

Eurasian integration at borders between China and post-Soviet countries

Ivan Zuenko

At our current stage of world history where the dominant trend is towards global economic development, we see the paradoxical coexistence of two divisive tendencies: first, further international cooperation and integration, and second, anti-globalism and protectionism. This state of affairs bears particular significance for post-Soviet countries, on the one hand motivated to recover their Soviet-period economic ties through the use of common infrastructure, while at the same time actively engaged in the development of their respective national identities and anti-colonialism discourse. Despite the popularity of this discourse amongst politics and intellectuals, ideas of multinational integration still dictate foreign policy in most post-Soviet countries, even towards those who are still regarded in public opinion as a threat, such as China. Moreover, governments in post-Soviet countries conduct concrete integrative measures, including forming of the Eurasian Economic Union (EAEU), and participating in China's Belt and Road Initiative (BRI). Therefore, a complicated picture emerges of cross-border activities (both formal and informal) that is yet to be fully explored.

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The 'birth' of a new border

Integration processes really do change the dynamics and characteristics of cross-border activities. A good example can be witnessed in the case of the border between China and EAEU. The Union was founded in 2015 on the basis of a previously existing structure – the Customs Union of Russia, Belarus, and Kazakhstan, with enlargement by adding Kyrgyzstan and Armenia the same year. It formed a 7000-km border between China and three EAEU countries (Russia, Kazakhstan, Kyrgyzstan), which at the same time became the border between just two custom spaces. There are no customs between EAEU members, and the cargo from China shipped into EAEU via any checkpoint on the border can be transited to the Russian or the European market without any customs procedures in EAEU territory. However, because the EAEU does not possess a singular customs body, the customs clearance is conducted by different customs services of individual EAEU-member

states. This coexists with the fact that conditions of economic and institutional development of, for example, Russia and Kyrgyzstan are very different as well.

This has created a situation for shippers of Chinese cargos where they can choose the route for shipment (via Western China and Kazakhstan or via the Sino-Russian border and then via Trans-Siberian Railway), as well as to 'choose' a customs service: Russian or Central Asian (Kazakhstani and Kyrgyzstani). Of course, they choose the more profitable and easy way. In such conditions, EAEU Central Asia became a key corridor for transcontinental traffic, because of its geographical location and its commitment to developing logistical infrastructure. As a result, the amount of transit traffic from Asia to Europe, via Kazakhstan, has already exceeded analogous traffic via the Russian Far East. A similar trend has emerged with regard to Chinese goods for the Russian market. Previous preference for Chinese goods to move via the borders of Eastern Russia, has now seen the preferential border checkpoints moving to the west, on the border between China and Kazakhstan/Kyrgyzstan. Some commodities are officially intended to be sold at the local markets despite the fact that, according to the statistics, an increase of imports from China to Kazakhstan and Kyrgyzstan surpass its needs. For example, the current volume of imports of Chinese clothing and footwear to two Central Asian countries (Kazakhstan and Kyrgyzstan), with a total population of 23.5 million people, are close to the figures for imports to Russia with a population of 146 million people.

Shadow Silk Road

How does this happen? Central Asia's increasing connectedness and its rising role in transiting Asian goods to European markets seems to be regarded as an example of how the 'New Silk Road' linked to China's Belt and Road Initiative works. However, analysis of customs statistics of China, Russia, Kazakhstan, and Kyrgyzstan shows that there are critical divergences, so that one of the main (or maybe even the most important) reasons for cargo shippers to choose Kazakhstan and Kyrgyzstan instead of Russia is increasing possibilities



Billboard in Chinese characters near Nizhneleninskoe, Jewish Autonomous Oblast, Russia: 'Buying Soya Beans' (photo by Ivan Zuenko).

for implementing various illegal, semi-legal, or informal schemes. (In Russian, which is a lingua franca for all EAEU countries, they are called 'black' or 'grey schemes'). It became possible due to the weak political institutions in Central Asia and specific conjugation of circumstances, according to which Central Asian countries received a flow of goods much bigger than they could expect judging by local economic development.

What kind of shadow practices can be witnessed on this 'new border'? In the case of 'black schemes', we speak about smuggling when commodities enter the country without customs clearance or paying fees, and when customs service officers accept bribes for turning a blind eye. In the case of 'grey schemes', the most wide-spread practice is when commodities with a high tax ratio (for example, clothing, footwear and leather goods) are cleared as cheap commodities. Cargo shippers cut their expenses and officials receive kickbacks, whilst the national budget suffers a loss.

There are also a vast quantity of various informal practices of moving cargo across the border, which help cargo shippers to avoid paying custom duties. These practices are common amongst so-called 'shuttle traders' and people who are hired to move the commercial cargo across the border under the pretense of their personal belongings. These people are called *pomogai* [helpers] or *kemely* (from English 'camels') or *kirpichi* [bricks], across the various parts of the border between Russian-speaking post-Soviet countries and China. The participation of officials in these practices is indefensible, albeit minimal due to the lack of leverage of officials when (and if) formally, no law is broken. *Pomogai* business is based on the practice of shuttle trade, where people living on the borderlands routinely travel to the nearest foreign town to buy cheaper things for themselves, which the state cannot ban. We can see it in the case of the free trade zone Horgos, presently the most successful hub for shuttle trade using these informal practices on the EAEU-China border. It lies on the Sino-Kazakhstani border, and gives visitors from both countries visa-free access to duty-free shops.

Of course, all these schemes did not suddenly appear when the EAEU was formed; they were pre-existing. But the Eurasian integration into the framework of the Union created conditions in which these shadow practices began to flourish in the EAEU countries with a common border with China.

How cooperationism can coexist with protectionism

The main beneficiaries of these practices are shippers and local officials who monetize their access to the 'administrative rent'. And these benefits clearly are the result of the Eurasian integration. But locals are against the idea of further multinational integration and cooperation. Take the case of Horgos, for example; local people engaged in the

shuttle trade business would not be happy with further Chinese integration, or the liberalization of cross-border procedures. Their practices would become redundant and they would lose their livelihoods. Progressing even further down the path of inter-state integration and cross-border liberalization could lead to border officials losing their advantage of influential status, and thus losing their 'administrative rent'. In other words, an official in Kazakhstan or Kyrgyzstan understands that the integration of his country into the EAEU is good for him, because the flow of Chinese commodities for the lucrative Russian market is now passing through his office, and he gains an opportunity to obtain both legal and illegal incomes; but at the same time he understands that the removal of the border, customs clearance, and other points of state regulation will make him unnecessary and he will no longer accrue any income.

This dualism of interests makes the position of the states in post-Soviet Central Asia double-edged; on the one hand they support integration within the framework of the EAEU, and welcome the efforts of China to promote integration within the Belt and Road Initiative. On the other hand, their practical measures can be contrary and even clearly protectionist. It is particularly the case with regard to China, which, being much more populated and economically developed than most post-Soviet countries, is generally regarded as a 'threat'. This conclusion can easily be made upon analysis of the media and fieldwork materials.

This duality can also be seen in cross-border 'infrastructure' built by Russia at 'hotspots' of Sino-Russian regional cooperation; for example, at the the Pogranichny–Suifenhe economic cooperation zone in Primorsky Krai, and on Bolshoy Ussuriysky Island (an island near Khabarovsk shared between Russia and China). In Pogranichny, where the Chinese have constructed a large-scale shopping center and a 354-room hotel, local Russian authorities built an Orthodox Christian chapel commemorating St George the Victorious, patron saint of the Russian Army and a symbol of struggle against pagans. On Bolshoy Ussuriysky Island there is a chapel dedicated to St Victor of Damascus, a homage to all Russian soldiers killed while defending far-eastern borders. These chapels are the first structures that Chinese partners can see entering Russia territory. The choice of patron saints is not arbitrary, and it sends a clear message to all those involved in cross-border activities: cooperation is limited, and maintaining the status quo is the most desired result of this cooperation, at least for Russia and other post-Soviet countries. This is a status quo that allows senior authorities to benefit from the integration agenda, shadow practices to flourish, and ordinary people to feel safe from Chinese economic and demographic expansion.

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