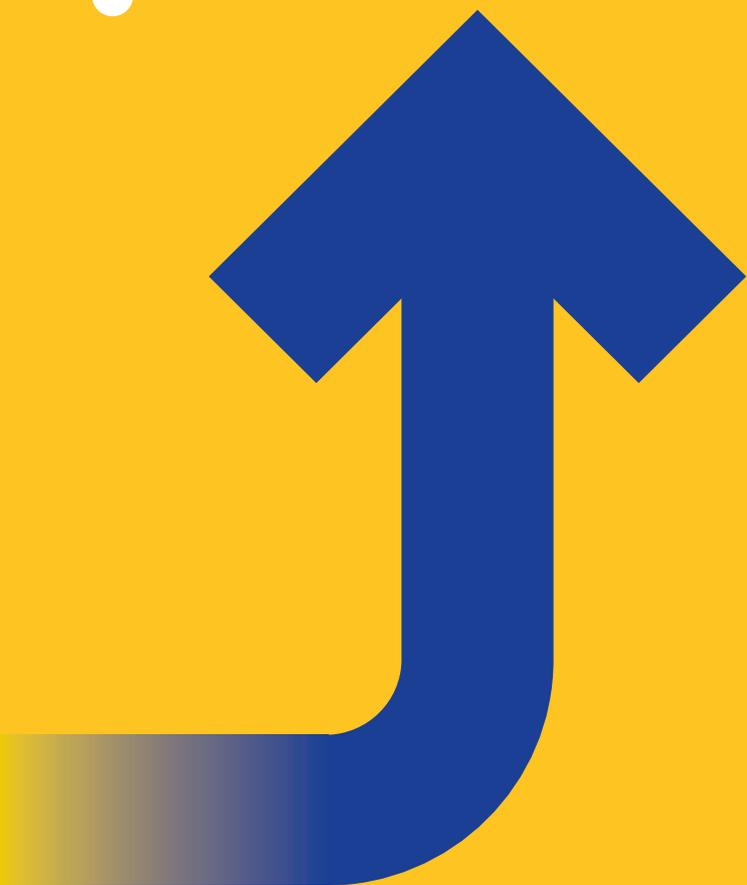

EURASIA
EMERGING
MARKETS
FORUM

Emerging
Eurasian
Continental
Integration:
Trade,
Investment, and
Infrastructure

Evgeny Vinokurov

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Emerging Eurasian Continental Integration: Trade, Investment, and Infrastructure

Evgeny Vinokurov

Map
1 | Eurasia



Introduction

Eurasia is a massive and diverse supercontinent that stretches for 8,232 km from Cape Dezhnev in the east to Cabo da Roca in the west and 8505 km from Cape Chelyuskin in the north to Cape Piai in the south. Eurasia currently accounts for two-thirds of the world's population and 60 percent of its GDP. The significance of Eurasia is likely to rise in the decades to come (Figure 1).

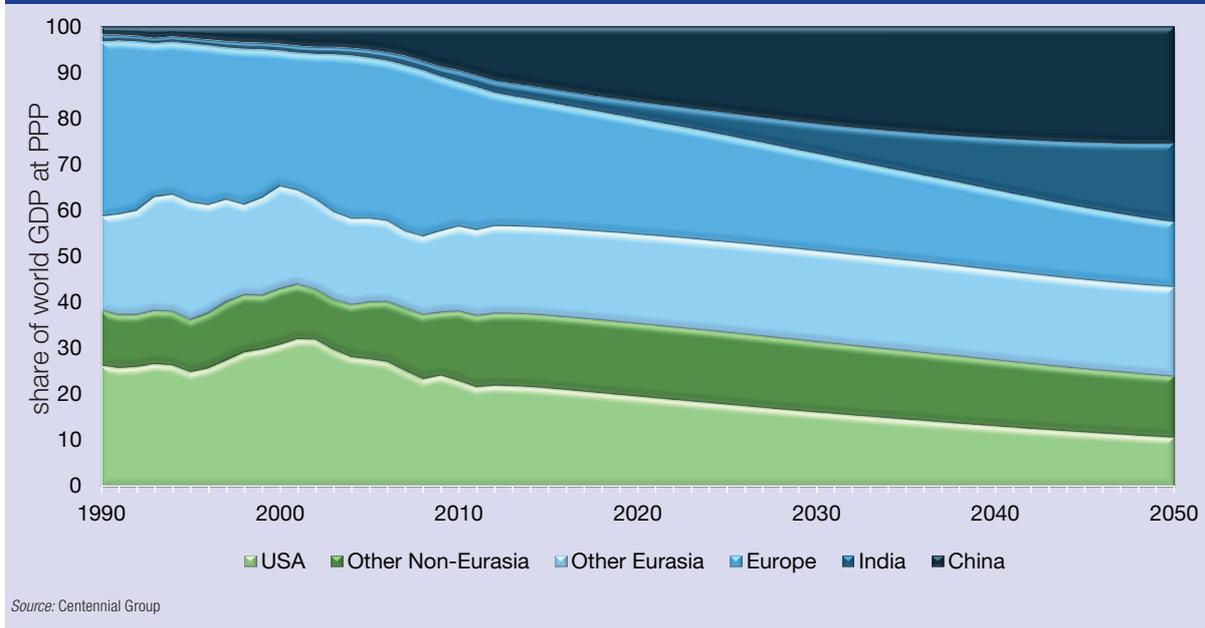
This paper focuses on applied matters of emerging Eurasian economic integration, namely on trade, investments, and infrastructure. Our scope of research is continental, concentrating on the emerging economic linkages in Eurasia.

In our view, elaborated elsewhere in more detail,¹ Eurasian continental integration could become a

1. See two monographs: Vinokurov and Libman (2012) on Eurasian integration and Libman and Vinokurov (2012) on the application of Eurasian



Figure 1 **Distribution of world GDP: long-term projections**



key developmental force, driven by the integration of energy trade, non-energy trade and transport, capital and labour flows, tourism, the drug trade, and epidemiological threats. A key question for the 21st century is whether or not the main continental powers will allow this integration — which represents a catch-up process in the historic, worldwide drive for globalization — to proceed smoothly and efficiently by cooperating:

- to establish transport, electric power, and telecom infrastructure networks;
- to open up access to natural and human resources;
- to create institutions that support collective action in the pursuit of regional benefits and alleviation of regional disadvantages and that mediate between competing interests in a constructive manner;
- and to address multiple common hard and soft security concerns.

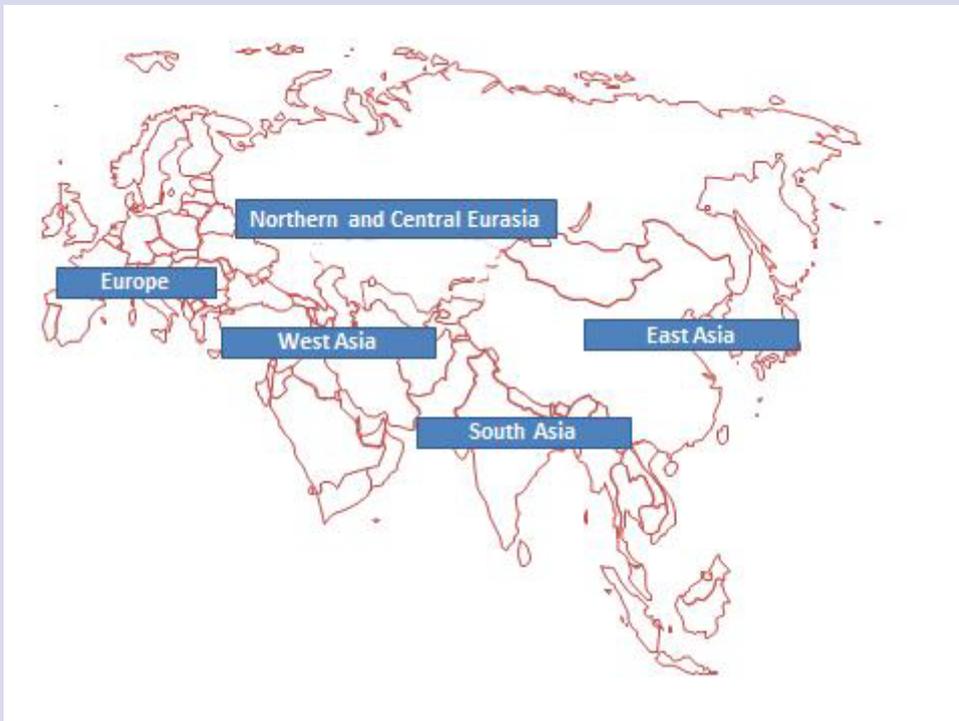
Or, conversely, will competition over resources, boundaries, and allegiances or disagreements over values and political systems drive deep wedges between countries and sub-regions across Eurasia, as in the past?

The Eurasian continental integration is currently primarily a bottom-up story. We see major changes happening in trade and investment, as well as in the drive to fill the gaps in cross-border infrastructure. They are not yet supplemented and augmented by intergovernmental cooperation.

The level of economic, political, and cultural interdependence of almost all countries is continually increasing. This increase is however not uniform: some areas of the world are more “globalized” than others. China until the 1980s and the Soviet bloc until the end of the 1980s represented huge gaps in the web of developing global economy. The socialist countries concentrated either on maximizing their autarchy or on cooperating primarily within the COMECON.



Figure 2 | **Macroregions of Eurasia**



Over the last 20 to 30 years, therefore, there has been a critical change in the spatial structure of the globalization web: its original gap in Central and Northern Eurasia seems to have been replaced by a new web connecting Europe, the former Soviet bloc, and China. “Before then,” explains Johannes Linn (2011), “the self-imposed isolation of China and the Soviet Union created serious obstacles — symbolized by the Bamboo and Iron Curtains. They prevented a participation of the continent in the post-World War II globalization process, which was driven by the rapid growth of cross-oceanic links between Europe and the US and between the US and East and Southeast Asia.”² They are now rapidly catching up. The economic network is supplemented by an increasing number of political and institutional structures

incorporating the region’s countries. Thus, while European and Asian-Pacific poles of economic development in the Eurasian continent were originally clearly separated from each other geographically, the presence of Central and Northern Eurasia makes the border between them more indistinct. Russia — at least potentially — could belong to both of them. The opportunities and challenges of the former Soviet Union, Europe, and East Asia are becoming more and more intertwined, and often coordinated policies are called for.

In our exploration of Eurasian economic integration we utilize a concept of five macroregions with sometimes indistinct borders, covering the whole Eurasian landmass. These are Europe, Northern and Central Eurasia, East Asia, South Asia, and West Asia (see Figure 2).

2. See also Linn and Tiomkin (2006).



Let us make a few country-related remarks. While most attempts to establish a Eurasian regional integration project have been initiated by post-Soviet countries (particularly Russia and Kazakhstan), a recent proposal to create a Eurasian Union came from the Turkish minister of foreign affairs, Ahmet Davutoglu, in spring 2010.³ Turkey is closely linked to the European Union and aspires to join, but it also traditionally maintains strong ties to the post-Soviet Turkic states (Central Asia and Azerbaijan). Although early attempts to achieve dominance in this region in the mid-1990s failed, the current cultural, economic, and political influence of Turkey should not be discounted. Turkey has its own tradition of *Avrasya* (Eurasian) thinking, which bears interesting parallels with that of Russia.

India also seems to be a potential player in the emergence of Eurasian linkages, especially in the field of trade and transport infrastructure, as we discuss further below.

Importantly, the post-Soviet area in our analysis should not be treated as a proxy for Russia. Russia is indeed a key player in many regional integration projects and an important arena for informal linkages emerging in the region; however, other post-Soviet countries, Kazakhstan in particular, often take a proactive role.

This paper is structured as follows. After having provided the outline of Eurasian economic geography in the introduction, we move to two principal domains of the paper: trade and investment. They will be supplemented by a brief discussion of labor migration, a hugely important but often overlooked domain of economic and social integration. Then, we will discuss two major constraints to the development of continental economic integration — namely, asymmetry of development and the severe deficiencies of transborder infrastructure (we cover transport, electric power, and energy infrastructure). We then proceed to discuss some implications for Kazakhstan and general conclusions. An appendix provides some

macroeconomic data on 85 Eurasian countries, ordered by regions and sub-regions.

Trade: Filling the Autarky Gaps

We start with the review of trade links in Eurasia. Long-term changes are substantial. To put things in perspective, Table 1 represents the destination-origin matrix for global exports in the mid-20th century while Table 2 provides comparable data for 2009. We look at seven regions: North America, Latin America, Continental Europe and the UK, Eastern Europe and the USSR, Middle East, South Asia (India, Burma, Sri Lanka, and Pakistan) and East Asia. The list is not entirely satisfactory in historical terms (if one takes into account the colonial linkages of the period) and does not cover all regions. In some senses, we have projected the modern typology of world regions onto the world 50 years ago. Nevertheless, it provides us with an overall impression of how inter-regional trade has developed.

The situation has changed dramatically within the last 50 years (Table 2). Europe and North America still trade mostly with each other, but the majority of Asian countries' trade is concentrated within the Asian region (on the contrary, CIS intra-regional trade dropped from 63 to 28 percent, reflecting the end of economic autarky). In fact, one of the key trends of the second half of the 20th century has been growing trade integration in Asia, ultimately resulting in production integration. This integration, unlike in Europe, has been driven much more by the market than by international agreements. The investments made by Japanese multinationals (Kimura 1998; Tachiki 2005) and the informal trade linkages of Chinese merchants have created a highly integrated region in East Asia (Peng 2000; 2002). Meanwhile, the isolation of the USSR and Eastern Europe has disappeared: now the post-Soviet countries trade with Europe more than with each other and almost as much with Asia as with each other. In fact, the origins of the current situation could be traced to the Soviet period: when the Soviet Union (later Russia) became an important energy supplier for the European countries. For Europe, with its

3. http://rinsider.club-feroviar.ro/en/afiseaza_stire.php?id=5859



Table 1 | **Share of regional trade flows in world merchandise export, 1959, share (%)**

| Destination / Origin | World | US and Canada | Latin America | Continental Europe and the UK | Eastern Europe and the USSR | Middle East | South Asia | East Asia |
|---|-------|---------------|---------------|-------------------------------|-----------------------------|-------------|------------|-----------|
| World | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| US and Canada | 20 | 34 | 49 | 13 | 1 | 17 | 20 | 24 |
| Latin America | 7 | 19 | 9 | 6 | 1 | 1 | 0 | 3 |
| Continental Europe, UK, Ireland and Iceland | 39 | 26 | 32 | 54 | 15 | 47 | 45 | 16 |
| Eastern Europe and USSR | 10 | 0 | 2 | 5 | 63 | 8 | 5 | 21 |
| Middle East | 4 | 2 | 1 | 5 | 2 | 13 | 7 | 5 |
| South Asia | 2 | 2 | 1 | 2 | 1 | 5 | 6 | 3 |
| East Asia | 7 | 9 | 3 | 2 | 14 | 7 | 9 | 14 |

Source: Vinokurov and Libman (2012), compilation based on COMTRADE data

dominant intra-regional trade (higher than 60 years ago, probably, for two reasons: the development of European integration and the collapse of the “special links” between the UK and its overseas territories), Asia became its second-largest export partner (superseding the UK). Asia emerged as a strong partner for Latin America also. The Middle East also increased its trade links with non-European countries, thanks to its oil and gas exports. Overall, the world is now much more polycentric, with Asia emerging as a strong partner for the European countries, the post-Soviet space and other parts of the world.

Two of the changes influencing global trade are important in the context of this paper: First, trade between Europe and China, which has sky rocketed over the last two decades, and second, the CIS’ trade with the EU.

Exports from China to European and Eurasian countries saw an enormous increase in the 2000s. According to EU statistics, imports from China into EU-27 in 2010 totaled €282 billion, against EU exports to China of €113 billion; that is, about 20 percent of European imports come from China and about 8 percent of European exports are directed to China. The EU ranks second in terms of imports from China (after Japan) and is China’s biggest export destination (above the US). The growth in FDI has mirrored the growth in trade, with China outperforming the Central and Eastern European countries as the main center of outsourcing for European businesses. Currently the trade link between the EU and China is the most pronounced economic interconnection in the Eurasian continent.

As we discuss further below, the growth of intracontinental trade relies to a greater extent on



Table 2 | **Share of regional trade flows in world's merchandise export, 2009, share (%)**

| Destination | World | North America | South and Central America | Europe | CIS | Africa | Middle East | Asia |
|---------------------------|-------|---------------|---------------------------|--------|------|--------|-------------|------|
| World | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| North America | 13.2 | 37.9 | 29.3 | 5.7 | 3 | 7.2 | 9.7 | 10.1 |
| South and Central America | 3.8 | 5.7 | 27.4 | 1.8 | 1.9 | 3.3 | 2.2 | 3 |
| Europe | 41.2 | 18.1 | 17.1 | 70.9 | 47.1 | 41.5 | 30.1 | 13.3 |
| CIS | 3.7 | 1.2 | 1.2 | 4.7 | 27.9 | 1.8 | 2.8 | 2 |
| Africa | 3.2 | 3.2 | 2.1 | 2.9 | 0.4 | 11.5 | 2.3 | 2.7 |
| Middle East | 5.7 | 3 | 1.1 | 1.5 | 1.2 | 8.6 | 20.9 | 11.2 |
| Asia | 29.4 | 31 | 21.8 | 12.5 | 18.5 | 26 | 32 | 57.8 |

Source: WTO.

unilateral liberalization than on international cooperation. However, this is not the case for energy trading, which seems to receive even more public attention than trade in non-energy goods. The energy trade in Eurasia is based on a huge disequilibrium in energy endowment: the resources concentrated in the Middle East, Central Asia, and Siberia have to meet the growing demand from industrializing East and Southeast Asia and supply the constant needs of Europe. The trade depends also upon the vast network of pipelines spreading throughout the continent (and, especially in its western part, connecting Russia and Central Asia to the EU). Thus, it is not surprising that inter-regional trade is growing almost twice as fast as intra-regional trade flows (Linn 2007).

The second area of interdependency is CIS's trade with the EU. As mentioned, the oil and gas supplied by Russia to European countries is key to Europe's dominance of Russian foreign trade (Europe remains the biggest consumer of Russian energy resources). However, the EU also plays a dominant role in terms of trade in manufactured

goods; in 2010 the EU accounted for 50 percent of Russian imports and 45 percent of Russian manufactured goods exports (China was the second biggest trade partner, accounting for 14 percent of imports, and third largest export partner, accounting for 6 percent of exports). Russia is a less significant partner for the EU itself accounting for only 10 percent of imports and 6 percent of exports in 2010 (according to EU official statistics); however, this means Russia still ranks as the EU's third largest trade partner (after China and the US). Thus, all three key regions of Eurasia are connected to each other in terms of trade. In many cases the true nature of this interdependence becomes apparent. Chinese economic growth is hardly possible without huge demand for manufactured goods in developed countries. Russian economic performance heavily depends upon its supply of energy resources to the EU. The latter, in turn, depends on Russian energy supplies.

An important feature of the Eurasian trade flows is that they actually grow faster than the global trade. Table 3 provides the growth rates for export



between three major regions of Eurasia — Asia, Europe, and the CIS (with Asia also including India and the Middle East) as opposed to the world merchandise export. We have marked all entries, when the growth of export flows within Eurasian was faster than the growth of the global export, bold. As one can see, growth rates higher than that of the world trade are the rule rather than exception for the trade between Eurasian regions, with the only exception being the exports from Europe to Asia. As a downside, in 2009 trade between Eurasian regions dropped more than the global trade, but it was followed by quick recovery

in 2010. It is also interesting to note that the trade between Eurasian regions was typically growing faster than trade within each sub-region, with Asia being the only possible exception. Overall, while lagging behind in terms of globalization in the past, Eurasia seems to be catching up.

With the slowdown in progress of the Doha trade talks, regional trade agreements (RTAs) proliferated. The “noodle bowl” phenomenon is associated with the recent boom of RTAs in Asia. It created specific costs and benefits for the region, as well as for the world economy. Recently, more and more countries have turned their attention

Table 3 | Annual growth rates of the merchandise exports, 2001-2010

| Export | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total growth 2001-2010 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|------------------------|
| From Asia to Europe | -9.16 | 4.5% | 25.1% | 25.7% | 15.3% | 20.3% | 19.5% | 12.0% | -20.2% | 26.0% | 178.64 |
| From Europe to Asia | -0.44 | 7.1% | 19.2% | 21.8% | 7.1% | 11.3% | 17.6% | 12.8% | -12.5% | 22.4% | 162.17 |
| From CIS to Europe | -3.66 | 8.2% | 28.1% | 40.0% | 39.9% | 30.5% | 15.9% | 36.7% | -41.4% | 30.3% | 312.89 |
| From Europe to CIS | 29.60 | 15.0% | 30.9% | 36.4% | 23.4% | 30.9% | 32.9% | 25.9% | -38.8% | 22.6% | 439.64 |
| From Asia to CIS | 12.16 | 24.3% | 63.5% | 46.0% | 45.9% | 34.0% | 60.5% | 36.2% | -47.6% | 48.5% | 1006.75 |
| From CIS to Asia | 1.51 | 8.6% | 24.2% | 30.4% | 15.6% | 8.3% | 29.6% | 35.9% | -17.0% | 34.3% | 338.84 |
| From Asia to Asia | -10.13 | 10.5% | 21.9% | 25.7% | 15.0% | 14.9% | 15.4% | 15.7% | -15.4% | 33.2% | 202.52 |
| From Europe to Europe | 0.31 | 7.1% | 20.7% | 19.6% | 7.7% | 13.8% | 16.4% | 10.5% | -23.2% | 10.4% | 107.29 |
| From CIS to CIS | 5.49 | 0.5% | 28.7% | 38.5% | 12.3% | 27.3% | 29.8% | 31.2% | -36.9% | 28.9% | 274.20 |
| World trade, total | -4.09 | 4.8% | 16.9% | 21.6% | 13.9% | 15.6% | 15.7% | 15.3% | -22.6% | 21.7% | 136.40 |

Source: calculations based on WTO Time Series on International Trade Database .



Figure 3 | **Openness to trade in Eurasia**



Note: openness is calculated as: $[(EXP+IMP)/GDP] \times 100$

Source: World Bank, WDI database.

to RTAs. Countries are taking this route because these agreements are often a more practical and feasible way to liberalize trade. RTAs can bring faster results than the multilateral process. They may enable the parties to make commitments that are more meaningful and more liberating for trade than a multilateral grouping. And very often they address issues that are not even on the multilateral agenda. RTAs can be valuable in dealing with tough issues, which often cause deadlocks on the multilateral front in areas such as agricultural services.

This current trade regime in the continents contains mostly agreements with the participation of two leading regions, Europe and East Asia. Nevertheless, the “noodle bowl” of the Eurasian continent is rapidly expanding, as, for example, West Asian countries, the CIS countries, and India have joined the RTA drive.

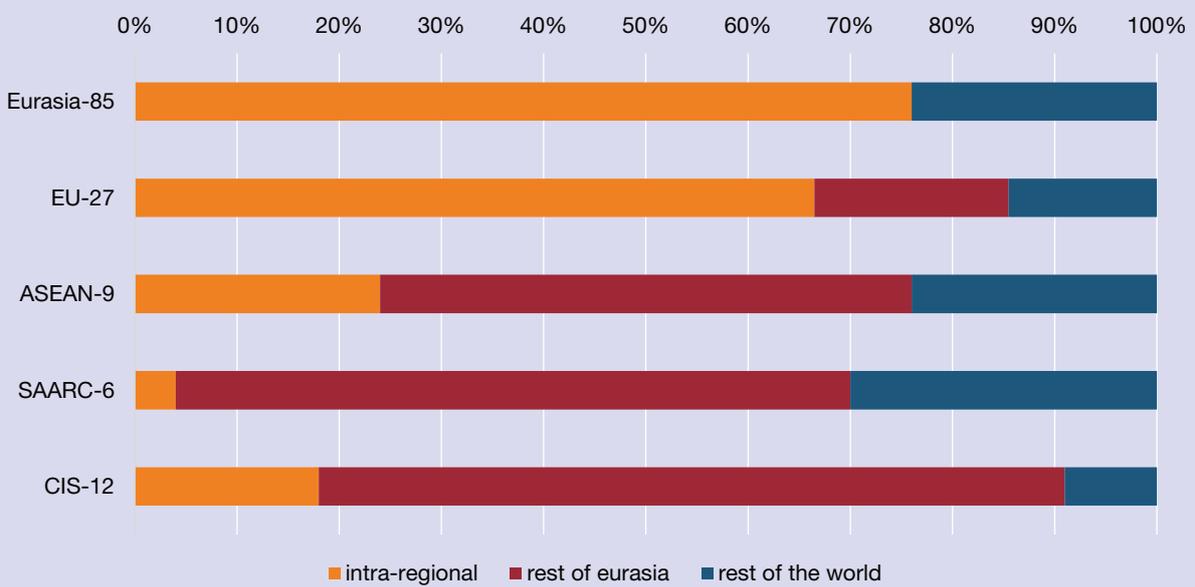
From the beginning of this century, Eurasia has seen huge growth in its international trade. Still,

the share of intra-regional trade is low for particular groupings (Figure 4). Due to its size and diversity, Eurasia trades a lot within its own continent. The main contributor is the EU, as Asia’s groupings and the CIS still have only very small shares of intraregional trade.

Figure 5 shows the structure of trade. The structure of intra-Eurasian trade is quite diverse and balanced, with each commodity group constituting at least 5 percent of the total. Despite frequent misperception, trade in mineral products takes only a minor share. Although the highest share is held by machinery and electrical equipment (28 percent), followed by chemicals (13 percent) and mineral products (13 percent), the main contributor of high-skilled manufacturing trade is still the EU (its old and new members), while textile and electrical goods are usually supplied by Chinese producers.

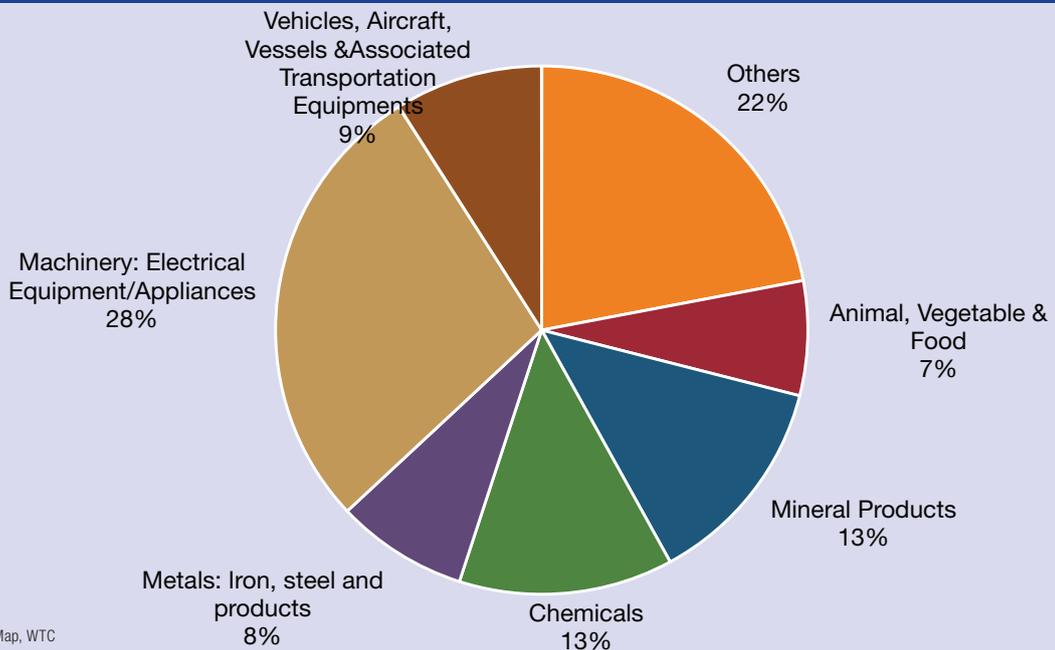


Figure 4 | **Intra-regional Trade in Eurasia, 2008, %**



Source: DOTS, IMF.

Figure 5 | **Structure of intra-regional trade of Eurasia, 2009**



Source: TradeMap, WTC



Investment: Emerging Economies' Multinationals as a New Factor

Cross-border FDI

The changes in investment flows in Eurasia are even more substantial than changes in trade flows. Less than three decades ago two huge Eurasian countries (USSR and China) were closed to foreign direct investments in almost any form (and did not invest abroad themselves). From the 1990s onwards, China experienced a surge of FDI inflow, driven mostly by European companies. Russia fared worse in this respect because of its significant economic decline and less favorable public policy, but it still played a significant role. By 2008 Asian countries ranked third in terms of EU outward investment after North America and non-EU Europe including Russia. Hong Kong and Russia are among the top ten recipients of FDI from the EU; in 2007-09 investment in Russia increased by 24 percent and in Hong Kong by 4 percent, despite the crisis. Hong Kong increased its inward FDI in Europe by 56 percent during this period (Russia by 11 percent) (Eurostat 2013). Since a substantial proportion of Chinese investments are directed through Hong Kong, this huge growth most likely reflects the increasing levels of Chinese investment in the EU.

The last decade has also witnessed the emergence of Russian and Chinese multinationals. While two decades ago both countries were mostly (more or less successful) beneficiaries of foreign direct investment, in the last ten years both Russia and China have become important international players. From the very beginning of the 2000s, in China's case, and from the second half of that decade for Russia, state-owned multinationals and public wealth funds began to play an increasingly significant role in these investments. In both cases the quality of statistical data on the activity of multinationals is poor; this is also true for the geographic targets of multinationals. It should be taken into consideration that a large percentage of investment is being channeled through offshore money centers; that is why, generally, the official statistics by national banks and UNCTAD should

be treated with caution. It is difficult to know, therefore, whether multinationals from Russia and China are, in fact, global or regional, and if they are regional, whether the focus of their activity is East Asia, the post-Soviet space, or Eurasia in general. Overall, the literature on emerging multinationals concludes that they usually exhibit a pronounced regional focus (UNO 1993).

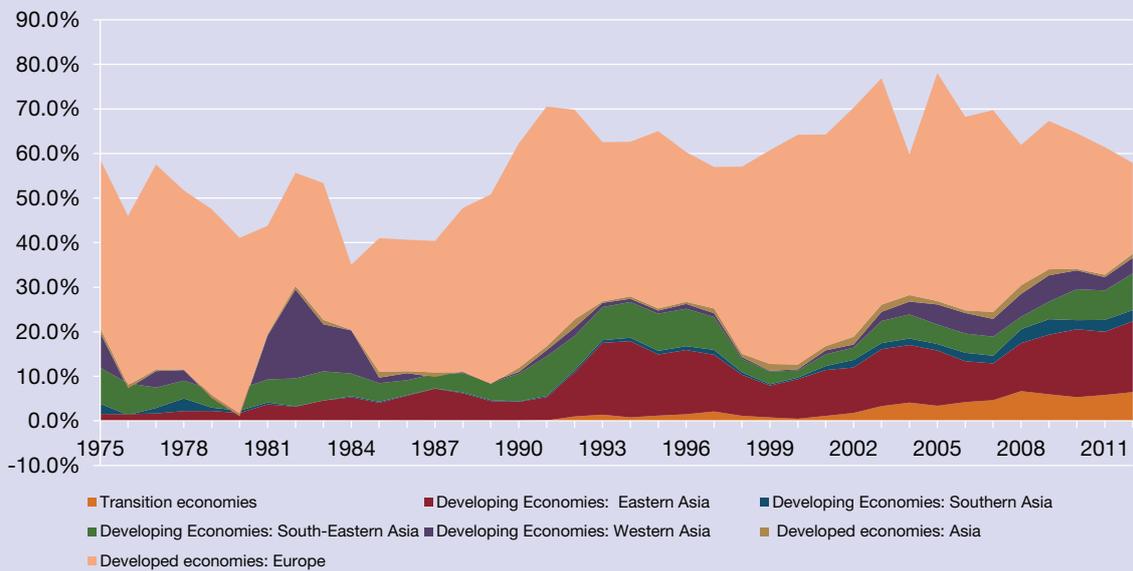
Let us provide a summary of the importance of subregions of Eurasia in the global dynamics of FDI. Figure 6 plots the FDI inflows in several regions of Eurasia: developed countries of Europe and Asia, as well as transition economies and developing countries of Eastern, Western, Southern, and Southeastern Asia (China is included in the developing economies of Eastern Asia). One can see that the region in the last 35 years accounted for roughly 50-60 percent of the world FDI inflow, with a somewhat higher share in the last two decades. Europe still consumes most of the FDI in the region. However, there is a rapid growth of FDI in the Eastern Asian countries (primarily China); also transition economies of the former Socialist bloc appeared as important FDI recipients (especially in the last years).

The dynamics of the outward FDI from Eurasian countries actually show a moderate increase of their share in the global FDI outflow, with Europe still being the major FDI source. While in the late 1980s developed countries of Asia (primarily Japan) turned to play a larger role in the structure of the FDI flows, their role decreased over time. A recent trend, however, is an increase of FDI from Eastern Asia and transition countries — Russia and China — which will be outlined in what follows. Thus, it is possible to state that Eurasian FDI still are, from the quantitative point of view, less important than the traditional centers of FDI flows; however, the role of Northern Eurasia and East Asia was increasing steadily over the last decade. Since the emergence of Chinese and Russian multinationals is recent, it is understandable why they still have a moderate role in the general picture of the FDI flows in absolute figures.



Figure 6

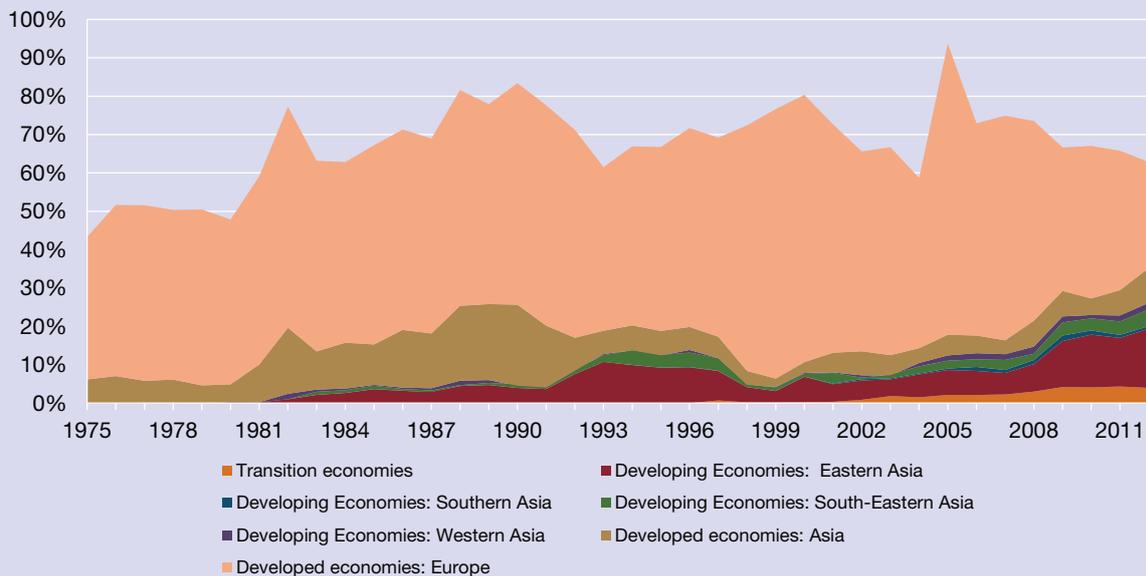
Shares of inward FDI flows in selected Eurasian regions in total FDI inflows in the world: Europe has the largest share but Eastern and South-Eastern Asia are on the rise



Source: UNCTAD FDI statistics interactive database, <http://www.unctad.org/Templates/Page.asp?intItemID=3199&lang=1>

Figure 7

Shares of inward FDI flows in selected Eurasian regions in total FDI inflows in the world: Europe has the largest share but Eastern and South-Eastern Asia are on the rise



Source: UNCTAD FDI statistics interactive database, <http://www.unctad.org/Templates/Page.asp?intItemID=3199&lang=1>



Chinese and Russian multinationals

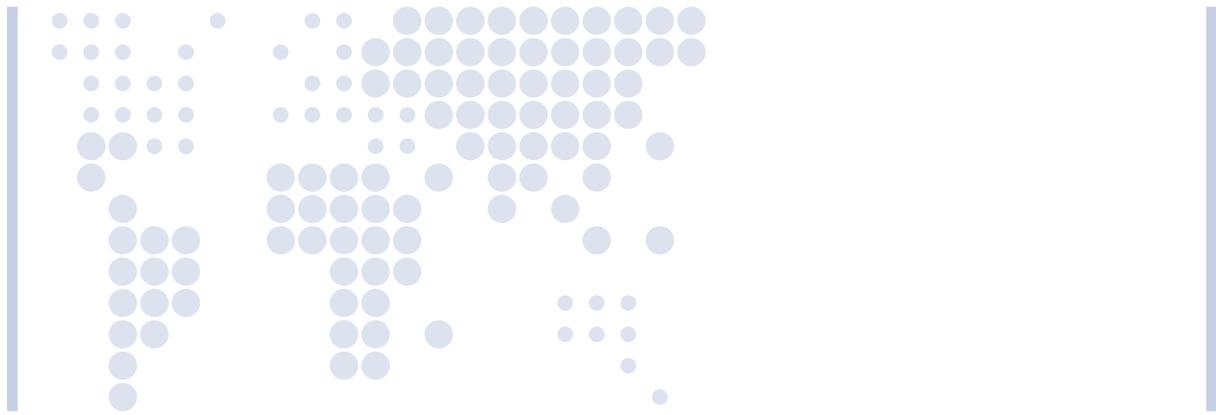
The exponential rise of multinationals from emerging countries is a much-discussed phenomenon. Chinese and Russian investments abroad stand out in the Eurasian context.

Chinese multinationals seem to have begun by targeting primarily the East Asian region, spreading to other regions of Eurasia and the rest of the world over time. There are, however, several distinctive features. The first wave of Chinese multinationals consisted of state-owned companies attempting to secure resources abroad. The second wave of multinationals came into existence in the early 1990s and consisted mostly of companies with diverse ownership (public, local, and private). For these companies, mainly operating in the consumer goods and electronics industries, FDI has been a logical step towards internationalization, initially by operating as a subcontractor for a foreign partner. Nevertheless, for several decades at least, Chinese companies remained mostly regional, as did other East Asian multinationals: existing literature points out that the distance effect for these companies has been stronger than in other regions of the world (Gao 2005). For Chinese multinationals, however, this regional focus has a very distinct feature: many of them invest heavily in Hong Kong's economy.

Hong Kong and Macau provided Chinese multinationals with a unique springboard, which was absent for Russian companies (which therefore usually structured their investments through Western offshore centers, in particular Cyprus). Hong Kong and Macau were highly liberalized jurisdictions at the front door of the People's Republic, connected to mainland China by strong economic, social, and cultural ties. Hong Kong has traditionally served as a gateway for foreign investors entering the Chinese market (Dobson and Yue 1997) and as an intermediary station for Chinese investors in China hoping to benefit from Hong Kong's favorable treatment of foreign investments (Breslin 2004a; 2004b). Thus, Hong Kong also forms an obvious bridge for Chinese investors going abroad (at least during the early period of Chinese internationalization).

The situation with Hong Kong, however, is more complex than it first appears: foreign companies investing through Hong Kong have been shown to receive substantial contributions from local staff and partners (Low et al. 1996). This makes analysis of the local focus of Chinese FDI more difficult: what looks like local focus may merely represent the practice of round-tripping. However, even taking this issue into account, the local focus of Chinese companies seems to be plausible, given, on the one hand, their limited international experience and, on the other hand, the advantages that Chinese informal networks present in other East Asian countries that play a substantial role in their economies, and which Chinese investors can rely upon. Overall, in the first half of the 2000s Asia attracted a solid 40-50 percent of Chinese FDI (Kolstad and Wiig 2009).

The second region dominating the structure of China's outward FDI is somewhat less expected: 35-45 percent of the overall outward FDI during the first half of the 2000s was directed to Latin America. This statistic is partly misleading, however: Latin America includes investments in offshore zones such as the British Virgin Islands and the Cayman Islands. Latin American countries report a very modest impact of Chinese FDI. They are mostly concentrated in the resource sector (oil and minerals) in Brazil, Chile, Peru, and Venezuela. In Mexico, Chinese investors are present in the manufacturing sector. But although the share of Chinese FDI going to Latin America is large, its absolute volume is much smaller than FDI from the "traditional" provider of capital for the Latin American region — that is, the United States. This again is somewhat similar to the situation with Russian investments in Europe (Jenkins et al. 2008). China's main impact on Latin America is related more to the fact that China attracts some of the FDI that would otherwise go to Latin American countries but not through direct investments (Garcia-Herrero and Santabarbara 2007). In 2005, for example, 81 percent of the total outward FDI of China was made in tax havens abroad, which makes our knowledge of the distribution of FDI much less reliable (Cheng and Ma 2007).



In addition to investments in East Asia and to a lesser extent in Latin America, in recent years Chinese multinationals have invested increasingly in Africa and Europe. The business expansion of Chinese companies to Africa has attracted a lot of attention recently (Broadman 2007). Chinese companies, with strong support from the national government, have invested heavily in the African economy, mostly in order to obtain control of natural resources in the region. The second element of this expansion, which is also more relevant for this book, is the Europeanization of Chinese companies, that is, their access to European markets. Unlike Russian businesses, Chinese companies have not viewed Europe as the natural direction of their internationalization, yet they have consistently increased their presence in the EU in the last few years.

Turning to Russian *multinationals*, the empirical evidence on the evolution of Russian FDI after the collapse of the Soviet Union is fragmented. However, available evidence suggests there is a certain pattern to Russian FDI. Russian investments are concentrated primarily within two regions: the post-Soviet area and European countries. The reasons why these two parts of the world are important for Russian FDI are clear. The FSU offers geographical proximity, common cultural and historical heritage, a high level of economic interdependence, and common language, creating natural advantages for Russian businesses. The EU, on the other hand, constitutes an extremely attractive market and is the key trade partner for the Russian Federation (much more important than the FSU). An “intermediate” region of Central and Eastern Europe provides a certain combination of these advantages, which are, however, less pronounced than in both other sub-regions (there is a shared-past phenomenon, but less so than in the FSU; the market is attractive, but less so than EU-15).

In the second half of the 2000s, Russian companies expanded the geographical scope of their activity, moving outside the original Europe-FSU region. In particular, raw materials companies acquired assets in Africa, America and the Middle

East (Kuznetsov 2010). Russian steel companies were particularly active in this regard, buying during the pre-crisis highs (2007-08). The mobile telephony service providers also increased the scope of their FDI, acquiring assets in India and Turkey. Furthermore, Russian companies substantially changed the nature of their acquisitions. As the availability of attractive assets in the FSU decreased, Russian businesses increasingly turned to green-field investments.

Overall, it would appear that after the temporary decline during the economic crisis, Russian companies will continue to expand into traditional regions (CIS and Europe) and other regions of the world. For now, Russian business is mostly regional, but the relevant region is not restricted to the FSU, but rather to the FSU and European countries (including the CEE and Western Balkan states). The situation is similar for multinationals from Ukraine (in fact, they seem to be focused on European connections rather than on the post-Soviet area, which partially explains Ukrainian businesses’ support of the European integration agenda of the Ukrainian government); Kazakh companies, are, to our knowledge, mostly focused on the FSU.

The observations we have made so far, despite scarce and limited data, show the growing importance of the multinationals from emerging economies in Eurasia, most importantly Chinese and Russian ones. They pursue a variety of strategies and objectives as they move beyond their home countries. In both cases, resource multinationals (mostly state-owned or linked to the government) either attempt to access resources abroad or to complete the vertical integration chain in the processing of resources (the latter is much more typical for Russian companies which control huge export-oriented resources at home). For manufacturing companies, acquisitions abroad are more typically aimed at technology transfer; in this case, however, Chinese businesses are much more active than their Russian counterparts (this is not surprising, if one compares their industrial characteristics; resource multinationals, though important, play a much smaller role for China



than for Russia). Chinese companies have also attempted to improve their position in international markets by acquiring foreign brands (for Russian businesses this is less important). On the other hand, both Russian and Chinese multinationals pursue an internationalization strategy in order to access new markets abroad.

Russian and Chinese multinationals are not the only group of emerging Eurasian multinational companies. We have already mentioned Kazakhstan, Ukraine, and “ethnic Chinese” from Southeast Asia. This list could certainly be expanded to include India. Indian multinationals are very interesting in that they are much less regional in terms of their FDI, being present in equal measure in Europe and North America and to a slightly lesser extent in Asia (Sethi 2009). This unusual feature may be explained by aspects of Indian history, a country where knowledge of English is very widespread and links to Europe and the US (particularly with regard to top management staff who are very often educated in the developed world) are more established than in Russia and China, which until recently have been effectively closed from the rest of the world. After the (relative) fall of the “License Raj” (the burdensome Indian bureaucracy stifling market forces) in the early 1990s, the liberalized Indian economy became a center of further growth. So it is safe to say that Eurasia is transforming itself from a recipient region with its FDI focused in Europe (competing with US companies) into a continent with multiple centers of competing multinationals, accessing various countries and pursuing different strategies.

Labor Migration

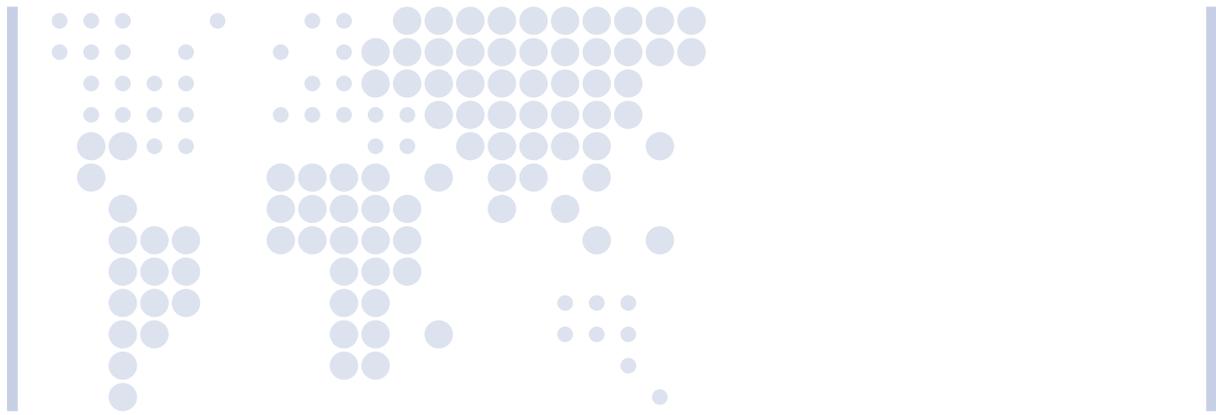
Labor migration is a potentially powerful driver of economic and social integration. Currently labor migration patterns are localized in particular sub-regions of Eurasia and, therefore, at the moment, they are not really a truly continental phenomenon. The regions of Eurasia are separated from each other, creating severe labor market restrictions. There is a flourishing labor market within the post-Soviet area, and there is a large migration inflow to the EU from its eastern neighbors (both West Asia

and the FSU). There are also large flows within Southeast Asia and, to a lesser extent, between China and the FSU. In all cases, we have observed very limited intergovernmental cooperation supporting the migration flows.

The top ten migration corridors in Eurasia (which often, but not always, coincide with labor migration flows) are Russia–Ukraine, Ukraine–Russia, Turkey–Germany, Kazakhstan–Russia, Russia–Kazakhstan, Belarus–Russia, Uzbekistan–Russia, Azerbaijan–Russia, Romania–Italy and Romania–Spain. In other words, two of these corridors are located within the EU, seven in the post-Soviet space and one connects the EU with Turkey.

The spatial clustering of migration flows is due to the fact that migration usually reflects established interpersonal networks, which support the migrants and disseminate information on migration opportunities. In Eurasia these networks operate in almost all dyads of countries with large migration. It should be noted that China — one of the leading and fastest-growing Eurasian economies — is not among the key migration countries. Nevertheless, migration across Chinese borders is a growing phenomenon. For example, Russian Siberia is currently seeing an inflow of Chinese workers, and in tandem the increasing migration of Russian workers into China.

Providing quantitative evidence with respect to migration is a task even more difficult than with respect to the FDI. Migration flows in many countries are difficult to register and define (because of porous borders, weak implementation of migration rules, but also differences in the legal requirements and definitions). Here it is worth looking at the bilateral matrix of migrant stock for 2010 published in the World Bank’s Migration and Remittances Factbook 2011. The matrix provides detailed information on migrants in terms of origin and destination for numerous countries (although several migrant destinations are missing). Overall, the total stock of migrants in the world according to this source accounts for about 216 million people. Forty-six percent of these migrants are those moving from one Eurasian country into another. This is an astonishingly high number, if one recalls



that only one country in Eurasia (Israel) truly counts as an example of a “settler nation” as opposed to the New World or Australia. However, 18 percent of the global migration stock is intra-Eurasian migrants within Europe or who have moved to Europe. Thus, the share of the intra-Eurasian migration excluding Europe is not very large and much smaller than the share of this part of the world in the global population or landmass.

The remaining stock of migrants is strongly localized. Ten percent of the global migration stock constitute the migrants to the former Soviet Union (primarily Russia, Kazakhstan, and Ukraine), which mostly come from other FSU countries. Six percent account for migrants to the rich Gulf nations: Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Qatar, and Oman, mostly from other Asian countries (main countries of the origin of migration for Saudi Arabia and the UAE are India and Pakistan). Three percent are migrants to India (mostly from Pakistan and Bangladesh) and Bangladesh (mostly from India), constituting a South Asian cluster of migration. Two percent are migrants to Singapore (mostly from Malaysia) and Malaysia (mostly from Indonesia) — once again, another migration cluster located in the Southeast Asia (Pakistan and Indonesia themselves attract very few migrants). It is interesting to note that three of four extra-European migration centers in Eurasia have either been single states in the past (Soviet Union, British India) or have been strongly interconnected historically and geographically (Singapore – Malaysia – Indonesia). Other two migration clusters seem to be rather linked to forced migration: 2 percent of migrants come to Syria, West Bank and Gaza, and Jordan (mostly Palestine refugees), and 1 percent to Iran (mostly from Afghanistan) (World Bank 2011). Thus, with the exception of oil-rich Arab countries and Europe, all other migration flows in Eurasia are linked to spatially, culturally, and historically interconnected territories rather than constitute “migration flows” in the Eurasian scope.

As we have mentioned, intergovernmental cooperation in the area of migration in Eurasia is scarce. However, a number of comprehensive free trade

agreements do exist, which include provisions to facilitate the cross-border movement of certain types of worker (investors, business visitors and so on). While the following list is not conclusive, it covers the most important multilateral agreements of this type:

- The EU has the most comprehensive freedom of movement provisions, allowing and encouraging EU nationals to move from one EU member state to another;
- CEFTA (Central Europe FTA) — currently covers the Western Balkan countries as a potential precursor to the EU *acquis*;
- Asia-Pacific Economic Cooperation;
- ASEAN FTA (covering ten Southeast Asian nations) covers intra-ASEAN migration, including the flows from Myanmar, Laos and Cambodia into Thailand, from Indonesia and Vietnam into Malaysia, and from Malaysia, the Philippines and other ASEAN nations into Singapore;
- Russia-Belarus-Kazakhstan Single Economic Space comprises two agreements covering national labor migration schemes. Within the SES, migrant workers do not need to obtain permits; full access to medical and other social services is ensured (Libman and Vinokurov 2012).

To sum up, although there is intensive labor migration in at least three regions — the EU and its neighbors, the FSU, and Southeast Asia — there is no labor migration flow that connects them, except for the migration of highly qualified workers, such as financiers, consultants, engineers, computer programmers, and so on. Their formal integration, particularly in terms of special provision within an FTA+, is also rather limited. Meanwhile, the rise of legal and well-regulated labor migration could represent one of the most promising fields of economic integration and have a positive economic impact on both recipient and donor countries. Such migration is likely to grow in the form of a “noodle bowl” of bilateral and multilateral agreements within the Eurasian regions and sub-regions.



Constraint 1: Asymmetry of Development and Size

There are a number of political, economic, institutional, and geographic constraints to the emerging continental integration. In this paper we will focus on two major constraints of economic nature.

The first is the economic asymmetry of the continent. Essentially, the central part of the continent lags in terms of overall economic development behind the western and eastern parts. This problem of asymmetry is illustrated well in the work done by the World Bank and represented in Figure 8. We call the ensuing image the “Eurasian Dumbbell.” The economic geography of Eurasia, represented according to national GDP, shows that wealth distribution does not relate to the physical reality of the continent. In other words, since the cartogram demonstrates countries’ economic weight, Northern and Central Eurasia is clearly the “weak spot” on the Eurasian economic map; it has remained so despite its rapid growth in the 2000s. It is joined in this regard by India, despite rapid

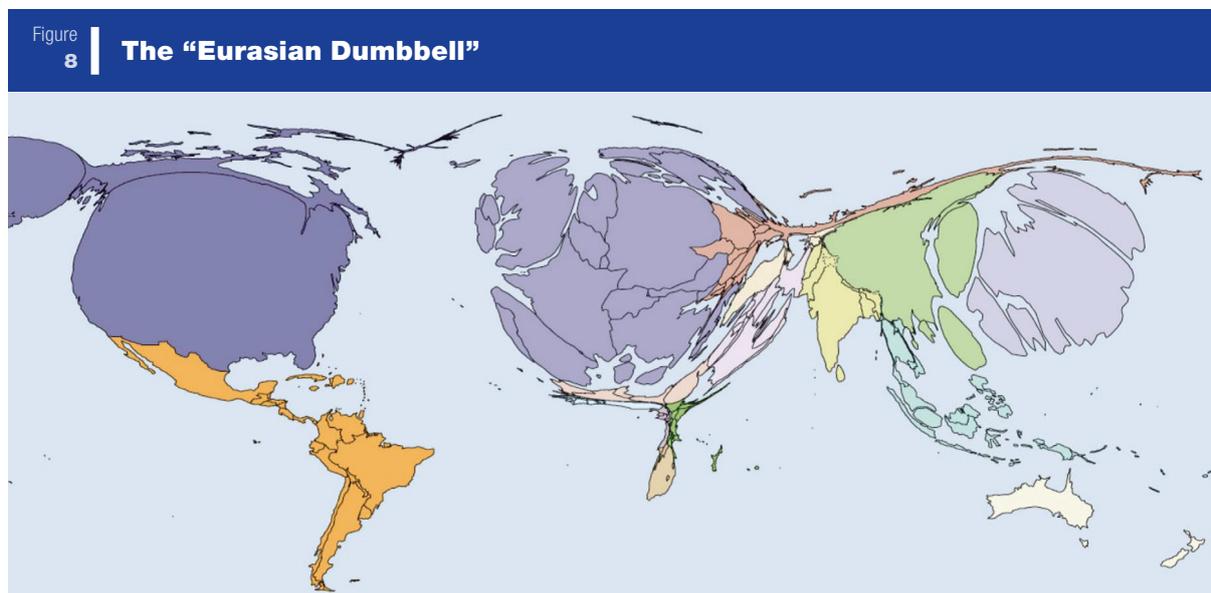
growth in the 2000s, and West Asia, despite oil and gas riches.

Figure 8 illustrates the major constraint for transcontinental trade and investment in Eurasia, namely the fact that Northern and Central Eurasia, West Asia, and India are vast but relatively insignificant economic regions lying between two economic centers of power, the EU and East Asia (which main parts are China, Japan, and South Korea).

Emerging Eurasian integration is likely to alleviate strong economic asymmetries existing in the heart of the continent. Infrastructure development is crucial to achieve that goal. For now, however, transborder infrastructure represents a major impediment to trade and investment on its own.

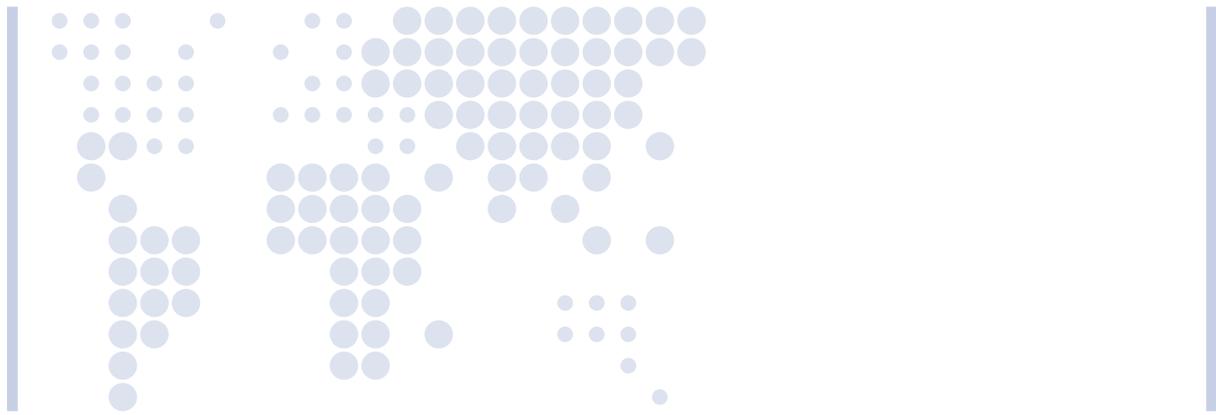
Constraint 2: Drawbacks of Cross-Border Infrastructure

The huge continental landmass of Eurasia, combined with in many cases highly underdeveloped infrastructure networks, makes transborder and transcontinental infrastructure a priority for any further development of international economic



Note: the cartogram shows the countries that have the most wealth when GDP is compared using currency exchange rates.

Source: World Bank (2009).



linkages. To illustrate this point, we will briefly touch upon transport, electric power infrastructure, and energy infrastructure.⁴

Transcontinental Transport Infrastructure

We begin with transport. The huge volume of trade between Asia and Europe is predominantly in finished goods, which account for more than 90 percent of the total. This means that practically all exports are containerized and shipped to Europe by sea (Vinokurov et al. 2009). Shipment by sea has the advantages of simplified procedures, uniform waybills, and the opportunity to track the movement of cargo. Maritime transportation also promotes greater stability and transparency of tariffs. The drawbacks of maritime transportation (e.g., the recent rise of piracy in the Indian Ocean and Malacca Straights) are few and insignificant in relative numbers.

Land routes can serve as a partial alternative to sea transport. If properly developed and managed, they possess several advantages. In terms of linking Europe and Asia, the rail distance is almost half that of the sea route. For example, freight shipped by rail from Lianyungang to Berlin takes 11 day, and by sea takes 20-30 days. Nevertheless, until now, overland routes have been used almost exclusively for trade between inland areas of the post-Soviet region, China, Mongolia, and South Asia. China's main shipping centers are in the south of the country, the Pearl River delta and the Shanghai region. Opportunities to increase container transportation from these regions to the FSU countries are extremely limited. This problem affects backhaul loading: FSU exports to China are such that there is almost nothing that can go by container. Metallurgical goods are no longer an export option, as China has itself become an exporter of these goods.

India's foreign trade has been expanding considerably over the last few years with an annual increase in exports of around 19 percent since 2000. In 2008, India earned \$43 billion from

exports to the EU and almost \$3 billion from exports to Northern and Central Eurasia. The totals were \$12 billion and \$0.7 billion respectively in 2000. This growth in exports may persuade Indian and South Asian shippers to use the India-Iran-Russia-Europe route, which is potentially quicker than the main alternative. This would involve, first, transit through Pakistan and, second, finalizing construction of Kazakhstan-Turkmenistan-Iran railroad along the Caspian Sea, currently under construction. Analysts predict that delivery time using the North-South Corridor will be reduced by anywhere from 10-20 days and that the cost per container will decrease by \$400-500.

Meanwhile, notwithstanding the North-South ITC Agreement of September 2000, freight forwarders are showing little interest in the proposed new routes. Small shipments of tea and tobacco made their way to Russia from India through Iran for the first time in 2000. In 2007 the Caspian port of Olya, which has been assigned a key role in servicing the North-South ITC's cargo flow, shipped only 435 thousand tons through its terminals. When the ITC Agreement was signed in 2000, Olya was expected to be handling three million tons annually within five years. The North-South route's potential is still unrealized.

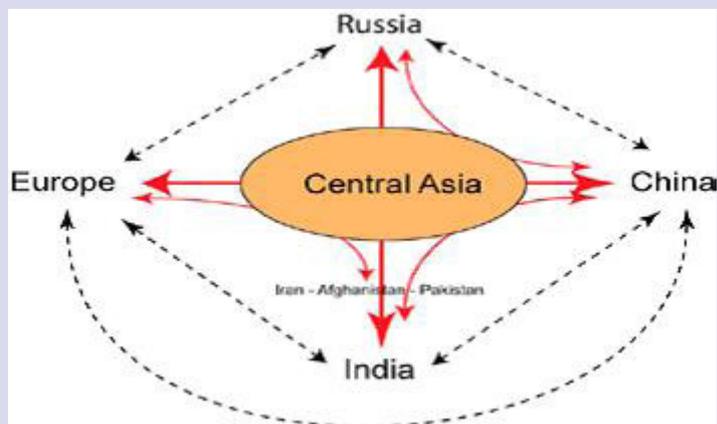
In general, the vast transit potential of the post-Soviet countries is, at present, very much underused. The current and potential transit cargo flows of non-CIS countries are negligible compared with transit from and through Northern and Central Eurasia to other countries, in quantitative terms. Analysis of Eurasian cargo flows and the load on inland freight transit systems should focus on the three major cargo centers of China, South Korea, and India. China and South Korea are Europe's main partners in East Asia. They are already using and need to increase their freight transportation through Central Asia. India is a source of freight that could potentially be transported to Europe along north-south routes. While southern and eastern China will always prefer sea and air transport to send goods to the EU and countries of Northern and Central Eurasia, the most obvious area to develop in order to expand

4. We leave aside other important and extremely promising spheres, such as telecommunications. See Vinokurov and Libman (2012) for analysis.



Figure 9

Central Asia at the heart of Eurasian transport corridors



Source: Emerson and Vinokurov (2009:4).

shipment along land corridors is western China, home to 150 million people and burgeoning industry. Commodities which can be transported by road and rail from China to Kazakhstan and Russia include: chemicals (hazardous); foodstuffs (perishable); electrical equipment (TV, video, and audio systems); mobile communications equipment; electric cables; furniture; clothes and shoes; and cosmetics. Commodities that could potentially be transported by road on the backhaul from Europe to China include: industrial and agricultural equipment; metals (high-value, non-ferrous metal goods, high-purity metals and other high-value goods which are usually purchased in small quantities); integrated circuits; various fine chemical products and polymers; consumer goods; and foodstuffs (for example, meat). Some cargoes, such as bearings, are not suitable for sea transportation without expensive specialized packaging to protect them from the sea air. Thus, there are several niche markets for China-EU traffic through Northern Eurasian land corridors, with rail transport offering competitive tariffs and delivery times for an intermediate category of high-value and low-weight goods (the highest-value/lowest-weight goods tend to be sent by air freight).

A disarray of rail gauges in Eurasia is one of the major impediments to growing transit and trade. Sixty percent of the world's railways use a standard gauge of 1435 mm (4'8.5"). On the Eurasian continent, the rail network is more fragmented than the world's average. When there is a break of gauge as railway lines meet, this adds cost and inconvenience as traffic passes from one system to another. The Trans-Mongolian Railway is a good example of this problem: Russia and Mongolia use a broad 1520 mm gauge whereas China uses the standard gauge. At the border, carriages have to be lifted one at a time and put on new bogies. The whole operation can take several hours. This issue also affects the Ukraine-Slovakia border on the Bratislava-Lviv train and the Romania-Moldova border on the Chisinau-Bucharest train. This can be avoided by implementing a system similar to that used in Australia, where some lines between states using different gauges were converted to dual gauge with three rails, two forming a standard gauge line, with the third rail either inside or outside these to form either a narrower or broader gauge. As a result, trains built to either gauge can use the line.

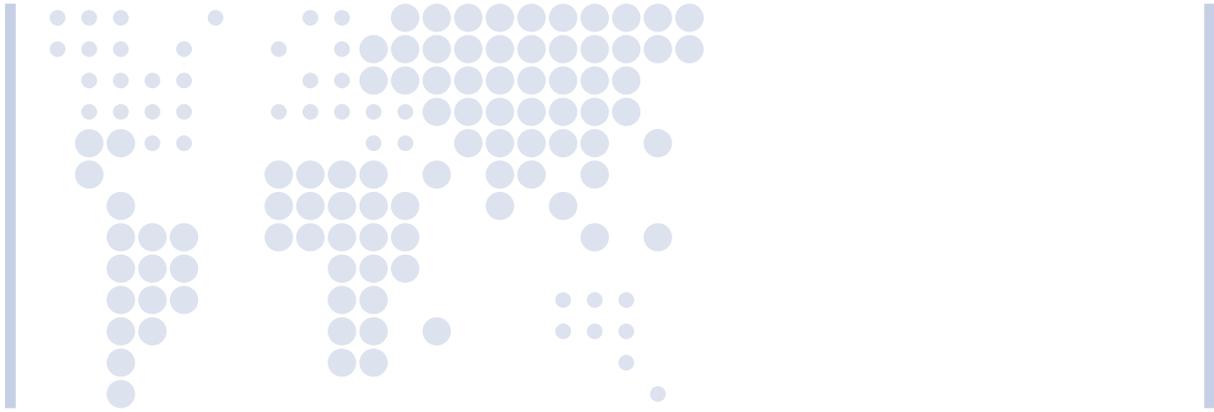


Figure 10 | Eight types of railway gauges used in Eurasia



Source: Vinokurov and Libman (2012), based on various sources. All 15 republics of the former Soviet Union + Mongolia + Afghanistan (+ several connections to Finland) are part of the '1520 space'. Spain has various types of rail gauges, including both the standard 1435mm and a narrower one. See also Wikipedia article on world's rail gauges. Available at: http://en.wikipedia.org/wiki/File:Rail_gauge_world.svg, as of July 2013. . .

The latest practical development involves Russia and — do not be surprised — North Korea. These countries have almost completed a reconstruction of the Khasan-Radjin railroad. This is a 54-km long line from the Russian border to the port of Radjin where a four-million-ton cargo terminal is simultaneously being built. The railway features 1520-1435 gauges with three rails (the "Australian" option discussed above). Presumably, the South Korean Pusan can become the end destination of this railroad in the future (Prime 2013). The idea is very Eurasian — namely, to attract cargo from the Asia-Pacific to be transported via Trans-Siberian railroad to the CIS countries and Europe.

Land routes have other physical and non-physical disadvantages. Physical barriers include the obsolescence and shortage of rail cars, containers and locomotives; existing infrastructure and technology do not comply with international quality standards (route handling capacities and so

on); there is inadequate, inefficient and/or corrupt processing capacity at border crossing points (see Table 4); logistics and communications networks and motorway service facilities are poorly developed; and rail gauges differ.⁵ Non-physical barriers are largely man-made, non-technical barriers to trade, such as protracted customs procedures at border crossing points, which significantly increase waiting times for vehicles and rolling stock. These include random inspections, often requiring sealed transit containers to be opened, non-harmonized transit tariffs across Northern and Central Eurasia, and rules which differ from country to country.

Non-physical barriers

Non-physical barriers are the greatest impediment to the expansion of transit operations in the Eurasian region, since they result in long delivery

5. For more on non-physical barriers see Vinokurov et al (2009)



Table 4 | Annual growth rates of the merchandize exports, 2001-2010

| Shipping point | Route | Distance, km | Number of border crossing points | Number of bogie crossing points |
|---------------------|---|--------------|----------------------------------|---------------------------------|
| Lianyungang (China) | Via Kazakhstan and Russia | 9,200 | 4 | 2 |
| Shenzhen (China) | Via Mongolia and Russia | 11,040 | 4 | 2 |
| | Via Kazakhstan and Russia | 10,300 | 4 | 2 |
| The Tumannaya River | Via China, Mongolia and Russia | 8,900 | 4 | 2 |
| | Via China, Kazakhstan and Russia | 9,900 | 4 | 2 |
| | Via China (Manchuria) and Russia | 9,000 | 3 | 2 |
| Nakhodka (Russia) | Via Russia | 10,300 | 2 | 1 |
| | Via Russia | 10,300 | 2 | 1 |
| Rajin (North Korea) | Via China (Manchuria) and Russia | 8,900 | 4 | 2 |
| | Via Russia | 10,300 | 3 | 1 |
| Busan (South Korea) | Via North Korea and Russia | 11,600 | 4 | 2 |
| | Via North Korea, China, Mongolia and Russia | 10,780 | 6 | 2 |

Source: UNESCAP (1996). Berlin has been taken as a reference point for Europe.

delays. Delays not only cost the operators money, and the trust of their customers, they also erode the main competitive advantage land transit has over sea transit. A number of studies provide quantified arguments for this statement. The Time/Cost-Distance (TCD) methodology by UNESCAP has been applied to a number of important routes throughout the region. For example, a study of goods shipped from Bishkek, Kyrgyzstan, through Kazakhstan to Novosibirsk, Russia, revealed that 65 hours of the total 207 hours required for the trip (or 31 percent) was spent on the Kyrgyz-Kazakh

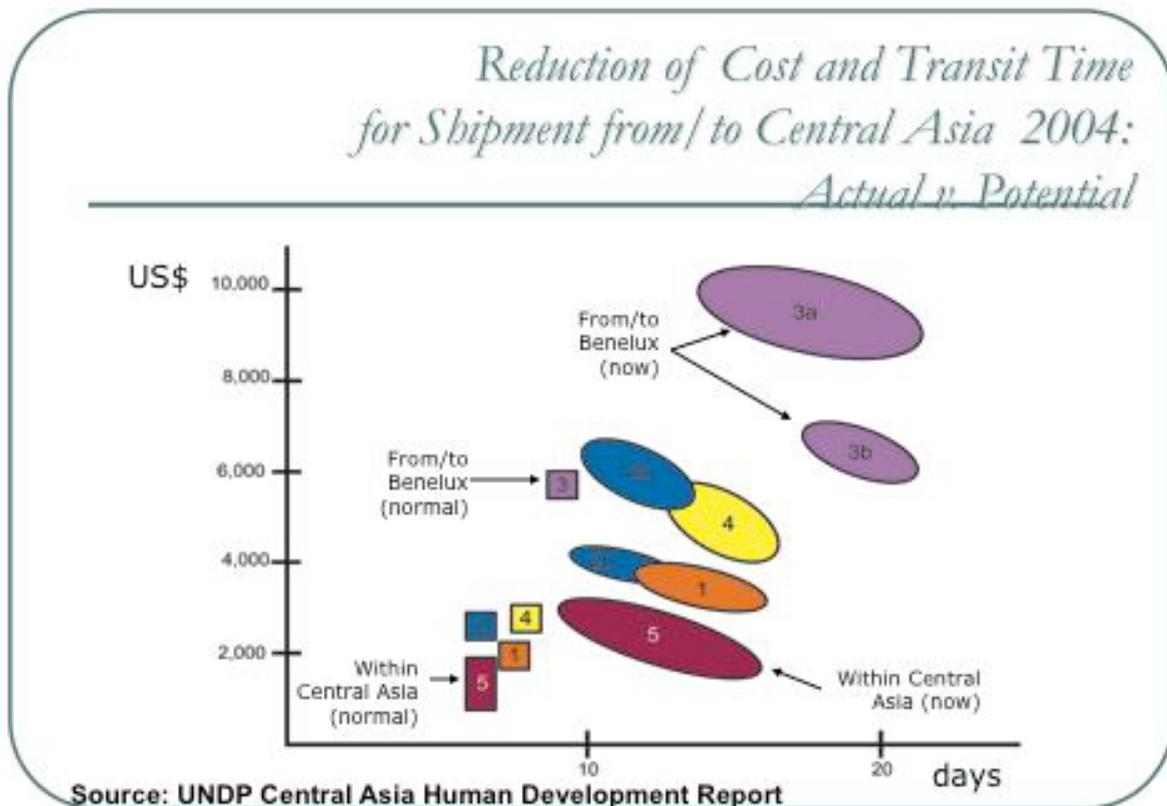
border while 57 hours were spent stuck on the Kazakh-Russian border (31 percent).⁶ Thus, more than 60 percent of the trip time was thus spent at two border crossings, which accounted for 64 percent of the overall cost (Starr and Kuchins 2010).

The UNDP Central Asia Human Development Report quantified the significance of non-tariff barriers in terms of cost and time. It estimates that the time and cost of transport from Europe to Central

6. This particular delay has been eliminated by the establishment of the Belarus-Kazakhstan-Russia Customs Union in 2011.



Figure 11 | Possible Reduction of Cost and Transit Time for Shipment from/to Central Asia



Source: UNDP (2005, 65-66).

Asia could be cut in half if “standard” border crossing and transit conditions applied. Figure 11 summarizes the findings. This graph shows cost in dollars and days of transport to/from Central Asia for various locations (Benelux and Central Asia are marked; others are Moscow and Istanbul). “Now” are costs at present (2004 data); “normal” are estimated costs for border crossing standards that could be achieved with standard improvements in border management, customs, visa, and other transit conditions. An interesting finding of this study is that both duration and cost of transport can be cut drastically thus making feasible the introduction of a new nomenclature of goods.

There are two complementary ways to eliminate physical and non-physical barriers. Firstly, state transport policies (in the form of strategy documents) should focus on the most pressing problems affecting the country’s transport sector, which in many cases can be resolved by investing government money in transport infrastructure, reforming institutions, and eliminating institutional bottlenecks. Secondly, regional organizations can address shared problems in a concerted way by prioritizing mutually beneficial cooperation and employing unified strategies. The establishment of Belarus-Kazakhstan-Russia Customs Union is an important milestone in this regard, as the customs union has already proved very successful in cutting



delays on the Russian-Kazakhstani border (you may review the UNESCAP results above to grasp the significance of the problem).

Transcontinental container trains? Transcontinental high-speed trains?

Last but not least, the idea of the China-Europe high-speed railway (HSR) deserves a comment. This hugely ambitious initiative was proposed by China in 2009. The line would run from Beijing to London and take just two days. Taking the expanding Chinese rail network as the starting point, new 200 mph lines would extend south towards Singapore, north and west into Siberia, and west through India, Kazakhstan, and Turkey, with the eventual goal of linking into the European high-speed train system. Although exact routes are not yet determined, Chinese authorities have entered negotiations with 17 countries over the rail lines. This idea cannot be considered only a pipe dream given the massive investments in domestic infrastructure China has made in recent years.

At the same time, there are reasons to be skeptical. Railways love stability. A 10,000-km

high-speed rail through several countries, some of them unstable or in a state of strained relations with each other (this concern is particularly relevant for the southern route), seems to face gigantic risks both in construction and in operation. There is also a limited economic rationale. First, transcontinental passenger traffic makes little sense (except for a new luxurious Eastern Express) since the population density and purchasing power throughout Eurasia is too small to support the economics of high-speed passenger transportation. As concerns the transportation of cargo, there is a relatively small nomenclature of perishable goods (and also goods with a high cost-to-weight ratio) to consider. The question also remains whether it would suffice to support the ensuing high tariffs. It is worth remembering that both sunk costs and operation costs would be enormous.

Nevertheless, this idea should not be written off. The northern route in particular may become reality within 15 to 20 years. The prerequisite to the successful completion is the willingness of states to finance large-scale HSR projects on their territory. If China will construct a link to Urumqi anyway,

Box 1 | Transborder infrastructure: capacity-building, technical assistance, and international financial institutions

Technical assistance projects do not receive as much attention and funding as they should. Big and capital-intensive “hardcore” infrastructure projects are willingly emphasized. Meanwhile, technical assistance — leading to the minimization of infrastructural bottlenecks — is often the domain where donors can get the highest value for money since it needs a lot less financing than physical infrastructure investment.

This is the reason, for instance, why CAREC has a very specific focus on these issues.¹ In general, CAREC — a multilateral initiative led by the Asian Development Bank — is a rather unique effort by the multilateral institutions to jointly support regional infrastructure. Launched in 2001 and modeled on the example of the Greater Mekong Subregion Program, it heralded a substantial effort to support cross-border infrastructure in greater Central Asia with the cumulative volume of approved investment projects of \$13.2 bln within 10 years (Linn 2012). CAREC’s current membership comprises 10 countries and six multilateral organizations.

At the same time, we should state the insufficiency of effective support for cross-border initiatives at the national level. Naturally, cross-border infrastructure tend to be of less political importance (and more cumbersome in planning and realization) than internal infrastructure. There are also a number of sensitivities limiting the potential usefulness. For example, at the CAREC inception, the critical area of water resource allocation and management was excluded (Linn 2012).

1. There is a growing body of applied research on the matters of extending transport corridors in East-West and North-South directions. For example, see Emerson and Vinokurov (2009) with concrete proposals for railway corridors in both directions.



and Russia will construct a link from Moscow to Ekaterinburg no matter what (the Moscow-Kazan link should be completed by 2018 to ensure the transportation of World Cup visitors), and Kazakhstan will build the Astana-Almaty line, a Northern trans-continental high-speed railway may come to existence. History of the future is written by optimists.

Meanwhile, the Trans-Siberian Railway network, which spans Russia from Moscow to Vladivostok, already offers a container service as an alternative to ocean shipping (although the volumes are small). This container train from Shengyang to Leipzig is used by both Chinese and European companies for the transportation of complex machinery. Yet another goods nomenclature was brought by the

first container train Zhengzhou-Hamburg in August 2013 (Figure 12). Its 51 container wagons were filled with clothes, shoes, and tires. The 10,215 kilometer run took 15 days — approximately three times less that the sea-borne transportation (Bocking 2013).

Common electric power markets

The development of common electric power markets (CPMs) across Eurasia would not only allow for greater trade in electric power (a commodity with huge trade potential on its own) but would also engender significant synergies both in price and stability of power supplies.

We do not think that a unified and homogenous common power market stretching from Lisbon to

Figure 12

The first container train Zhengzhou-Hamburg



Source: Spiegel Online, 2 August, 2013, <http://www.spiegel.de/fotostrecke/fotostrecke-die-neue-gueterzuglinie-zwischen-hamburg-und-zhengzhou-fotostrecke-99841-6.html>



Vladivostok and Shanghai will become a reality any time soon. Neither do we think that it should be viewed as a top priority. However, opportunities may arise to create a number of regional and subregional common markets based on the development of infrastructure to generate and transmit electricity. Any Eurasian CPM would develop gradually within the parameters established in bi- and multilateral agreements. The EU, China, India, and Iran are all potential key partners for the countries of Northern and Central Eurasia in the creation of Eurasian CPMs. Specific integration projects in particular sectors are able to promote genuine economic and political progress. Regional economic integration which begins in key sectors may then expand to the level of institutional integration. The strong economic rationale of common power markets makes them extremely valuable integration projects.

The establishment of regional and subregional energy markets (or “pools”) is at the top of the economic agenda in many regions of the world: the EU, North America, South America, the CIS, and Southeast Asia, for example. Setting up a CPM is not dependent upon levels of economic development. On the contrary, a CPM is considered to be one of the strongest foundations of sustainable economic growth and regional economic integration. African nations, for example, have made strenuous efforts to create integrated markets, namely under the SADC (Southern African Power Pool, which started in 1985) and under ECOWAS (West African Power Pool). The cost of the latter is estimated to be \$15 billion. The vital prerequisites for the creation of a CPM are not only significant investment but also the establishment of harmonized legal frameworks (UNECA 2006). The most advanced subregional market today is NordPool, which unites the Scandinavian countries. Northern Europe’s regional electricity market was liberalized and integrated almost 15 years ago, and today it serves in many respects as a model for other European regional markets and for the CIS.

The economic logic of a CPM is linear: the greater the area and the more heterogeneous the

sources of power it incorporates, the better. A CPM, therefore, would seem to benefit from the geographical expansion of the area it covers. The following cross-border initiatives are of particular interest in greater Eurasia:

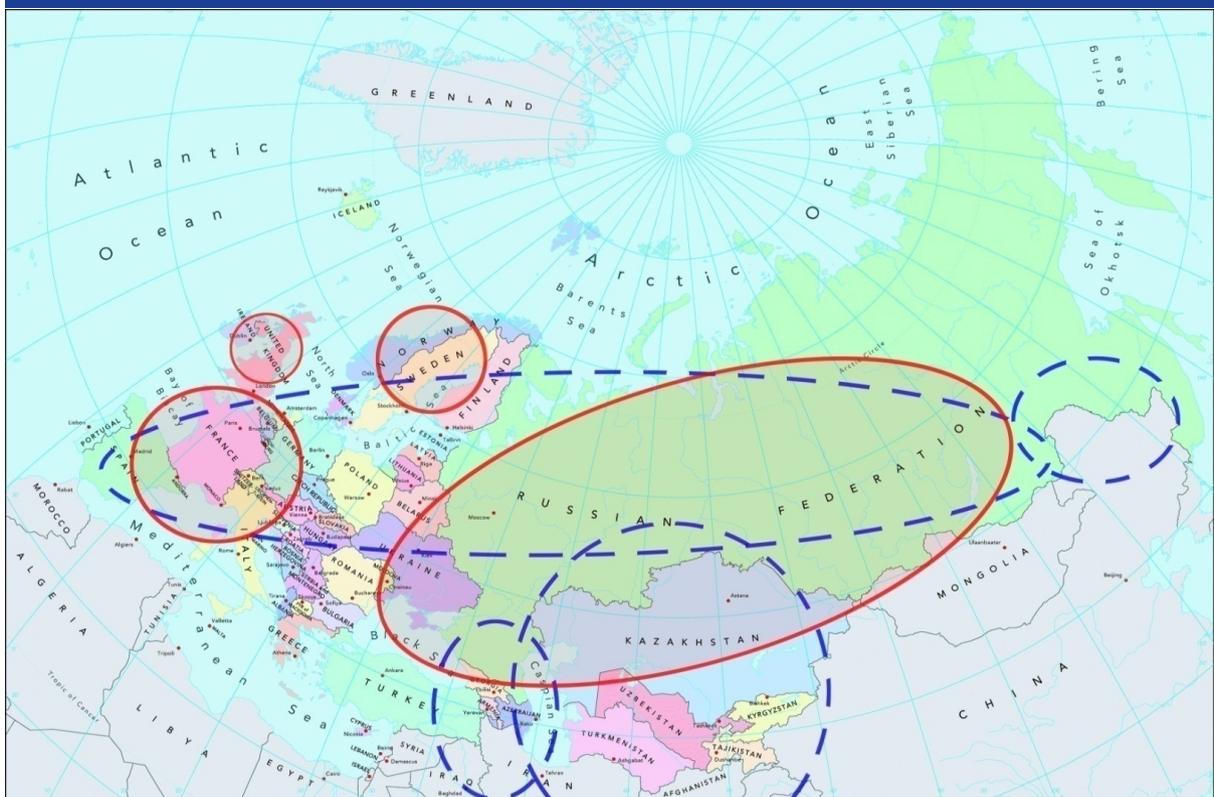
- Connection between Azerbaijan and Iran;
- Connection between Armenia and Iran and Turkmenistan and Uzbekistan — connected to Iran, Afghanistan, Pakistan, and other South Asian countries;
- Kyrgyzstan and Tajikistan — cooperating with China, Iran, and India in developing hydro-electric potential; exporting electricity to Pakistan, India, Iran, China, Afghanistan, and CIS countries;⁷
- Russia-China connection wherein Russia would build coal-powered plants on its territory and provide power to Chinese network. A gigantic project is being considered in Eastern Siberia, which includes developing coal-fired generation and building transmission lines to China, which may ultimately export as much as 60 billion kWh annually;
- Connecting the regional energy system with that of the EU, with a view to creating a common market from Lisbon to Vladivostok. This project would be hugely significant for Russia, Ukraine, Belarus, and Moldova;
- Mekong, “the ‘Battery of Asia’”; and
- Various connections between China and its Eastern Asian neighbors, in particular in the Mekong basin.

This list is certainly incomplete. Figure 13 below depicts existing regional and subregional CPMs in Eurasian (red circles) and some potential CPMs (blue circles). Meanwhile, the current developments are a mixed bag. Importantly, the Central Asian common power grid, an efficient and properly managed component of the Soviet heritage, was discontinued in 2009 due to withdrawal of Uzbekistan. This represents a big step backwards

7. The most recent example is an agreement signed by Pakistan, Afghanistan, Kyrgyzstan, and Tajikistan on August 4, 2008, which foresees construction of a transmission line “Central Asia – South Asia 1000” (CASA-1000) connecting Central Asia upstream countries with their South Asian neighbors by 2014.



Figure 13 | Existing and potential regional and sub-regional electric energy markets in Northern and Central Eurasia



Source: Eurasian Development Bank (2008).

for the region in terms of physical connectivity and economic efficiency of electric power production and distribution.

Any Eurasian CPM would develop gradually and be based in a number of bi- and multilateral agreements. In our incomplete list we mostly concentrate on the prospective regional and sub-regional power markets that may lie in Northern and Central Eurasia along the EU-FSU-China axis. Certainly, a complete list of Eurasian CPMs would include a number of areas in South and East Asia. For example, the Mekong River Basin has a long history of cooperation uniting Cambodia, Laos, Thailand, and Vietnam. In 1995, the Mekong River Basin Treaty was signed between these four Lower Mekong states. China and Myanmar became Dialogue Partners of the Mekong River

Commission which was created. With guidance and financing from the ADB and the World Bank a number of international dams and power stations have been built with a total capacity of more than three GW. The estimated hydroelectric potential of the lower Mekong Basin is in excess of 30 GW and that of the upper Mekong Basin almost 29 GW. The nickname “Asian battery” is thus potentially justified. Nevertheless the subject is a focus of ecological debate since the environmental effects, and potential damage to people’s livelihoods of such developments are fervently disputed. The shared development of hydropower capacity and water utilization could naturally lead to a common regional power market.

The number of parallels between the Greater Mekong Basin and Tajik/Kyrgyz hydroelectricity



potential is striking. Firstly, these sub-regions' power potential is huge in both absolute and relative terms; they are indeed two prospective Asian batteries, one for Southeast Asia and another for Central Asia. Secondly, this potential is hugely under-utilized, largely due to intergovernmental conflicts. Thirdly, the lives of millions of people literally depend on water and irrigated agriculture in the respective regions. Fourthly, several large national and multilateral development banks are closely involved. There is a difference, though. Mekong Basin is currently successful in managing peaceful coexistence. At the same time, there is an ongoing conflict between Tajikistan and Uzbekistan that stays in the way of any concerted international efforts.

Close multilateral cooperation is therefore essential if viable solutions are to be found. This would involve countries within and outside the region, development institutions providing financing and technical assistance, local communities, civil society, and at least the elements of a common power market (see also Emerson 2013).

Energy infrastructure

The Central Eurasian regions of Central Asia, the Caucasus, and Western Siberia are the world's vital resource of hydrocarbons. These suppliers are all based in the middle of the supercontinent; contrary to the Gulf States, they do not enjoy an immediate proximity to sea. Thus, they must rely on land-based oil and gas pipelines, making this kind of infrastructure vital both for them but also for the EU and China. Moreover, pipeline construction is a huge business in itself. Major worldwide investments in pipelines amount to ca. \$40 billion every year.

US strategic interests in linking the nations of the Caucasus and Central Asia with European and global markets are clearly recognized as well. "Energy is the economic lifeblood of many NATO allies and partners in the Europe and Eurasia region, and dependence on Russia and Iran for energy imports or exports remains a central detriment to those nations' sovereign independence" (Committee on Foreign Relations 2012). The US

now supports numerous oil and gas pipelines in the region. For example, the policy of US support and successful political brinkmanship bore fruit in the form of the completed BTC oil pipeline and the SCP gas pipeline from Azerbaijan to Turkey.

Two decades passed after the dissolution of the Soviet Union — and particularly the developments of the 2000s — led to the drastic change of landscape as concerns oil and gas exports from Central Eurasia. Only 20 years ago all infrastructure of Western and Eastern Siberia, Central Asia, and Azerbaijan ran through Russia in the western direction. One of the analysts says in this regard the economic fundamentals of cross-border energy transit in Eurasia are "muddled by the Soviet legacy" (Stulberg 2011). This is perhaps the wrong way to perceive the economic reality. Rather, the century-long legacy and the sunk costs were so entrenched that it formed an essential part of the economic fundamentals of oil and gas flows.

Things change, however. It became particularly vivid on December 14, 2009, when the presidents of China, Turkmenistan, Kazakhstan, and Uzbekistan met in the remote corner of Turkmenistan to inaugurate a 1,800-km gas pipeline to China. Its capacity already exceeds 30 billion cubic meters (bcm) and may reach 60 bcm after the second thread is constructed. The 2000s witnessed a number of other large projects successfully brought to completion, leading both in the western direction (Turkey, EU), in the southern direction to Iran and, most importantly in terms of volumes, in the eastern direction to China. These developments were coupled with massive upstream investments by both the international majors (Chevron, ExxonMobil, BP, etc.) and Chinese CNPC. China was particularly efficient in using the 2008-09 global crisis to enter the upstream markets.

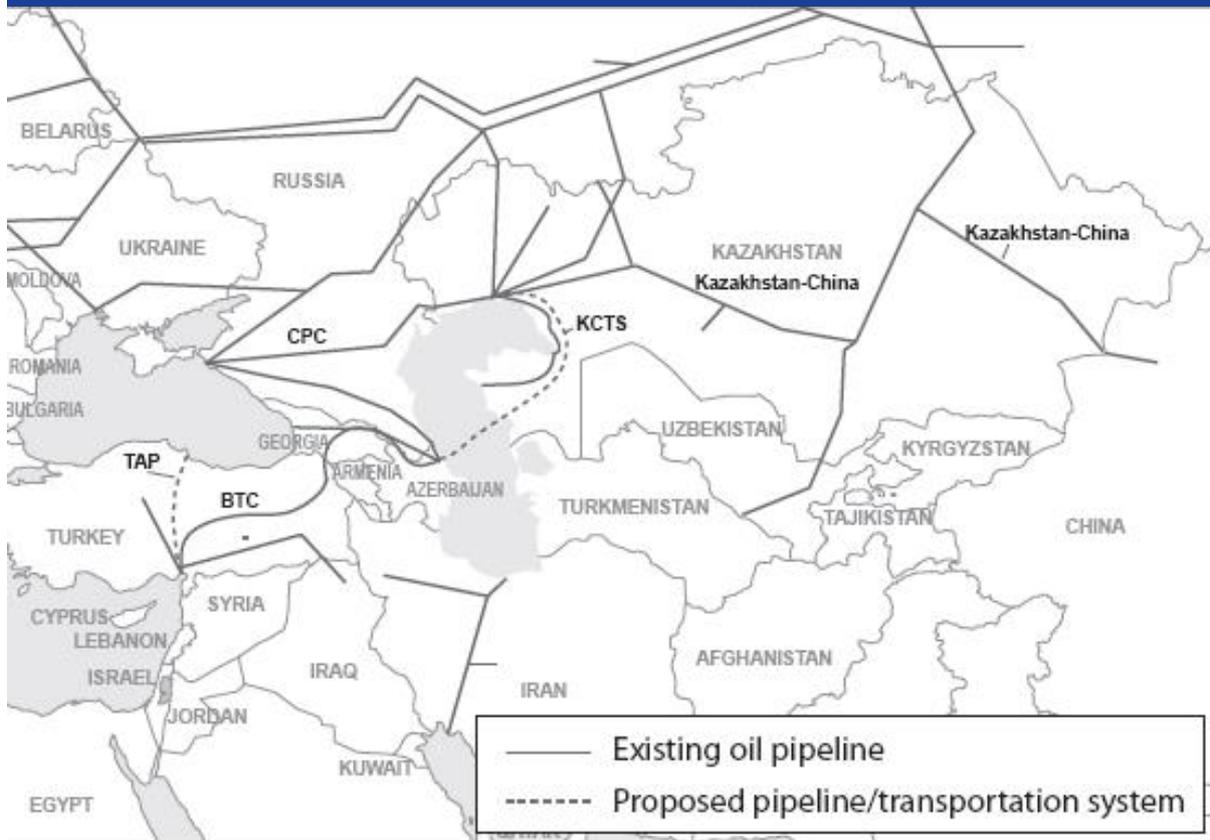
The further development of China's energy strategy comprises a plan to build a China-Arab line to the oil terminals of the Persian Gulf (through Central Asia). If successful, this trans-Eurasian project will not only improve the energy security of China, but also strengthen Beijing's broader



Table 5 | **Gas and oil pipelines from Central Asia and Caucasus constructed over the last decade**

| Gas transit | Oil transit |
|--|--|
| Blue Stream (16 bcm) | Baku-Supsa (885 km) |
| South Caucasus gas pipeline (8.8 bcm, expansion to 20 bcm) | Caspian Pipeline Consortium (1,500 km, \$2.6 bln cost) |
| Turkmenistan-China (40 bcm, expansion up to 60 bcm) | Baku-Tbilisi-Ceyhan (BTS) (1,780 km, \$4.2 bln cost) |
| Turkmenistan-Iran (8 bcm) | Kazakhstan-China (987 km) |
| Kazakhstan-China (Zaysan-XUAR, 2013; 1.5 bcm) | |

Figure 14 | **Oil pipelines in Central Eurasia**



Source: Chow and Hendrix (2010).



geopolitical influence in the region (Fazilov and Chen 2013).

Changes are not confined to Central Asia and the Caucasus, since Russia is also in the process of significantly altering its export priorities. As the European market is stagnating, efforts are made to establish sizeable exports from new Eastern Siberia oil and gas fields to East Asia through three channels. First, direct land-based deliveries to China. Second, the combination of an oil pipeline and seaborne delivery to Asia through the port of Skovorodino. Third, LNG deliveries from Sakhalin, primarily to Japan and South Korea.

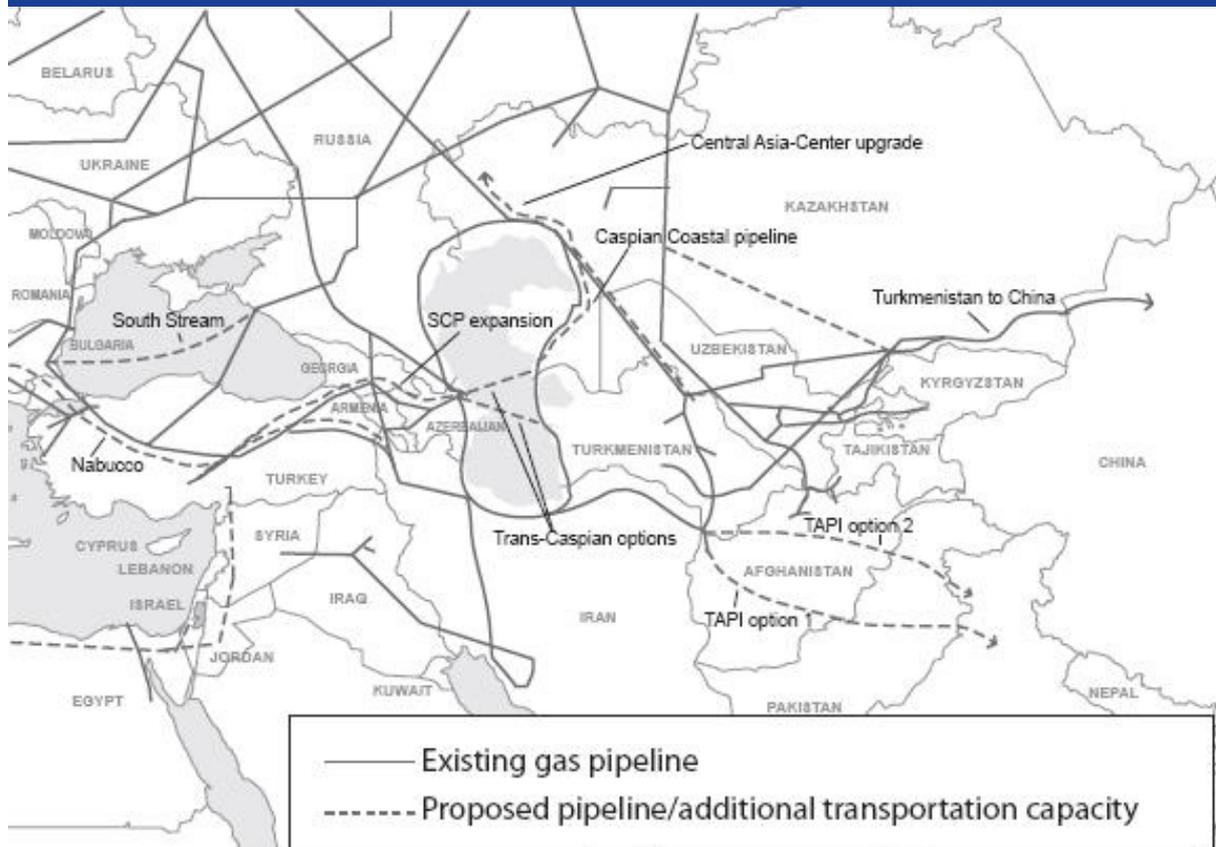
Implications for Kazakhstan and Central Asia

“Thinking Eurasia” has long been part of official policy in Kazakhstan. Kazakhstan is a truly Eurasian country. It could become one of the main beneficiaries of Eurasian continental integration for at least five reasons:

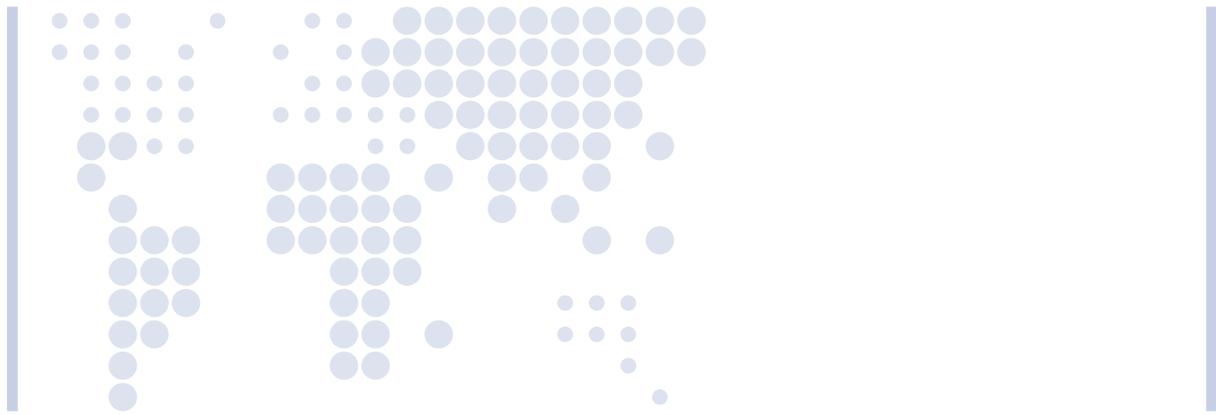
- First, Kazakhstan would benefit from increasing density and quality of trade flows.
- Second, it benefits from rising FDI from China, Russia, and the EU (but also Turkey and, possibly, India).
- Third, importantly, Kazakhstan stands in the middle of major trans-regional and

Figure
15

Gas pipelines in Central Eurasia



Source: Chow and Hendrix (2010).



trans-continental infrastructure projects as concerns railway corridors, automobile corridors, electric power networks, land-based fiber-optic links, etc.

- Fourth, the long-term security of the country depends on the overall peace and prosperity of the continent.
- Fifth, a plethora of soft security concerns, ranging from drug-trafficking to water supplies from cross-border rivers, can be efficiently resolved only by means of international cooperation in Eurasia. Again, Kazakhstan is often in the midst of the matter and a major beneficiary of a positive solution.

Geographically, Central Asia is the obvious center of Eurasia. Since the collapse of the Soviet Union, however, the Central Asian region has continued to be a weak spot in the globalization framework. The region's countries are landlocked, and accessing international markets is extremely costly (Raballand 2005; World Bank 2009). Currently, Central Asia is a focus of attention on two counts: first, energy resources and the competition for pipeline routes and, second, the threats associated with Afghanistan and Islamic terrorism. While Central Asian states' only link to global energy markets 20 years ago was via Russia, the situation has changed considerably (see section above).

There is no unique, extra-regional player determining Central Asia's economic and political evolution. Yet Central Asian states are highly integrated with both Russia and China — though in different areas. Certainly, these two states are not the only ones interested. Turkey is also among the top six trading partners for all Central Asian countries, present in industries such as food production, construction, hotel management, and financial services (Kutlay and Dogan 2011). Iran and India could also become important players in the region. Turkey, Iran, and all Central Asian states are members of the Economic Cooperation Organization (ECO), which currently has limited influence and is an example of “ink on paper” regionalism typical for Asia. The EU is also present in Central Asia — economically (through TRASECA), but most

importantly through its political and humanitarian interventions.

The role of individual external actors in Central Asia has changed over time. Figure 16 represents the indices of trade integration between Central Asia and two other regions: China and the rest of the FSU (Russia, Belarus, Ukraine, Moldova, Georgia, Armenia, and Azerbaijan). The indicator is constructed so that higher values indicate Central Asia's (excluding Turkmenistan) greater dependence on trade with particular countries. The graph shows that Russia and other FSU states remained the dominant trade partners for the Central Asian region throughout the 2000s, but their role was stagnating or even declining. China, on the other hand, became more and more important.

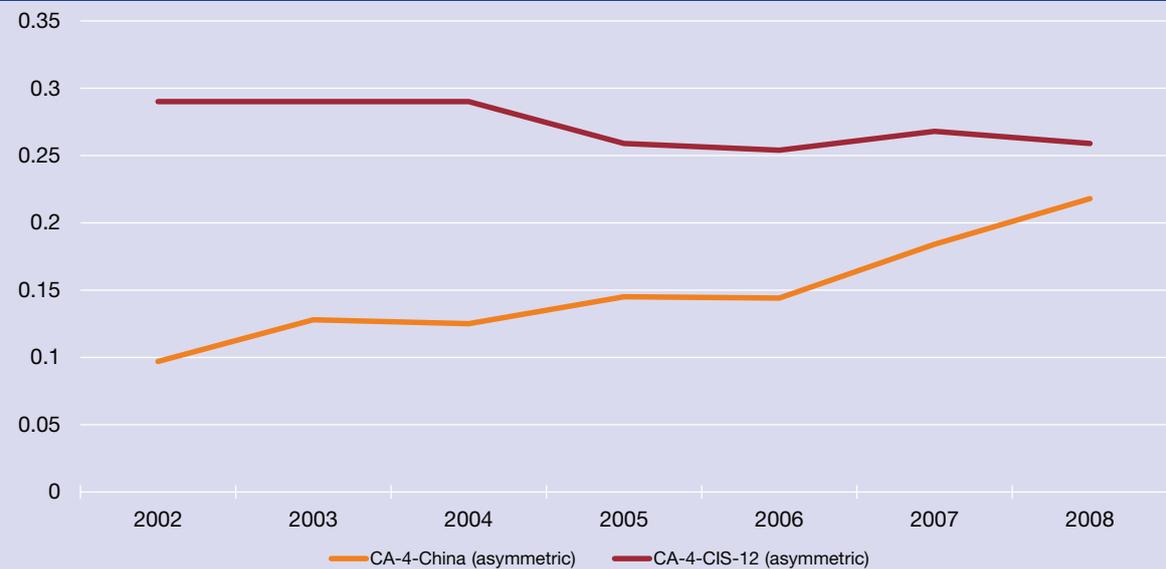
This specific situation, combined with the landlocked nature of Central Asia and high interdependencies across Central Asian states, enable us to draw two conclusions. First, Central Asia has to cooperate with other parts of Eurasia to overcome its isolation from global markets. Second, there is no exclusive cooperation partner: Central Asia is destined to look for broad coalitions of countries and to resolve different issues through different clubs.

Based on its natural advantages and aspirations, Kazakhstan may serve the Greater Eurasia as one of the centers of Eurasian institution-building. For example, Astana or Almaty could become a center of a network of think-tanks and other research institutions with a Eurasian focus. These two cities, now increasingly well-connected by air to major destinations throughout Eurasia, are natural hubs for potential institutions with a trans-continental focus.

Central Asia — and Kazakhstan in particular — is a natural node of emerging Eurasian integration. In fact, it represents Eurasian integration “en miniature” as concerns the benefits of this process. It is also a Eurasian laboratory in terms of obstacles to integration.



Figure 16 | Indices of trade integration of Central Asia



Source: Libman and Vinokurov (2011).

Conclusions

The aim of this paper was to review the dramatic changes in the structure of economic linkages in the Eurasian continent. Until the 1990s Eurasia was split into competing and isolated countries and political blocs, which often had very limited connections to the world market (most importantly, the COMECON bloc and China). Now, the web of links between Europe, Northern and Central Eurasia, and East and Southeast Asia is growing continuously. This is particularly visible with regard to trade. It is also visible in investment, where Eurasia is not only more integrated, but is also more multi-polar than it was decades ago, as Chinese and Russian multinationals are now big players in the world economy.

Since Eurasian linkages are highly dependent on the development of common infrastructure, there has been a great deal of activity in this field lately, both on an intergovernmental and unilateral public and private basis. Still, cross-border infrastructure in general and various transcontinental transport

and electric power linkages in particular remain hugely underdeveloped. Thus, the development of cross-border infrastructure linking the continents and providing its core with efficient linkages to the main trade partners would gradually remove the major impediments to growth, trade, and investment in Eurasia.

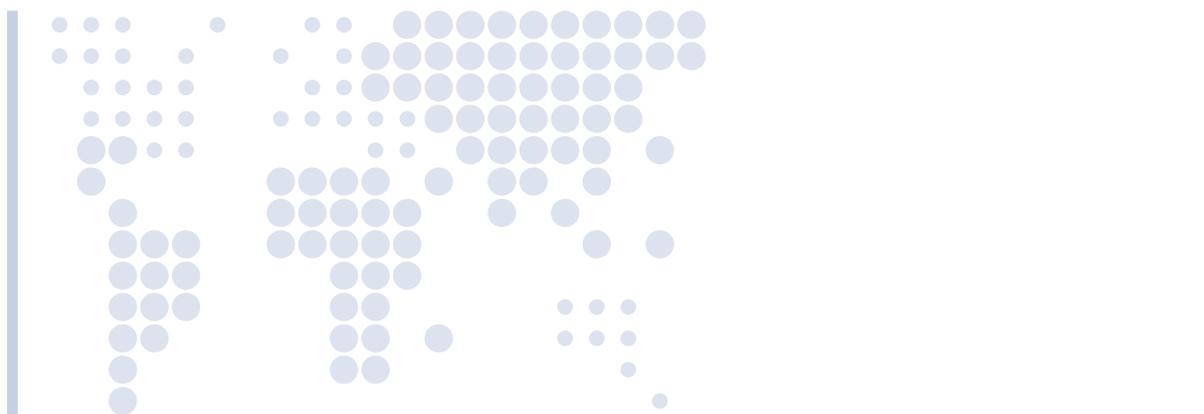


Annex: Eurasia; Basic Macroeconomic Indicators of 85 Eurasian Countries, 2011

| | Population, mln | GDP, \$ bln. | GDP per capita, current prices, \$ | GDP per capita at PPP, \$ |
|-------------------------------|-----------------|--------------|------------------------------------|---------------------------|
| <i>Europe</i> | 534.9 | 18,863.6 | | |
| <i>European Union</i> | 500.5 | 17,582.8 | | |
| Austria | 8.4 | 419.2 | 49,809.2 | 41,822.0 |
| Belgium | 11.0 | 513.4 | 46,878.4 | 37,736.9 |
| Bulgaria | 7.4 | 53.5 | 7201.9 | 13,597.4 |
| Cyprus | 0.8 | 24.9 | 30,570.7 | 29,074.1 |
| Czech Republic | 10.5 | 215.3 | 20,444.0 | 27,062.2 |
| Denmark | 5.6 | 333.2 | 59,928.1 | 37151.5 |
| Estonia | 1.3 | 22.2 | 16,583.4 | 20,379.8 |
| Finland | 5.4 | 266.6 | 49,349.5 | 36,236.0 |
| France | 63.1 | 2776.3 | 44,008.2 | 35,156.5 |
| Germany | 81.8 | 3577.0 | 43,741.6 | 37,896.9 |
| Greece | 11.2 | 303.1 | 27,073.4 | 26,293.9 |
| Hungary | 10.0 | 140.3 | 14,050.0 | 19,591.4 |
| Iceland | 0.3 | 14.0 | 43,088.2 | 38,060.8 |
| Ireland | 4.6 | 217.7 | 47,512.8 | 39,638.6 |
| Italy | 60.6 | 2198.7 | 36,266.9 | 30,464.4 |
| Latvia | 2.2 | 28.3 | 12,671.3 | 15,662.4 |
| Lithuania | 3.3 | 42.7 | 13,075.4 | 18,856.2 |
| Luxembourg | 0.5 | 58.4 | 113,533.0 | 80,119.1 |
| Netherlands | 16.7 | 840.4 | 50,355.5 | 42,183.0 |
| Poland | 37.9 | 513.8 | 13,539.8 | 20,334.2 |
| Portugal | 10.7 | 238.9 | 22,413.5 | 23,361.3 |
| Romania | 21.4 | 189.8 | 8862.9 | 12,476.5 |
| Slovak Republic | 5.4 | 96.1 | 17,643.5 | 23,303.9 |
| Slovenia | 2.0 | 49.6 | 24,533.1 | 28,641.6 |
| Spain | 46.2 | 1493.5 | 32,360.1 | 30,625.7 |
| Sweden | 9.5 | 538.2 | 56,956.3 | 40,393.6 |
| United Kingdom | 62.6 | 2417.6 | 38,592.1 | 36,089.6 |
| <i>Non-European Union</i> | 34.4 | 1280.7 | | |
| Albania | 3.2 | 12.8 | 3992.5 | 7741.4 |
| Bosnia and Herzegovina | 3.9 | 18.0 | 4618.1 | 8133.0 |
| Croatia (EU member from 2013) | 4.4 | 63.8 | 14,457.0 | 18,191.7 |



| | Population, mln | GDP, \$ bln. | GDP per capita, current prices, \$ | GDP per capita at PPP, \$ |
|---|-----------------|-----------------|------------------------------------|---------------------------|
| Kosovo | | 6.5 | | |
| Macedonia | 2.1 | 10.3 | 5015.8 | 10,366.8 |
| Montenegro | 0.6 | 4.5 | 7316.7 | 11,545.5 |
| Norway | 5.0 | 483.7 | 97,254.6 | 53,470.7 |
| Serbia | 7.4 | 45.1 | 6080.5 | 10,642.0 |
| Switzerland | 7.8 | 636.1 | 81,160.6 | 43,369.7 |
| <i>Northern and Central Eurasia (CIS)</i> | <i>277.8</i> | <i>2412.1</i> | | |
| Armenia | 3.3 | 10.1 | 3032.8 | 5384.1 |
| Azerbaijan | 9.1 | 62.3 | 6832.3 | 10,201.6 |
| Belarus | 9.4 | 55.5 | 5881.5 | 15,028.3 |
| Georgia | 4.5 | 14.3 | 3210.3 | 5491.1 |
| Moldova | 3.6 | 7.0 | 1969.0 | 3373.3 |
| Russia | 142.4 | 1850.4 | 12,993.4 | 16,736.0 |
| Ukraine | 45.6 | 165.0 | 3621.2 | 7233.2 |
| <i>Central Asia</i> | <i>64.4</i> | <i>261.9</i> | | |
| Kazakhstan | 16.7 | 178.3 | 10,694.0 | 13,001.4 |
| Kyrgyz Republic | 5.5 | 5.9 | 1070.0 | 2372.4 |
| Tajikistan | 7.8 | 6.5 | 831.0 | 2066.6 |
| Turkmenistan | 5.5 | 25.7 | 4658.4 | 7846.4 |
| Uzbekistan | 28.8 | 45.4 | 1572.5 | 3302.1 |
| <i>East Asia</i> | <i>1558.1</i> | <i>15,002.5</i> | | |
| China | 1348.1 | 7298.1 | 5413.6 | 8382.0 |
| Hong Kong SAR | 7.1 | 243.3 | 34,048.9 | 49,137.5 |
| Japan | 127.8 | 5869.5 | 45,920.3 | 34,739.7 |
| Korea | 49.0 | 1116.2 | 22,777.9 | 31,713.7 |
| Mongolia | 2.8 | 8.5 | 3042.2 | 4743.7 |
| Taiwan | 23.2 | 466.8 | 20,100.5 | 37,719.6 |
| <i>Southeast Asia</i> | <i>512.2</i> | <i>2235.8</i> | | |
| Brunei | 0.4 | 15.5 | 36,583.8 | 49,384.4 |
| Cambodia | 15.1 | 12.9 | 851.5 | 2215.7 |
| Indonesia | 241.0 | 845.7 | 3508.6 | 4666.0 |
| Lao PDR | 6.6 | 7.9 | 1203.6 | 2658.9 |
| Malaysia | 28.7 | 278.7 | 9699.7 | 15,567.9 |



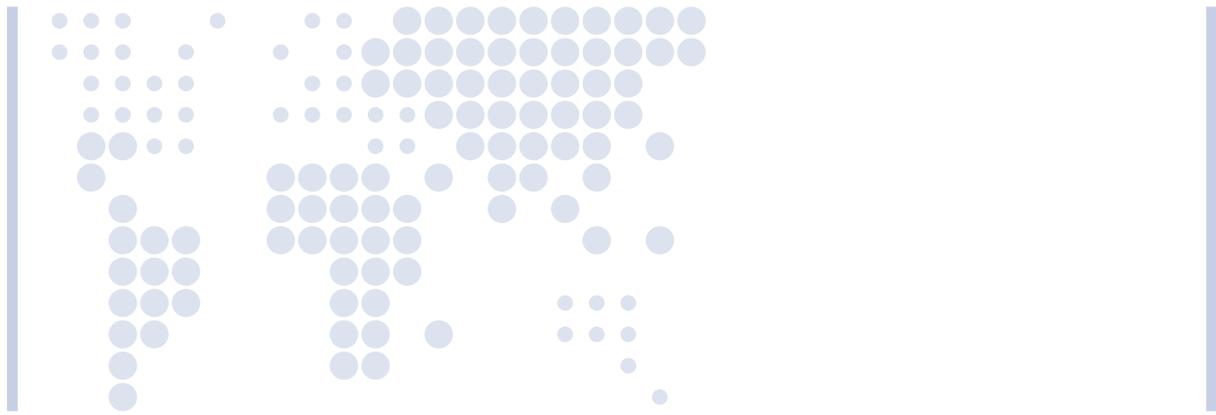
| | Population, mln | GDP, \$ bln. | GDP per capita, current prices, \$ | GDP per capita at PPP, \$ |
|-----------------------|-----------------|-----------------|------------------------------------|---------------------------|
| Papua New Guinea | 6.7 | 12.7 | 1900.3 | 2532.2 |
| Philippines | 95.9 | 213.1 | 2223.4 | 4072.9 |
| Singapore | 5.3 | 259.8 | 49,270.9 | 59,711.2 |
| Thailand | 23.2 | 466.8 | 20,100.5 | 37,719.6 |
| Vietnam | 89.3 | 122.7 | 1374.0 | 3358.7 |
| South Asia | 1629.7 | 2097.1 | | |
| Afghanistan | 31.1 | 18.2 | 584.9 | 956.4 |
| Bangladesh | 166.7 | 113.0 | 678.0 | 1693.0 |
| Bhutan | 0.7 | 1.5 | 2121.2 | 6112.0 |
| India | 1206.9 | 1676.1 | 1388.8 | 3693.5 |
| Nepal | 28.5 | 18.6 | 652.9 | 1328.0 |
| Pakistan | 175.3 | 210.6 | 1201.1 | 2786.9 |
| Sri-Lanka | 20.5 | 59.1 | 2877.0 | 5673.7 |
| West Asia | 268.8 | 3107.0 | | |
| Bahrain | 1.1 | 26.1 | 23,132.3 | 27,556.2 |
| Iran | 75.9 | 482.4 | 6359.8 | 13,053.4 |
| Iraq | 32.8 | 115.4 | 3512.9 | 3885.6 |
| Israel | 7.6 | 242.9 | 31,985.7 | 30,975.1 |
| Jordan | 6.3 | 29.2 | 4674.7 | 5899.7 |
| Kuwait | 3.7 | 176.7 | 47,982.4 | 41,690.6 |
| Lebanon | 4.0 | 39.0 | 9862.4 | 15,522.8 |
| Oman | 3.1 | 71.9 | 23,315.5 | 26,519.4 |
| Qatar | 1.8 | 173.8 | 98,329.5 | 102,943.3 |
| Saudi Arabia | 28.2 | 577.6 | 20,504.4 | 24,237.4 |
| Syria | n.d. | n.d. | n.d. | n.d. |
| Turkey | 74.0 | 778.1 | 10,521.8 | 14,517.4 |
| United Arab Emirates | 5.4 | 360.1 | 67,008.0 | 48157.8 |
| Republic of Yemen | 25.1 | 33.7 | 1340.0 | 2306.7 |
| Eurasia, total | 4786.0 | 43,732.5 | | |

Source: calculations based on IMF data.



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