"New Silk Road": Pros and Cons for Russia

The "New Silk Road" is an unprecedented infrastructural project initiated by China, which will significantly accelerate, and hence reduce the cost of delivery of Chinese goods to Europe via Central Asia and the Caucasus. To implement this project, Beijing has established a $40 billion Silk Road Fund, as well as a $100 billion Asian Bank of Infrastructure Investments (ABII) that began its work on June 29, 2015 after the official ceremony in Beijing.

The total resources of the Silk Road Fund and ABII are comparable to the capital of the Asian Development Bank (acting on behalf of Japan); they make up a little less than the amount of funds available to the World Bank, and are only two and a half times lower than the capital operated by the IMF (the policy of the two organizations is defined by the US).

Not surprisingly, analysts have begun to argue that ABII poses a threat to the established economic order: in fact with such a huge amount of investment in infrastructure projects under the "New Silk Road", the yuan will certainly supplant the dollar in the global market in the near future. These statements are supported, in particular, by such facts as the agreements signed between China and the member countries of the ABII on the direct exchange of local currencies for trade transactions in yuan, escaping dollar settlements. Direct "de-dollarized" trade, long and successfully engaged in by Russia and China, is gaining traction; and most recently, in the middle of June 2015, the third largest oil producer in Russia, "Gazprom", has converted the entire sale of oil to China into yuan.

On April 14, 2015 Russia became a potential founder of the ABII along with 57 participants, which do not yet include the United States and Japan. However, such traditional allies of these countries as Australia, South Korea, Israel and the United Kingdom, decided to join the ABII. Needless to say, the organization includes all the states lying on the "route" of the "New Silk Road". Among the first participants who applied for membership in the ABII are Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

On May 5, 2015 it became known that the Russian Federation would receive privileged status in the ABII. This status is granted only to participants acting as representatives from Asia — and this is how the Russian Federation will participate in the ABII (whereas in the EBRD, which is already working with ABII and takes part in the project "New Silk Road", Russia acts as a representative from Europe).

Russia is the third largest economy among the members of the ABII after China and India and, therefore, can claim an appropriate share of the vote and a number of key positions in the management of the organization.

Thus, the apparent rapprochement between Beijing and Moscow is real. Consequently, Russia sees very definite benefits from participating in Chinese projects. Of no lesser importance for Moscow is the geopolitical aspect aimed at countering the West by strengthening cooperation with China in the post-Soviet border states, i.e. in Central Asia and the Caucasus.

Skeptics, however, are in no hurry to accept the situation only in glowing terms. They mention the fact that the
railway, construction of which will be financed by the ABII, will meet not the Russian State Standard but the European standards with respect to the track width. That is, China will ensure its security in the West, with Russia's Trans-Siberian Railway supposedly losing part of its transport significance. But we should not forget that the integration of Russia into the new economic order under the new conditions permit the gradual refurbishment of its own railways in accordance with the new requirements of a globalizing world, and it is possible that this will be achieved with the participation of funds borrowed from the ABII. Especially since on the eve of President Hu’s visit to Moscow, on May 8, 2015, Chinese media reported on the upcoming project for the construction by Chinese companies of a high-speed railway between Moscow and Kazan, which can subsequently be extended to Beijing.

Another pessimistic view is that the "New Silk Road" will be a true test of the foreign policy of China, with its underlying rhetoric of Five Principles of Peaceful Coexistence (mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in internal affairs, equality and mutual benefit, peaceful co-existence). The fact is that, in the event of a threat to Chinese investment, Beijing will have to use somewhat harsher rhetoric to protect its financial interests. As you know, by now the number of Chinese peacekeepers in the United Nations has increased by a factor of 20 compared to 2000. The example of the Chinese peacekeeping in Sudan in 2014 demonstrated China's willingness to engage in military operations, when the country erupted into acute conflict, and Chinese oil investments turned out to be under attack.

However, from a global perspective it can be argued that China's participation in the resolution of possible local conflicts in the countries of the "New Silk Road" will only be a benefit, preventing the buildup of "hot spots" into "fire" of civil wars. Thus, the presence of China in the region, through the "route" of the "New Silk Road", will probably serve as the key to stabilizing and strengthening civil society based on the new economic opportunities that this large-scale Chinese project is designed to bring. Needless to say that the additional guarantees of security in Asia are very beneficial for Russia.

The third bleak view holds that the "New Silk Road" runs "around" the Russian Federation. But we should not forget that Russia is one of the largest consumers of Chinese products, and that the "route" this project goes directly through the Russian capital, subsequently exiting into Belarus. It's no wonder that after talks with Russian President Vladimir Putin, held on May 8 in Moscow, the Chinese leader Xi Jinping on May 10 went to Minsk, where he held talks with President of Belarus Alexander Lukashenko. Following the meeting, the parties agreed to "jointly develop the economic zone of the Silk Road. In our cooperation it is necessary to focus on the construction of the Chinese-Belarusian industrial park, which should be a jewel in the construction of the economic zone of the Silk Road, and a classic example of mutually beneficial cooperation."

Therefore, Chinese initiatives contribute to the greater integration of the EAEU member states, and it is also very beneficial for Russia. As you can see, the participation of the Russian Federation in the Chinese project "New Silk Road", as well as its membership in ABII, promises more opportunities than risks.

In conclusion, it should be noted that in recent years Russia and China have taken obvious steps to ensure that their national currencies are based on a gold standard. This is a clear sign that, as leading states in the ABII, Russia and China are engaged in financial and commercial transactions directly in the ruble-yuan pair, escaping the American mediator, which may eventually undermine the world economic order, taking the dollar down from its pedestal as a major international currency.

And finally, undeniably profitable opportunities will open up for Russia in the case of successful completion of negotiations with China on the establishment of a Free Trade Zone between the two countries, which began during the summit in Moscow on May 8, 2015.

_Sofia Pale, Ph.D. Candidate of Historical Sciences, Researcher with the Center for South-East Asia, Australia and Oceania of Institute of Oriental Studies of the Russian Academy of Sciences, exclusively for the online magazine “New Eastern Outlook”._