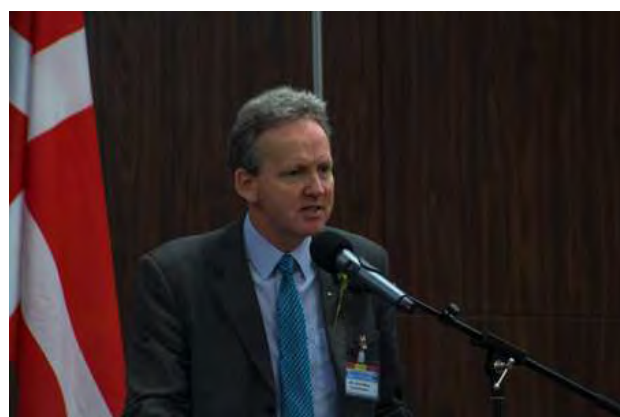


Mitigating Peace - Security Challenges through Trade and Economic Integration

Robin Marsh
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Integration processes in Eurasia are a strategic priority for Russian foreign policy, while integration with the western part of the former Soviet Union is a European Union foreign policy objective. Sharing common security challenges and threats, such as conflicts in the Middle East, Europe and Eurasia have a clear interest in cooperating and meeting the challenges and opportunities aroused by Asia's export economies, notably with regard to the ambitious Chinese Silk Road Economic Belt project.



Panellists assessed the challenges and opportunities offered by trade and economic integration between Europe and Eurasia, and the opening of new trade routes toward Asia and beyond. There was also a sense that infrastructure alone will not bring a changed world. Human consciousness must also change. Gender inequality also restricts development and possibly solutions to security challenges.

Moderator: Mr. Robin Marsh, Secretary General, UPF United Kingdom

Dr. Katsumi Otsuka, Chair, UPF Eurasia [International Peace Highway Proposal Featuring the Japan - Korea Undersea Proposal](#). (Please use link to view the presentation.)

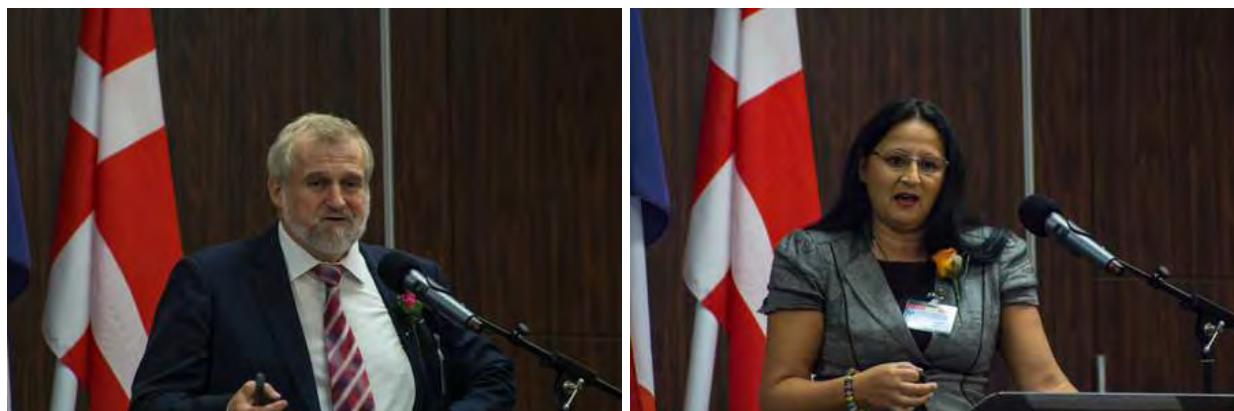
Dr. Vladimir Petrovskiy, Russian International Affairs Council, Russian Federation



Dr. Victor Razbegin, Director, Interdepartmental Centre for Integrated Regional Transport Projects, Ministry of Economic Development, Russian Federation

Ms. Madi Sharma, United Kingdom Representative, European Economic and Social Committee

Mr. Keith Bennett, Vice Chair of the 48 Group, is a businessman who has visited North Korea and China many times.



Written Speeches:

Keith Bennett:

Ladies and Gentlemen

I am very pleased to be invited to participate in this International Leadership Conferences sponsored by the Universal Peace Federation and to speak on China’s concept of the Belt and Road Initiative advanced by President Xi Jinping.

As China’s economy has advanced, and as its poverty levels have inexorably declined, we find the issue of common prosperity, for both China’s neighbours as well as for the wider world, increasingly coming to the fore. Chinese leaders and officials are increasingly saying that they do not wish to see a world where only China is prospering and where the rest of humanity is failing to enjoy the fruits of development or is even mired in conflict, turmoil and war. In fact, such a world simply could not exist.

China is, therefore, increasingly taking the lead in the creation of new institutions, designed not to supplant existing bodies but to supplement them, and based on broad and inclusive participation. By far the most ambitious initiative that China has unveiled is President Xi Jinping’s concept of the Belt and Road Initiative, also known as the new silk roads. Spanning the three continents of Asia, Europe and Africa, and embracing at least 65 countries, this revival of ancient trade routes, which first took shape when the Chinese dynasties of the East were complemented by the Roman Empire in the West, and by the Persian and other great civilisations along the way, is also at the same time strikingly modern in its desire to uphold global free trade and an open world economy and to enhance regional cooperation based on market principles.

So, this is a new idea, but one with an ancient lineage. As the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce of the People’s Republic of China have jointly observed:

“More than two millennia ago the diligent and courageous people of Eurasia explored and opened up

several routes of trade and cultural exchanges that linked the major civilisations of Asia, Europe and Africa, collectively called the Silk Road by later generations. For thousands of years, the Silk Road Spirit – ‘peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit’ - has been passed from generation to generation, promoted the progress of human civilisation, and contributed greatly to the prosperity and development of the countries along the Silk Road. Symbolising

communication and cooperation between the East and the West, the Silk Road Spirit is a historic and cultural heritage shared by all countries around the world.”

China’s initiative to jointly build the Belt and Road, embracing the trend towards a multipolar world, economic globalisation, cultural diversity and greater IT application, aims at being highly efficient in terms of the allocation of resources and at achieving a deep integration of markets among the countries concerned, thereby jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.

According to the vision of the Chinese government, the Belt and Road Initiative is in line with the purposes and principles of the United Nations Charter. It upholds the Five Principles of Peaceful Coexistence, namely mutual respect for each other's sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

The initiative is an open one. It covers, but is not limited to, the area of the ancient Silk Road. It is open to all countries, and international and regional organisations, so that the results will benefit wider parts of the globe as well.

It is harmonious and inclusive. It advocates tolerance among civilisations, respects the paths of development chosen by different countries, and supports dialogues among different civilisations on the principles of seeking common ground whilst reserving differences and drawing on each other’s strengths, so that all countries can coexist in peace for common prosperity.

The new silk road is envisaged to go in five directions:

- From north west and north east China through Central Asia and Russia to the Baltic Sea;
- From north west China through Central Asia and the Persian Gulf to the Mediterranean;
- From south west China through the Indochina peninsula, Malaysia and Singapore to the Indian Ocean;
- From the Chinese ports, through the South China Sea and the Straits of Malacca to the Indian Ocean and westwards from there, for example to East Africa;

And by the same route, but then on to the South Pacific from the Straits of Malacca.

Six economic corridors are envisaged:

- From north east China through Mongolia and Russia to the Baltics;
- From the coastal provinces through western China to Central Asia and then to Russia and the Baltics;
- From north west China through Xinjiang, Central and West Asia to the Persian Gulf and the Mediterranean;
- From Yunnan and Guangxi Zhuang in south west China through Vietnam, Laos, Cambodia, Thailand and Malaysia to Singapore;
- From China through Pakistan, entering the Indian Ocean through the port of Gwadar;
- And, through Myanmar, Bangladesh and India, entering the Indian Ocean via the Bay of Bengal.

These new silk routes will embrace – and will require major investments in – railways, highways, sea transportation, pipelines and the information superhighway and connectivity.

To translate this grand vision into reality will require trillions of dollars of investment in infrastructure and in all sectors of the economy in the more than 60 countries directly encompassed within the new silk road initiative, as well as further afield. Cumulatively it represents the greatest business opportunity in the contemporary world.

Across three great continents of Asia, Africa and Europe, the new silk roads will create new routes and connections by using the three highs, namely:

- High speed trains;

- High speed energy transmission; and
- High speed connectivity and communications

We are talking here about a revolution in infrastructure, technology and connectivity, such as the world has never seen before, bringing unparalleled development and prosperity and affording unprecedented investment and growth opportunities.

Of course one cannot deny that many of the countries and regions embraced within the new silk roads are today mired in wars and conflicts. From Central Asia to the Middle East and beyond, there presently exists a veritable arc of crisis, where ancient and modern rivalries coalesce, seemingly inexorably, into ever greater hatreds and ever more desperate acts of viciousness and cruelty. One need only mention a few of the names – Afghanistan, Iraq, Syria, Somalia, Yemen, Ukraine. And too many more. The future promise of the new silk roads will, therefore, not be attained easily and the difficulties and obstacles should never be under-estimated. Yet it is not naïve to hold out this vision for the future. Viewed correctly, it might rather be said to be a supreme act of realism. For without hope, without development, without knowledge, without prosperity, how can there ever be lasting peace; how can hatred ultimately make way for coexistence, mutual respect and friendship?

The new silk roads are designed precisely to connect Asia and Europe as never before and if opportunities are correctly identified and grasped, they can also provide a huge boost for the UK and other western economies.

Our opportunities will be comparatively greater in the more sophisticated added value of the latter stages of adding refined finishes to urbanisation and the various advanced and high tech products and services that characterise its lifestyle. As you journey through China, you can see that the world's latest technologies and products still tend to be mainly Western or Japanese. Although China is determined to become an innovative country, is investing massively in R&D, and will certainly succeed in making the move from a model of Made in China to one of Created in China, these things take time. Moreover, the most advanced, dynamic and creative sectors of the western economies, represented, for example, by Silicon Valley, by the Apples and Microsofts, are certainly not standing still either. Although it is changing, China is still, in many cases, the point of final assembly in global production, with comparatively little value added. China's extensive purchase and usage of high-end Western and Japanese technologies and products has made a crucial contribution to its development. This will be replicated along the countries of the belt and road.

If we are to navigate the complexities of globalisation, we all need investment opportunities for capital, suitable imports to benefit our economies and to meet our needs, and thriving markets of people able to purchase the goods that we produce for export as well as to avail of our services. In a word, we sink or swim together. It is long past time for 'zero sum' solutions to give way to 'win win' outcomes.

Are the Eurasian and the European Integration Policies Compatible?

Dr. Vladimir Petrovskiy, expert of the Russian International Affairs Council (RIAC), Chief Academic Researcher, Institute of Far Eastern Studies, Russian Academy of Science

At present the complex relationships established in the western part of the former Soviet Union is a complicating factor in the relations between Russia and the European Union. At the same time integration processes in Eurasia is a major strategic priority for the Russian foreign policy. On the other hand, for the EU development of integration relations with the countries of the western part of the former Soviet Union has also become one of the main foreign policy priorities, from whom he is not going to give up, even if not yet ready to open the prospect of the EU membership to these countries.

Traditionally, the center of gravity of relations between Russia and the EU are trade and economic issues, primarily related to the energy sector. But today contradictions between Russia and the EU in the western part of the post-Soviet space have such an impact on the relations of the EU and Russia as a whole, what they never provided before. It seems that this particular set of contradictions begins to define the relations between Russia and the European Union in general.

In this regard, one should remember that around the mid-2000s the tendency to stagnation relations between Russia and the EU and the deterioration of their political structure, became evident. However, despite this, the economic indicators of the relationship, especially trade, investment and people to people contacts have continued to show strong growth.

The introduction of EU sanctions against Russia is an unprecedented step for more than twenty years of their relationship. The deterioration of relations between Russia and the EU, caused by the Ukrainian

crisis is part of a general deterioration in relations between Russia and Western institutions, among which the EU plays a crucial role. The stabilization of relations between Russia and the Western community, as a whole, depends on the stabilization of the four levels of relationship.

- First level - Russian-American and Russian-Euro Atlantic relations. The United States is the leading nation of the West, and play a crucial role in most of its institutions.
- The second level - Russia's relations with the countries of "new Europe". This level of relations is more of a political nature, burdened for the CEE 'collective memory' factor in relation to the period of the second half of the twentieth century. In its turn, Russia is sensitive to the fact that countries in the region, being in proximity of it, actively seeking to strengthen the role of NATO in the region and its military infrastructure.
- The third level - the relationship between Russia and European Union and its key member states. This level is to large extent economic in nature, and its importance is determined by the fact that cooperation with key countries of the EU is essential to modernization and qualitative development of the Russian economy.
- The fourth level of relationship affects Russia and the western part of the former Soviet Union, which lie between Russia and the EU (and NATO). The situation at this level of relationship is currently the most complex, and it is decisive for the deterioration of relations on other levels.[\[1\]](#)

The European Union looks to Eurasian integration processes largely through the prism of its assessment of Russia's policy on post-Soviet space. Although Eurasian integration is primarily economic in nature, the European Union refers to it quite cautiously. This is due to several reasons.

Firstly, taking into account the dominant economic weight of Russia in the processes of the Eurasian integration, the EU is looking at it through the prism of its relations with Russia and its assessment of its foreign policy in general. At present EU-Russia relations are going through a series of crisis phenomena, which is due, primarily, to the events in and around Ukraine.

Secondly, the EU has its own plans for a partial integration of, if not the entire of the post-Soviet space, especially its western and southwestern parts. Until 2003, the EU's approach to the post-Soviet space was more holistic and based on the conclusion of partnership and cooperation agreements (PCA) with all countries of the former Soviet Union, except the Baltic States, which joined the EU.

In 2003-2004 the EU included Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan in the area of the European Neighborhood Policy (ENP), which is also extended to "southern neighbors" of the EU that is the state of the southern and eastern Mediterranean. In 2008-2009 the EU initiated a new foreign policy initiative - the Eastern Partnership, directed solely to Ukraine, Belarus and Moldova and the South Caucasus countries.

Starting with the 2011-2012 competition between Russia and the EU in the area of their common neighborhood was intensified. Russia has initiated plans for a Eurasian Union, seeking to ensure that Ukraine has joined the Eurasian integration processes. EU set itself the strategic goal of signing of Association Agreements with the countries of the Eastern Partnership. Increased competition facilitated by the fact that the EU policy towards its "eastern neighbors" has little to do with his policy towards Russia, and, in general, do not take into account sufficiently dense ties with Russia, which inherited the "eastern neighbors" of the EU. On the other hand, the policy of Russia with regards Eurasian integration and cooperation with the countries of the western part of the former Soviet Union was also a little to do with the policy of Russia in the development of relations with the EU.

Activating the policy of Russia and the EU towards the countries of the "common neighborhood" region has led to the fact that some of them were faced with a stark choice in favor of prioritizing the development of relations with the EU or the Eurasian Union. In some countries, it is extremely narrowed the opportunities for the traditionally pursued by their governments strategy to maneuver between Moscow and Brussels, and has led to the political escalation. Ukraine is the most dramatic example of such processes.

In this regard, both Russia and the EU is clearly overestimated the importance of Association Agreements between the EU and its "eastern neighbors". Structurally, these agreements are similar to the agreement on stabilization and association process which the EU has concluded with the countries of the Western Balkans. However, a question of EU membership is not in them, just as it does not go into substantial financial assistance from the EU. The main problem is not the signing and ratification of these agreements, but their quality and coherent implementation that can significantly differ from the interests of the political elite of the "common neighborhood" region of Russia and the EU, if even on the level of political rhetoric, they are in favor of their early signing .

On May 29, 2014 in Astana, Russia, Belarus and Kazakhstan signed a Treaty on the Eurasian Economic Union. The main goals of the alliance are: "the creation of conditions for the stable development of the economies of the Member States in order to improve the living standards of their populations; the desire to create a single market for goods, services, capital and labor within the Union; comprehensive modernization, co-operation and competitiveness of national economies in a global economy"[2].

In accordance with this agreement, the main direction of development of the institutional integration of the three countries will be the gradual creation of a common internal market for goods, services, capital and labor, which is scheduled for completion by 2025, when a single market of basic energy - gas and oil should be created. Also further steps towards monetary integration and the creation of a common financial regulator are possible. Previously, the three Member States has already taken a decision on the establishment of the Customs Union and common market, and in this respect the Treaty on the Eurasian Economic Union (EAEU) further strengthens the legal and institutional framework of the Eurasian integration.

The European Union stands on the position that the obligations under the Customs Union exclude for its members the possibility of the introduction of a free trade area (FTA) with the European Union - as opposed to the multilateral free-trade zone of the CIS (based on a contract signed in October 2011 by Kazakhstan, Russia, Belarus, Kyrgyzstan, Tajikistan, Armenia, Moldova and Ukraine), which does not involve the work of supranational bodies. From Moscow's perspective, such obstacles can be removed, if you go towards the creation of a free trade area between the EU and the EAEU.

On June 27, 2014 Ukraine, Georgia and Moldova signed Agreements of Association with the EU. In this regard, the chairman of the European Commission José Manuel Barroso said that the conclusion of the agreements became a natural intermediate result of more than twenty-year history of development of these countries. He also stressed that the Association Agreement is not the final stage in the relations of these countries with the EU, and they are not directed against anybody whatsoever.

Russia, on the one hand, said that the signing of these agreements was to the sovereign right of States, but, on the other hand, emphasizes that with the formation of a free trade area between the EU and associated countries, it may take measures to protect its domestic market. In particular, Russia may cancel the free trade regime with Ukraine and enter the standard most favored nation mode.[3]

At the same time Moscow saw no contradiction between the Eurasian integration process and the development of relations with the European Union, if the EAEU and the European Union would base their cooperation on the principles of free trade and if their regulatory systems are compatible.

For example, in an article published by the Süddeutsche Zeitung " in November 2010, Vladimir Putin (then Russian prime minister) put forward a long-term plan to build a free trade area between Russia and the EU, which was met with some caution in the German political circles. In particular, German Chancellor Angela Merkel said at the time that Germany welcomed the idea, but the tariff policy of the Russian Federation and the Customs Union of Russia, Belarus and Kazakhstan are an obstacle to the implementation of this project.

"We need to put large ambitious goals. One of them - the pairing of European and Eurasian integration processes. I am convinced that between these processes is no contradiction", - Putin said at a press conference following the EU-Russia summit in January 2014. "Both integration models are built on similar principles and are based on WTO rules and could effectively complement each other and contribute to the growth of mutual commodity exchange, "- he said. Vladimir Putin said that Russia offered the EU leadership to form a free trade zone with the Eurasian Economic Union[4].

At a meeting of the Supreme Eurasian Economic Council in October 2014 in Minsk, Putin said: "In August, here in Minsk, the Heads of the "troika" States met with Ukrainian President and the representatives of the European Union. Kiev and Brussels have listened to our arguments, and decided to postpone the application of the economic bloc of the Association Agreement until December 31, 2015. ... We need to act in solidarity with the position to convince the partners to abandon the opposition of European and Eurasian integration in favor of pairing the two projects."[5]

Unfortunately, in practice neither the post-Soviet integration nor the EU has not fully met these aspirations yet. There is no guarantee that this will happen in the future. However, the development of infrastructure networks, cross-border transport projects and building cooperation in the electricity sector on the principles of open regionalism - taking into account the geographical position of the post-Soviet countries between Europe and Asia - would create conditions that ensure the project a more favorable external environment. It is about creating the transcontinental corridor with access to China and other Asia-Pacific countries[6].

In this sense, even now, "after the Crimea" certain interesting economic opportunities still exist. In particular, the Crimea is a key part of China promoted by the mega-project "Economic Silk Road Belt"

(SREB) promoted by China. Crimea is the SREB key link: the larger part of the trade and economic agreements signed in December 2013 during President Yanukovich's visit to China, on the eve of his dramatic removal from power, was related to Crimea.

Under these agreements, Ukraine was ready to transform part of the peninsula's territory (Sevastopol and an area around Evpatoria) into a so-called Crimean zone of economic development with a newly-built deep-water port, an airport, shipyards, oil refinery, terminal for liquefied natural gas, training centers, and beaches and recreation zones.

With a deep-water port in Crimea Beijing will shorten the trade route between China and Europe by about 6000 km: its cargoes will be moved to Europe through the Suez to the Mediterranean leaving the Gibraltar aside; the new port will stand in an industrial zone of 300 thousand square m. Ukraine and China also planned reconstruction of the Sevastopol fishing port and building a high-tech industry zone nearby.

China planned to invest about \$3 billion into infrastructure at the first stage. At the second stage, \$7 billion of Chinese investments would build an airport, shipyards, gas liquefying facilities, training centers, and civilized beaches.

The Chinese side confirmed that the expected realization stage was no longer than two years and that the project would become profitable approximately after six years of operation of all objects.[\[7\]](#)

In the new conditions, all plans stand a good chance to be realized; at least that was what Vladimir Chizhov who represents Russia at the EU said: reunification of Crimea with Russia would not affect the project[\[8\]](#) - yet the sides would probably need more time to adjust it to new geopolitical realities.

The Silk Road Economic Belt is a mega-project of a new type: it is not limited to Central Asia; it will tie together the Pacific and the European economic rings on the Eurasian territory. By being more open to the West China expects to deepen its trade ties and economic cooperation between its central and western parts and Central, Southern and Western Asia; to stir up economic interaction in Eurasia; redistribute the region's energy and mineral resources; pay more attention to tourism, culture, industry and agriculture, and arrive at rational distribution and successful development of production facilities of all countries.

The project will be built according to a new model of cooperation: no regional integration and no unified imposed regimes. The regional system will be preserved while a regional cooperation structure which will bring the European and Eurasian countries closer will develop thanks to political views, infrastructure, closer relations, currency flows, and contacts between people.

To conclude, Russia and the European Union need a new start, a new vision of mutual partnership and cooperation, based on a sober perception of shared values and interests, as well as readiness to move to the pairing mechanism of Eurasian and European integration.

According to L. Krishtapovich "Eurasian integration and the creation of the Eurasian Union is in the interests of the European Union, because it eliminates the disintegration of the former Soviet Union, which is the main cause of current insecurity and conflict in the post-Soviet space. And this conflict certainly destabilizes the European Union itself both economically and socio-politically, as the common European space and the post-Soviet space can be likened to communicating vessels "[\[9\]](#).

Comprehensive solution to the situation would be to create a common free trade area between the EU Customs Union and the Eurasian Economic Union, Ukraine and other countries associated with the EU Eastern Partnership. However, this will take time to solve a large number of purely economic and technical issues, in addition to the political ones. Objectively, such a project could contribute to the fact that all three parties are either members of the World Trade Organization, or are planning to become so in the near future.

On the other hand, Russia and the EU often disagree on the interpretation of a certain WTO rules. The Russian approach is generally more protectionist, while that of the EU is more liberal one. Also the de facto "value gap" and the lack of a coherent strategic vision for the future of bilateral relations between the European Union and Russia may become obstacles.

In addition to the factors complicating the prospect of creating a common free trade area, there will be issues related to the internal development of the EU and the EAEU. The EAEU Member States fixed the regulatory and institutional framework of the Eurasian Union, but will still have to create it in practice. For its part, the EU is already involved in talks on the establishment of the transatlantic free trade area.

It is too early to look for theoretical explanations of the crisis between Russia and Europe; the developments in Ukraine and around it, however, have shown that the world order and its legal

foundations adjusted to coexistence of “nation states” are ill-suited to contemporary realities. It has become clear that Russia and Ukraine are still building up their nations and national states.

The Soviet Union’s dissolution in 1991 triggered the process which might go on and on for a long time. This is in line with the Second World Order concept of political scientist Nikolai Zlobin which he formulated several years ago. Recently he has written: “We decided too early that the Soviet Union’s collapse is over. This is not a single event. History shows that empires take a long time to die.... Without doing away with [its existing] internal national administrative arrangements, Russia risks falling into pieces in the next few decades for many of the same reasons that led to the disintegration of the Soviet Union in 1991.”

The present borders lack logic, and even contradict realities; therefore, they cannot serve as the cornerstone of a new political geography of Eurasia: the post-Soviet borders will change inevitably. [10]

This is gradually understood in the East; it seems that the West should follow suit to better understand what is going on in Ukraine and Crimea. Formally, these developments are going beyond the frames accepted for the standard nation-states which ignore the right and interests of those who fail to fit for objective historical reasons. Showing understanding and patience rather than sounding alarm and threats of isolation would have normalized the situation and restored the relationships between Russia and the West.

Europe and Eurasia have a clear interest to cooperate and meet the challenges and opportunities aroused by Asia’s export economies, especially with regards the ambitious Chinese SREB project. One should also point to Europe and Russia’s common security challenges and threats such as ISIS, conflicts in the Middle East or the refugee crisis, and remember about the negative impact of sanctions for both the EU and Russia.

Notes:

[1] “Influence of Political, Legal and Economic Processes in the Eurasian Space on Relations Between Russia and the European Union”,
www.eurasialegal.info/index.php?option=com_content&view=article&id=4062%3Ac&catid=1%3Aeurasianintegration&Itemid=1&limitstart=2

[2] Treaty on the Eurasian Economic Union, p.
7. economy.gov.ru/minec/about/structure/depsng/agreement-eurasian-economic-union

[3] “Influence of Political, Legal and Economic Processes in the Eurasian Space on Relations Between Russia and the European Union”,

[4] ria.ru/world/20140128/991833926.html#ixzz3KLViZpCO

[5] news.kremlin.ru/news/46767

[6] Marina Strezhneva, «Eurasian Integration in the Context of the EU-Russia Partnership», russiancouncil.ru/inner/?id_4=1546#top

[7] gorchakovfund.ru/news/9427/

[8] continentalist.ru/2014/04/kitay-nameren-masshtabno-investirovat-v-kryim/

[9] politobzor.net/show-37452-evraziyskaya-integraciya-vazhna-i-dlya-evropy.html

[10] www.snob.ru/selected/entry/19044