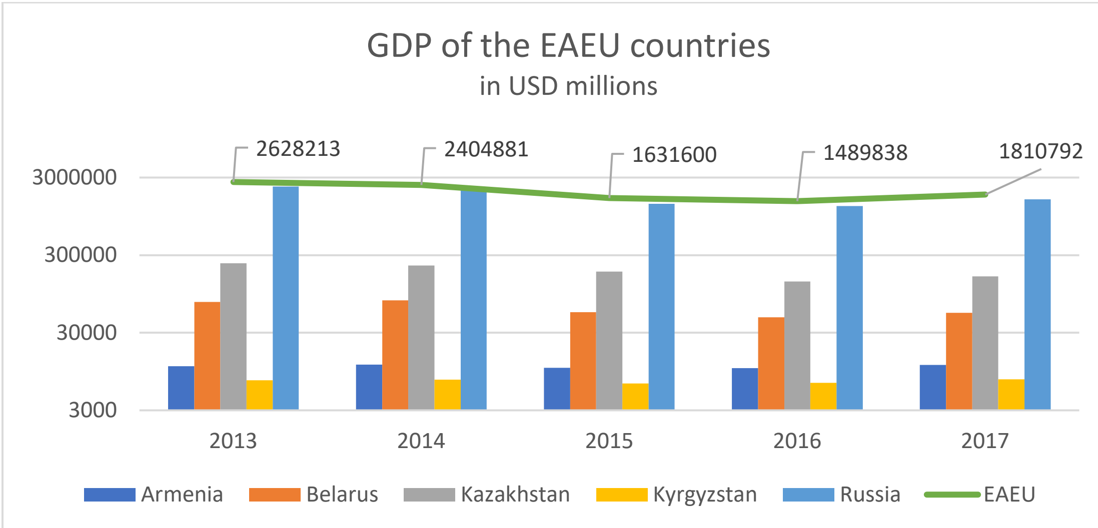


Figure 9. GDP of Eurasian Economic Union in USD millions. Adapted from “EAEU: Brief Statistics Guide” by Eurasian Economic Commission, 2019, p. 44.

Another major metrics is the industry production. In 2017 alone, the total industrial production of the Eurasian Economic Union accounted for about $1.1 trillion and was slightly higher than the total industry output of China ($1.08 trillion) in the same year:

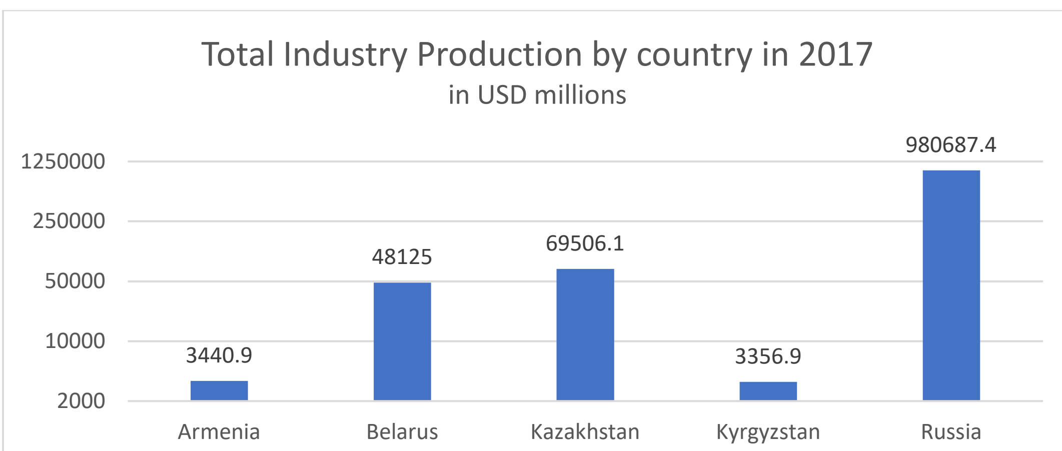


Figure 10. Total Industry Production in USD millions. Adapted from “EAEU: Brief Statistics Guide” by Eurasian Economic Commission, 2019, p. 77.

Again, the heaviest contributor to the industrial output was Russia, providing almost 90% of the total value. The next runner-up is Kazakhstan, where the industrial production is 14 times smaller than the annual output level of Russia. Moreover, Kazakhstan's GDP was 10 times less than that of Russia. Clearly, there is a significant disproportion of the economic power among the partner countries. Considering just the values of GDP and industrial output, there is a little doubt that by enhancing the level of integration with Russia, other countries have to understand that it is the leader's decisions that will play a dominant role in shaping the economic future of the Eurasian integration, and it is yet unclear whether the terms of cooperation will benefit every member of the ambitious strategy equally.

Nevertheless, the economic prosperity of such a widescale institution as the Eurasian Economic Union is also highly dependent on agricultural production. Figure 3 illustrates that the agriculture sector had constant growth during the period of 2013-2017. The declining rate of growth was the result of an occasional decline of production in Belarus, Armenia, and Kyrgyzstan's agriculture industries, however, that did a little to the consistent growth of agricultural output in the Union:

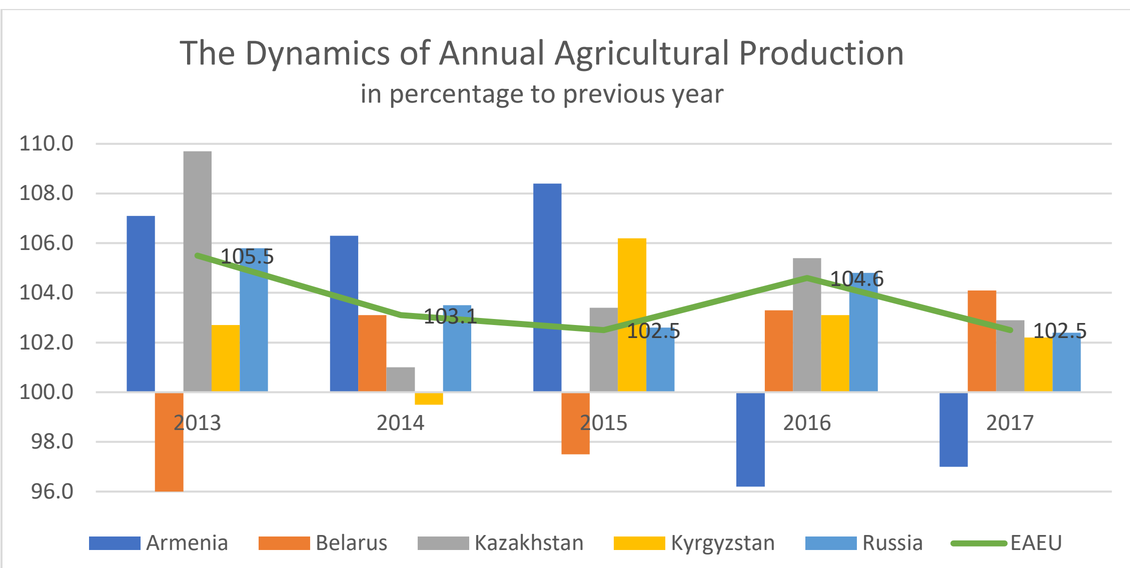


Figure 11. Agriculture Dynamics of Eurasian Economic Union in percentage to previous year. Adapted from "EAEU: Brief Statistics Guide" by Eurasian Economic Commission, 2019, p. 92.

As a matter of fact, agricultural production during the year, especially of the grain crops, relies on the weather conditions and is therefore associated with seasonal ups and downs in output (Lizumi & Ramankutty, 2015). Considering that, in cases when the agricultural levels are underdelivered in some countries of the Union, other more prolific member-states should be able to bridge the gap in agricultural supply. However, to sustain adequate pricing on the imported agricultural products, the relevant tax incentives for the exporter countries have to be established within the union. The next important economic metric is the external trade volume, which stands for a sum of exported and imported goods calculated in millions of the US dollars for each country. On the figure below, the green line represents the cumulative annual trade turnover of five countries and will be referred to as the Union's annual trade volume. Figure 12 illustrates that the Union's trade volume line resembles the trendline of GDP. It decreased from 2014 to 2016 due to the economic downturn but regained its growth in 2017. Again, the main contributor to this growth was Russia, accounting for almost 80% of the Union's trade volume at any year:

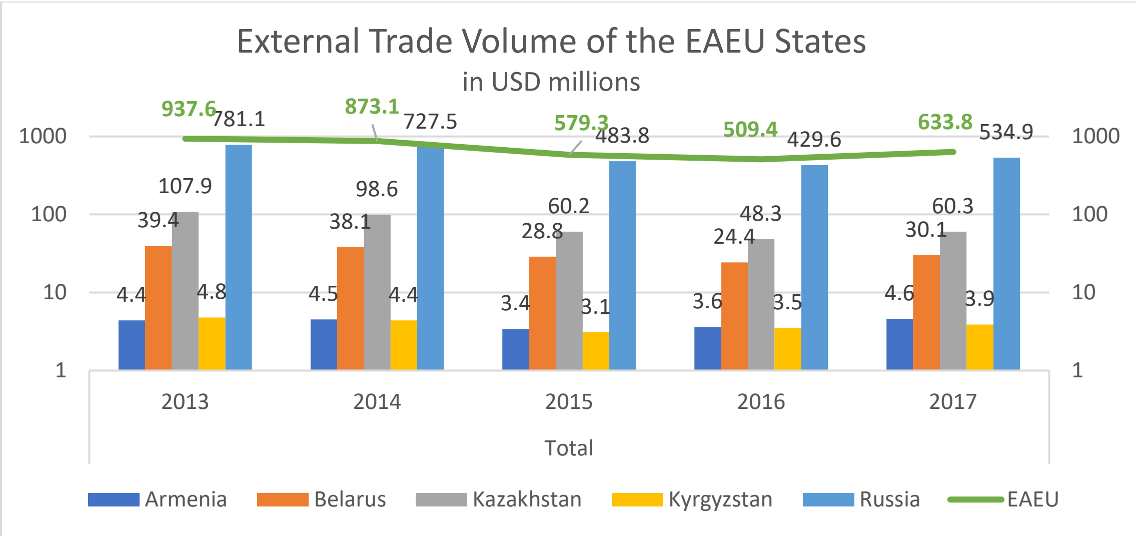


Figure 12. External Trade Volume of Eurasian Economic Union in USD millions. Adapted from "Brief Statistics Guide" by Eurasian Economic Commission, 2019, p. 144.

From the Figure 13 it is indicated that in 2017, the Eurasian Economic Union had the highest trade turnover with China accounting for 16.2% or the total annual turnover. This percentage equates into $102.7 billion and is characterized by the negative trade balance, where the cumulative import is 10% higher than export (Eurasian Economic Comission, 2019, p. 146). Nevertheless, since China already is the key trade partner of the five EAEU states, further development of the cooperation within Belt and Road Initiative in industry is possible and can open up new trade markets for both sides as well as promote mutual economic growth.

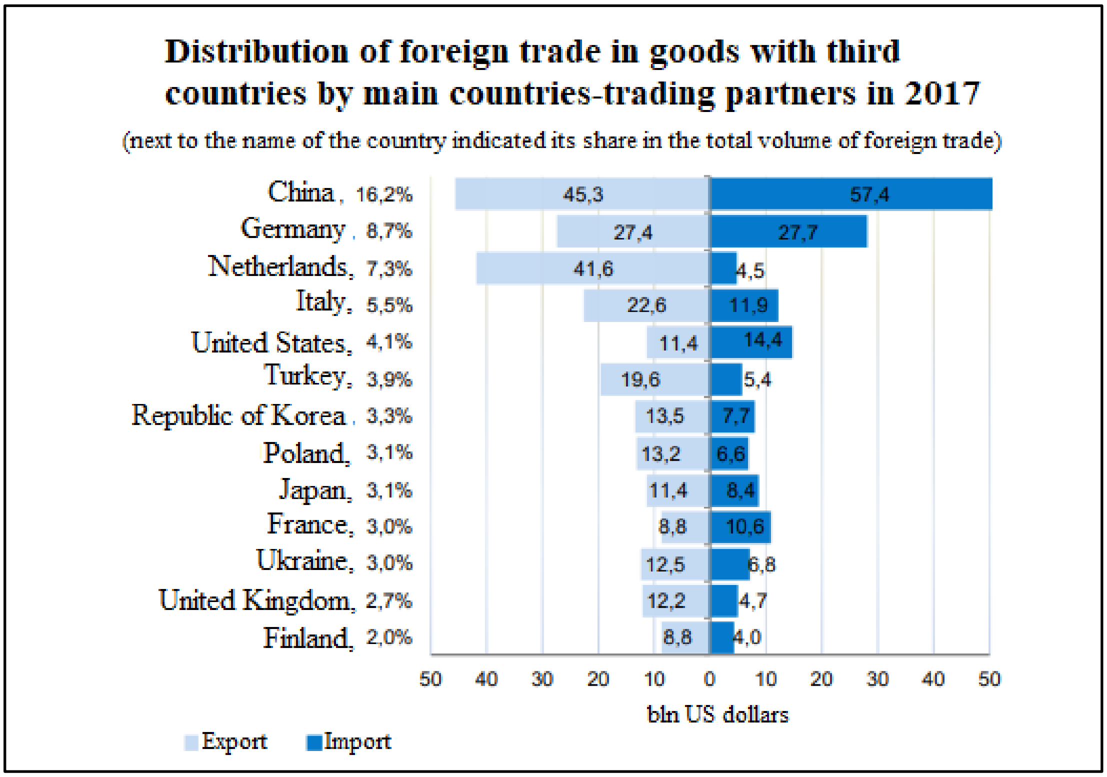


Figure 13. Distribution of foreign trade in goods with third countries in USD millions. Adapted from "EAEU: Brief Statistics Guide" by Eurasian Economic Commission, 2019, p. 146.

Benefits of Membership in the Eurasian Economic Union

According to the Eurasian Economic Commission (2018, p. 44), the five member-states are expected to receive up to 13% of extra growth in GDP due to membership in the EAEU in the long-term. The Union aims to steadily enhance economic cooperation by establishing new strategies and policies aimed to enhance trade between member-states. Currently, the unified transportation tariffs that are being developed for the EAEU members should boost trade turnover in Kazakhstan, Kyrgyzstan, and Armenia. In other words, as the majority of the transport corridors to the European trade markets passes through Russia's territory, enabling unified tariffs can reduce taxes on the goods transported to European Union from other EAEU countries. Hence, economies of the Eurasian Union might receive a boost due to the improved external trade and become more competitive in the international market (Kuzmina, 2017).

However, simply optimizing the export trade policies is not enough, because infrastructure development plays a foundational role in the country's capacity for transit and logistics. In 2018, the Union started the implementation of the "Roadmap" development plan that aims to construct the transportation and logistics hubs across the EAEU countries and upgrade the existing ones (Kuzmina, 2018). As the economy Kazakhstan is dependent on the export of oil and gas, while Armenia's prosperity relies on the export of the precious metals and ore, modernization of the logistics hubs can boost trade of mineral resources to Russia, Europe and the Middle East (Koshanov, 2017). Another important aspect of the Roadmap plan envisages the facilities for the production of the electric vehicles and establishment of charging infrastructure for the electric automobiles across the EAEU during 2018-2020 (Kuzmina, 2018).

Although the unified trade policies and building transport hubs are important for economic development, they are not the only global priorities of the EAEU. According to

Koshanov (2017), Russia, as the dominant power of the Union, puts efforts to consolidate its geopolitical influence in Central Asia. To achieve that, Russia advocates for the creation of supranational political institutes and establishment of common parliament. The Union's leading economy is also known to suggest the introduction of the common currency and even form a shared military defense system. While the Russian military power can provide the security to the member countries, the common currency is seen by Moscow as the evolutionary step in the financial interaction within the Eurasian Economic Union.

On the other hand, Kazakhstan and Belarus are focused on enhancing trade turnover with the member-states and anticipate major opportunities in tax-free areas and access to the new markets, including European Union and marine passages of the Middle East. Because of the difference in geographic settings and level of economic development, it is natural for the countries of the EAEU to pursue various goals. For Armenia, the primary incentive of being the part of the economic union is to break through its geographic isolation and increase trade volumes, while Kyrgyzstan sees the vast geography of the Union as a chance to decrease unemployment and gain access to the new labor markets. As for Belarus, the country has already established trade with Russia and Europe, so the economic integration should allow Minsk to reinforce economic partnership with Russia on the mutually advantageous terms.

Since Belarus depends highly on the Russian energy resources and also realizes up to 40% of its export products to Russia, it is clear that the EAEU is a key for the long-term prosperity of country's economy ("The trade structure between Russia and Belarus," 2018). In cases of Kazakhstan and Kyrgyzstan, their cooperation with Russia also brings strategic importance, since both countries are landlocked. While the Eurasian Economic Union represents a large consumption market for energy and mineral resources, Russia is also seen as the gate to maritime trade routes on the Northern parts of the country.

Prospects of Further Development of EAEU and the Related Concerns

Without resolving the problems of the economic disparity between Russia and other member states, the balanced development of the EAEU is not feasible (Koshanov, 2017). From the experience of the European Union, to stimulate the technical progress, the economies should support and complement each other. This is achieved when GDP levels of neighbor economies are comparable. Additionally, in the EU countries, the share of GDP distributed for research and development compounds up to 3% annually, while in any state of the Eurasian Economic Union, this number does not exceed 1% (The World Bank, 2019). Understandably, the considerable amount of time and investment will be needed for the EAEU countries to reach the level of technological development sufficient for effective mutual cooperation. Therefore, investment in science, technology, and agriculture have to be prioritized in the Union's member-states.

Apart from the technological infrastructure, for several years, the Eurasian Economic Commission worked to build common financial markets. In 2018, the agreements on the harmonized legislation of the stock exchange, bank and insurance services were signed (Kuzmina, 2018). This step is believed to be the landmark in the process of establishing a multinational regulation of the financial markets. However, to synchronize financial institutions and achieve effective unified regulations, the economies have to be highly developed and competitive. Today, the EAEU countries have resource-based economies, where the share of the fossil fuels and mineral resources combines up to 70% of total exports, but only about 3% for the hi-tech equipment and machinery (Eurasian Economic Commission, 2019). In the developed European economies, the share of the IT and machinery account for up to 30% of the total exports, allowing conditions for effective multinational financial regulations, including the unified currency (Koshanov, 2017). It is clear that the unification of the financial markets is a distant perspective for the EAEU countries because of their uneven level of economic wealth. Elsewise, implementation of the single currency today might lead to Russia's role of the new financial regulator due to its far more superior economic power.

Nowadays, the EAEU represents a platform for economic development, although there are reasons to assume that Russia has ambitions of becoming the dominant player in shaping the future of the member-states. In order to accelerate the Union's integration process, Russia proposed to establish the Greater Eurasian Partnership (GEP) in 2016 as a more advanced regional initiative for a global community. Russia's initiative can be considered as a response to the Belt and Road Initiative in the way that it also going to pursue closer economic cooperation with China, India, Pakistan, Iran and ASEAN countries (Novikov, 2018, p.83). The GEP or Greater Eurasia advocates for accelerated construction of East-West transport routes and modernization of road infrastructure between Russia and Central Asia (Karaganov, 2017). By analogy with Belt and Road, GEP also aims to foster mutual development and prosperity on the Eurasian continent. While supporting Russia's endeavors of closer economic partnership, Beijing realized that the introduction of Moscow's plan could create unnecessary political tensions. Therefore, China sees the integration of the two large-scale economic strategies as a solution to congestion in continental initiatives (Novikov, 2018).

However, the Greater Eurasian Partnership is still far from realization, as the clear policies on cooperation were not unveiled yet. Therefore, today the GEP can be characterized as a conceptual framework that suggests to launch infrastructure initiatives and introduce free trade agreements for its participants. It is important to understand that the realization of the GEP will depend highly on the effectiveness of interaction within the Eurasian Economic Union. As of today, the EAEU lacks agreement between member-states on trade policies, while the authority of the Eurasian Economic Commission (EEC) is rather limited. It is the interests of EEC to regulate the policies of inner trade and external cooperation with foreign institutions, including SCO, BRICS and ASEAN. Thus, increasing the EEC's administrative power is seen as a way of bringing the idea of the GEP into reality (Novikov, 2018, p.9). However, to ensure that the authority provided to the Eurasian Economic Commission will allow to share benefits of integration between all the countries of EAEU equally, the member-states will have to cooperate proactively to establish new policies.

As for today, the Belt and Road initiative seems as a natural partner for the EAEU countries due to the active interaction of Chinese companies and investment funds with the five member-states and understandable economic benefits for all the parties. Following that, it is relevant to consider the possibilities of integration between the existing institutions rather than the distant political frameworks like the Greater Eurasia. In this regard, the coordinated partnership between the EAEU and BRI roadmaps represents a topic of high interest. In 2018, China and the Eurasian Economic Commission signed an agreement of the trade and economic cooperation that regards such aspects as reduction of trade tariffs, simplification of the trade procedures, implementation of an online customs filing, acknowledgement of the technical standards, protection of the intellectual rights and other aspects (Kuzmina, 2018). Hence, to see how the partnership between the two initiatives might unveil in the future, it is helpful to analyze aspects of economic of interaction between China and EAEU countries.

Economic Cooperation between China and countries of the Eurasian Economic Union

Economic Cooperation between China and the Russian Federation

In order to understand the vectors of the development of EAEU economies within the Belt and Road Initiative, it is important to analyze the current state of economic cooperation between China and the Union's member-states. Since the Russian Federation is the flagship economy in the Union, its role in the BRI partnership might define the course of development for the rest countries of the EAEU. According to Moscow State Information Agency, China and Russia already reached the bilateral trade turnover of $108 billion in 2018, aiming to achieve $200 billion in few years (TASS, 2019). In 2012, just one year before the BRI was announced, the Russia-China Investment Fund (RCIF) was launched. The fund's estimated capital is up to $4 billion and 70% of the money are intended for infrastructure projects between Russia and EAEU countries, while the rest 30% will be spent exclusively for the China-Russia infrastructure and industry facilities (RDIF, 2012). One of the first large-scale projects of the fund with an estimated cost of $400 million became a 2.2 km railway bridge between China and Russia that passes through the Amur river. In addition, the fund invested $400 million more into the development of mineral deposits and associated logistics (Tofanyuk, 2014).

In order to reduce administrative and trade barriers, the Russia-China Investment Cooperation (RCIC) commission was launched in 2014. One year after its launch, the commission started supervising 58 joint investment projects with a combined value at over $20 billion (Ministry of Economic Development, 2018). Importantly, the RCIC commission facilitated the beginning of a partnership in the framework of the BRI, which was officially signed by the two countries in 2014 (Uyanayev, 2016, p. 24). Right after the partnership was declared, a number of investment deals were initiated. One of the first major deals was construction of timber and chemical plant in cooperation with Russian and Chinese engineering companies. Another large scale investment was construction of Chinese transport vehicle manufacturing plant in Russia (The House of the Government, 2014). As for the investment in energy projects, the Silk Road Fund (SRF) purchased 10% of shares in a Russian gas processing and oil-producing company "Sibur" in 2016. In the same year, SRF acquired 10% of shares in the "Yamal" liquified natural gas company. The control in "Yamal" and "Sibur" companies should allow China to enhance imports of energy resources and facilitate the growth of these companies (Luzyanin et al., 2017, pp. 44-45). Agreements in energy, chemistry, and automotive sectors indicate that the Belt and Road is not limited by construction of transport corridors, but can also be considered as a platform for enhancing the bilateral economic cooperation.

In 2015, Russia and China signed an agreement to initiate the process of interlinking between the Silk Road Economic Belt and the Eurasian Economic Union. Most importantly, it implies that the geographic space of the Union will be used more actively for transit, investment, and industrial cooperation. Although a year earlier China and Russia already started cooperation within a framework of the BRI, the new agreement should be interpreted as an economic interaction that can reinforce benefits of Belt and Road Initiative to EAEU countries by aligning the two development strategies (Luzyanin, 2017). However, even up to date the specific terms of interlinking are not defined yet, partially because the BRI is a long-term plan that will need more time to evolve into a definite form and also due to the fact that Eurasian Economic Union has yet to identify its own long-term course of development. Nevertheless, in the mid-term perspective, Chinese companies are going to build transport infrastructure along the New Eurasian Land Bridge, and one of the transport corridors involving Russia and Kazakhstan is planned for launch in 2023 and will be called "Europe – West China". Today, the major amount of transit from

China to Europe is accomplished via the Suez Canal, which is known to be a time-demanding route. The brand-new "Europe – West China" road is expected to significantly decrease delivery times and therefore will take up the portion of the transit load onto the new road infrastructure. The Chinese partners are going to invest up to $800 million into the project, while the total cost of the project is estimated to worth $2.4 billion (Kommersant, 2015b).

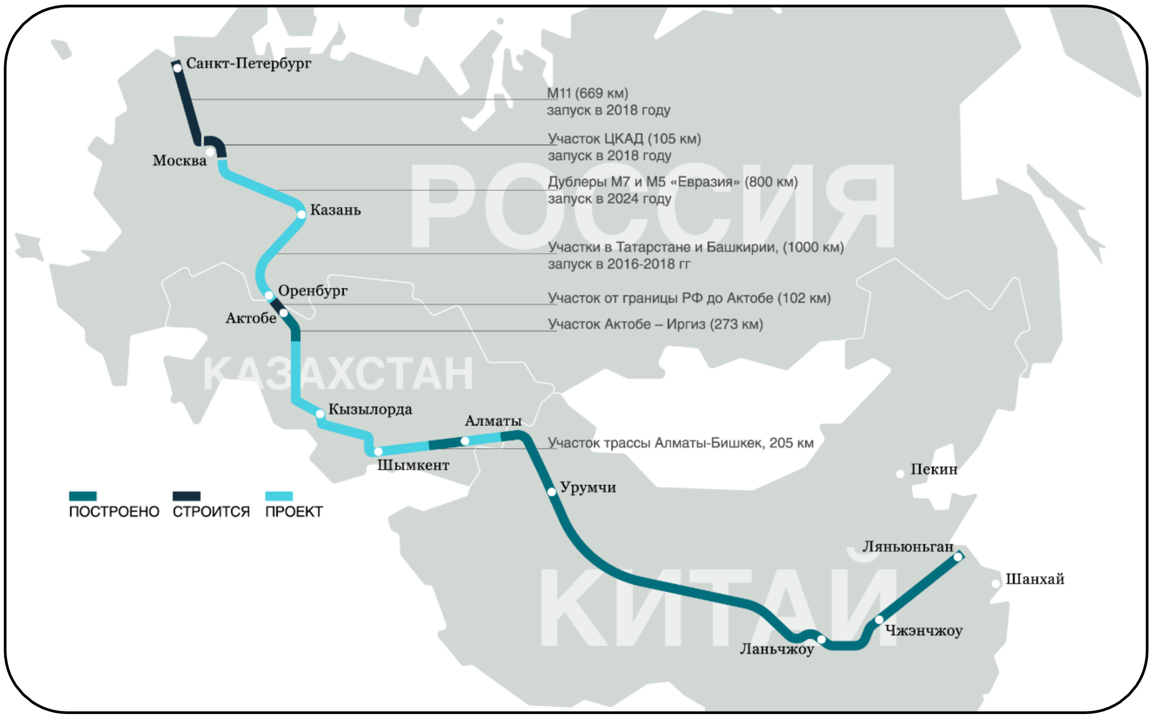


Figure 14. The "Western China - Europe" International Transport Corridor. Adapted from (Kommersant, 2015a)

As illustrated in Figure 14, the road is going to pass through the territory of Kazakhstan is currently under planning. Therefore, when the full route is complete, Kazakhstan's connectivity with both China and Europe will be upgraded. It is possible that other EAEU states, like Kyrgyzstan, which located in close proximity to the new route, might start employing the roads to enhance their cooperation abroad as well. It is important to understand that interlinking between two initiatives does not simply mean implementing more regional cooperation partnerships or building new roads, albeit infrastructure is a vital part of such cooperation. The course of interlinking will be defined by political and institutional reforms aimed at enhancing the effectiveness of dialogue between China and the Union's member states. Today, the economic cooperation between China and EAEU is focused on investment projects with Russia, partly because of the scale of possible benefits for two sides. Apart from the transit infrastructure, a partnership between Moscow and Beijing includes mining and processing of mineral resources and in the near future countries are going to invest more into joint ventures for energy production (Savkovich & Markova, 2018, p. 18). While the "Western China - Europe" is a solid example of a project that can bring benefits to multiple states of EAEU, ensuring that the future projects between BRI and the EAEU can provide multilateral benefits will require joint consultation, and perhaps opening of the regional centers for the Belt and Road cooperation across the territory of the Eurasian Economic Union.

Economic Cooperation between China and Belarus

Although the prolific cooperation between China and Russia is critical for the positive image of the Belt and Road initiative with regards to other economies of the EAEU, other countries of the Union should also be proactive in attracting the investments that China is willing to provide. While the BRI projects can boost industrial development and connectivity of the participating countries, China will open new markets to distribute an excessive domestic production abroad and stimulate exports of machinery and other high technology goods (Maksimtsev & Mezhevich, 2017, p. 17). Understanding this, Belarus established an industrial park near the city of Minsk in cooperation with China. The park area will be 91 square kilometers and its purpose is to foster the development and manufacturing of products in biomedicine, chemistry, machinery and other areas (Chizhik, 2017, pp. 23-24). As part of the intensifying industrial cooperation, more than 20 industrial companies of Belarus that will have local offices in the park agreed to sell portions of their share capitals to Chinese companies. (Harlap, 2017, p. 41-42). It is expected that the construction and development of the Belarus Industrial Park should take about 30 years, and will attract 200 hi-tech companies, becoming the analogue of the Silicon Value in the Eurasian Economic Union. Besides the ambitions of becoming the technological hub, the Industrial Park will also include comfortable living conditions. Currently, the residential houses, hotels, retail and commercial facilities are being designed in a way to facilitate creation of a modern, ecological city (Koroteyev, 2017, p. 69).

The firms based on the territory of the Industrial park will be able to operate with tax benefits from the Belarus government, and it is believed that such a strategy should allow attracting more international companies. In fact, some of the renowned industrial companies from China, including Huawei, ZTE, China Merchants Group, Zoomlion, and others agreed to establish their local branches on the park's territory. While today most companies in the park are represented mostly by Chinese firms, followed by Belorussian companies, it is expected that the industrial park will attract hi-tech companies all over the World. It was also estimated that in order to build out infrastructure of the park, about $6 billion of investments is required, while the amount available in the development fund was less than $100 million, indicating that attracting the sufficient financial resources is going to be a major task in this grand project (Hueizhun, 2017, p. 48). To address the challenge, the Belarus – China Venture Investment Fund was established and aimed to use financing from Chinese funds to obtain the $1.5 billion for the first phase of the project construction. If the financial issues will be resolved, the industrial park can help to open 6.5 thousand job positions and gain 2% of the annual GDP from its operation (Koroteyev, 2017, p. 67). The ambition of Belarus to build international technological platform is a creative way of using international initiatives like BRI for leveraging country's technological potential. Although the fruits from the operation of such an ambitious project can only be seen later in the future, other countries of the EAEU should definitely learn from the example of Belarus and seek for the suitable ways to use China's industrial capacity to their advantage.

Economic Cooperation between China and Armenia

While Russia investing in the road infrastructure and energy projects, Belarus sees the BRI as a chance to boost its capacity in the highly technological industries. However, the growing economic cooperation was not the case in Armenia, which is also the member-state of the Eurasian Economic Union. In 2016, Armenia exported the goods to China valued at $96 million, which was 40% less compared to the previous year. In addition, the joint enterprises with China that were extracting the precious metals in Armenia were halted because of the price drop of the precious ore on the international markets. On the positive side, a major deal was registered in 2019, when a large aluminum manufacturing company of China signed a deal valued at $100 million to establish a new industrial zone in Armenia (Bergmann, 2019).

As of today, underdeveloped road infrastructure is one of the major bottlenecks for the investment and trade partnership between the two countries (MOFCOM, 2017). To address the issue, China Communicating Company started construction of a 556-kilometer long "North-South" road corridor in 2016. The new road should help Armenia to become a regional transit hub and enhance its economic cooperation with neighbor economies, including Iran and Georgia (Sahakyan, 2019). It is also believed that expanding the air traffic between China and Armenia is necessary to enhance the bilateral trade (Saakyan, 2017, pp. 70-71).

Currently, the opportunities for a new round of large-scale projects are limited due to the lack of resources to receive new debts. According to CEIC Data (2020), country's external debt increased by 40% in the period from 2013 to 2019, reaching $12 billion. In the last five years, debt-to-GDP ratio was slowly growing and reached 51% by the beginning of 2019, indicating a notable gain to overall debt load. Furthermore, Armenia's trade deficit increased by 32% in 2018, reaching $2.6 billion (World Bank Group, 2019, pp. 6, 10). Unlike Russia or Kazakhstan, Armenia does not possess huge volumes of mineral reserves for export trade.

Due to the limited resources and rising amount of external debt, Armenia have higher risk of economic downturns than its EAEU partners. Therefore, to reduce credit risks, Armenia have to be careful about taking more of large-scale deals with China and should use its financial resources wisely. On the positive side, from 2012 until now China already provided about $50 million in grants to Armenia as a way to boost technology, transportation, health and other sectors (Bergmann, 2019). As of today, the Armenian government is optimistic about the perspective of economic partnership with China and anticipates to cooperate in areas of transportation, energy, IT and education within the BRI (The Voice of Armenia, 2019).

Economic Cooperation between China and the Kyrgyz Republic

In case of Kyrgyzstan, which is also a member of the EAEU and just like Kazakhstan and Russia has direct borders with China, the discussion for cooperating in the Belt and Road has been active since the beginning of the initiative. In 2014, the local economic forum dedicated to the cooperation within BRI was held in Kyrgyzstan. Due to the forum, 8 strategic partnerships valued at about $5 billion were approved. One of the major agreements in road infrastructure includes the "North-South" corridor, which costs $850 million and was financed by the Asian Development Bank (RIA News, 2018). There is also "Chanyang – Tyan Shan" road network that will pass through Kyrgyzstan, Kazakhstan, and China, adding $600 million more to the country's debt. As for the investment in the energy sector, China started construction of the pipeline that will deliver gas through Tajikistan to China passing through the territory of the Kyrgyz Republic. The gas pipeline will have 215 km length and will cost $1.5 billion (Chunxia, 2018, pp. 27-28). By the end of 2018, a Chinese company also invested $2.9 billion to construct two oil refinery and production facilities in the Kyrgyz Republic. Since the ecologically clean energy sources are considered the priority in the country, the government signed a deal valued at $3 billion to build a new hydropower plant (Kuzmina, 2019).

As of today, the main directions of cooperation with China include energy projects, mining of mineral deposits and transport infrastructure. In 2018, there were 170 joint enterprises in Kyrgyzstan which added about $55 million of tax revenues to the state budget. Unlike in any other country of EAEU, infrastructure projects in Kyrgyzstan are built dominantly by Chinese companies. In the last few years, Chinese enterprises invested billions of dollars to build a number of joint-stock companies and enhance infrastructure. Chunxia designates the following major investment projects (2018, p. 29):

i. The “Datka – Kemin” power transmission line, costing $390 million

ii. The “Junda” oil refinery plant, costing $300 million

iii. The upgrade of the thermal power station in the city of Bishkek, costing $386 million

iv. The goldfield development in the “Taldy - Bulak” region valued at $200 million

While the aforementioned enterprises can open more job opportunities to locals and contribute to the economy, the fact that the foreign direct investment were provided mostly by China implies a high concentration risk. Although, China provides the loans to Kyrgyzstan without hesitation, it is also country’s single largest creditor. As of 2018, share of Chinese banks in external debt of economy increased to 45%. According to study by the Eurasian Development Bank, by the end of 2018, country’s public debt totaled at 56% of GDP and is expected to further grow in the next five years (Vinokurov et al., 2020, pp. 7, 17). Because the share of debt denominated in foreign currency is high, Kyrgyzstan is vulnerable to shocks caused by global economic recessions and changes in prices or currency exchange rates. While BRI partnership promises to help Kyrgyzstan to push its economy, it also induces operational risks associated with creation of joint-stock companies that will exist in critical industries, including energy and mining of mineral resources.

Despite the possible risks, the government of the Kyrgyz Republic believes that the enhancement of economic cooperation within the Belt and Road Initiative is the primary way of enhancing the economic well-being of the country. In order to minimize debt risks and speed up implementation of a new projects, the government sees the establishment of a new market infrastructure institutions and international economic commissions as the strategic steps in optimizing cooperation with China and other countries (K-News, 2017). It is estimated, that if Kyrgyzstan will manage its risks of Belt and Road partnership wisely, the real income growth can increase by up to 5% annually, which implies a steady improvement in the well-being of the country’s citizens. At the same time, improved connectivity should enhance a country’s access to export trade (Ruta et al., 2019, p. 68).

Economic Cooperation between China and the Republic of Kazakhstan

The Republic of Kazakhstan is the second strongest economy in EAEU and is considered one of the most important economic partners of China, its geographic neighbor and the country where the Belt and Road Initiative was firstly announced. Kazakhstan believes that the BRI will help to drive industrial development and can effectively indicate the soft spots in the country’s economy (Maksimtsev & Mezhevich, 2017). In the last 10 years, China invested more than $15 billion in the projects in Kazakhstan, taking an active role in the industrialization process

(Transport Committee, 2018). Furthermore, 51 Chinese companies already agreed to establish their branches in Kazakhstan and the financing for this cooperation was valued at $27.7 billion. The agreement started in 2015 and it is expected that such cooperation should create 20 thousands more job positions (Nuryshev, 2018).

Since two out of six Belt and Road corridors are passing through Kazakhstan, the country can benefit by taking transit fees from the participant countries. In fact, some of the international transport corridors are ready. One of them is a China-Kazakhstan part of the “Western China – Western Europe” route. Along this road, the two major transport-logistics hubs “Dostyk - Alashankou” and “Altynkol - Khorgos” are located near the Kazakhstan – China border. These hubs are considered special economic areas and will boost Kazakhstan’s bilateral trade with China and Europe (Rakhimov, 2014, p. 139). Another infrastructure project that was launched due to the BRI is the railway corridor that passes through Kazakhstan, Turkmenistan, and Iran. This corridor has a length of 900 km and can help strengthen Kazakhstan’s position of the Eurasian international hub (Transport Committee, 2018). Despite the fact that country is landlocked, China has leased a Lianyungang marine port located on the coast of the Yellow Sea. Operating since 2015, this port allows Kazakhstan to send freight ships with export goods from China to Europe. It is expected that by 2020, more than 500 thousand freight containers will be processed via the port annually, making Lianyungang a notable transit hub in Belt and Road progress (Bukeyeva, 2016). In this way, Kazakhstan gained strategic access to both maritime and land infrastructures of the BRI, which should bring long-lasting benefits for country’s economy.

The investment projects in energy will remain one of the priorities of the Belt and Road. Almost for a decade, China has been a major importer of oil products, replacing the US from the leading position. While China managed to enhance domestic capacities in oil refinery and production, the growing demand requires to seek for new markets. Today, Chinese oil companies have partnerships in such regions as Africa, South America, Middle East, and Central Asia. In this way, Kazakhstan, which is an oil-rich country, unsurprisingly has a number of cooperation initiatives in such a strategic sector. In 2018, more than 25% of oil in Kazakhstan was extracted by Chinese companies (Kulmaganbetova, 2017). Therefore, to optimize the transportation of oil, China is investing more and more in the construction of pipelines. In 2019, two new pump stations were launched to transfer crude via the Kazakhstan-China Pipeline network. The new pump stations will serve to bring the “Atasu - Alashankou” export pipeline to its full capacity of 20 million tons of crude oil annually (KCP, 2019). Besides the cooperation in transport infrastructure and energy, Kazakhstan is actively working with China in other industries. From 2015 to 2017, three joint manufacturing facilities were launched (Ishekenova, 2018):

1) The powder polypropylene plant in Pavlodar region that allows producing 70 thousand tons of product annually. The investment in the plant was valued at $12 million.
2) The Chinese JAC automobile manufacturing facility capable of producing up to 3 thousand cars annually and will allow exporting products to EAEU countries. With the initial investment $22.5 million, the Chinese institutions plan to invest $1 billion more into Kazakhstan’s automobile production in the next 10 years.
3) The canola oil plant capable of producing 1 million tons of oil annually. The investment amount was equal to $19 million and the plant products will be exported to China.

The above joint productions are categorized in chemistry, automotive and food industries, which implies that Kazakhstan’s cooperation with China is rather diverse. Although, such diversity is unsurprising considering that two countries are sharing the geographic borders and cooperate within BRI from the very announcement of the initiative. In spite of the fact that the

China's investments do not represent a charitable initiative and eventually the loans will have to be repaid, the new enterprises are able to generate profits, contributing to Kazakhstani economy. Due to the growing mutual cooperation, more than 180 companies from Kazakhstan are allowed to trade their products with China. As of 2018, the export trade of the primary industry products with China brought $5.6 billion of profits to Kazakhstan. The country also plans to enhance volumes of meat exports to China up to 100 thousand tons per year (Amrebayev, 2018, p. 39).

In addition, Kazakhstan realizes 19 projects in the agricultural sector with a cumulative investment valued at $1.7 billion. The plants will be able to make products for local markets and export crop products and processed meat to China. Both sides agree that the cooperation between the two countries in agriculture is beneficial since Kazakhstan has large crop production areas and wide availability of the fertile lands. On the other hand, the demand for organic products of agriculture, including meat is growing in China each year, creating new opportunities for export production in Kazakhstan (Surganov, 2016). According to Kazakhstan's Ministry of Agriculture, in 2019 Chinese companies will receive access to more than 20 industrial areas of cooperation across the whole country. Some of the areas will lay a foundation for a range of agricultural facilities. The projects will include meat processing plant, quarantine station for cattle imported from Kazakhstan to China, camel milk production facility, as well as a factory for the production of pesticides, seeds, and fertilizers. While the new projects will help to further increase local production and exports, the existing agriculture facilities in Kazakhstan also work actively with China to enhance their presence on the Chinese markets (Ministry of Agriculture, 2019).

Although Kazakhstan is having a prolific interaction with China in the framework of the BRI, the cooperation does have some challenges. One of the major examples is that the investments of Chinese energy companies in the oil and gas industries are characterized by contracts that might counteract with national interests of Kazakhstan. As an example, to limit the volume of cooperation in energy with foreign enterprises and optimize control over the "Central Asia – China" gas pipeline, a special policy was established by the Kazakh parliament. This policy was composed in a way to supersede international agreement, in case the government finds that the terms of cooperation jeopardize economic well-being of the Kazakhstani economy. However, if the tendency of cooperating on the conditions that limit presence of international companies will continue, it might reduce the rate of development of the Kazakhstani energy industry. Nowadays, China has control of about 30% of the oil industry in Kazakhstan, and this number is expected to grow in the near future. Since the Kazakh government sees the expanding international presence as a source of concern, the new policies to decrease a presence of foreign companies are to be established. While such policy might help Kazakhstan to increase a control over national assets, these policies might make the country less appealing for international investors in the industrial sectors (Chikanayev, 2017).

In case legal challenges of the cooperation in industry will be resolved, it is expected that Kazakhstan will be able to increase its GDP by up to 5.5 percent annually. However, without stable BRI investments, the growth is expected to be up to 4 percent per year (Gorbunova, 2018). The Belt and Road strategy is a chance for Kazakhstan to diversify its economic potential via investment into a range of industrial sectors. Furthermore, using Chinese technologies and funding will facilitate Kazakhstan's ambition of becoming one of the largest transit hubs in Eurasia, while investment in agriculture can allow starting the expansion of Kazakh production onto the Chinese markets, where the demand of ecological food products is growing.

Still, Kazakhstan managed to develop a strong legal framework for attracting foreign direct investments in general. Thus, to become the primary partner of BRI among EAEU states, the Kazakh government will have to adjust its economic strategy and policies in the way to limit presence of foreign enterprises in energy sector, but still foster the industrial development and provide favorable terms of collaboration to potential investors (Chikanayev, 2017). It is important to remember that China is a country with strong economy, well-developed technical capacity, and ample financial resources. By this reason, Kazakhstan is going to benefit significantly from continuing its course of building economic partnership with China.

While the economic cooperation is an essential component of the Belt and Road Initiative, it is also true that the full potential of the bilateral relations cannot be achieved without mutual tolerance. With that in mind, tolerant attitude among the local populations is also important for progress of the Belt and Road Initiative in Kazakhstan. For that purpose, collaboration in education, entertainment and touristic industries is essential for both countries. Every year, Chinese officials also promote cultural interaction by regularly organizing exhibitions of museum collections of the Ancient Silk Road in various parts of Kazakhstan (Chernyavskaya, 2019). To foster partnership in education, in the period from 2015 to 2018, four departments of Kazakh language studies were launched at universities in Beijing, Xian, Shanghai and Dalian. Furthermore, China is becoming increasingly popular as destination for students from Kazakhstan. As of 2019, more than fourteen thousands of Kazakh people were studying at Chinese universities (Nuryshev, 2018). It should be no surprise that tomorrow these fresh graduates might serve important roles in fostering cooperation in industries, and assist in establishing policies and standards for BRI cooperation.

Analysis of the cooperation between EAEU countries and China within BRI strategy

The Belt and Road brings a range of benefits to the countries that agreed to participate in this global strategy. In the period of 2013-2018, Chinese companies invested more than $60 billion, built 82 areas of international trade partnership, creating more than 200 thousands of job positions. (Xinhua News Agency, 2018) By the middle of 2018, more than 1670 projects were launched in about 70 countries. However, only 14% of them encountered minor difficulties, which is no more than 240 projects. This indicates that the rest 1400 projects are being conducted according to plan (Benli, 2019). Only in 2018, freight trains from China to Europe made more than six thousand trips, which was twice as higher compared to the previous year (CFTS, 2019). These impressive figures prove that positive cooperative effect due BRI is real, and should serve as motivation for EAEU to become a proactive partner of the initiative.

As was presented in this chapter, all the countries of the Eurasian Economic Union are collaborating in the framework of BRI to enhance their transport connectivity and attract investments to facilitate industrial development. Depending on the economic viability and needs of each individual country, the BRI financial institutions can allocate funding onto a variety of industrial sectors. In the case of Russia, which is the strongest economy of the EAEU, the projects are dominantly realized in energy sector and communication infrastructure. On the other hand, Belarus is focused on attracting Chinese investment to leverage the development of its technology sector and establish joint enterprises with hi-tech companies from all over the world.

The other three countries of the Eurasian Economic Union are Armenia, Kyrgyzstan, and Kazakhstan. These Asian countries can be described by low population density, high ethnic diversity and a massive amount of natural resources. In order to boost their economies, Asian member-states of EAEU need to build new roads, railways, airports and telecommunications networks. As a way to better exploit natural resources, Armenia, Kyrgyzstan and Kazakhstan also need to attract foreign enterprises that possess sufficient technical expertise and construction supplies (Cohen & Grant, 2018). This is where Chinese firms, as well as financial institutions, are willing to provide their services. However, not all of the EAEU member-states have as productive relationships with China as Russia or Belarus. While Armenia managed to use Chinese finance to enhance its infrastructure connectivity with neighboring countries, its industrial interaction is limited due to the lack of resources to repay new debts. In addition, the exogenous factors, like the decline in prices for precious metals diminished the economic profitability of the joint projects with China. By this reason, Armenia is working to accomplish the projects under construction and has to rely on the sponsored aid from China.

Unlike Armenia, Kyrgyzstan shares geographic borders with China, which partially explains the more intense and prolific collaboration under the guidance of BRI. From the launch of the Belt and Road plan in 2013, billions of dollars were invested by Chinese enterprises to help construct road and railway infrastructure as well as lay oil and gas pipelines across the territory of the Kyrgyz Republic. In addition, joint enterprises are being established to facilitate the extraction of mineral wealth and precious metals, thereby promoting long-term economic growth. Although, China provides the loans to Kyrgyzstan without hesitation, because of the rising level of indebtedness to a single country there are concerns about the high debt loads for the government that might undermine the economic well-being of the country. As part of the preventative measures, Kyrgyzstan is working to establish financial institutions and economic commissions that would help to protect the country from the economically unviable projects.

Finally, because of its geographic location and abundance of mineral wealth, Kazakhstan is cooperating prolifically with China to construct the important rail and road networks of the

Silk Road Economic Belt. The country aims to become an essential transit hub on the way from Europe to China, and is often referred as the "Buckle in the Belt" of the BRI due to its strategic location in Central Asia (Runde, 2015). Five years after the Belt and Road Initiative was launched, Kazakhstan signed more than fifty deals with an investment value higher than 27 billion dollars. The cooperation treaties include chemical, automotive and agricultural sectors and should create thousands of new job opportunities in the near future. Today, the main challenge in cooperation with China is seen in the energy sector, where the legal frameworks of joint enterprises have priority over the national regulations. To address the issue, the government is trying to find a balance between having the right to control the strategically important assets and still remain attractive to Chinese investors in the energy sector.

The analysis of economic cooperation showed that the countries of EAEU today are relatively safe from the debt distress compared to the controversial cases of Sri Lanka or Malaysia. Due to their fast-growing industrial sectors and abundance of mineral resources, Russia, Belarus, and Kazakhstan can be considered as the low-risk countries from the debt repayment perspective. These states have enough financial resources to continue working on the launched projects and consider even more cooperation deals. On the other hand, Armenia and Kyrgyzstan have a higher risk of a facing debt distress, because China has a major share of loans in both of these countries. Therefore, to prevent economic downturns, Armenia and Kyrgyzstan will need to ensure repayment of loans on time and limit the number of new projects.

From the common practice of the Chinese investment funds, credits provided in the framework of BRI have concessional interest rates. To have an idea, two percent is a popular interest rate for the loans taken from Chinese investment institutions (Yingqun, 2019; Zhang & Miller, 2017). While this rate does not seem high from a first glance, at this point many countries cumulatively owe billions of dollars in debt to Chinese banks. With 2% interest, these loans equate into hundreds of millions of dollars in profit to banks and funds. Understandably, the repayment process can be long and sometimes even daunting for the countries agreed for infrastructure investment. Since China is interested in the positive image of BRI, it does provide support for economies under risks of debt burden and was known to write off loans with a worth of millions of dollars. Other measures of Chinese banks and investments funds include debt restructuring or forgiving interest rates on loans (Hurley, Morris, & Portelance, 2018).

However, even if any of the EAEU countries will be burdened with loans, it will be in the best interest of wealthier member-states to assist their peers by granting back up finance. Perhaps, a rational way of ensuring economic stability in the EAEU region would be establishing of the Investment Fund of the Eurasian Economic Union. On the analogy of the Chinese multilateral funds, member-states would deposit their financial resources to facilitate infrastructure development projects across the EAEU territory. However, in critical situations, the fund could serve to mitigate the consequences of economic downturns or relieve debt distress for the countries in need. As Russia is the dominant economy in the EAEU, it would become the majority stakeholder of such Investment Fund. This step would help Moscow to exercise its soft power in the Eurasian Economic Union and retain a position of the key regional influencer.

The Role of China-Russia Relationships in the Interlinking of BRI and EAEU strategies

Partnership in Shanghai Cooperation Organization

Few years before the Belt and Road Initiative was announced, Chinese government already knew that strengthening of cooperation between the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Community (EAEC) was one of the steps towards aligning the long-term goals of China and post-Soviet states. This understanding came naturally, as the result of the partnership between China, Russia and other countries of the post-Soviet era (Chung, 2006). In 2015, after almost fifteen years of existence, the EAEC regional integration group that united a number of post-Soviet countries was effectively replaced by the new institution named Eurasian Economic Union or EAEU (Kaneshko, 2017).

As for the Shanghai Cooperation Organization, the background traces its roots in the process of reconciliation between China and the USSR in the late 1980s. After the disintegration of the USSR, partnership of the independent states evolved in the context of the “One Plus Four” formula, which included China and the four post-Soviet countries, namely Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. The group's annual meetings in each of the five countries became a common practice and formed a major forum for the discussion of key regional challenges, gradually complementing its agenda with economic, social and cultural cooperation, as well as environmental protection and management of water resources (Kembayev, 2018, p. 2). In 2001, the Shanghai five accepted Uzbekistan as a new member and established a proper institutional structure to ensure the commitment of cooperation between SCO members. Following that, in 2004 the official opening ceremony of the SCO comprised of six members started its operation. As of today, the main objectives of the SCO include:

1. Strengthening relations among member states;

2. Promoting cooperation in political affairs, economics, trade, transportation, tourism, and environmental protection, along with the development of scientific-technical, cultural, and educational spheres;
3. Safeguarding regional stability, security, and peace;
4. Creation of a democratic, equitable international political and economic order.

The SCO's two leading powers, China and Russia, expect that such an alliance should restrain the U.S. presence in Central Asia, which the two powers see as their spheres of strategic influence (Chung, 2006). China, nonetheless, views the SCO as an anchor point in its foreign policy, and the country undoubtedly has the strongest influence on the organization, given its the prominent role in the construction and institutionalization of the Shanghai process. In fact, the SCO was the first and only regional organization initiated by China until the establishment of the Asian Infrastructure Investment Bank (AIIB) in 2014. As it was already illustrated, AIIB today plays an important part in the construction of BRI projects due to the funding from China and other countries that participate in this grand initiative. As for the SCO, the organization also reflects the rise of China as an emerging global power willing to play a proactive role in regional and global affairs. This pathway has led the Shanghai Cooperation Organization to become a platform of international cooperation that is based upon trust and mutual understanding.

On the other hand, Norling (2007) argues that from a geopolitical point of view, the SCO can be viewed as a sophisticated tool for Chinese immersion into Central Asia, a region that was traditionally dominated by Russia, a major member of the organization. China though foresees the SCO to as a comprehensive organization dealing with regional issues of different complexity. Given that lately the Chinese perception of leadership has shifted towards the soft power approach, Beijing is also viewing the SCO as leverage that facilitates the development of the markets for trade and accessible energy resources. Over nearly three decades, Beijing has been enhancing its presence in the post-Soviet countries via both political and economic interactions. Hereby, in order to work out the interlinking between the BRI and EAEU, both China and Russia need to negotiate on numerous aspects. These include developing legal mechanisms of cooperation between Russia, China, and other countries involved, as well as solving practical issues that include technical aspects like rail gauge standards, legal factors like customs regulations and financial issues, including financial fraud risks. Although these problems might be insignificant initially, they can definitely arise into substantial barriers for mutual implementation of the Silk Road Economic Belt in the long term.

Importance of Sino-Russian Cooperation in the Belt and Road Project

The Chinese economy have been demonstrating extraordinary economic growth due to the Deng Xiaoping reforms in the 1980s, and appeared to be a catalyst for Russia's interest in the development of Moscow-led regional cooperation processes within the post-Soviet area. Yet, in spite of the increasing influence of China, Russia and Central Asian countries have been actively supporting the merits of the Shanghai Cooperation Organization and continued promoting its importance on the global arena. The SCO has been developing itself into a multilateral medium for the implementation of numerous economic projects. Kazcmarski and Rodkiewicz (2016) point out that this development is mainly driven by the China's desire to enhance its role in the region and beyond. Today, as Beijing desires to revive the ancient Silk Road and calls for establishing a closer regional relationship, the SCO may serve as useful platform for a dialogue between EAEU and China with regards to the Belt and Road Initiative.

On the other hand, it is also important to remember that China have a long-standing economic partnership with ASEAN countries, at least due to the successfully operating free-trade area that dramatically increased the turnover of goods between China and the ten states of ASEAN within the span of twenty years. In 2018, the total merchandise trade between countries of ASEAN and China reached $480 billion, making the Association of Southeast Asian Nations the second largest trade partner for Beijing (Xinhua News, 2019). As of today, the two political and economic partners are welcoming the idea of synergizing the Belt and Road Initiative and strategic goals of ASEAN, seeking the ways to increase cooperation in finance, transportation and infrastructure. Due to the fact that member-states of EAEU already have a significant volume of annual trade turnover with China, it is reasonable to believe that the successful cooperation within Belt and Road Initiative might also enhance trade partnership of Eurasian Economic Union and ASEAN countries. Idrissov et al. (2018, p. 14) believe that selective cooperation with the states of ASEAN might help to decrease costs of export goods up to 15 percent. However, in order to successfully expand the cooperation on trade markets in Southeast Asia, EAEU will need to better understand the trade interests of the ASEAN members. Therefore, partnership with China within BRI can help to unleash such an opportunity.

Apart from the clear economic benefits, the projects carried out under the BRI can be viewed as China's attempt to exert influence on the states in its neighborhood. In this way, implementation of the initiative will stimulate the foreign direct investments and trade by Chinese enterprises, which is going to foster the further economic expansion of China on the continent. On the other hand, Moscow views the Silk Road Economic Belt as a signal of the growing interest of Beijing in further increasing economic influence in Central Asia, thereby challenging Russian hegemony in the region. From geopolitical perspective, the BRI is not simply the network of transcontinental links between China, Asia and Europe, but also a plan to purposed to expand China's influence on the Eurasian landmass. However, Russia might still accept such a scenario, since the economic future of Central Asia, Russian Ural, Siberia, and the Russian Far East is closely tied with improved access to the trade markets of China and Europe. As per Li (2018), Moscow also sees the BRI as a major opportunity to capitalize on the demand of industrial facilities and agrarian clusters in the less developed countries by providing their own investment and technical resources. Thereby, the scenario in which Russia benefits from such demand should imply the development of new production centers, although the competition with Chinese enterprises is expected in such a case. Even competing, Russian and Chinese firms will create new opportunities for small and medium-sized enterprises, boosting industrial development in the regions (Ruta, 2018).

It is clear that Russia has ambitions of preserving its role of leading influencer in Central Asia and the EAEU region, and also aims to use BRI as a platform for expanding its industrial capacity. Therefore, Moscow’s ambition was to adjust the course of the BRI accordingly. In 2015, Russia proposed an enhanced vision of Eurasian economic cooperation, called the Greater Eurasian Partnership (GEP) or Greater Eurasia. Such a partnership presumes creation of a network of multilateral trade agreements between the Eurasian Economic Union, China, and the European Union. Perhaps, the Greater Eurasia addresses Russia’s intention to offset the growing asymmetry in Sino-Russian relations (Vinokurov, 2019). In terms of the strategic base of the Greater Eurasia Project, it can be assumed that Moscow is choosing to adapt to the growing economic influence of China rather than attempts to counterbalance it.

Nonetheless, numerous pro-Western academicians treat the concept of the Greater Eurasia as a political tool intended to persuade China and the Western Europe to cooperate with EAEU economies on Moscow’s terms. The concept of the Greater Eurasia has been widely discussed at the highest levels of Russian academia and policy-makers that see the GEP as one of the important guidelines in Russian foreign policy for the foreseeable future (Indeo, 2016). As part of this vision, the Greater Eurasia can be considered as Russia's pivot to Asia, home of the economic and technological markets of the future. Escobar (2018) believes that Russia's experts involved in promoting the idea of the Greater Eurasia, including Lissovolik, Diesen, and Karaganov, work to promote establishment of the new integrated economic partnership as a way to reinforce Russia's political dominance in the Eurasian Economic Union.

The announcement of the Greater Eurasia shortly after the Silk Road Economic Belt exposed strong motivation of Moscow to enhance its influence in regions of EAEU and Central Asia. However, because the Greater Eurasian Partnership is still a theoretical framework, it is the Eurasian Economic Union that today takes the role of the major influencer on the post-Soviet space. As billions of dollars were invested into the development of infrastructure in Central Asian economies, including Kazakhstan and Kyrgyzstan, it should be of no surprise that China aims to adapt the region to its strategic needs, especially because EAEU and Central Asia will carry three of the six economic corridors. For Beijing, both Central Asian region and EAEU countries comprise an important land network for international trade that can allow China to reduce dependence on the maritime corridors and diversify its economic strategy (Escobar, 2018). In the short-run, competition between Russia and China might be beneficial for the Central Asian states, allowing them to sign the most cost-effective deals for the well-being of their economies. However, in the long-run Russia and China might start competing for the cooperation with the Central Asia and the countries of Eurasian Economic Union.

In this way, BRI and Eurasian Economic Union might become the tools of China and Russia used to push their geopolitical influence. If the interests of the two grand economic agendas will be conflicting, the effectiveness of cooperation with Central Asian states might be undermined (Kaneshko, 2017). On the other hand, because the Belt and Road Initiative aims to the develop infrastructure, while the Eurasian Economic Union today focuses on aligning policies of trade and cooperation, it is safe to assume that the two entities view the concept of bringing economies closer together from the different angles (Libman, 2019, p. 256). Therefore, the difference of strategic agendas can actually be seen as factor making the strategies of EAEU and BRI practically compatible. Considering that, it makes sense to synchronize the visions of BRI and EAEU and achieve a synergy of the Sino-Russian development model. In this way, the EAEU countries and Central Asian states would be able to focus their long-term efforts on building the more connected and cooperative Eurasia with an abundance of transport corridors, instead of having to choose between the two different visions (Dave, 2018, p. 100).

The Role of Transport Connectivity in Synchronization between EAEU and BRI

Today, it is difficult to describe the Belt and Road initiative as a conventional plan or reform, mainly because too early to measure its achievements. While the first mention of the initiative is dated in 2013, there is still no sufficient information about the total number of projects or all the countries with confirmed practical involvement, making the strategy amorphous to some extent. Unless China considers the institutionalization of BRI, it will be difficult to categorize, whether business deals or investment opportunities contribute to the grand strategy or rather being conducted as independent projects (Indeo, 2016). This, in turn, might create barriers in assessing the progress of the BRI credibly, because the unsuccessful projects might be concealed or represented as those that are unrelated to the initiative.

For example, one of the priority projects for the Belt and Road initiative was the construction of a high-speed railway between Moscow and Kazan, which was consequently stalled. The railway was supposed to be a foundation stone in the building of a transnational railway connecting Moscow with Beijing, which was later planned to expand to a Eurasian railway project, connecting Beijing, Moscow, and Berlin. However, the projects appeared to be economically unviable due to the requirement of huge capital injections with unjustifiable revenue projections, hence it was decided to freeze the project until the feasibility of the railway is reassessed. Even when the project continues, valuable time will be lost, making the expensive and overdue project a questionable contribution to the overall progress of BRI.

This example demonstrates an ambitious nature of the project, which sometimes neglects the assessment of economic feasibility and therefore might run into implementation troubles, affecting the image of the grand strategy (Li, 2018). Sometimes, the mega-projects of Belt and Road do not yet guarantee an expansion of the transport capacity between China, EAEU and Europe. Vinokurov (2019) believes that the projects should be aimed at selective elimination of transport infrastructure bottlenecks, which can be managed with limited investments of capital: construction of additional railways, electrification of new railway sections, modernized locomotives, improvement of cross-border infrastructure and etc. As for the larger transport corridors, Alexander Lukin, an expert on the Shanghai Cooperation Organization, stresses out that successful implementation of the projects of transnational importance will require synergy between the EAEU, SCO, and BRICS (Escobar, 2018).

The key to success for both BRI and GEP is in the timely consideration of challenges that might arise during the implementation of major connectivity projects. Again, some of the key strategic land routes of the BRI run via Russia or Kazakhstan, which indicates that EAEU and BRI will benefit from complementing each other. Apart from the transport corridors that pass in Central Asia, China is interested in developing routes in the Far East of Russia. In this way, Vladivostok is the point of access to Eurasia for Japan and South Korea, as well as Russia’s entry point to Northeast Asia. In case other countries of the EAEU will consider enhancing trade partnership with Japan and Korea via maritime routes, the role of Russia as of important intermediary might only increase. The Belt and Road Initiative should reinforce Russia's position as of the economic and geopolitical crossroad linking the economic systems of North Eurasia, Central and Southwest Asia (Vinokurov, 2019). Therefore, diverse and valuable transport corridors along the China - EAEU - EU axis serve as a valuable argument for the emerging synchronization between the Russian and Chinese strategies.

In the mid-term perspective, to achieve optimum effect from the aligning of the two strategies, a higher degree of internal connectivity within the Eurasian region has to be developed. The construction of a modern railway and road transport corridors in Kazakhstan, Kyrgyzstan, Russian Ural, and Siberia should address such priority. In addition, development of North-South corridors crossing Russia, Central Asian states and South Caucasus, should provide benefits in terms of boosted economic exchange and might also raise mobility of labor force (Ruta, 2018). However, to develop truly multipolar cooperation, China and Russia should put aside their geopolitical competition and instead focus on building quality infrastructure together with their geographic neighbors. In this way, the unification of custom clearance standards, decreasing export taxes, transparency of the financing for major infrastructure deals, and exchange of the best practices in industry and agriculture might foster the aligning process. Both powers may become helpful allies due to their shared objectives of restructuring global market chains and improving regional connectivity.

While it is clear that Belt and Road is already making real progress in promoting cooperation with EAEU countries, the long-term perspectives of cooperation between EAEU and Belt and Road Initiative are yet to be seen. In order to ensure that the EAEU and China will equally benefit from the integration of the two grand economic initiatives in the long-term, all the sides have to be actively involved in the interlinking process. Nevertheless, because of its economic power and political influence, it is expected that Russia will have a more dominant role in the process of interlinking between the two strategies than other EAEU members. Perhaps, as the way to address possible challenges, the special international commission for interlinking of the two economic initiatives can be established. Such commission would consist of the officials that represent interests of the five states of Eurasian Economic Union as well as China and would work together to ensure safe, effective and timely consideration of the possible cooperation issues. Moreover, the commission's activity might help to resolve negotiations on such aspects as policy-making, planning of infrastructure projects, financing decisions, environmental protection and other aspects that can arise during the course of interlinking.

Challenges of the Belt and Road Initiative

Debt Implications of the Belt and Road Initiative

As of 2019, up to 70 countries and organizations signed trade and infrastructure deals with China. The major agreements were in the construction of maritime and land routes aimed at linking the whole Eurasia as part of the Belt and Road Initiative. Hillman (2018) estimated that Chinese investments in BRI are going to reach up to $8 trillion by 2020. Proponents of the BRI believe that the initiative is beneficial to all countries around the globe, while critics claim that global initiative is used by China primarily to enforce its geopolitical influence. One of the main discussion areas of the BRI is debt - trap diplomacy of China. Both opponents and supporters of China's development plan have their own arguments that will be discussed below.

Numerous pro-Western sources claim that China's initiative significantly increases the risks of defaults and economic downturns. According to Washington Center for Global Development Research (2018), out of 68 partner countries of the BRI, there are 23 economies with credit ratings below recommended minimum for investments, and there are 8 countries facing a high risk of debt distress. These eight countries include Djibouti, Kyrgyzstan, Laos, Maldives, Mongolia, Pakistan, Tajikistan and Montenegro. Korostikov (2018) argues that because the debt repayment process can take decades in Belt and Road countries exposed to high credit risks, there is a high possibility that above eight countries will experience economic recession. According to Russia's Vesti Finance News Agency (2019), more and more countries have to reduce their budget spending or delay construction processes. As an example, Islamabad delayed the bilateral project of the coal plant with an estimated cost of $2 billion for an unspecified period. Secondly, Myanmar reduced the budget for the port in Rakhine State due to the critical volumes of debt owed to China. Furthermore, Sierra Leone, one of the least prosperous African countries, had to cancel construction of an international airport costing $318 million due to insufficient commercial viability of the project.

One of the most criticized examples of infrastructure projects with China is referred to Malaysia. In 2018, Mahathir Mohamad, the former prime minister of Malaysia, suspended a major project of 690-kilometer railway link. According to Reuters (2018), this project had to be halted due to economically unviable contract terms. Particularly, the estimated project cost reached $20 billion, which was 50% higher than the initial estimates. One year later, Malaysia managed to renegotiate the terms of partnership with China by reducing the construction costs by 30% and limiting the budget for projects, which regained the support in BRI from the new administration of Malaysian government (Lo, 2019). Another prominent example of criticism towards China's investment policies is associated with Hambantota Port of Sri Lanka. In 2017, Sri Lanka was unable to continue paying interest on debt to China due to economic distress in the country. As the result, the government had to pledge the marine port for a 99-year lease to China in compensation (Abi-Habib, 2018).

This deal became a topic of hot disputes in the major international media outlets and raised concerns about the debt trap diplomacy of BRI. One of the main concerns was regarded to high interest rates on the loan provided by Chinese investment funds. It was stated that the loan provided to construct the port was higher than the concessionary rate of 2 percent for many BRI projects around the globe. In fact, only up to one-third of the $1.3 billion loan provided for implementation of the Hambantota was higher than 2 percent. As for the debt-trap diplomacy, it is correct that the 70% of the port area was handed over to Chinese company in lease. However, there was no instance of debt-to-asset swap, and the rest 30% of the port is still available to use by Sri Lanka's port authority. In fact, only 10 percent of country's total debt is attributed to

China (Wheeler, 2020). Unlike in Kyrgyzstan, where external debt to China exceeded 30% making it the country's largest creditor, Sri Lanka does not face similar risks, which makes the claims about debt-trap diplomacy of Belt and Road Initiative unwarranted.

On the other hand, it is reasonable that Chinese banks are reluctant provide loans in cases when a borrower cannot collateralize the deal with a valuable asset. Perhaps, this is a way Chinese investment funds ensure that their clients will be motivated to repay the loaned sums on the stipulated conditions. While the Marine port in Sri Lanka may be unprofitable in the short term, it does have a high potential to generate profit in the future due to its strategic importance for China. Since the Hambantota port is located in the waters of the Indian Ocean and connects trade routes of Asia, Africa, and Europe, it has a high value for the development of Maritime Silk Road. Nevertheless, the case of Hambantota should be considered as an exception rather than a rule, as recent studies revealed that China provided debt relief to dozens of problematic infrastructure deals around the globe in the course of BRI (Stone, 2019).

Taking a broader view, Yiwei (2019) states that China's rapid economic development starting from 1980s was supported the borrowed money from the World Bank and Asia Development Bank (ADB). Up to now, the World Bank lent Chinese companies about $5.3 trillion that were used to boost the economics of China. Since China emerged as the World's second most powerful economy, it invests in the less developed countries by granting them loans, which the World Bank, IMF or other prominent institutions would be unwilling to provide due to high credit risks. This is the case in Africa, where numerous economies face notable risks of debt distress and still require infrastructure development. In the recent study by China - Africa Research Institute (2019), more than one thousand of Chinese loans in Africa with a combined worth of $143 billion were analyzed. Based on findings, it was concluded that the debt risks in numerous African countries partnering in the scope of BRI are rather moderate (Weihua, 2019). According to another study published by Rhodium Group in 2019, there were instances of renegotiations in favor of debtors for twelve African states. These debt restructuring cases include deferment of payment, partial write-offs or forgiving interest on debt (Kratz et al., 2019). Combined, these renegotiations amounted in hundreds of millions of dollars and served to improve bilateral relations. On the other hand, it is also true that the debt relief cases are usually accompanied by additional lending from Chinese investors. During the China – Africa forum in 2018, numerous African economies were granted write-offs on the previous loans with China. However, African countries were provided with a series of concessional loans and a credit line amounted at $20 billion for future deals (Reuters, 2018b). Therefore, the important caveat for countries involved in the Belt and Road partnership is that even favorable debt restructuring does not necessarily lead to ease of economic conditions in a country.

The study by Hurley, Morris, & Portelance (2018) that analyzes debt vulnerabilities of the numerous BRI projects stated that 23 countries-participants of BRI are at risk of debt distress, and 8 of them in the high-risk areas, as illustrated in Figure 15. The chart projects how the level of debt to China compares to the total indebtedness of each specific country, and whether the amount of accumulated debt is risky for the country’s economic stability. Looking at the projections on the Figure 15, it is clear that three of the five EAEU states face risks of debt distress. As of today, Kyrgyzstan is associated with high debt risks, while Armenia and Belarus stand close to the threshold and might enter the high-risk area if they overestimate their repayment capacity and take too much of the foreign investment.

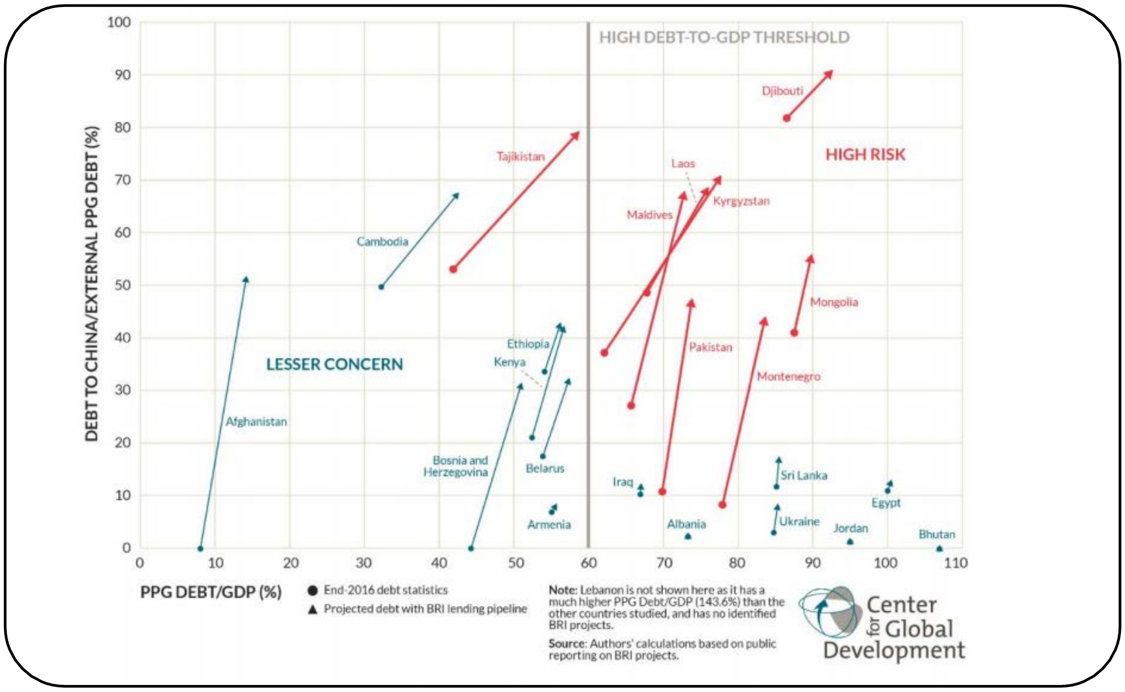


Figure 15. Examining the debt implications of the Belt and Road Initiative from a policy perspective. Adapted from (Hurley, Morris, & Portelance, 2018, p.12).

Apparently, Belt and Road Initiative is a grandiose plan that will require trillions of dollars of investments in the long-term. When the massive investments are involved, it is the cases of debt distress and corruption that represent primary sources of concern, especially in the poor and developing economies. In the exceptional cases, like Hambantota port, the loans provided by China are collateralized with a partial control of strategic assets. However, Beijing is unlikely to practice such method often, as it negatively affects the brand of Belt and Road Initiative. Ruta et al. (2019a) believe that to minimize debt risks, China has to adopt comprehensive fiscal policies and regulation systems that would improve transparency and supervision on projects. Moreover, intense coordination between government bodies, banks, and private sector firms is also important as a way to improve debt sustainability.

According to Hurley, Morris, & Portelance (2018), it is estimated that China was a creditor to 31 out of the 36 Heavily Indebted Poor Countries (HIPC), and provided debt relief for 28 of them, including full write-offs of loans for Burundi, Afghanistan, and Guinea. Although Armenia and Kyrgyzstan also face risks of debt distress, it is highly doubtful that China will consider strict measures against them. Firstly, the territories of all the EAEU states are strategic for the development of transport corridors of BRI. Therefore, it is reasonable to assume that China will be willing to allow for debt restructuring or debt relief in cases Armenia or Kyrgyzstan will experience economic downturn. Secondly, because the EAEU is interested in economic stability of its member-states, there is a notable reason to believe that the economies of Eurasian Economic Union could be supported, in case an alternative solution would not be achieved with Chinese funds. Besides, if the implementation of the transport networks is going to be successful, the incurred costs on infrastructure projects will be justified. Thus, even if China receives less of the repayment on loans than expected, it could be counted as short-term losses needed to gain long-term advantages.

Geopolitical Implications of the South Asian Region for China and EAEU

Considering the geographic and economic scale of BRI, there is no surprise that the initiative is actively discussed and sometimes even judged by international media outlets and scholars that provide insights on the challenges associated with the infrastructure projects. The idea of many scholars depicting the Belt and Road as an initiative aiming to spread Chinese geopolitical dominance across the continent is a popular one. In order to better realize whether the EAEU member-states might face geopolitical challenges during the cooperation in BRI, this section will analyze the diplomatic tensions between China and India.

Before diving into the topic, it worth mentioning that there is a widely discussed geopolitical concern, which compares Belt and Road strategy with the US Marshall plan (Chen, 2014). As it was already mentioned, the BRI and the Marshall plan are similar in that both strategies aim to export their technology and financial resources to the countries that need a push in industrial development. As for the Marshall plan, it helped the US to extrapolate its geopolitical influence onto numerous European countries after the Second World War and established the USD currency as international means of payment. Shen & Chan (2018) argue that while China does have the ambition to expand the circulation of Renminbi among Belt and Road countries, it does not seek for the geopolitical influence in the region, and instead focuses on the economic aspects of cooperation. In addition, unlike the Marshall plan which intended for the European region, the BRI is open to any country on the Eurasian continent and because of that has a diverse geographic presence.

Some of the pro-Western experts believe that Beijing exercises its geopolitical power by building the overseas military bases with some of the BRI countries. Cohen and Grant (2018, p. 10) argue that by collaborating with China in security and defense, Belt and Road states undermine their relationships with the US. Other critics believe that by building military bases abroad is a part of China’s plan to annex the strategic assets or territories of countries that were burdened with debt. However, the Chinese officials made arguments against such claims, stating that although China does have a military presence abroad, it is used to maintain peace and security in the region. In addition, because the military forces abroad have a defensive character, they have a much smaller presence compared to other countries, including the US (Anderlini, 2018). Since the EAEU countries were not known to organize a joint military block with China, there should not be a place for concern about jeopardizing diplomatic relationships with the US, although it does not guarantee that such interaction won't arise in the long-term.

Although Belt and Road aims to foster industrial development and improve connectivity on the continent, not all the countries are ready to embrace the change of China's grand vision. Sometimes, unexpected geopolitical challenges may discourage the cooperation and this what China experiences with India today. In 2017, India omitted the international Belt and Road forum due to the country's concerns about the China-Pakistan Economic Corridor (CPEC) industrial project. India's discontent was caused by that the part of the corridor was passing in the areas of Kashmir that were subjected to territorial disputes between India and Pakistan. In this way, the portion of the corridor in Kashmir, which is administered by Pakistan but claimed as Indian territory has become a problem that impeded Indian government from direct participation in China's initiative. As of today, China invested more than $27 billion in the CPEC, which is considered an essential project because it will help both countries to become better connected to the Indian Ocean and can improve their maritime trade (Kamdar, 2019). Baruah (2018, p. 4) believes that instead of perceiving the BRI as a brand-new initiative, it would be more useful to consider it as a compilation of various bilateral projects that began long before the Belt and Road was announced. For example, the construction of the Bangladesh-China-India-Myanmar (BCIM) corridor, which is an essential part of China's strategy, was discussed from the early 1990s.

While the BCIM is one of the six major corridors of the Silk Road Economic Belt, the geopolitical complications between India and Pakistan do not allow China to establish proper terms of cooperation for this infrastructure deal. It serves as an indication that while many countries on the continent support the BRI, unexpected geopolitical issues might counteract the progress of the initiative. In line with the BRI connectivity plan, there are three transport corridors that are going to pass near the Indian territory: China - Pakistan Economic Corridor (CPEC), Trans Himalayan Economic Corridor (THEC) and Bangladesh-China-India-Myanmar (BCIM) corridor. While the first route is currently subject for territorial disputes, second aims to connect China with India via the territory of Nepal. Finally, the BCIM is the long-delayed project that is going to unveil itself when China and India will reach a consensus on that corridor (Baruah, 2018, p.3). All the three routes either run close or going to intersect with Indian territory and therefore have strategic importance for New Delhi. The fact, that China will cooperate with India’s geographic neighbors via these corridors concerns the latter country because construction of these routes might influence the power dynamics in the South Asia.

Maçães (2019) states that although BRI is a genuinely multilateral initiative that aims to bring mutually beneficial terms of cooperation, its current conditions do not satisfy India’s ambitions. Instead, there should be multiple powers on the Eurasian continent that will be proactive in providing opportunities for economic cooperation. In this way, New Delhi might consider collaborating with Japan, France or Germany provide viable alternatives to the China’s connectivity plans and thereby influence the distribution of the soft power in the region (Baruah, 2018, p. 27; Wagner & Tripathi, 2018, p. 4). Furthermore, New Delhi already works on the Act East policy that will allow improving connectivity and cooperation between India, South Asia, and ASEAN countries. In fact, India already invested billions of dollars in constructing the new road networks with Myanmar and Thailand, developing seaport in Indonesia, building highway and dam in Afghanistan, constructing bridges and railway links in Bangladesh and other projects. In addition, to enhance its presence in the maritime domain, New Delhi works with Japan and Sri Lanka on the development of new seaports (Borah, 2019). Thus, when India’s Act East strategy is fully unveiled, the global dominance on the Eurasian continent most probably is going to be shared between the four major powers: Europe, Russia, China and India (Maçães, 2019).

Apart from the land connectivity, there is also a Maritime Silk Road that includes ports, bridges, highways, roads, and airports as its important infrastructure objects. Today, China is already investing heavily to expand its presence in the Indian Ocean and boost maritime trade. As part of the BRI plans, Sri Lanka's Hambantota and Pakistan's Gwadar maritime ports received billions of dollars from Chinese funds to enhance their capacities (Stacey, 2017). While Gwadar port is currently a civil facility, it is believed that China might establish a military base there (Baruah, 2018, p. 16). In this case, there is little surprise that New Delhi is concerned that by having access to these strategic locations, Beijing might challenge India's dominance in the Indian Ocean. However, both India and China also recognize that instead of competing in the maritime domain, the two powers might collaborate instead. It is believed that through the participation in international platforms like BRICS and Shanghai Cooperation Organization, Beijing and New Delhi can develop maritime security dialogue. Such a dialogue can help mitigate India's concerns about China's infrastructure projects, especially those concerning the naval bases in the Indian Ocean (Baruah, 2018, p. 22).

Although India is reluctant to participate in the BRI projects directly, New Delhi collaborates actively with Asian Infrastructure Investment Bank (AIIB) and already approved more than $1.2 billion for projects in India. As of May 2017, the AIIB funded six infrastructure projects in India, making it the leader among other clients of the financial institution (Brombal, 2018, p. 132). Furthermore, China is India's largest trade partner with a bilateral trade turnover of about $80 billion in 2017 and 2018 (Sachdeva, 2018, p. 287). Therefore, New Delhi understands that by developing missing infrastructure links in the north-eastern parts of the country, India can receive a push to the economic development in that region (Sachdeva, 2018, p. 289). By this reason, the BCIM corridor of the BRI plan, which includes infrastructure development in the north-eastern region, have chances to come into fruition. The former security advisor of India, Shivshankar Menon (2017) believes that the BRI can serve India's interests in enhancing its connectivity and will allow co-operating more efficiently with Asian economies.

Otherwise, even by accepting some of the Belt and Road projects, Indian can take advantage of China's industrial overcapacity and foster its own economic growth (Sachdeva, 2018, p. 290). However, the possibility of India accepting the BRI will depend on the long-term progress of the strategy in other countries, including those in the Eurasian Economic Union. By this reason, if the EAEU countries and China will manage to cooperate effectively and come to an agreement on economic, social and environmental aspects of the initiative, the chances of New Delhi getting involved into the Belt and Road will increase. If India embraces the construction of the BRI transport corridors, the EAEU states will benefit too. By enhancing connectivity in the South Asia and improving access to the Marine Ports of the Indian Ocean, economic interaction between Europe, India and the EAEU will increase, fostering multilateral trade. Meanwhile, New Delhi is going to continue working on the Act East development strategy that so far nor supports neither rejects the Belt and Road Initiative. However, India's initiative should reinforce country's position of the key influencer in South Asian region.

Environmental Concerns of the Belt and Road Initiative

Due to the massive scale of the construction works that the BRI is bringing to the partner countries, international experts understandably try to examine whether infrastructure projects of the initiative adhere to ecological standards. Ruta et al. (2019, p. 114) believe that one of the major concerns of the BRI is associated with carbon dioxide emissions due to energy projects. In the period from 2014 to 2017, about 90% of China's investments in BRI energy projects were related to fossil fuel plants. Furthermore, the majority of transportation deals were in traditional carbon-intensive types, including airplanes and car manufacturing. On the other hand, in order to reduce the carbon footprint, urban public transport, railways and electric cars are more preferable (Zhou, Gilbert, Wang, Muñoz Cabré, & Gallagher, 2018, p. 3).

In addition, there are environmental risks associated with the new road infrastructure, including air pollution, damage to water resources, harm to biodiversity due to alteration of the landscape, noise pollution due to increased traffic and other factors. Since three out of five EAEU countries have direct borders with China, they will need to pay extra attention to the environmental factors and keep in mind the experience of the previous ecological catastrophes. For example, the irresponsible irrigation techniques were responsible for the destruction of the Aral Sea in Kazakhstan (Cohen & Grant, 2018, p. 23). In China, because of the accelerated development of industry, about 20% of land intended for agriculture is contaminated with cadmium, nickel and other heavy metals, which makes farming dangerous for health (Duggan, 2014). Considering that, international community questions whether China's investment funds will take ecological aspects serious in the abroad projects. In the Cambodian city of Sihanoukville, the massive presence of Chinese construction companies altered the landscape of the town in just two years, leaving locals worried about the deteriorating ecology in the region (Ellis-Petersen, 2018). Therefore, developing countries, including those in EAEU, will have to stipulate about the ecological aspects of the BRI deals to prevent undesired consequences.

It is generally known that the construction of new roads and railways may alter habitats of animal species, impede their movement and therefore negatively affect biodiversity. Some of the proposed BRI routes actually might pass through the ecologically fragile landscapes, increasing risks of fragmenting the habitats of wildlife (Ruta et al., 2019, p. 115).

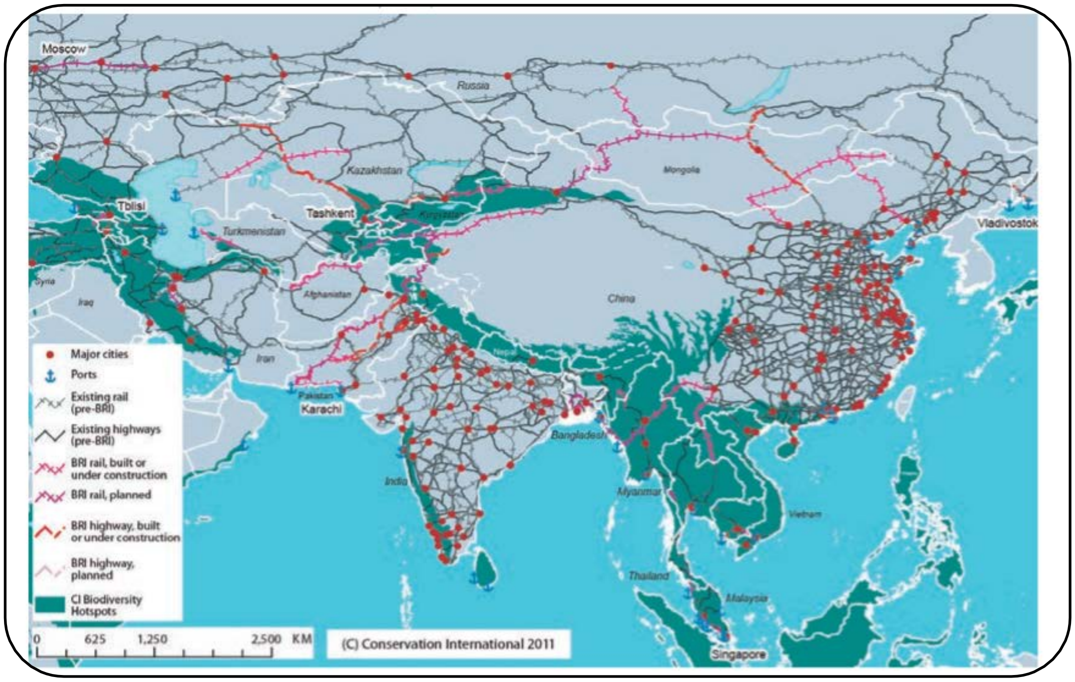


Figure 16. The Belt and Road Initiative road and railway projects in relation to biodiversity risks. Adapted from (Ruta et al., 2019b)

The above map illustrates the major rail and road projects that are being constructed, planned or already launched within the BRI connectivity strategy. On Figure 16, the areas shaded in green represent the areas rich with biodiversity. It is not difficult to notice that some of the highway and railway networks passing through territories of Kyrgyzstan, Uzbekistan and southern parts of Kazakhstan intersect with biodiversity areas. In Kazakhstan, where almost 60% of lands are non-arable, it should not be problematic to map alternate routes, decreasing risks for the environment. Because of the lack of environmentally-aware route mapping, the economic corridor of China-Mongolia-Russia suffered noticeable deforestation in the last few years (Ruta et al., 2019a, p. 117). Although the majority of the road and rail networks either travel in the non-arable lands or pass near the green areas without affecting them, governments need to take the environment into consideration. Therefore, it is in the interest of the countries that participate in BRI projects to ensure that the intersections with fragile habitats will be minimized.

As a way to promote sustainable development in BRI countries, the Asian Infrastructure Development Bank (AIIB) that is actively involved in the financing of the Belt and Road projects abroad, developed an assessment methodology. That methodology is named Environmental and Social framework and categorizes industrial projects by their impact on nature and people living near the areas of construction (Brombal, 2018, p. 133). Starting from 2016, all the proposals submitted to AIIB went through the assessment process, and depending on their impact, were put in one of the three classifications: projects with strong adverse effects to environment (Category A); projects with a moderate amount of negative impacts (Category B) and projects with minimal environmental effects (Category C). Because the potential influence of the Category A projects can be irreversible and significant for the environment, these types are required to go through a complete environmental assessment by the special control groups and prepare the strategy for environmental and social management (SESM).

The SESM strategy provides recommendations to avoid, minimize or compensate for the negative environmental effects of a project. In addition, SESM advocates for the consultations with civil society in order to empower the people to communicate their concerns about the project and make necessary adjustments. For Category B, the AIIB requires the client country to conduct a less comprehensive assessment of the possible adverse impacts compared to the A-type of projects. Following that, after the mutual consultation, the project can be implemented after the client country receives the recommendations for mitigating the negative environmental influence. Depending on the client’s decision, the B-type projects can be initiated either with or without preparation of SESM. Thirdly, because the Category C projects have little to no impact on the ecology and people living in nearby areas, their implementation can be started without environmental assessment (AIIB, 2016, p. 10).

In general, countries involved in the BRI need to adopt the best international practices on environmental protection during the implementation of new projects. In this way, Ruta et al. (2019a, p. 121) designate four options for diminishing damage to the environment. These guidelines were composed in line with the World Bank environmental and social policy for investment project financing and designed to avoid, minimize, reduce and offset risks to environment and society (The World Bank, 2018):

1) Avoid: find alternative routes and avoid construction in fragile areas like forests and wildlife sanctuaries. In order to select the best alternative route, the control group has to consider such as factors as preserving water resources from contamination, protecting cultural heritage, reducing alteration of the landscape and mitigating interference to the wildlife.
2) Reduce: diminish harmful impacts via eco-friendly engineering and specific policies. For example, construction of bridges instead of roads near the wildlife areas can improve animal movement in their habitat. In addition, sound barriers and light reflectors near railways and roads can reduce stress levels in animals, improving their quality of life. As for the policies, such may include the establishment of protected areas near transport corridors, incentives to reduce deforestation and compensations for harm to forests and ecosystems.
3) Restore: this aspect includes taking actions to repair the damage caused by the construction process. Options include replanting trees and vegetation as well as repairing damaged waterways and other aspects.
4) Offset: when damage to the environment is inevitable, the investments in the ecosystems in the nearby locations have to be made. This strategy is designed to ensure a net neutral

outcome for the environment in the region. For example, if harm to biodiverse areas was made due to road construction, comparable locations for wildlife have to be enhanced or established elsewhere. Alternatively, the investment can be granted to biodiversity funds that in turn will provide options to offset the harm to biological ecosystems.

From the above aspects, it is clear that prior to the implementation of any major industrial project, the BRI countries have to make prior analysis and ensure that environmental damage will be diminished or neutralized by using the aforementioned techniques. Since all the EAEU countries have large connectivity projects with China, adoption of the recognized practices developed by AIIB, World Bank or other credible organizations is essential for protection and preservation of national wealth in form of biodiversity and ecosystems.

Belt and Road Initiative: Possible Development Forecasts

Based on the information from the previous sections of this research, the possible forecasts for the period of the next 10-15 years of development of the Belt and Road Initiative are suggested. These analytical scenarios were designed by taking into account economic, social, political and environmental aspects of the BRI. Three possible models of development are suggested: pessimistic, standard and optimistic model. Although the scenarios are limited to the knowledge and information from the paragraphs of this paper, the suggested forecasts pinpoint on the key positive and negative factors that might define the progress of Belt and Road Initiative for the member-states of the Eurasian Economic Union and other countries involved.

The Pessimistic Forecast of Development

In this development scenario, the economically fragile countries, especially in Africa would refuse from further participation in the BRI due to the debt repayment issues and deteriorating ecology associated with accelerated industrial construction. Because of the lack of efforts towards easing debt distress and protection of the environment, some countries would present their discontent by involving Chinese companies in legal proceedings. Because of the lack of policy coordination on project implementation and ecologic standards, numerous BRI countries might prefer the faster and cheaper ways of construction neglecting the potential ecological harm. As the result, the nature and biodiversity in regions that have intersections with roads, railways or infrastructure objects might get damaged. At the same time, local populations, which interests or human rights were mistreated could trigger mass demonstrations. Such actions would serve to address people’s concerns regarding the environmental deterioration or lack of job opportunities in the projects, which are being implemented mainly by the Chinese labor force. Because of that, the goals on construction and investment into BRI states would fell off the expected progress, putting the initiative behind the schedule.

On the other hand, the pessimistic scenario still assumes that the local branches for the Belt and Road cooperation are going to be launched in partner countries. However, these local centers mainly serve to promote BRI strategy and cooperation with China by using mass media or staging meetings with officials. In this way, such branches would not be involved in the projects directly. Following that, funding of projects might involve local banks with questionable reputation, increasing credit risks and progress of infrastructure projects. In cases when a project's costs are too high or when the corruption sucks money out of the local economy, such distressed governments might have issues with debt repayment and have risks of default. In this case, China might demand other forms of repayment, by taking infrastructure objects into lease as it happened in Sri Lanka. In this scenario, the number of the BRI projects facing financial or legal issues would slowly increase, undermining the positive image of the global initiative.

As a way to offload harmful impact to its lands, Chinese companies might redirect the environmentally damaging industrial productions to the countries of Asia and Africa. As the result, air and water quality, as well as soil fertility in those BRI regions can be harmed dramatically, affecting local communities and wildlife. Due to the lack of commitment towards sustainable future, green investment might be insufficient to cover up for the recommended practices in the UN agenda for the global carbon footprint reduction. In such case, energy production based on oil and gas resources would still dominate, meaning that the renewable energy sources spread slowly. In the race for industrial productivity, the greenhouse gases, heavy metal compounds and other harmful emissions of plants built in the course of the BRI might pollute the atmosphere. Still, some countries of the Silk Road Economic Belt (SREB) might take actions to reduce emissions by switching to electric vehicles, but the majority of SREB countries would not hurry to replace gasoline cars. Furthermore, without proper accounting for the waste processing, industrial plants are going to fill waste dumps with toxic garbage, threatening ecology and human health. Combined, the environmental damage from industrial facilities and lack of renewable energy goals in BRI countries might accelerate negative climate impact.

As for the synchronization between the economic agendas of Eurasian Economic Union and the Belt and Road Initiative, this process becomes a formality without a real strategic development. Instead of involving EAEU countries into dialogues aimed at creating new policies to accelerate the interlinking between the two strategies, China and Russia will use their economic power and geopolitical influence to push the cooperation on their terms. Due to the critical amount of debt, Kyrgyzstan and Armenia will fall into financial crisis. However, the financially stable Russia, Kazakhstan, and Belarus would refuse to support their indebted partners, which negatively impacts the course of economic integration within the EAEU.

As for the partnership with the South Asian region, in pessimistic scenario China and India would not manage to agree on the cooperation terms. Following that, New Delhi might focus on economic partnership South Asian states and by gaining the support of the European Union, Japan or other countries, India will actively promote its own cooperation initiative. As the result, China might have to reconsider some of its strategic economic corridors with India and focus on cooperating with other states in South Asia to enhance its strategic access to the Indian Ocean. Since all the countries of the Eurasian Economic Union are partnering with BRI, their interest in connectivity to the Maritime Silk Road for trading should be high as well. Therefore, their planned map for the roads and railways across the Central and South Asia might have to alter, increasing time and costs needed for implementation of connectivity projects.

The Standard Scenario of Development

In the standard or realistic scenario, China launches the local BRI offices in the participant countries in order to guide through the building process of the infrastructure projects. These local branches take efforts to follow environmental policies, protect the biodiversity, considers suggestions of the locals living nearby areas of construction, fight corruption and supervise projects all over the designated country. Thanks to these measures, more countries are getting involved and start using Chinese investments to make their contribution to the progress of the initiative. The economically vulnerable countries might be still reluctant to use China's investments due to the past cases of the land of infrastructure lease in Pakistan and Malaysia. The total annual GDP of the EAEU countries will receive up to a 2% boost each year due to the implementation of BRI projects. Reasonably, the share of involvement of Chinese enterprises in the economies of the participant countries steadily increases as well.

As for the Chinese investment funds, realistic scenario considers that they would play dominant role in distributing loans to BRI countries for infrastructure, logistics, energy, and other projects. In order to facilitate its goals, China's enterprises provide their machinery and equipment as well as a labor force. Optionally, some projects might involve local resources, machinery or the workforce. In cases when countries have challenges repaying their debts, investment funds would allow for debt restructuring. Unlike in the case of port in Sri Lanka, countries would not have to pledge collaterals to secure Chinese loans, but should be able to select the alternative ways of compensation. The measures might include an increase in repayment period, forgiving the interest on the debt or partial write-offs in some situations.

From the environmental point of view, standard scenario assumes that the Belt and Road projects with ecological issues would be present in a moderate amount and their amount should decrease slowly due to the satisfactory compliance to the international standards on sustainable development. As the result, partnering with BRI provides a positive economic effect for the involved economies and challenges arise mainly during the implementation process. In such case, the local enterprises of countries involved in Belt and Road should have a neutral opinion about the initiative because their involvement would be still smaller compared to the Chinese companies. However, the new job opportunities should be created, mostly as the byproduct of the improved infrastructure and connectivity between regions. These events can foster the development of small and medium-sized businesses that would be fortunate to become part of the new infrastructure.

In the standard model, Chinese investments institutions would adopt the environmental practices suggested by AIIB and the World Bank as presented earlier in this paper. Due to that, projects of the Silk Road Economic Belt follow standards for ecological protection and environmental assessments are conducted before any construction begins. In this case, the geographical positions of forests, wildlife sanctuaries, and biodiversity areas are taken into account before the construction of roads, railways, bridges, factories or other objects. In cases, when the ecologic damage is inevitable, responsible sides have to provide a list of possible measures to compensate for negative impact. It is still possible, that during the realization of connectivity projects, partners of BRI might choose to build the shortest routes, disregarding underdeveloped areas. Because of that, underprivileged regions might miss out from transport networks, reducing potential for improving their economic well-being.

In order to address the climate change and minimize criticism from international environmental organizations, China might enhance green investments in BRI countries. Standard scenario suggests that this step would allow to allocate up to a half of investments in energy sector for renewables. However, the plants producing oil and gas would still dominate on markets of BRI countries. Following the trend, more and more countries would transition for electric vehicles. In addition, Belt and Road countries might upgrade their policies on waste processing, so the new industrial plants would be enabled to operate according to zero-waste production methods. In this way, sustainable goals of the BRI can help in reducing risks of climate change and decrease carbon dioxide emissions into the air.

As for the interlinking between the BRI and EAEU, the Eurasian Economic Commission (EEC) is actively taking part in guiding this process and makes efforts to establish the corresponding policies with Chinese partners. Because of political dominance, Russia's decisions will play a dominant role in the interlinking process. However, other countries of the EAEU will see their privileges in forms of reduction of percent rates for green projects, a decrease of custom duties, the unification of sanitary procedures for exports of food and meat, the introduction of policies for the protection of the environment and other benefits. As part of the EAEU roadmap, the fund for infrastructure development is established. This financial institution is going to operate by analogy with AIIB, World Bank Fund, and other comparable funding platforms. If this concept turns into reality, such a fund can foster infrastructure development across the EAEU region and will take interests of BRI strategy into account.

On the other side, the established investment fund is not going to assist in mitigating risks of economic distress for any government of EAEU. Therefore, being significantly indebted to China, Kyrgyzstan and Armenia will have to limit the introduction of new projects in order to repay existing loans. As the result, the more stable economies, including Russia, Kazakhstan, and Belarus are going to benefit from the new financial institution the most. The standard scenario also allows for the possibility that India and China will find common interests in the BRI and might combine their efforts to improve infrastructure connectivity between China and the South Asian States. In order to maintain its geopolitical leadership in the region, India might establish an economic alliance of South Asian states and will suggest its own investment projects and development strategy to the neighbor countries. In this case, EAEU countries would benefit, because the planned transport corridors with India should improve access to maritime trade.

The Optimistic Scenario of Development

As for the optimistic scenario, it is expected that more than 95% of the projects of the Belt and Road in infrastructure, logistics, and energy would be implemented successfully. If this is the case, countries should continue cooperating with Chinese investment funds to establish more joint projects. Furthermore, BRI projects would bring up to 4% of extra GDP growth to the economies that are located along the major parts of the Belt and Road transport corridors, including member-states of the Eurasian Economic Union. This would be achieved not only due to improved connectivity, but also because of cooperation in sectors of energy, mineral mining, agriculture, medicine and others. For countries that have joint projects with BRI, but are not located along the major transport corridors, the extra GDP growth can be expected to reach up to 3% annually. Furthermore, the improved economic well-being in BRI countries would help to lift more than 30 million people from poverty by the year of 2030. These economic benefits are based on the projections from the research by Ruta et al. (2019a, pp. 63-65).

Positive forecast suggests that local centers for the guidance and control of BRI projects would be established in the partner countries, and would assist in resolving issues associated with financial or legal aspects. For example, the local branches for BRI partnership can ensure that the investments funds would cooperate with the most trustworthy banks, and would supervise the investment process to eliminate cases of corruption or fraudulent schemes. In situations, when countries face issues with debt repayment due to economic instability, the Belt and Road cooperation offices should be the agents of proposing the optimal debt restructuring methods to the respective investment banks. Based on economic situation and the project complexity, measures can include forgiving the percent rates on loans, extending credit period or partial write-offs. With such a support from BRI cooperation branches, the number of troubled projects could be reduced down to the safe minimum values.

As for the construction process, in the optimistic scenario the Chinese companies would use their equipment and labor force, however, local resources and workers would get their share of participation as well. Ideally, BRI partners should be able to choose how the efforts between the Chinese enterprises and local companies could be blended. Clearly, in this case, local companies would have a more tolerant attitude towards the projects with China due to their share of economic benefits. Optimistically, the planning process for transport corridors would consider interests of underprivileged regions. In this way, building new roads and railways near the underdeveloped areas would help to improve economic well-being of local communities.

In the positive forecast, China would adopt the best international practices to sustain the eco-friendly image of Belt and Road, especially during implementation of major industrial or connectivity plans. Simply put, the careful environmental assessment would precede the construction of each project with strong environmental risks. Such an approach would allow to account for the location of forests, wildlife sanctuaries or biodiversity areas. Otherwise, the new bridges, railway networks, roads, industrial plants would be planned in a way to avoid collisions with such ecosystems. In cases, when the damage cannot be escaped, client countries and responsible investment banks would take measures to compensate for ecological damage in a specific region. In order to drive down carbon footprint, China would invest actively in renewable energy sources. To incentivize the transition to renewable energy in other BRI countries, China could introduce interest-free loans on the eco-friendly investments. Most probably, the Belt and Road countries would also push efforts to transition to electric vehicles. To further decrease the negative environmental effects of accelerated industrial production, countries might also start adopting waste-free production models and invest more in the construction of recycling plants. Such ecologic effects would help to significantly reduce risks of climate change and decrease the number of greenhouse gases into the atmosphere.

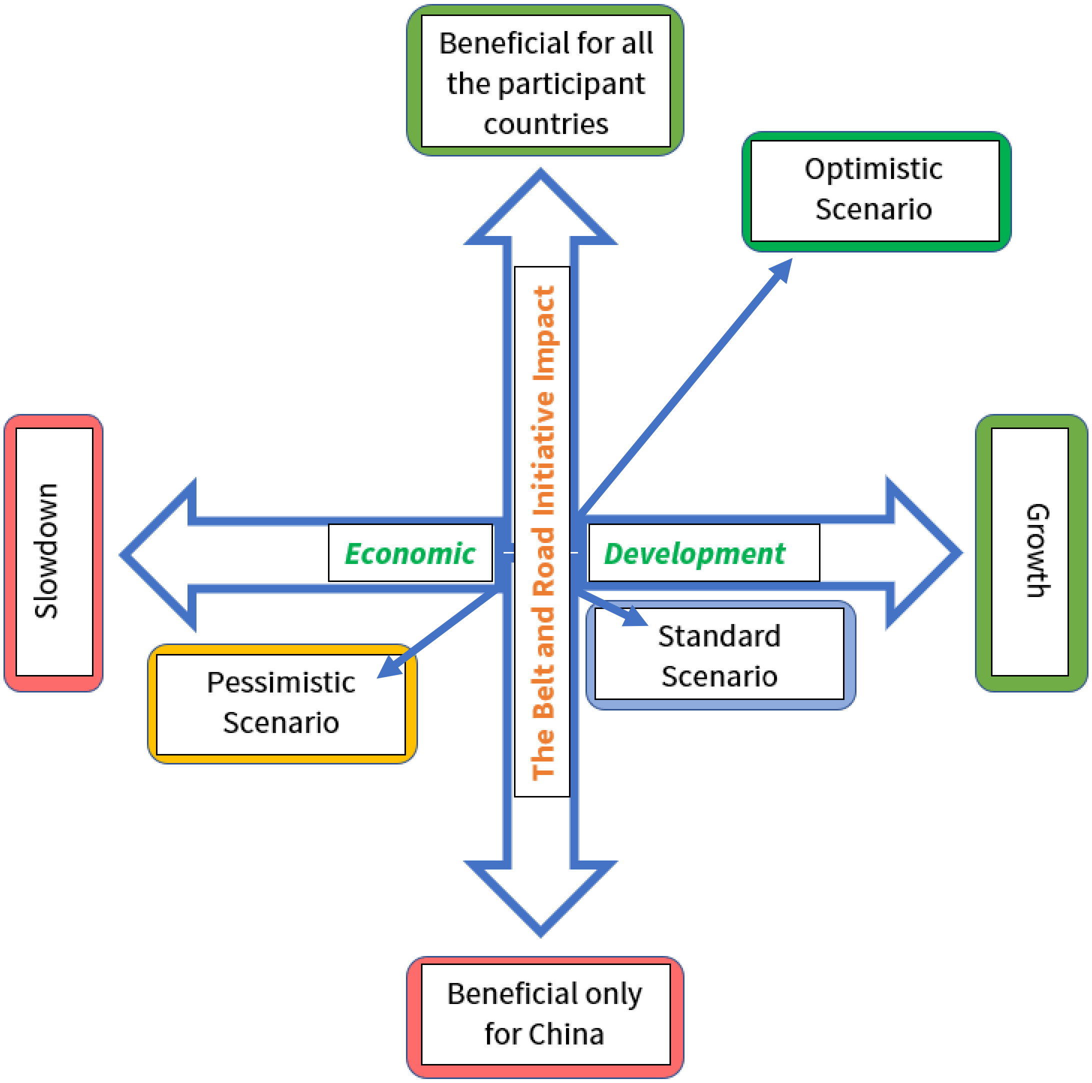
As for the interlinking between the EAEU and the Belt and Road, the Eurasian Economic Commission (EEC) actively partakes in this process and takes into account suggestions and opinions of all the member-states of the Union. Due to the coordinated efforts, the integration between two initiatives is beneficial for all the involved parties equally. To address the infrastructure gap between the EAEU economies, the EEC establishes the EAEU investment fund that would facilitate construction of missing connectivity links or industrial facilities. In cases, when EAEU economies face challenges in environmental, financial or legal aspects during the implementation of BRI projects, the Eurasian Economic Commission assists in resolving problems, thereby promoting solidarity and partnership among member-states. When the BRI projects intersect geographies of several EAEU states, these countries would consider the environmental and legal policies together. As the result, the biodiversity along the new corridors is under the protection and risks of deteriorating ecology would be mitigated. The optimistic scenario also suggests that if countries with high debt risks, like Kyrgyzstan or Armenia, would fall under the debt distress, Russia, Kazakhstan, and Belarus would raise the necessary finance from the EAEU investment fund to support their peers gratuitously.

As the interlinking process between the two economic strategies is steadily progressing, providing the people with an opportunity to move more freely across the countries of BRI thanks to the eased visa issuing procedures and migration policies. In addition, this scenario assumes that India and China would also find a way to operate in the framework of BRI effectively. As the result, the planned economic corridors are being constructed actively, which should facilitate better flow of goods and services between EAEU and South Asian region. The successful aligning of BRI and EAEU strategies becomes an important landmark in mutual cooperation, improving quality of life and opening new job opportunities for the people involved.

In optimistic development scenario, China is expected to invest billions of dollars annually for student exchange programs and might also provide thousands of educational scholarships to increase social interaction between the Belt and Road countries and support the peaceful and friendly image of the global initiative. Such measures could allow the bright young students to receive education at the prestigious Chinese universities. Additionally, the BRI partner countries could also hold entertainment and sports events, trade exhibitions and organize cultural exchange programs. If such level of cooperation between the Belt and Road countries will be achieved, the benefits for involved economies and people can be long-lasting and strong.

The Impact Chart for the BRI Development Scenarios

Here, the three possible development scenarios will be categorized according to the impact that they might provide for the countries of the Belt and Road Initiative in the next 15-20 years (mid-term perspective). The respective figure is represented below:



Graph 1. Possible Economic Impact of the Suggested Development Models

The above graph depicts the scenario matrix, where the horizontal line (x-axis) designates economic development. On the right-hand side, the economic growth increases, which is the result of the stable GDP growth, reduction of unemployment, improvement in ecologic conditions along the economic corridors, and the diminishing amount of debt and corruption issues in the BRI countries. On contrary, the left side designates an economic slowdown, when GDP declines, unemployment rises, and the amount of countries under the debt distress increases. In addition, the lack of commitment to environmental protection practices leads to deteriorating ecology and damage to biodiversity. The intersection between x and y axes indicates stagnation or negligible economic growth.

The vertical line on the graph identifies the possible geographic scale of the impact that BRI strategy might provide. The lower side of the y-axis shows the situation where China benefits economically at the expense of other countries. For example, by providing investment to the address infrastructure gaps, China will also involve the country's own labor force and resources, so the participation of the client-country is minimized. While in the short-term perspective such a strategy might provide a faster economic growth to China, the rising debt and lack of involvement of the resources and labor from partner countries could negatively affect the brand of the initiative. As the result, it can lead to a reduced amount of infrastructure deals later. Therefore, in order to ensure long-term economic growth in China, albeit, at slightly slower paces, the win-win scenario is to actively involve BRI countries in the process of construction, which is represented on the upper side of the y-axis.

With that in mind, the least advantageous scenario is a pessimistic one, where numerous indebted countries might suffer economic downturns, and only China would be a major winner. In the standard scenario, the debt and environmental issues are still noticeable, which causes a slower economic growth overall. While in this scenario, China effectively stimulates its economy, other countries are not reaching their full economic potential. Finally, the optimistic model maximizes economic benefits for EAEU countries, China and other Belt and Road states.

Conclusion

The Belt and Road Initiative is one of the most ambitious strategies of the 21st century. As of the end of 2019, about 100 countries cooperate with China's funds and state-owned enterprises to implement more than 1600 projects. Mostly, the projects represent road infrastructure projects, railways, marine ports, bridges, and industrial facilities. It is clear that transport connectivity is the major aspect of the grand strategy as it can facilitate better interconnection on the Eurasian continent and will, therefore, boost trade between the Belt and Road countries. On the other hand, the industry objects that are constructed either together with Chinese enterprises or via finance provided by Chinese funding institutions are going to help in promoting economic growth in the countries agreed for cooperation.

The joint enterprises with China promise a number of benefits. For example, construction of oil and gas plants as well as pipelines can increase production and export of energy resources, while the new plants for manufacturing cars and machinery can push industrial development and enhance trade turnover with neighbor countries. Apart from industrial and connectivity projects, the BRI can open new ways of cooperation with Chinese technology companies in engineering, agriculture, medicine, telecommunications, and other areas, positively influencing technological development of the participant countries. Industrial and technological joint enterprises with China that are being developed today have the potential to provide long-term economic benefits and create thousands of job opportunities in the local economies tomorrow.

The grand initiative of Belt and Road is inspired by the ancient network of land and marine passages called Silk Road, which was operating up to 15th century. The network was historically significant as it facilitated the trade of goods, exchange of knowledge and communication between China, Asia, and Europe. During the times when some of the land passages in Silk Road were unsafe due to wars or epidemic outbreaks, alternative routes could be used to transfer the goods carried by merchants to their destination. Similar to its ancestor, the modern Belt and Road is trying to diversify and improve the interconnection between China, Europe, Central, and South Asia and provide an abundance of land ways to minimize risks associated with inoperable roads or prohibition of transit due to political tensions. While it is expected that high-speed railways and road networks should enhance economic turnover between countries, the improved connectivity should also facilitate the exchange of experience in finance, IT sector, medicine and even improve tourism among the participant countries.

Although the improved connectivity and enhanced industrial cooperation are the essential components of the Belt and Road initiative, it is also true that China seeks opportunities to stimulate its economy by providing material resources and labor force for building infrastructure projects as well as granting loans for BRI countries. Because China is one of the leading economies in the World, it faces problems of industrial overcapacity and lack of export demand. Therefore, Belt and Road can also serve as a platform that will allow hundreds of Chinese enterprises to expand their presence abroad, which is going to foster China's economic growth. In addition, by signing infrastructure deals valued at billions of dollars with dozens of Belt and Road economies, China can strengthen the presence of Yuan currency internationally. Today, because the US follows protectionist policy and imposes taxes on international trade with Russia and China, the dollar faces risks of becoming increasingly unstable means of payment. As a result, scholars foresee that the Chinese Renminbi may become an alternative settling currency in the future. Such claims are supported by the fact that billions of dollars in credits are provided to the Belt and Road economies by Chinese investment funds via Yuan currency. In addition, the Yuan is regularly backed up by the gold reserves, which adds a certain layer of stability.

The major role in the progress of the Belt and Road Initiative will be played by the Eurasian Economic Union. Due to the geographic neighborhood with China, the countries of the Eurasian Economic Union (EAEU) are going to play a major role in allowing transit passages from China to Europe. In fact, three out of six major economic corridors of the BRI are going to pass through territories of EAEU states, including Russia, Kazakhstan, Kyrgyzstan, and Belarus. It is expected that international cooperation organizations, including BRICS and Shanghai Cooperation Organization, will also play an important role in the coordination of the development process for the Belt and Road in the EAEU states.

Furthermore, to strengthen economic coordination, and foster trade and investment in the framework of BRI, China and the countries of Eurasian Economic Union will need to agree on the mutually beneficial terms cooperation and synchronize the strategies of Belt and Road together with the process of economic integration within the Eurasian Economic Union, known as the Greater Eurasian Partnership. The interlinking process between the EAEU and BRI is going to take time and efforts from both sides and will require agreements on legal, financial, environmental and social aspects. Nevertheless, the consensus between the two initiatives is important to prevent cooperation inconsistencies and provide terms for the long-term success of the Belt and Road goals in the EAEU region.

In order to foster the process of economic integration within the Union, Russia proposed the Greater Eurasian Partnership (GEP) strategy in 2015. Since the transport connectivity and industrial infrastructure are also the major goals of GEP, the proposed strategy in this way resembles the Belt and Road Initiative. Some scholars also believe that the Greater Eurasian Partnership is Russia’s attempt to reinforce its geopolitical influence in the region rather than an endeavor to counterbalance the Belt and Road Initiative. To a major extent, it is correct that the

GEP plan today cannot represent a comprehensive answer to the BRI. As today the economy of China is more advanced than that of Russia, the Chinese enterprises and investment funds export their overcapacities abroad more actively. In this way, the Russian Federation will be better off by complementing rather than interfering with the Belt and Road strategy. For example, Russia and other member-states of the EAEU can find ways to reduce infrastructure gaps and improve connectivity in the areas untouched by the BRI.

Since the Russian Federation is the strongest economy in the Eurasian Economic Union, it is going to play an important role in the process of interlinking, representing common interests of the EAEU states in the Belt and Road Initiative. However, to form balanced economic interaction between the EAEU and China it is important to reduce the gap of infrastructure development between the economies of Eurasian Economic Union. Today, Russia's annual GDP is more than ten times higher than that of Kazakhstan, which is the second strongest economy of the Union. Furthermore, investments in science, technology, and agriculture in each state of the EAEU is 2-to-3 times lower than the average in the countries of the European Union. Hence, to maximize the efficiency of cooperation with China, member-states should cooperate to balance out their economic development levels and increase support of the essential industries.

While the Belt and Road Initiative opens up major opportunities for the participant countries, there are various risks associated with the implementation of projects. Primarily, such concerns are associated with debts provided by Chinese investment funds. To pursue the BRI progress, China is open for infrastructure investment even in countries with relatively low credit ratings. However, the case in Sri Lanka, when the country had to lease their strategic asset for a long-term use by Chinese enterprises in exchange for ease of debt raised concerns in other countries that plan to cooperate with China. Such an example illustrates that the countries implementing BRI projects have to realize the risks associated with taking large amounts of credits. In order to minimize possibilities of debt distress, BRI countries have to assess the financial situation in the country before taking the projects into realization. On the other hand, Chinese investment funds have to conduct a preliminary analysis of the political and economic stability in countries where the new projects are planned. Such prior inspection from the Chinese side can allow postponing construction works until the situation in the economy is stabilized. It would also be useful to establish local control groups for Belt and Road projects in partner countries that would guide the implementation process and could also help to prevent the cases of corruption or resolve legal issues. In cases, when countries, where the BRI projects are implemented face the risk of falling into debt distress, involved parties have to develop the measures aimed to ease or extend the repayment process beforehand.

Since the positive image of the Belt and Road Initiative is essential for the unimpeded progress of every project, China has no interest in charging the participant countries with unsustainable debt. Therefore, it is unlikely that cases of debt-to-asset swap will be practiced regularly, especially because such situations attract immediate scrutiny from the news media around the globe. From evidence in this paper, the investment funds will use more traditional debt relief techniques, including extending repayment periods, forgiving interest rate and depending on the economic situation in a partner country, writing off some portion of the loaned sum. Perhaps, the projects being developed in the framework of BRI should be granted special terms of cooperation. Such differentiation could help to emphasize the privilege of the Belt and Road strategy and would include less strict measures for the debt repayment compared to the independent international projects that involve Chinese construction or investment companies. Additionally, the countries that contribute to the construction of the Belt and Road projects and have zero issues with debt repayment should be able to enjoy extra benefits. Such could include reduced tariffs for export of goods, accelerated custom clearance and inspection, simplified visa regime for traveling within the Belt and Road region and other possible incentives.

As for the countries of the Eurasian Economic Union, because of their strategic location in the pathways of major economic corridors of BRI and the fact that three out of five EAEU economies have geographic borders with China, it is unlikely that any of the EAEU states should face challenges associated with unviable financial terms for implementation of infrastructure projects. In fact, Russia, Kazakhstan, and Belarus managed to become pioneers in the Belt and Road connectivity projects and actively assist in the development of road and railway networks. Nevertheless, to ensure long-lasting benefits of joint cooperation, countries of the EAEU have to keep in mind that repayment procedures have to be conducted timely, and the projects themselves should comply with the strict legal, environmental and financial standards.

While Kazakhstan, Belarus, and Russia are not expected to have debt repayment challenges because of their relatively high economic stability, Armenia and Kyrgyzstan are considered the two EAEU economies under the risk of debt distress. Therefore, to reduce risks of economic recession, the two countries should consider limiting the number of new projects within BRI. However, even if any country from the Eurasian Economic Union will face issues due to the unsustainable loans, it should be in the best interest of the rest EAEU countries to support their peers financially. In this case, the gratuitous aid from the more stable economies can help to reduce risks of destabilization of an economic partnership in the region and promote further cooperation. Although the advanced economic integration is still distant from its realization, Russia cherishes the idea of Greater Eurasian Partnership, as it would help Moscow to maintain its geopolitical influence in the region and at the same time could allow the members of EAEU to enjoy benefits of free trade, unified standards of custom inspection, and more intense cooperation in science, technology and other priority sectors.

Since Russia also understands that the congestion of the economic initiatives might create congestion effect and facilitate unnecessary political tensions, both Moscow and Beijing agree that the strategies of EAEU and BRI have to be synchronized. Therefore, as part of the interlinking process, it would be useful for the Eurasian Economic Commission (EEC) to establish the department of cooperation with the Belt and Road Initiative. Such a department would consist of members from all the EAEU states and could review the infrastructure and industry projects proposed by China. After the evaluation of economic viability, environmental sustainability and legal aspects of the proposal, the commission would decide whether the BRI deal should be accepted or declined.

As the construction of the major road or railway networks can involve multiple EAEU countries simultaneously, the Eurasian Economic Commission (EEC) has to put efforts in order to protect interests of the member-states and ensure multilateral advantage. In this way, the EEC's department of cooperation with BRI can provide necessary adjustments to the proposed infrastructure projects. For example, slight corrections of the proposed routes would allow to include the distant regions that need an economic push. Apart from that, because the BRI projects are usually accompanied with the massive inflow of labor force and construction materials from Chinese enterprises, it would also make sense to negotiate the cooperation terms in the way to enable participation of local workers and involve domestic resources for building works. In this way, the Eurasian Economic Commission could help to reduce unemployment and increase the profit of local industries. Additionally, to help in protecting fragile ecosystems, the EEC would also suggest avoiding the construction of roads and railways passing through the areas rich with biodiversity. Even at the expense of increased construction costs or time, it is essential to ensure that the new infrastructure objects will provide economic benefits without compromising on environmental and social aspects. Therefore, careful consideration in every major BRI deal via reasonable negotiation and friendly dialogue can serve to ensure long-lasting benefits to each involved party, be that member-state of EAEU or China.

As the way to address the possible implications for the countries of the Eurasian Economic Union, this paper also presented development scenarios that try to predict the process of cooperation between China and its Belt and Road partners, including Eurasian Economic Union, in the span of next ten-to-twenty years. Based on the current progress of BRI, the three models synthesized the economic, social, environmental and other aspects of interaction, proposing three possible scenarios: Pessimistic, Realistic and Optimistic. The key point of the least desired Pessimistic model is that numerous indebted countries might suffer from an economic recession, providing China an economic push at the expense of the positive brand of the BRI. In the Realistic model, the debt and environmental issues are smaller, allowing for moderate economic growth in the Belt and Road countries. Accordingly, the Optimistic model allows maximizing economic benefits for China and BRI countries including EAEU without compromising on ecology and social aspects. Although the proposed scenarios do not seek to predict the possible outcomes precisely, they provide an emphasis on the key positive and negative factors that can define the development of the Belt and Road Initiative.

While the Belt and Road Initiative is only in its beginning stages, it is clear that in order to accomplish the essential connectivity goals, a lot of time and cooperative effort is needed. Achieving the synergy between the long-term development models of the BRI and EAEU is going to require better connectivity between China and the member-states of the Eurasian

Economic Union. It is expected that to cover the needs of the improved transit infrastructure, several decades and billions of dollars in infrastructure investments are required. Moreover, even after the most essential transport corridors are launched, the optimization in economic cooperation between the two economic strategies has to occur. This includes unification of custom clearance standards, reduction of import taxes, construction of free trade areas, transparency of the cooperation terms for major projects, and exchange of the best practices in agriculture, science, and technology. Therefore, to develop multilateral cooperation, China, Russia, and countries of Eurasian Economic Union have to prioritize their efforts on building high-performance transport infrastructure between the territories of the EAEU and China. Simultaneously, the involved parties will have to optimize their cooperation by developing procedures that can help the Belt and Road Initiative to evolve as the economically viable and environmentally friendly strategy.

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