

# The OBOR initiative within the framework of the Russia-China relationship

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## I. INTRODUCTION

In the last decade, taking an active part in the G20, APEC, BRICS, EAEU, SCO, other multilateral forums and organizations, as well as in the implementation of UN programs, the Russian Federation has regained its positions in the international arena, that was lost during the Perestroika and transition period. It generates international initiatives and supports projects of other countries that contribute to the socio-economic development of Russia and its partners. Thus, the Russian leaders supported China's initiative on the formation of the Silk Road Economic Belt (SREB, u OBOR), which was put forward by the Chairman of the People's Republic of China Xi Jinping in the fall of 2013 and subsequently merged with another his initiative of the 21st-century Maritime Silk Road, into a general concept called "One belt - One Road." This concept covers the spheres of infrastructure construction, investments in industrial facilities, development of natural resources, trade and economic and financial cooperation, environmental protection.

More than 60 states expressed interest in implementing the Chinese concept, among which Russia has a special place, as one of the main land routes from China to Europe will go through the territory of Russia and other countries of the Eurasian Economic Union (EAEU), in which it occupies key positions. Therefore, it is more interested in SREB projects, which should contribute to the formation of

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a single Eurasian economic and trade space, enhance regional economic integration, create a modern trans-Asian transport infrastructure, remove investment and trade barriers, enhance the role of national currencies, and deepen cooperation in the humanitarian sphere.

It is planned to build not only transport routes in the framework of the SREB, but also to form international corridors of economic cooperation. The SREB implies the expansion of the scope of financial transactions between countries, the creation of financial institutions with various regional organizations, such as the SCO and BRICS, where Russia plays an active role.

Based on Russian support for this PRC initiative and to identify the prospects for its strategic participation in the SREB we will try to analyze the current state of bilateral trade, investment, industrial, humanitarian and other ties, to consider the planned joint Russian-Chinese projects, as well as the opportunities for the EAEU and SREB integration.

## II. TRENDS IN ECONOMIC RELATIONS BETWEEN RUSSIA AND CHINA

Taking into consideration the geographical proximity of the territories, Russian-Chinese trade and economic ties have a long history, which became the basis for bilateral cooperation between the new Russia and the PRC. Stages of these relations in the period since 1992 were systematized by the Chinese researcher Wang Nana from Henan State University of Economics and Law. In particular, he noted that after the collapse of the Soviet Union, in Russia there was an acute shortage of products for everyday life, which it acquired among others from China. It helped to solve the acute problem of shortage of funds from the enterprises of the two countries and in 1993 the trade between them reached 7.7 billion dollars. In 1996, the trade turnover increased to 25% compared to 1995. In 1997-1998, as a result of the decline in world prices for raw materials, primarily oil, gas, metals, which formed the backbone of Russia's exports, and the global financial crisis, the volume of trade between the two countries declined by 10.7% and 10.5%, respectively. Wang Nana stressed that "in 1999, Russia is emerging from the impact of the economic crisis. The positive trend is especially evident in 2000 after the election of President Vladimir Putin. His strong and very first desire was to get rid of the economic crisis and restore Russia's status as one of the leading countries in the world. Thus, he applied a pragmatic policy to orient economic interest in China (Wang Nana, 2016, p. 73-79)."

New principles and directions of bilateral cooperation were formulated in the Treaty on Good-Neighborliness, Friendship and Cooperation between the Russian Federation and the People's Republic of China of July 16, 2001. This document laid a good foundation for business relations between the states and indicated the

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direction for further development of economic cooperation. Since the signing of the treaty, the volume of trade between the two countries has started to increase rapidly, and from 2000 to 2008 the average annual rate of growth in the volume of Russian-Chinese trade reached 30%.

The current state of these relations is determined by the parties as a comprehensive, equitable, trusting partnership and a strategic interaction. The development of this partnership is facilitated by an intensive political dialogue at the level of Russian President Vladimir Putin and Chinese President Xi Jinping, that have annual meeting at least five times a year.

The most important component of bilateral relations is trade and economic cooperation between the two countries. China became the largest trading partner of the Russian Federation, that by the results of 2016 took the 14th position in the rating of its twenty major trading partners.

After significant growth of bilateral trade in 2008-2013, there have been a reduction in the next 2014-2016. According to the data of the international trade center, the volume of trade between Russia and the PRC in 2016 amounted to 66 billion dollars, Russian exports – 28 billion dollars, imports – 38 billion dollars (Market Analysis and Research, International Trade Centre, ITC). The positive trade balance for the PRC was 10 billion dollars.

This volume has retained for China the status of Russia's largest foreign trade partner, and the disproportion between exports and imports is largely due to the relatively unfavorable price environment of the energy market.

Over the past few years, two commodity groups have occupied the dominant position in the commodity structure of Chinese export to Russia: "machinery, equipment, vehicles" and "textiles, products made of it, shoes." Among the main exports of China to Russia are mainly consumer goods: clothing, accessories; telephone sets; video and audio equipment; computing machines.

The structure of Russian imports from China was formed back in the 1990s and its diversification is quite high. Russian companies trade with China practically throughout the entire range of goods. The imports of Russia from China in 2016 were cars, equipment and vehicles (58.6%); textiles and footwear (11.4%); products of the chemical industry (9.4%); metals and articles thereof (6.7%); food products and agricultural raw materials (4.3%); wood and pulp and paper products (1%).

Among the main imports of the People's Republic of China from Russia are raw materials or low-grade products mainly allocated, namely, crude oil, raw nickel, oil products and raw timber. Mineral products were the main source of growth in China's imports from Russia in 2008-2013, when the volume of purchases of these products increased from 13.4 to 29.1 billion dollars. During the period of sharp decline in prices for mineral fuel, the value of purchases of these goods

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declined, despite the growth of physical volumes of imports. Despite the constant increase in the number of Russian exports to China, its main structure remains raw materials. Thus, the Russian export in physical volume to China for a number of significant commodity positions increased from 2014 to 2015: oil – from 33 million tons to 42.4 million tons, nickel – from 75.6 thousand tons to 194.6 thousand tons, copper – 27.3 thousand tons to 118.8 thousand tons.

In the structure of Russia's exports to China in 2016, the bulk of supplies fell on: mineral products (66.7%); wood and pulp and paper products (12.1%); machinery, equipment and vehicles (6.9%); food products and agricultural raw materials (5.8%) chemical products (5.1%); metals and items thereof (0.75%).

It is expected that the implementation of SREB will have a favorable impact on the further development of trade and investment relations between Russia and China, whose condition has been subject to short-term fluctuations in recent years. Based on the emerging trend, among the promising types of services within the SREB, provided by Russia for China are transport. From the point of view of increasing the supply of Russian civil air fleet, Chinese consumers have the most favorable prospects for cargo air transportation. The growth of these services for the transit support of Chinese aircraft through Russia is expected. Almost all prospects of railway transportation services depend on increasing the use of the Trans-Siberian Railway. The increase in the volume of road transport services depends on the development of the road network of Siberia and the Far East, as well as the construction of a motorway connecting the regions of central Russia with the already constructed Kazakhstan section of the China-Kazakhstan-Russia-Europe highway.

Prospects for the growth of construction services exports are limited to small opportunities associated with the construction of high-tech facilities in China, such as nuclear power plants, and subcontracting on possible Chinese construction projects in Russia. Despite the negative dynamics of recent years, the tourism services have prospects, as well as the export of high-tech services, for example, telecommunications, computer and information services.

The most important factor in the implementation of SREB projects is investment, and in this regard, Russia and China have favorable prerequisites. However, so far the scale of mutual investment is still considerably lower than the volumes of bilateral trade. At the same time, China's investment in the Russian economy far exceeds Russia's investment in China.

According to the data of the Ministry of Commerce of the People's Republic of China, as of the end of 2016, the amount of accumulated direct Russian investment in China amounted to about 1 billion dollars, and the amount of accumulated direct Chinese investment in Russia was 9.5 billion dollars. Currently,

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Russian investors are investing in China in the production industries, construction and transportation.

China is the largest supplier and foreign investor for the Russian regions of the Far East, as well as the second largest importer of Far Eastern goods. In total, 28 projects with Chinese investments amounting to about \$4 billion are being realized in this territory. The companies of the two countries are implementing joint projects in fuel and nuclear energy, civil aircraft construction, rocket engine building, satellite navigation systems, construction of infrastructure facilities, etc.

At present, the bulk of Chinese investment in Russia is concentrated in the fuel and chemical complex, and significant investments have been made in non-ferrous metallurgy, machine building, and the financial sector. For example, 1.3 billion dollars was raised from the Chinese petrochemical corporation Sinopec, which in 2015 completed a deal to buy a 10% stake in one of the largest Russian gas processing and petrochemical company "Sibur". The Chinese company CNPC acquired a 20% stake in "Yamal LNG" (a deal of 810 million dollars was realized in 2014).<sup>1</sup>

According to a number of Russian researchers, due to investments in such projects as "Yamal LNG" and the construction of the Tianjin oil refinery and petrochemical plant, China will have the opportunity to adjust its fuel and energy instability in the foreseeable future. Russia, thanks to bilateral cooperation in the energy sector, can successfully distribute transit and consumer risks and accelerate the development of its territories namely Siberia and the Far East. Therefore, the creation of a stable fuel and energy flow through China to the Asia-Pacific Region is a priority both for the Russian Federation and the PRC (Karitskaya IM., Sitnikova YV., Markasova OA, 2017)".

The cooperation in the financial sphere is developing, the clearing services for the calculation in Yuan are launched in Russian territory. In Russia, there are two banks with the participation of Chinese investors. The AKB "Bank of China" (ELOS) has been operating since 1993, and AKB "TPBK" (Moscow) was found in 2007. The authorized capital of these two banks was estimated at 72 million dollars and 111 million dollars at the end of 2015. In order to finance the projects of the general concept "One belt - One Road" in 2014, two new financial institutions were created: the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB), in which Russia is one of the largest co-founders.

<sup>1</sup> Agreement between the Governments of the Russian Federation and the People's Republic of China on Cooperation in the Implementation of the Yamal LNG Project. // URL: <http://www.mid.ru/ru/home>.

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The Chinese side highly assesses the current state of bilateral trade and economic relations. So, the Chairman of the State Council of the People's Republic of China Li Keqiang stressed that "a list of investment cooperation has been defined, covering 73 priority projects. Cooperation on major joint strategic projects in the spheres of energy, aviation, space, cross-border infrastructure, etc. is deepening. Projects such as a gas pipeline along the eastern route, a wide-body long-haul passenger aircraft are successfully implemented. In an accelerated manner, the construction of the Tongjiang-Nizhnelensky railway bridge and the Heihe-Blagoveshchensk road bridge is underway".<sup>2</sup>

To implement large-scale projects in infrastructure, energy, transport, modern high-tech industries serious private investment will be required. Therefore, it is important to create comfortable, understandable, suitable and predictable conditions for the work of investors, to establish an exchange of best practices. For example, in the Russian Federation, the experience of the countries on the Pacific Rim was used to develop favorable conditions for investors in the territories of advanced development in the Far East. In connection with the implementation of SREB, China's direct investment in the Russian economy in the next five years can grow significantly, and their applications will not be limited to projects in the energy sector, but significantly expand into communication and IT, real estate, finance, agro-food complex, health.

The development of academic cooperation is a mutual vector of both Russia and China, which is reflected in the strategic goals, as well as forming a human resources base for the joint construction of SREB. The cooperation of the two countries in the scientific and educational sphere includes a number of areas: the exchange of students and teachers, the involvement of scientists and scientific collaborators in joint scientific activities, as well as the creation of joint universities and research centers, the mutual study of languages and culture. For example, in 2009-2010 the bilateral years of Russian and Chinese languages were held, and in 2014-2015 the bilateral years of youth exchanges. At that moment, a comparable number of students are studying at each other's universities (about 20,000 from each country). Interest in non-linguistic humanities is growing among students of both countries. Therefore, the main goals of attracting students are to focus on teaching in non-linguistic specialties, including natural science, technologies and engineering with the combination of teaching in 2 or 3 languages, according to long-term and short-term programs, as well as working out the issue of improving career prospects.

<sup>2</sup> Interview of the Chairman of the State Council of the People's Republic of China Li Keqiang to the Russian agency "Interfax" November 29, 2017 <http://www.interfax.ru/interview/589593>.

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Attraction of teachers and researchers takes into account a number of important factors, for example, the level of openness of Chinese universities for foreign, including Russian employees, foreigners' access to the labor market, the cost of grant programs, and political and geographical priorities of academic cooperation. So, in 2016, more than 800 Russians professors and teachers in the humanitarian and pedagogical sphere taught in China (mostly Russian language teachers).

China and Russia, taking into account the worldwide trend, are on the way to creating foreign campuses of leading universities, joint universities and research centers. So, at present the work on the creation of the Russian-Chinese University in Shenzhen is being completed on the basis of the partnership between the Moscow State University and the Beijing Polytechnic University (PPU). The creation of joint universities enables students to receive double degrees and conduct joint scientific research.

The main objective of training in a number of universities in China and Russia a special attention is drawn to experts in the field of economic diplomacy and trade, which will subsequently serve the projects of SREB. In the Russian Federation, one of these universities is the Russian Foreign Trade Academy (RFTA), whose programs are oriented toward cooperation with Chinese universities, such as the *Chinese Academy of International Trade and Economic Cooperation* (CAITEC), the Beijing Union University (BUU).

There is cooperation in the field of tourism. By the end of 2016, 1.3 million tourists from China visited Russia, which is 15% higher than in 2015. More than 1.6 million Russians visited China with tourist goals in 2016.

In 2017, economic cooperation between Russia and China showed a positive trend - trade turnover between the countries amounted to about 80 billion dollars. In the period since January to May 2017, trade increased by 26.1%, while Chinese exports show positive dynamics, an increase of 7,3%, in contrast to imports from Russia, declining by more than 3% in 2016. But the hopes that Russian companies can enter the Chinese market more vigorously are not fully justified, since Russian products, with the exception of hydrocarbons, have faced serious competition in China.

In general, modern Russian-Chinese relations are characterized by high dynamics of development, a solid legal base and active contacts at all levels. However, despite the persistence of partnership relations in the geopolitical arena, where the SREB and Russia still remain the most important allies for each other, in the economic aspect, relations in essence have not changed for the better in the last three years. Despite the geographic proximity of Russia and the geopolitical partnership, China continues to look to the West in search of more capacious markets within the framework of the OBOR concept and the development of SREB routes, primarily in the Russian territory. In any case, Russia's participation in this Chinese

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megaproject will help mitigate the impact of European Union sanctions against it, the inefficiency of which was revealed by the Spanish scientist Sánchez Andres Antonio (2016) (Report "Russian-Chinese Dialogue, 2017) and their subsequent cessation.

### III. OPTIONS FOR FUTURE SREB WAYS

At the heart of the SREB initiative is the construction of three railway corridors (northern, central and southern), which will connect the eastern provinces of China with the countries of Western Europe. It is the route of the northern corridor that will pass through Russia, and through Kazakhstan to the Baltic Sea, and its western branch through Belarus and Poland will reach the cities of Germany and Holland. The infrastructure created within the framework of SREB will allow reducing the time of delivery of container cargo from China to Europe from 45-60 days to 10 days. Based on these objectives, it is advisable to analyze the state of the transport routes that provide the currently existing commodity flows between China and Russia, as well as consider options for future SREB routes.

Marine transport currently prevails the trade between Russia and China, which accounts for 77%, while land transportation through the Russian-Chinese border accounts for 21% of cargo, and only 2% comes for transit through Central Asia (General Administration of Customs of the People's Republic of China (GACC).

Each of the coastal eastern and southeastern provinces of China annually ships goods to Russia worth more than half a billion dollars. Out of China's landlocked regions, only Beijing and Chongqing Province export goods to Russia for more than 400 million dollars a year. The Chinese provinces bordering with Russia are much less involved in trade. The predominance of sea transport in deliveries to Russia is typical not only for regions that have access to the sea, but also for those located far from the ocean. This indicates the existence of prospects in the development of the continental infrastructure and land transportation within the framework of SREB.

The share of vehicles in the structure of China's supply to Russia is almost zero, due to the lack of automobile bridges and high-quality highways. The use of railway transport in ensuring the delivery of export goods to Russia is even lower than the automobile one. The largest share of railway transport in the structure of Chinese exports to Russia is characteristic of Beijing and the bordering northeastern provinces of China. Currently, the volume of cargo transportation by rail on the axis of Europe-Russia-Kazakhstan-China is six times less than transported by the five largest railways in North America.

Import of Chinese goods to Russia comes through several transport corridors. The main port is St. Petersburg; the ports of Vladivostok and Vostochny are in the

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second place, then there is a transit through Central Asia and Novorossiysk, and lastly the land crossing of Transbaikalian-Manchuria. The main products of Russian exports (excluding timber) are shipped to China by sea. There is a significant flow of Russian goods across the land border in the Far East.

Despite the importance of the Russian market for the People's Republic of China, in its initiative of SREB Russia acts as a partner in the implementation of infrastructure projects for the delivery of Chinese goods to European markets. Currently, maritime transport dominates the provision of trade between China and Europe, which operates on a pre-planned route with a strict schedule. So, the ship, following the route from China to Europe, comes on average in 10 ports, and on the way back comes in 3 ports. This indicates a greater demand of Chinese goods on the route rather than the European goods. Due to the existing trade imbalance, the average cost of shipping a container from Europe to China by sea is almost two times lower than in the opposite direction.

The European Union is the final western point of all routes of the concept "One belt - One Road". As part of the analysis of the prospects of transport routes in the direction of the EU, four corridors are considered, which potentially can provide transcontinental freight traffic. In the first place is the Northern Eurasian corridor. The main direction of this corridor is the route: China - Russia - Europe, through the territories of the Far East and Eastern Siberia. The most important transport hubs on the route are Shanghai, Vladivostok, Irkutsk, Krasnoyarsk, Novosibirsk, Omsk, Tyumen, Ekaterinburg, Kazan and Moscow. In addition to its exceptional role in the development of the eastern territories of Russia, this route has a significant potential for transit traffic. In terms of cargo transit between China and Europe, this corridor can act as an alternative sea route, allowing to significantly save, 10-15 days, on the delivery time. Transit capacities of the corridor are planned to be increased within the framework of the development program for the Baikal-Amur and the Trans-Siberian Railways (Vedomosti, December, 2016).

The second is the Central Eurasian Corridor, which combines routes passing through China, Kazakhstan and Russia, through the Russian cities of Orenburg, Kazan, Nizhny Novgorod, Moscow and further to Brest or St. Petersburg with access to the Baltic Sea ports. This route accounts for the largest share of goods delivered by land transport from Europe to China and in the opposite direction. The total length of the route is about 7 thousand km.

There is an option of passing the route from China to Russia via Kazakhstan, which is more beneficial for Russia, since it opens direct communication between the major cities of Western Siberia and China. The main bottleneck of this route is the extremely high traffic density of the Trans-Siberian Railway, due to the large volume of transportation of Kuzbass coal, industrial cargo, oil products, etc.

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An another group of routes consists of routes passing through Kazakhstan, the Caspian Sea, the North Caucasus with further access through the Black Sea to the EU countries. The principal difference of this set of routes from the others is the sea sections on the route. They pass through the cities of Ürümqi, Makhachkala, and further are separated: some of the cargo flows go by rail to the port of Novorossiysk.

The International Transport Corridor (ITC) "North-South" from St. Petersburg to the port of Bandar Abbas (Iran) is a promising passenger and cargo transportation route that extends the Chinese SREB initiative and which involves Russia's interests, with the possibility of extending to Mumbai (India) ) with a total length of up to 7200 km. This route is aimed at attracting transit cargo traffic from India, Iran and other countries of the Persian Gulf to Russian territory (through the Caspian Sea), and further to Western and Northern Europe.

The development of the North-South corridor is being considered by Russia and other involved states (Turkmenistan, Azerbaijan, Iran, India and Kazakhstan) as an opportunity to intensify Eurasian transport to be a shorter and more economical route. The main potential advantage of the ITC is the reduction of the distance from Europe to the coast of the Persian Gulf and the Indian Ocean by about two times compared to the route through the Suez Canal.

The "North-South" corridor can play a potentially important role in strengthening the ties of the states involved. In August 2016, the leaders of Russia, Iran and Azerbaijan held talks concerning, among other things, the organization of cargo transportation along the route "North-South". On November 1, 2017 during the meeting of the heads of these states, Russian President Vladimir Putin noted in his speech that the transport corridor "North-South" is already operating in a test mode: last year deliveries of products from Iran to Russia were carried out through it. This route showed its economic feasibility and effectiveness (Izvestia, November, 2017).

#### IV. LINKING OF THE EAEU AND SREB

In the implementation of the Chinese initiative of SREB, the EAEU member states (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia) had a special role from the very beginning. This was confirmed by the signing on May 8, 2015 by President of the Russian Federation Vladimir Putin and President Xi Jinping of the Joint Statement on Cooperation in Combining the Construction of the Eurasian Economic Union and the Silk Road Economic Belt, the subsequent consolidation of this idea in the Ufa Declaration of the Shanghai Cooperation Organization and the launch

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of negotiations on concluding a non-preferential agreement on trade and economic cooperation between the EAEU and PRC.<sup>3</sup>

The interface mechanism is recognized as the most important factor for expanding cooperation in the region, developing cooperation and implementing joint projects. Xi Jinping said at the High-level Forum on International Cooperation within the framework of the "One Belt - One Road" strategy on May 14-15, 2017 in Beijing: "... the construction of "the Belt and the Way" does not involve a clean start, but work based on the combination of existing strategies and the use of complementary advantages. We have coordinated the strategies with countries such as Russia (interfacing with the EAEU)..."<sup>4</sup>

The conjugation of the EAEU and the SREB creates additional opportunities for the development of Eurasian integration and the modernization of the economies of the EAEU member states. Conditions are being formed for attracting significant volumes of additional Chinese FDI to strengthen the economic, transport-transit, energy, production-technological and agrarian potential of the EAEU countries. The potential volume of accumulated direct investments in the economies of the EAEU countries within the framework of the SREB and linkages initiative could reach about 300 billion dollars over the next twenty years. The implementation of infrastructure projects of SREB in the territory of the EAEU (construction and modernization of roads and railways, airports, electricity generation facilities, etc.) will increase the attractiveness of the economies of the member states of the Union for investors from the third countries.

Effective conjugation of two megaprojects is possible only with reliance on powerful human capital, qualified personnel, technological and scientific achievements. To create such a foundation, it is necessary to actively develop joint educational platforms, to strengthen the interaction of universities and business schools. It should be noted that in recent years, the number of students from the countries involved in this mega-project has significantly increased in China. In 2016, the number of students from 64 countries along this route in China was 207.7 thousand people. Chinese state scholarships for foreign students are also more awarded to students from these countries. Among the 49 thousand students who

<sup>3</sup> Joint Statement of the Russian Federation and the People's Republic of China on Cooperation in Joining the Construction of the Eurasian Economic Union and the Economic Belt of the Silk Road. May 8, 2015, <http://kremlin.ru/supplement/4971>

<sup>4</sup> Xi Jinping's speech at the high-level forum on international cooperation within the framework of the One-Belt-One Way strategy May 14-15, 2017 in Beijing <http://inosmi.ru/politic/20170519/239391693.html>

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received the state scholarship of China in 2016, 61% are residents of countries along the route “One Belt-One Road”.

As Chairman of the State Council of the People’s Republic of China Li Keqiang noted: “Completing the substance of the talks between China and the EAEU on the Agreement on Trade and Economic Cooperation can lay the institutional foundation for China’s trade and economic cooperation with Russia and other Eurasian countries”.<sup>5</sup> He reaffirmed China’s readiness to embody the high level of political relations in fruitful economic and trade cooperation with Russian and stressed the need to strengthen the interface of development strategies, to identify the coordinating role of the mechanism of regular meetings of the heads of government, to promote effective cooperation on major strategic projects in such areas as energy, aviation, space, infrastructure and others.

The conjugation of SREB opens new opportunities for building the capacity of the EAEU in the following main areas:

First, the development of the transport, transit, logistics, telecommunications and virtual infrastructure of the EAEU, which will help to strengthen the correlation of national economies and deepen the integration of the territories of member-states into the integration processes. An additional development of the transport network of roads providing access to the processing and extracting centers of the EAEU member states is expected.

Secondly, the strengthening of the energy potential of the EAEU, including through the implementation of integrated projects in the fields of energy efficiency, energy conservation, alternative energy to improve the efficiency of national production.

Third, the expansion of the export capabilities of the EAEU (food, chemical and pharmaceutical products, metal ware, certain types of machinery and equipment, international transit services, tourism, engineering, IT and other services) to China and countries supporting the concept of “One Belt-One Road”.

Fourthly, the formation of value chains in the SREB space and interface with the use of the technological potential of the EAEU countries and projects of cooperation with the PRC in high-tech, knowledge-intensive areas, including within the framework of jointly developed scientific, technological and implementation infrastructure. The use of SREB mechanisms to connect to existing supply chains, based on the opportunities and benefits created by China’s integration initiatives in the Pacific Rim.

<sup>5</sup> Interview of the Chairman of the State Council of the People’s Republic of China Li Keqiang to the Russian agency “Interfax” November 29, 2017 <http://www.interfax.ru/interview/589593>.

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The interaction in the format of the EAEU-SREB can form the basis for the concept of the formation of the Great Eurasian partnership with the participation of the EAEU, the SCO countries, APEC and ASEAN, which will promote the internationalization of SREB, through the diversification of the participants, balance their initiatives for the benefit of the development of their national economies and mutually beneficial trade in goods and services between them.

The conjugation of SREB as the main overland link of the Chinese megaproject with the EAEU is directly connected with a deeper process - the radical reorganization of interstate relations in Eurasia, the renewal of the "Russia-China" strategic partnership (RIAC, 2017). For Russia, the Chinese initiative objectively opens up additional "windows" for the development and modernization of trade, investment, infrastructure and humanitarian cooperation not only with China, but also with other countries involved in this project. Modernization of existing and construction of new infrastructure facilities in Russia and other countries belonging to the Eurasian Economic Union, with the Chinese initiative of SREB should help reduce the cost of transit of goods through Russia. The development of Russia's transit potential will ensure its integration into the global transport system, accelerate the growth of the national gross product. Transport services will turn into one of the main items of Russian exports, and the opportunities for increasing the export of Russian goods to the countries of South Asia and the Pacific Rim region will be substantially expanded.

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