

FOLKER HELLMMEYER

Options for Integration of the Eurasian Economic Union and China's OBOR

Folker Hellmeyer is a German economist. This is an edited report based on his prepared text. He spoke on Panel IV of the Schiller Institute conference, on July 1, 2018.

The tremendous rise of Asian nations, which we have experienced for decades, is unparalleled in economic history. It's not just about China or India. The entire continent no longer accepts the supremacy of the old industrial nations. While our western world is struggling with aging, political fatigue, and debt, most Asian countries are characterized by growth and a young population capable of learning, which perseveres and is efficient. The emancipation of the emerging countries is reflected in the setting up of their own structures, be it the Asian Infrastructure Investment Bank as an alternative to the World Bank, or the New Development Bank as an alternative to the IMF, or CIPS [the Cross-Border Interbank Payment System] as a counterpart to SWIFT. The One Belt One Road (OBOR) project is the response of emerging countries to the disregard for their interests and to the shift in the financial economic power axis in favor of the emerging countries, whose share has risen from around 20% of world GDP to more than 66%.

Consequences

1. The massive shift of the financial-economic power axis renders a shift in the political power axis



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inevitable. The path leads from unilateralism to multilateralism.

2. In the context of the global power struggle, new options and potentially new or redefined blocs have arisen.

3. The OBOR project is both an economic structural measure and an expression of the implicit claim to power of China and the emerging countries.

The Eurasian Economic Union (EAEU) is an association of five countries in the North East of Eurasia that have formed an internal market with a customs union. The economic union emerged from the

Eurasian Economic Community, which came into effect on January 1, 2015.

The founding agreement was signed on May 29, 2014 by Kazakhstan, Russia and Belarus. An accession agreement was signed with Armenia on October 10, 2014. Kyrgyzstan joined the Union on August 12, 2015. The aim of the Eurasian Economic Union is to facilitate the exchange of goods, capital, services and labor. In addition, five additional countries wish to coordinate parts of their economic policies on the model of the European Union: Tajikistan is now a Candidate country, and Uzbekistan, Mongolia, Azerbaijan, and Syria are now potential candidates.

Aims of the EAEU

The EAEU follows the model of the European Union. Its aims include: abolition of customs duties

and customs controls (customs union); single economic space (2007); free movement of persons, goods and services, and capital flows (January 1, 2015); common market for pharmaceutical goods and medical devices (January 1, 2016); the beginning of a common energy market and a common electricity market (2019); a common oil market (2024); a common gas market (2025); creating the conditions for a single financial market, a common currency (by 2025).

Economic and Structural Data

RUSSIA

GDP growth for 2018: About 2%.

Consumer prices currently: 2.4% year on year.

Foreign trade: Surplus of about \$10 billion per month.

Real wage increase: Currently ca. 7% year on year.

Public budget: Deficit of 0% of the GDP for 2018, according to IMF forecast.

Public debt: 18.7% of the GDP, according to IMF forecast.

BELARUS

Economic development: Turnaround carried out.

Investment: Moderate rise expected.

Consumption: Private consumption could rise by 3% in 2018.

Foreign trade: Strong growth of German exports in 2017.

Economic growth in 2017 mainly supported industry, which was able to increase its output in real terms by 6.3% in the first eleven months. Belarus profited from the economic recovery in Russia as its most important export market, and from the rise in raw material prices. After the declines of previous years, exports rose sharply in 2017. After settling the dispute with Russia over oil and gas supplies in April, deliveries of oil and gas and thus production in the highly important petrochemical industry of Belarus picked up again. Further impulses came from the service sector and agriculture. In contrast, the construction industry remained negative.

KAZAKHSTAN

Investment: Strong growth in the coming years is expected.

Investment will continue to be strong. From 2018 to 2022, the government expects gross investment to grow

an average of 7.2% per year; the 2017 growth is expected to come in at 4.7%. Government spending on industrial and infrastructure projects, as well as increased investments from the People's Republic of China, account for most of the investment.

ARMENIA

Economic development: Good chances for strong growth in 2018.

Investment: Long-expected turnaround in sight.

Consumption: Consumer spending is again on the rise.

Foreign trade: Good perspectives for further significant growth.

The national debt is increasing. Government-owned foreign debt is expected to reach 60% of GDP by the end of 2018, compared with 55.1% in 2017 (estimate) and 44.2% in 2015. The country's poverty rate is nearly 30%. Forced and sustainable economic development, and above all, the efficient integration of Armenia into international cooperation, is considerably hampered by the closed borders with its neighbors, Azerbaijan and Turkey, as a result of the unresolved geopolitical conflict over the Nagorno-Karabakh region.

KIRGYZSTAN

Economic development: The pace slowed down due to a decline in gold mining.

Investment: International donors and Chinese investors are decisive.

Consumption: Income development looks good.

Foreign trade: Imports growing strongly.

The GDP of Kirgyzstan rose by 1.3% between January and April 2018, much slower than one year earlier. The main reason is the decline in gold mining in the Kumtor Mine, the country's economic heavy-weight. Otherwise, the economic engine was not running smoothly everywhere. Excluding Kumtor, GDP growth remained modest at 2.5% during the reporting period.

However, the prospects are good. After a plus of 4.6% in the previous year, the GDP could even increase by 4.2% in 2018 according to the World Bank.

From January to April 2018, construction, services and agriculture contributed positively to GDP growth. In addition, the Kyrgyz economy will benefit not only from the fast-paced development in China, but also from the economic recovery in two other important partner countries, Russia and Kazakhstan.