Chapter 4

China and the Eurasian Economic Union: A Future of Agricultural Trade in BRICS+ Format

Vasilii Erokhin
https://orcid.org/0000-0002-3745-5469
Harbin Engineering University, China

Gao Tianming
Harbin Engineering University, China

ABSTRACT

This chapter gives a general overview of current integration processes which affect the countries in the regions of Europe and Asia, with a special focus on China and its Belt and Road initiative, from one side, Russia and its integration initiative of the Eurasian Economic Union, from another side, and BRICS as an umbrella format of collaboration between China, Russia, and other countries. In the case of trade in food and agricultural products, the chapter covers the two major rising economic powers with the involvement of China and Russia which are the Eurasian Economic Union and BRICS. The authors interpret their developments in relation to the modification of existing approaches to agricultural trade and establishing food security in the BRICS+ format.

INTRODUCTION

Until the present time, the countries of BRICS and the Eurasian Economic Union (EAEU) have been focusing on their domestic developments, but in order to be competitive on the global market, they will have to face new global challenges. Integration gains momentum. Neither single country, even such giants as the USA or China, is able to compete. Investigations have to be directed on the exploration of economic and trade cooperation of BRICS and EAEU countries between themselves and with the international community (Hartwell, 2016).

DOI: 10.4018/978-1-7998-1730-7.ch004
Until recently, there have been many studies related to the integration of BRICS or EAEU economies. Radulescu, Panait, and Voica (2014) analyzed the importance of the BRICS group as representatives of emerging countries in the global economy; Rasoulinezhad and Jabalameli (2018) explored the similarities of trade integrations in the BRICS member countries in the previous decades; Shaygani, Abolhasani Hastiani, Ghaffari, Sadeghi Shahdani, and Fadaee (2015) studied the effects of imposed exchange rate arrangements on the trade volume of BRICS countries using the generalized gravity model; Nashier (2015) examined the integration among the stock markets of BRICS and found evidence for both the short-term static and long-term dynamic integration between the stock markets. Mostafa and Mahmood (2018) analysed the history and evolution of the EEU as well as its success, challenges, and prospects; Dragneva and Wolczuk (2017) explained the political origins of the EAEU, its architecture and its progress; Vinokurov (2017) reviewed the state of Eurasian institutions, the single market for goods and services, the state of mutual trade and investment flows among member states, ongoing work to eliminate non-tariff barriers, and problems pertaining to the efficient coordination of macroeconomic policies. Few studies, however, addressed the potential convergence between BRICS and EAEU formats, particularly, in various BRICS+ formats with deeper involvement of Russia, China, and other countries into parallel integration processes. Russia is the country which somehow links BRICS and EAEU being a member of both alliances. China is an ultimate engine, a driving force of economic development and integration in the region. China has recently proposed the “five connections” development plan (policy exchange, road network, trade talks, currency circulation, and people-to-people friendship), which encourages cooperation at practical and cultural levels. China’s recent Belt and Road Initiative is meant to integrate the economies of Eurasia through physical and cyber-connectivity, energy pipelines, industrial parks, and smart cities. The plan involves more than 60 countries, representing a third of the world’s total economy and more than half the global population (Mariani, 2013).

BRICS and the Eurasian Economic Union should become the core pillars of a new international order, defined by a multipolar world with a greater role of China (Fedorenko, 2015). The EAEU is primarily a Russian initiative, but in 2015, China and Russia commenced talks to harmonize the two initiatives (Kukushkina & Ostrovskaya, 2013; Linn & Tiomkin, 2006). The initiative is not without its challenges. In the case of trade in agricultural product and food, the chapter summarizes the overview of the major competitive advantages and existing weaknesses of the EAEU economies, particularly, Russia, and BRICS economies, particularly, China in their integration into the global market (Golam & Monowar, 2018). While China is not a member of the EAEU, it is an interested observer. Should the EAEU sign Free Trade deals with China, it will have created an effective Free Trade Zone in the China-Mongolia-Russia Economic Corridor stretching from North-West China to Moscow covering all points in between (Makarov & Sokolova, 2016; Kembayev, 2016). There are signs this could occur. The EAEU has already signed off an FTA with Vietnam while India has also just agreed on an FTA, mainly concentrating on the textiles area.

This may link the rapidly growing markets in Asia and Europe’s economies, mature, rich in industrial and technological achievements. At the same time, this will allow BRICS countries and EAEU to become more commercially viable in the competition for investors, for creating new jobs, for advanced enterprises. Although this scenario may take some time to develop, the future for the EAEU-BRICS relations in a BRICS+ format is feasible.