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## Analysis of Connection between Silk Road Economic Belt and Euro-Asia Economic Alliance

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### Abstract

Both the Silk Road Economic Belt initiated by China and the Eurasian Economic Union led by Russia have great impact on future economic structure in Central Asia. There is a mix of commonness and difference between the Silk Road Economic Belt and the Eurasian Economic Union. If they can build the effective cooperation relation, a new force to improve economic growth of China and EEU's members will be resulted in. This paper emphatically analyzes commonness and difference between the Belt and EEU, internal and external motivation of their connection and cooperation, their prior development direction, safeguard measures and troubles should be avoided.

**Keywords:** the Silk Road Economic Belt, the Eurasian Economic Union, connection and Cooperation, geopolitics, regional strategies.

### 1. Introduction

In May 2015, during President Xi Jinping's visit to Russia, the Joint Sino-Russia Declaration of the Silk Road Economic Belt Construction and Connection-cooperation with the Eurasian Economic Union was signed by the People's Republic of China and the Russian federation. In this statement, eight prior directions of future cooperation between the two sides were confirmed [1]. This statement shows the two sides' cooperative desire based on the Belt & the EEU, however, the explicit connection and cooperation plan is not included. Therefore, this paper needs to give thorough thought and discussion on it.

### 2. Research Methodology

This paper emphasizes the systemic of research, with the analysis of the strategy, and the Eurasian economic union related policy, combined with the current international situation, put forward the strategy of "The Belt and Road" and the possibility of a jointed Eurasian economic union, and then proof it. This paper uses interdisciplinary research methods, from the political, economic, cultural, and other views for comprehensive research demonstration. This article utilizes the comparative research method, to compare each of their respective advantages between China and the EEU, and strengthen cooperation in related fields is proposed.

### 3. Analysis and Discussion

What should be clear first is that the Belt and the EEU are two economic cooperation models with different nature and there is obvious difference. The Belt is aimed to build a wide range of regional economic cooperation based on facilities connection, smooth trade flowing and accommodation of funds. And it also includes the system that facilitates and liberalizes trade and investing activities and

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cooperation on specific field and project. For the Belt, there are no fixed standards and cooperation mechanisms, and it is organized diversifedly and loosely. Access threshold and a timetable are also not involved. While the EEU is a typical regional economic integration project, which unifies members' foreign economic policies in the form of alliance and builds a comprehensive economic cooperation mechanisms. That is a high-level regional economic integration organization.

For the Belt and Eurasian countries, the connection and cooperation with the EEU cannot be helpful for all their problems on in-depth cooperation. Firstly, from a geographical perspective, there is a limit that not all Eurasian countries are included in the EEU. In the foreseeable future, Uzbekistan, Turkmenistan, Ukraine, Georgia and other countries are impossible to be included. Secondly, the EEU is functionally aimed at promoting internal free movement of goods, capital, service and people. And externally, the EEU comes up with a higher cooperation requirement, which even means trade and investment barriers to some degree. Thirdly, according to the actual effect, we can see that because of the highly convergence of members' economic structure and the weakness of running regulations, more trade diversion effect instead of trade creating effect has been made after the EEU's running. Especially, both internal trade and external trade have fallen substantially with the new round of economic crisis.

The realization of connection and cooperation between the Belt and the EEU needs more attention to new changes and new trends for the integration of the world economy and more reference to rules of international economic cooperation. Also, we need to ensure the specific direction of cooperation according to characteristics of each development stage, and work hard to implement these plans without impatience.

The main principles of connection and cooperation between the Belt and the EEU should be the Five Tong, initiated by President Xi Jinping. The *Five Tong* includes facilities connection, smooth trade flowing, smooth currency flowing, policies communication and people interlinked [2]. Soft connection and cooperation in the field of policies and regulations is more essential than hard connection and cooperation in the field of infrastructure. Thus more attention should be paid to connection and cooperation in the field of regulations (rules) and projects (fields) from local to overall. And hard work should be made to carry out connection and cooperation based on multilateral cooperation. Given the economic situation of current and a period of time in the future, connection and cooperation of the Belt & the EEU should be carried out step by step, which means it should be specific, operable, from small to big and from simple to difficult as far as possible. The huge cooperation framework that covers everything and is unfeasible should be avoided. And the agreements that have been reached should be implemented actively to gain actual effects.

#### 4. Conclusion

In the future, the connection and cooperation ways of the Belt & the EEU include following points:

Firstly, trade of the two sides should be regulated according to rules of WTO in order to further break explicit and invisible trade barriers. Especially under the condition that Russia, Kazakhstan and Kyrgyzstan have joined WTO, the overall tariff level of the EEU should be brought down gradually. In order to push forward systems that facilitate and liberalize trade and investing activities, based on the Trade Facilitation Agreement issued by WTO in 2014, international regulations can be referred to push forward the connection and cooperation and promote the intra-regional trade facilitation. According to the relevant terms of the agreement, countries of the Belt & the EEU need to reform the current system of port administrative management, and customs, frontier inspection, quarantine, maritime and other departments are involved to build the Single Window System. In this way, procedures of customs and port customs clearance will be simplified, the efficiency of cross-border trade will be improved, modernization of customs clearance will be accelerated and a convenient and efficient customs clearance environment will be created, which is also helpful to make it easier for companies to import and export goods.

Secondly, focusing on the future development, the long-term goal of establishing the Sino-EEU FTA should be researched and pushed. Currently, the EEU is constructing a free trade area network with itself at the core and negotiating with Vietnam, Israel, Iran and other countries to reach free trade agreements. One of goals of the Belt is to construct a high-level free trade area network, which exactly meets the need of the EEU. Therefore, negotiations for free trade agreements between China and the EEU should also be placed in the schedule. Based on both sides' bearing capability, the two sides can break trade barriers within an acceptable range. According to our experience on free trade agreement negotiations, in current both sides can study the feasibility of this project in the early stage.

Thirdly, the connection and cooperation of specific cooperation fields and projects should be pushed forward. Enlarging the scale of goods trade is in the first place. In the future, the trade potential should be further exploited to expand the cooperation on energy sources between the two sides. Signed energy products (oil and gas) supply agreements and power supply agreements should be implemented. The two sides' trade on agricultural products and marine products should be expanded to realize mutual compensation of advantages. The trade of new high-tech products should be expanded to promote involved counties' economic transformation and upgrading. The new trade mode represented by cross-border e-commerce should be developed to cut down trade cost. Effective management ways of cross-border e-commerce should also be discussed for its healthy development. In the next place, the service trade should be developed vigorously, which includes cross-border transportation, warehousing and logistics, tourism, finance, education, health care, consulting services, etc. Currently, the service trade is a weakness of the two sides' cooperation, and it is also a limitation of expanding the scale of goods trade and investment to some degree. Thus enhancing cooperation in these fields is meaningful in the long run[3].

Fourthly, the connection and cooperation on industrial capability should be pushed forward. In September 2015, the Basic Direction of the Industrial Cooperation of the Member Countries of the Eurasian Economic Union passed by the Eurasian Economic Union Cross Border Commission, and that is the first policy document of the EEU on industrial cooperation. According to the document, in the next five years, members of the EEU will focus on the joint production on transportation tools, electrical equipment, instruments and electronic products, chemical products, metal and metallurgical products, etc. Given these directions, China connects the capability cooperation under the framework of the Belt and Road with the EEU's and confirms the list of future cooperation projects. Therefore, both China and the EEU need to enhance the coordination of relevant industries' technical standards to lay a necessary technical foundation of productive cooperation.<sup>4</sup> Following points are specific measures:

(1) To enhance cross-border transportation cooperation

To expand and optimize regional production network, the interconnection on logistics, transportation infrastructure, multimodal transport and other fields should be enhanced, and joint infrastructure development project should be implemented. Both sides should strengthen the consultation on approval and standards of cross-border transportation, and create a fair environment for service trade. According to standards of WTO and ICO, both sides need to improve procedures of cross-border transit inspection and cut down transportation cost.

(2) To enhance cooperation on finance

Both sides need to promote the trade expansion, direct investment and settlement in local currencies in the field of loans to realize the currency swap, which is good for further cooperation on the export credit, the insurance, financing of projects and trade, the bank card, etc. Financial cooperation is enhanced by some financial organizations like the Silk Road Fund, the Asian Infrastructure Investment Bank, the Shanghai Cooperation Organization States, etc. Also, the cooperation in the field of bank card network construction, financial risk prevention system construction and issuance of RMB bonds should be enhanced. Both sides need to improve bank service and offer convenient financial support for enterprises on the process of investing, producing and trading.

(3) To enhance cooperation on investment

With rapid increase of China's investment in related countries, investment protection agreements between China and the EEU or its members should be signed or resigned as soon as possible, which will provide the mutual investment with sufficient protection in the principle of clearness, transparency and reciprocity.

(4) To enhance cooperation on communication

The online Silk Road should be built, the information super highway should be constructed and the cross-border optical cable construction will be accelerated, which will offer the possibility to reduce communication service cost and improve service quality.

(5) To promote the connection and cooperation according to international general standards on engineering, technology, goods and service.

For instance, both sides can regard rules of ISO9000 as the consolidated standards to reduce cost of trade and investment and promote benefits of economic cooperation. When it comes to high-tech cooperation projects, like the high-speed rail, technical standards of those who have advanced technology and those who are investment subjects should be taken into consideration and referred to preferentially.

(6) World economic development experience shows that small and medium-sized enterprises are the most active elements to deepen economic cooperation and promote innovation and development.

However, enterprises that are involved in cooperation of China and the EEU's members are state-owned large and medium-sized enterprises. Therefore, the experience of APEC should be referred to, and that is to say, the cooperation enthusiasm and innovation potential of small and medium-sized enterprises should be played. These enterprises can cooperate in forms of a working group of small and medium-sized enterprises, a business advisory council, a business forum, a service alliance, a technology exchange exhibition, etc. [4].

(7) To facilitate movement of people

Both sides should make response to the Xi'an Initiative of the Silk Road Tourism Ministers Conference issued in 2015, which means the scale of personnel exchange is expanded, more convenient visa policies are pushed to be carried out, customs clearance is simplified and Tourism facilitation level is promoted. Also, both sides jointly push forward the activity of A Tour of the Silk Road and deepen intra-regional cooperation to promote tourism communication quality and create a good environment for tourism development and cooperation of various countries.

Everybody knows that it is impossible to carry out effective economic cooperation without not so expensive cross-border tours for business persons. Therefore, the business travel card of APEC can be referred to and the cheap and convenient communication between high-end business people from China and the EEU's members is promoted. What should be taken into consideration is Sino-US visa can last for ten years and Sino-UK visa is a two-year multiple-entry one.

(8) To enhance cooperation on education

The scale of education cooperation is expanded and more ways to cooperate are developed. Higher education, short-term trainings, study tours, all kinds of personnel training are improved. The capability building is promoted. Both sides recognize the degree and diploma mutually and are dedicated to fostering interdisciplinary talents, which offers talent reserve for pushing comprehensive cooperation.

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## Анализ сопряжения и кооперирование экономического пояса Шелкового пути и Евразийского экономического союза

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**Аннотация.** В статье анализируются возможности кооперации проекта экономического пояса Шелкового пути и ЕАЭС, их внутренние и внешнеэкономические мотивации для сотрудничества, а также приоритетные направления и меры по преодолению проблем в отношениях. Экономический пояс Шелкового пути, инициированный Чиа и Евразийским экономическим союзом оказывает большое влияние на будущую экономическую структуру в Центральной Азии. Если структуры смогут наладить эффективное сотрудничество, то это будет способствовать экономическому росту Китая и членов ЕЭП.

**Ключевые слова:** экономический пояс Шелкового пути, ЕАЭС, взаимодействие и кооперирование, геополитика, региональные стратегии.

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