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The Eurasian Economic Union and the challenge of the BRI: a comparison of their respective impacts on economic development and Russia's regional leadership

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ABSTRACT

This article analyzes how China's Belt and Road Initiative (BRI) has affected the Eurasian Economic Union (EAEU) as a project of regional economic integration. In particular, it examines whether the EAEU and the BRI are transforming the regional division of labor in the EAEU and providing the EAEU economic periphery new opportunities for industrialization and technological upgrading through insertion into international production networks. By comparing the EAEU and the BRI with other regional economic integration processes such as the EU, NAFTA, ASEAN+3 and Mercosur, it highlights the limits of the EAEU as a tool for economic integration and for enhancing Russia's economic leadership in the region.

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The Eurasian Economic Union (EAEU) was conceived in 2011 after numerous attempts to economically reintegrate the national markets of most of the former Soviet republics. The economic weaknesses of this regional integration scheme, notably the lack of economic complementarity, has been outlined by various authors (Russell 2017; Dragneva and Wolczuk 2017; Defraigne 2016a). Scholars see the EAEU as essentially a geopolitical tool used by the Russian government to increase its clout with former Soviet republics, notably to counter the economic attraction and political influence generated by the two large neighboring powers: China and the European Union (Dragneva and Wolczuk 2017; Ter-Matevosyan et al. 2017; Busygina and Filippov 2017). As Dragneva and Wolczuk summarize it: "Russia's primary interest in Eurasian integration is to strengthen its own global influence. Other member states have diverse reasons to engage in Eurasian integration but they are not interested in pursuing deep economic integration in a regional context. As such, the competing objectives of member states are actually hindering the project from becoming a genuine economic union" (Dragneva and Wolczuk 2017). Some authors also identify domestic political motives behind the launch of the EAEU, such as an intention

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to maintain the stability of the authoritarian regimes of its member states (Roberts 2017).

From an institutional perspective, the EAEU remains a tool to promote deeper economic integration, despite its possible underlying geopolitical and domestic political objectives. After almost a decade, its efficiency in promoting economic integration and faster economic development, through trade creation or through transforming the previous regional division of labor, should therefore be assessed. Prior to the EAEU, most former Soviet republics were stuck in the role of commodity providers; Belarus, whose economy was used by more technologically advanced firms to outsource assembly work and component making, was the exception. It remains unclear whether the EAEU has modified this division of labor and generated new industries or competitive advantages for the national economies involved. It is also unclear whether it has created a deeper degree of economic interdependence between its members, to what extent it has enabled Russia to emerge as a regional economic leader, and whether this leadership is being challenged by other potential regional leaders, notably China, which is putting forward another tool of regional integration for the Eurasian continent, the Belt and Road Initiative (BRI). Existing research offers inconclusive answers to these questions because the tools chosen to measure the effects of regional economic integration processes in the EAEU economies fail to capture the development of regional value chains in these economies, their technological developments and their attractiveness as a tool of economic development.

Numerous economic analyses have used gravity models and computable general equilibrium to look at the trade diversion effects of the EAEU to assess its impact and effects on the welfare of its member states (Chernova et al. 2019; Russell 2017; Knobel et al. 2019). These standardized quantitative tools are not the most appropriate to analyze a very short period of time, in this case less than a decade during which the EAEU economies have suffered massive external shocks due to the fall in energy prices and to Western sanctions against Russia after the war in Ukraine. Some of these studies neglect non-tariff barriers and deep integration benefits such as intraregional labor force mobility (Chernova et al. 2019) while other studies that want to take these elements into account are forced to set a strong hypothesis not backed by sufficient empirical data (Knobel et al. 2019). Because of their respective different hypothesis, they reach opposite conclusions on the EAEU effects. This type of tools cannot really provide robust results that would generate a consensus between scholars on the effectiveness of the EUAE for the economic development of the region.

Political analyses often claim the primacy of geopolitical over economic goals in the EAEU project by quoting secondary sources or claims by political actors, but do not methodically back up their claims by outlining systematic economic indicators (Busygina and Filippov 2017; Dragneva and Wolczuk 2017; Batsaikhan

& Dabrowski 2017; Ter-Matevosyan et al. 2017). Their assessments of the EAEU's economic effects thus remain fragile.

To overcome these limitations, this article adopts a new methodology, using multiple tools that can highlight fundamental phenomena to assess the effectiveness of the EAEU as a vector for economic development and as a means to strengthen Russia's regional leadership.

A first set of tools is drawn from economic history and international political economy analyses of previous regional economic integration process. This article uses the literature on regional integration processes such as the EU, NAFTA, Mercosur and ASEAN+3 to put the EAEU and BRI projects into perspective. Scholars have highlighted four key conditions for developing a successful economic regional integration project.

First, the size of the integrated market determines the number of industries that can produce locally while maximizing economies of scale and attracting market-seeking FDI (Baldwin & Wyplosz 2015; Telo 2007).

Second, strong economic complementarity generates a fruitful regional division of labor without generating too much friction between the national economies involved in the integration process (Dinan 2005).

Third, a potential regional paymaster can smoothen regional economic integrational processes. This concept refers to the capacity of a leading regional national economy to absorb the economic costs of regional integration suffered by some of the other national economies in the region. Mattli argues that Germany has played that role in the EU, for example, by providing financial transfer to make economic integration more acceptable for member states experiencing welfare losses (Mattli 1999).

Fourth, a bottom-up integration mechanism led by multinational enterprises (MNEs) that regionalize their production processes are crucial to successful regional economic integration (Telo 2007; Dinan 2005; Defraigne 2004; Baldwin & Wyplosz 2015). This phenomenon has also shown the importance of regional leaders: countries that host the majority of MNEs spreading their production process across their region (or sometimes in another region, as the US in the early stage of the European integration process). The US played that role for the NAFTA integration process, Germany and some other Western economies (notably France, Italy and to a lesser extent the US) for the European integration process, and Japan for Pacific Asia in the 1980s and 1990s (Deblock 2016a; Defraigne and Nouveau 2017; Hatch and Yamamura 1997). Weaker regional integration projects, as in Africa, Latin America and South Asia (Mercosur, SAARC, EAC, SADC and ECOWAS), have lacked a significant bottom-up economic driving force (Defraigne 2016a). When the regionalization of production processes is substantial, as in East Asia in the 1980s and 1990s, or in Europe and North America in the 1990s and 2000s, it generates significant spill-over effects in the economies of the given region in under 5 years (Hatch and Yamamura 1997; Defraigne 2020a; Deblock 2016a). As

the national economies of the region's periphery are thus inserted into international production networks (IPNs), their trade structure becomes more diversified through increasing exports of manufactured products and the development of vertical intra-industrial trade with the regional center (Dicken 2015; Zysman and Schwartz 1998). This article uses a comparative analysis between the EAEU and other regional integration process to assess, by looking at respective composition of their trade, whether this regionalization phenomenon is taking place between EAEU members and Russia. It can accordingly determine whether the EAEU has generated significant change in the regional division of labor.

A second set of tools also comes from comparative analysis of the EAEU and other regional economic integration processes, but with a specific focus on capital holders' sociological behavior and its impact on the capacity of their national economy to act as regional leader. To become a regional leader, a national economy must have a substantial number of capital holders willing to develop global MNEs in manufacturing and services. These MNEs can insert their region's national economies into the IPN that they are developing, thereby fostering regional economic integration. Such MNEs control their own innovation capacities and can often impose their technical standards on the market (Zysman and Schwartz 1998). This ambition of capital holders is not a sufficient but a necessary condition for a national economy to act as a credible regional leader by hosting MNEs that can reshape the regional division of labor. If that will is lacking, then capital holders in a given economy remain in the primary sector and in non-tradable services, where they often act as rent-seekers protected by their local authorities. In such cases, the national economy cannot act as a regional leader and its insertion into IPNs will depend upon decisions made by foreign-based MNEs. If Russia's capital holders are developing MNEs capable of setting up IPNs, then the development of intangible assets in the form of international management know-how and innovation capacities should be observable in the Russian economy. Certain indicators can be reliable proxies for assessing whether this evolution is taking place. First, the composition of capital outflows should change with a rise of outward direct investment, reflecting the creation of such intangible assets, compared to portfolio investments that are typical of rent-seeking capital holders (Dunning 1993). Second, the technological level of the economy should rise as innovation capacities are being developed by MNEs; this can be assessed through various indicators, such as the research and development (R&D) intensity of the national economy, the number of national firms among the top global R&D spenders, receipts from intellectual property, and the international rankings of national universities.

By using these two tool sets, this article will provide new insight ~~on~~ the potential micro-economic effects generated by the EAEU and by the BRI. China's international expansion, having accelerated in the 2000s, has spread across the Eurasian region in parallel to the development of the EAEU. As in the rest of

world, China has gained shares in the trade of all EAEU members and become an important trading partner, for some overtaking Russia. In 2013 Xi Jinping launched One Belt One Road (OBOR), since renamed the Belt and Road Initiative (BRI), to achieve greater integration of the Eurasian region by developing infrastructure projects that improve its connectivity. The BRI project raises various questions regarding the sustainability of the EAEU project and the role of Russia as a regional economic leader. The Chinese initiative shapes a regional integration project that transcends the geographical scope of the EAEU (Rolland 2017; Calder 2019). The EAEU could be absorbed into and diluted by this larger economic integration project aimed at linking China with Western European markets and the Middle East (Carrai, Defraigne, and Wouters 2020). As China's infrastructure projects in transport and energy reshape de facto trade routes and reduce the impact of de jure ~~EUEA~~ preferential trade agreements, they may generate trade diversion among the different EAEU national economies in favor of China and at Russia's expense. Could China also challenge Russia as a regional economic leader thanks to the size of its domestic market and its role as credit and technology provider? Could Chinese MNEs, rather than their Russian counterparts, be inserting the national economies of the EAEU periphery into IPNs and transforming their roles within the regional and international division of labor?

This article assesses to what extent signs can be detected that the Russian economy is fulfilling the necessary conditions to act a regional leader. It will also assess whether the economies of the EAEU periphery are being inserted into international production networks to a point that generates significant changes in the regional division of labor. Thanks to this methodology, this article aims to go further than the existing literature on the degree of competition or complementarity between the EAEU and the BRI and the literature on the competition for regional leadership between China, Russia and other powers. It will try to assess if these two integration projects have generated a significant change in the traditional role of the EAEU economies in the regional and global division of labor.

This article first analyses the potential impact of the EAEU on regional integration to highlight its limitations in terms of increasing economic interdependency and reinforcing Russia's economic leadership in the region. It also shows why the EAEU is not significantly changing the region's role within the international division of labor. The analysis then focuses on China's BRI and its impact on the EAEU economies. It shows that China is increasing its economic influence in the region but that the BRI ~~too~~ has so far failed to significantly transform the region's role in the international division of labor. Neither process is moving the less developed EAEU economies out of the periphery of the world economy or transforming Russia into an attractive economic center for the EAEU.

The EAEU as a tool for economic integration and a means to enhance Russia's regional economic leadership

The EAEU as a means to build a significant integrated market and as a magnet for Russia's neighboring economies

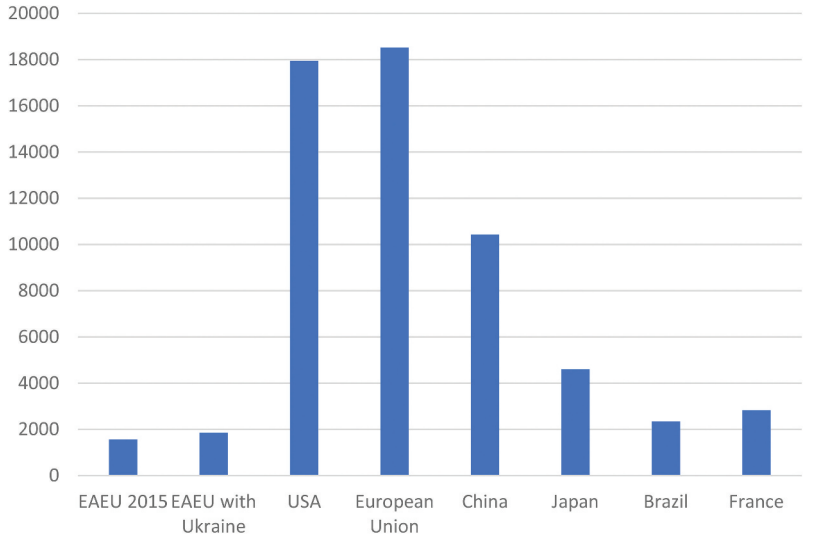
With a declining population and a GDP smaller than France, Russia's consumption is insufficient to provide its capital-intensive industries with sufficient economies of scale to remain competitive at the global level (Seddon 2019). A larger market would also increase its capacity to impose regional technical standards that better suit local producers (potentially at the expense of domestic consumers) and better resist the imposition of foreign technical standards (Defraigne and Nouveau 2017). The Russian government considers a larger integrated market as a necessary condition for developing a successful industrial policy (Sapir 2011). This has been supported by the Russian Union of Industrialists and Entrepreneurs since the mid-2000s (Cooper 2013).

Analyses show that the search for economies of scale was a driving force behind other regional economic integration projects ~~shows~~ (Ténier 2003; Telo 2007). Governments of a given region decide to set up reciprocal trade arrangements either to enable local firms to benefit from the economies of scale necessary for capital-intensive industries, or to attract multinational enterprises to produce for a sufficiently large market. This motive played a decisive role in the creation of the European Economic Community, Mercosur and the ASEAN Free Trade Area (Santander 2012; Nesadurai 2003).

For industrial policy purposes, the launch of the EAEU has not been fundamental game-changer: the combined GDP of the four other EAEU members did not constitute a major increase to Russia's domestic market (+13.2% in 2011 at the outset of the EAEU custom union). Russia did attempt to include Ukraine (6% of Russia's GDP in 2011), which would have significantly increased the Russian market (by almost 20% in 2011) (see Table 1 infra). The desire to push Ukraine to join the EAEU was one factor behind Russia's political interference in Ukrainian political affairs in 2013, as Moscow wanted to avoid a possible association agreement with the EU (Delcour & Wolzcuk 2013). Although other republics, such as Uzbekistan and Tajikistan, have considered joining the EAEU and Moldova has been given an observer status, of the 15 former union republics of the USSR only five were EAEU members by 2020.

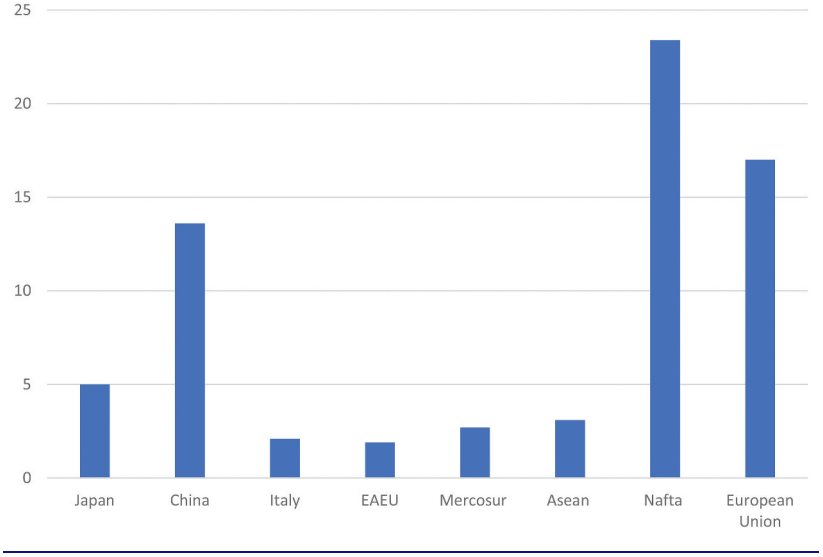
In terms of combined GDP, the EAEU remains among the world's smaller regional agreements. Its economy is smaller than the fourth largest economy of the EU, and far below large economies like Japan or China (see Table 2 infra). This limits the capacity of the EAEU to act as an economic magnet to counter the economic influence of neighboring China and the EU, which each constitute a much larger market. The limited size of the domestic market constitutes a serious constraint on the development of indigenous high-tech capital-

Table 1. Nominal GDP in 2015 (in trillions of current US dollars).



(Source: World Bank open data 2021)

Table 2. Nominal GDP in 2018 (in trillions of current dollars).



(Source: World Bank open data 2019)

intensive industries characterized by important economies of scale and network economies.

Furthermore, the creation of a custom union does not eradicate numerous non-tariff barriers. Numerous reports point out various remaining administrative barriers or corruption-driven control by custom officers that hinder international trade within the custom union (Tarr 2016 & Vercueil 2019). World bank data confirm these sources as Table 3 below shows that the EAEU member states are characterized by a low level of ease of trading across borders apart from Belarus (that has three EU member states among its five neighbors, driving up its score). One must also consider the relative obsolescence of transport infrastructure in the region due to limited investment since the 1990s that can limit the effectiveness of the potential EAEU market. Russia and Central Asia are considered to be one of the regions that allocate the smallest share of their GDP on infrastructure spending, only comparable to Latin America. Analyses have also show that Russia has got one of the largest gaps of the world in terms of actual spending compared to its needs in transport infrastructure (Oxford Economics 2017). Not only the EAEU remains a small market compared to other regional integration processes but it is still fragmented due to non-tariff barriers and infrastructure bottlenecks.

Levels of complementarity among EAEU members and the emergence of bottom-up microeconomic forces to foster economic integration

An essential condition for an economically successful regional integration project is a high level of complementarity that can generate a more efficient regional division of labor and the regionalization of production processes in goods and services. NAFTA (now USMCA), the ASEAN FTA and the EU have helped firms exploit various comparative advantages in spatially reorganizing their production process across the economies that have ratified the agreement (Ravenhill 2010). Since 1994, US companies have relocated labor-intensive activities such as cars and electronics assemblies to the northern states of Mexico to benefit from a cheaper, more flexible labor force as well as from looser environmental rules (Ashbee 2010; Dawson 2006). The EU enlargement toward the Mediterranean in 1986 and Eastern Europe in 2004 has accelerated the regionalization of production processes for similar reasons (Defraigne and Nouveau 2017). This has generated the increased dependency of the Mexican

Table 3. Ease of trading across borders (ranking from 1 to 192).

Kazakhstan	105
Russian Federation	99
Armenia	43
Belarus	24
Kyrgyz Republic	89

(Source: World Bank open data 2021)

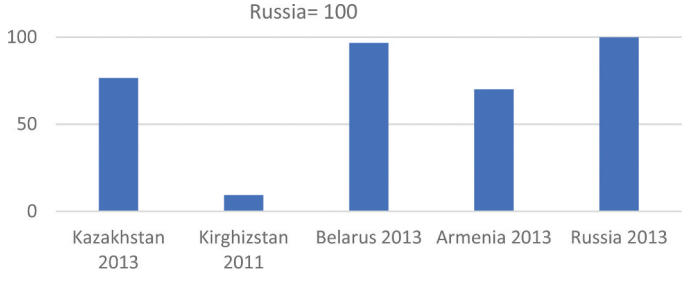
economy on US firms and of Eastern European and Mediterranean member states on Western European firms. As mentioned above, this underlying micro-economic development has been a bottom-up driver of regional economic integration in the NAFTA, the ASEAN FTA and the EU (Telo 2007).

This phenomenon is far less likely to develop significantly across the EAEU, however. Variations between EAEU member states in terms of wages, social regulation and legal environmental constraints are far more limited than within NAFTA-USMCA or the EU. There are thus few incentives for Russian firms to relocate activities to other EAEU member states or engage in regionalizing their production process. Table 4 shows the significant difference between the EU and the EAEU in terms of wage differential.

Like the Mercosur, the EAEU is composed of economies with a strong comparative advantage in the export of raw materials: energy, mining or food (see Table 5 infra). This type of economic specialization makes regional integration less important, because in the primary sector the regionalization of the production process does not constitute an essential or even necessary step to gain competitiveness. The US, Japan and Germany are specialized in high-tech services, manufacturing and innovation; their large national firms can therefore consider regionalizing or globalizing their value chains to outsource low-tech, labor intensive activities toward less developed economies characterized by cheaper wages, a more flexible labor force and looser environmental rules. For these reasons, MNEs from these regional leaders act as catalyzers of regional economic integration. This phenomenon can take place even in the absence of a deeply institutionalized regional agreement, as in the case of Japanese firms in Southeast Asia in the 1980s and 1990s. It is what scholars specialized in regional integration label a bottom-up integration force (Hatch and Yamamura 1997; Telo 2007).

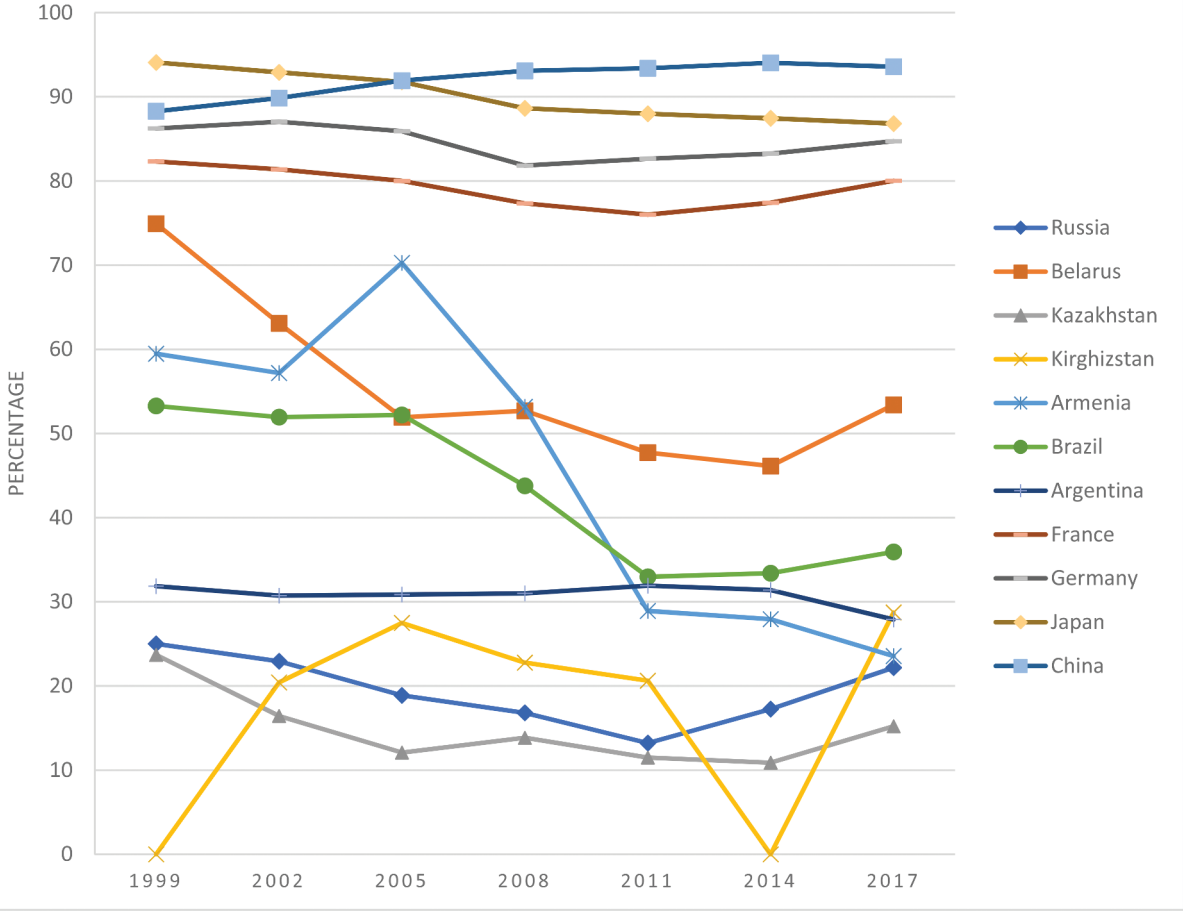
In the short or medium run, Russian MNEs are unlikely to play such a role. They are far more specialized in the primary sector or in services that are usually not important drivers for the regionalization of production processes. As for the

Table 4. Minimum monthly wage in current dollars.



(Source: ILO stat 2016 & XE.com 2016)

Table 5. Share of manufactured products in exported goods.



(Source: World Bank open data 2019)

other member states of the EAEU, they do not host firms that are large or international enough to play a role in regionalization comparable to that of US, Japanese, and Western European MNEs. This implies that the integrating micro-economic force of regionalization will be limited in the EAEU.

A lack of technological leadership

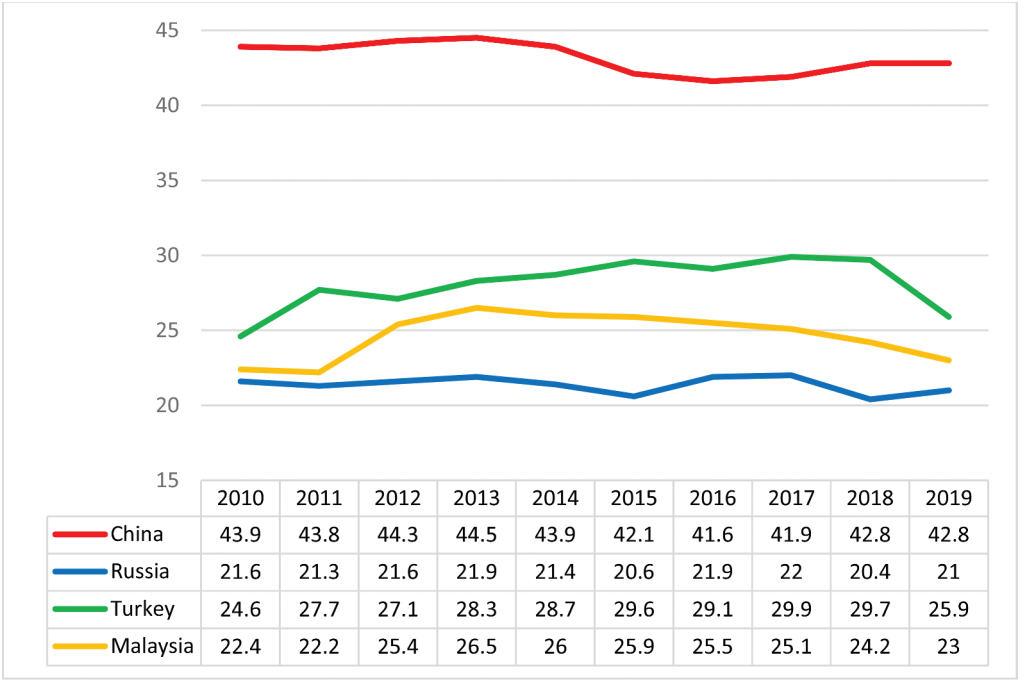
Russia cannot act as the main provider of technology for the region given its limited indigenous innovation capacities and reliance on Western European and East Asian technology. The collapse of the USSR generated one of the largest brain-drains in modern history, with hundreds of thousands of scientists leaving the area in the 1990s to North America, Western Europe and Israel. The brain drains and lack of financial resources in the 1990s weakened Russia's technological and scientific base in the long term (Crane & Usanov 2010). The Russian authorities have not managed to recreate enough favorable conditions for research activity to contain this brain-drain problem (Aslund 2019).

As Bodrunov points out, liberal-monetarist policies applied during the transition period of the 1990s have led to a relative deindustrialization which has weakened the technological and innovation basis of the Russian economy and the qualification of the labor force (Bodrunov 2017). The Russian economy suffers from a lack of investment that generates an obsolescence of its production capacities (Vercueil 2019) as capital outflows amounts for the period 1992 to 2017 ranged from 780 USD to 1,118 billion (Aslund 2019). Table 6 shows the level of gross fixed capital formation of Russia compared to other developing economies with similar level of GDP per capita that reflect a relatively lower level of investment throughout the 2010s.

The relevant indicators outlined below all serve to highlight the limits of Russian technological innovation capacities. Russia does not belong to the world's top innovator countries as shown by the limited share of its GDP dedicated to R&D and limited international receipts on intellectual property (see Tables 5 and 6). In the UK's Times Higher Education ranking of universities worldwide, no Russian university has reached the top hundred; a slight improvement was visible between 2015 and 2018, but the 2019 ranking shows Russian universities receding (Times Higher Education 2019). Only three Russian firms are among the top 2500 firms in terms of R&D spending, compared to over 300 each for China and the EU (without the UK) (European Commission 2018). Furthermore, Russian firms spend far less than their counterparts from developed economies on the scientific and technological training of their labor force (Bordunov 2017).

Some high-tech initiatives have been launched under the Medvedev and Putin administrations. In 2008, the government launched an industrial policy labeled Strategy 2020 to upgrade Russian innovation capacities and diversify its export structure (Vercueil 2019). These resulted in numerous projects, notably

Table 6. Gross fixed capital formation (% of GDP).



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
China	43.9	43.8	44.3	44.5	43.9	42.1	41.6	41.9	42.8	42.8
Russia	21.6	21.3	21.6	21.9	21.4	20.6	21.9	22	20.4	21
Turkey	24.6	27.7	27.1	28.3	28.7	29.6	29.1	29.9	29.7	25.9
Malaysia	22.4	22.2	25.4	26.5	26	25.9	25.5	25.1	24.2	23

(Source: World Bank open data 2021)

the development of the Skolkovo R&D cluster in 2009 and the Innopraktika project at Moscow University in 2014. Putin has imposed industrial policies that merge high-tech firms into state-controlled champions such as Rosatom (nuclear energy) and Roskosmos (space industry), but the results are limited, notably for Russian enterprises (Marie 2016; OECD 2019; Aslund 2019). As Tables 7–10 highlight, aggregate data from the last decade continue to show that despite some gradual progress, Russia lags far behind Europe, and now China too. The Russian high-tech aerospace industry has lost ground over the past three decades, even in the military sector whose production faces difficulties to modernize and to meet their deadlines for contracts (Facon 2010; Marie 2016).

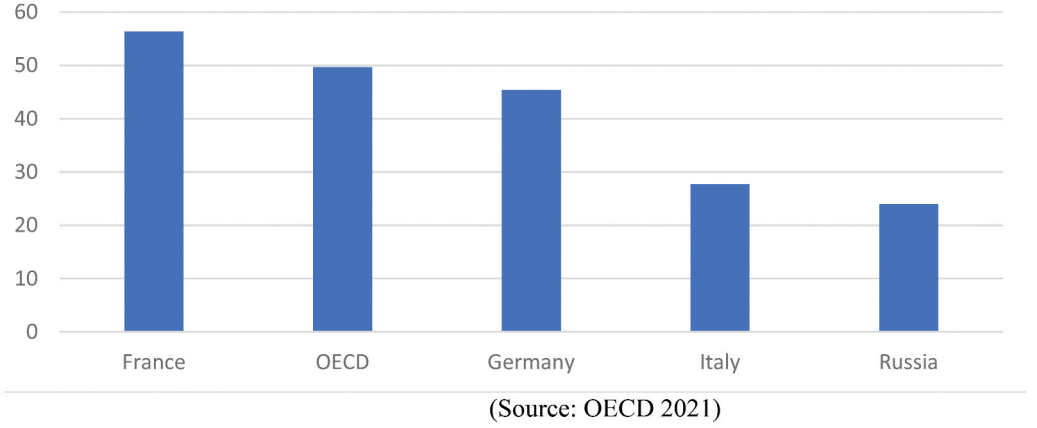
Russia's stock of outward direct investment (ODI) as a percentage of GDP in considerably lower than the high-tech developed economies. It is lower than Italy, a developed economy that is notoriously known for its problems related to economic and innovation capacity stagnation (Defraigne and Nouveau 2017). This reflects the limited amount of specific-ownership intangible assets of Russian firms relatively to their Western counterparts. Numerous authors have underlined the weaker technological base of the Russian economy compared to the most developed economies or even to China (Boulatov 2020; Vercueil 2019; Bordrunov 2017; Facon 2010).

This means Russia is unlikely to have a strong leverage in the EAEU thanks to technology and ODI, as its members continue to rely on Western or East Asian technology, notably from the EU and China. Russia cannot play the role of regional technological leader like Germany and other Western EU members play for Eastern Europe, the US plays in the Americas, and Japan in the ASEAN.

The absence of a reliable regional paymaster

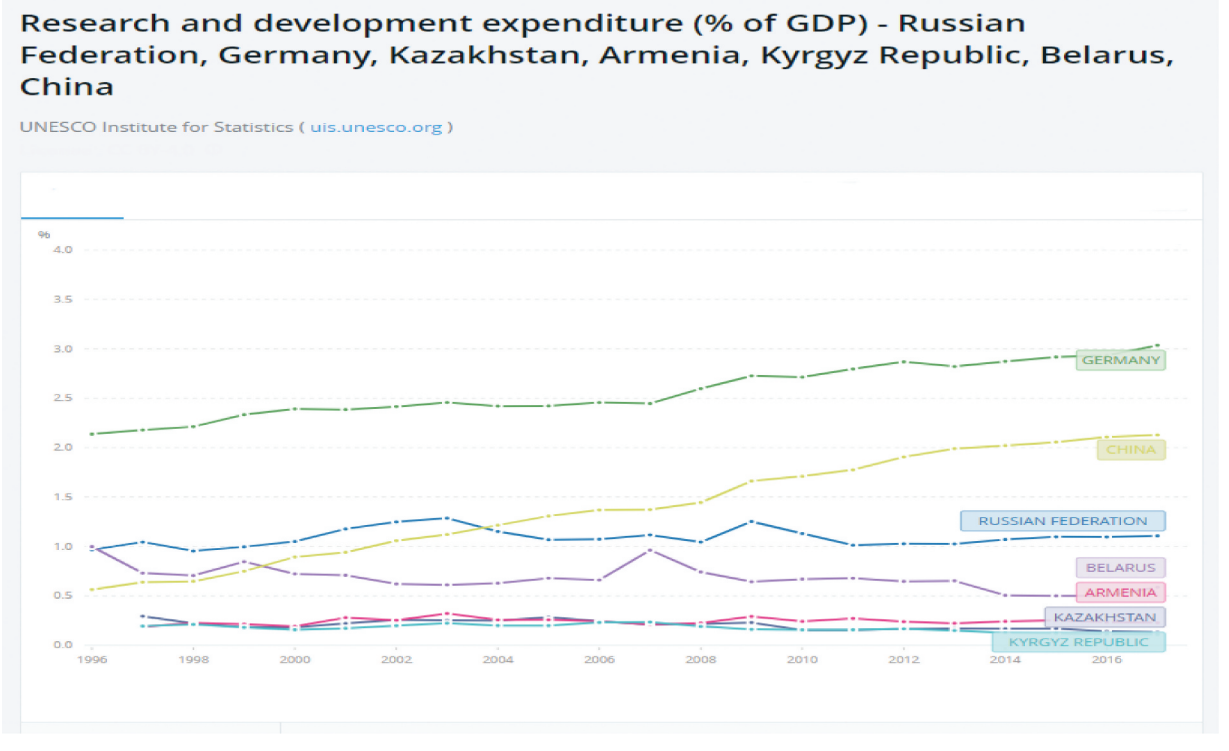
Finally, can Russia act as Mattli's "regional paymaster" for the EAEU? Russia, by far the largest economy of the EAEU, is the only member state that could fill this role for the region. In the case of Armenia and Belarus, the Putin administration could offer subsidized energy and other financial or military aid to facilitate the building of the EAEU. Russia has a much greater share in the EAEU's combined GDP than Germany has in the EU. However, in absolute terms, Russia has far more limited financial resources than Germany. Its financial position is more fragile than that of Germany or the US due to its higher dependency on energy exports, which account for a substantial share of its government revenue (Kluge 2019). With a severe fall of oil prices in 2014 and again in 2020, the Russian government has suffered severe recurrent financial strains that force it to impose unpopular cuts in welfare. The demographic prospects of Russia are not favorable as the economy has seen its dependency ratio worsens these last three decades as seen in Table 11. Given recent changes in military technology and warfare that require more capital-intensive armed forces, as well as its declining population, Russia

Table 7. ODI stocks as % of GDP in 2019.



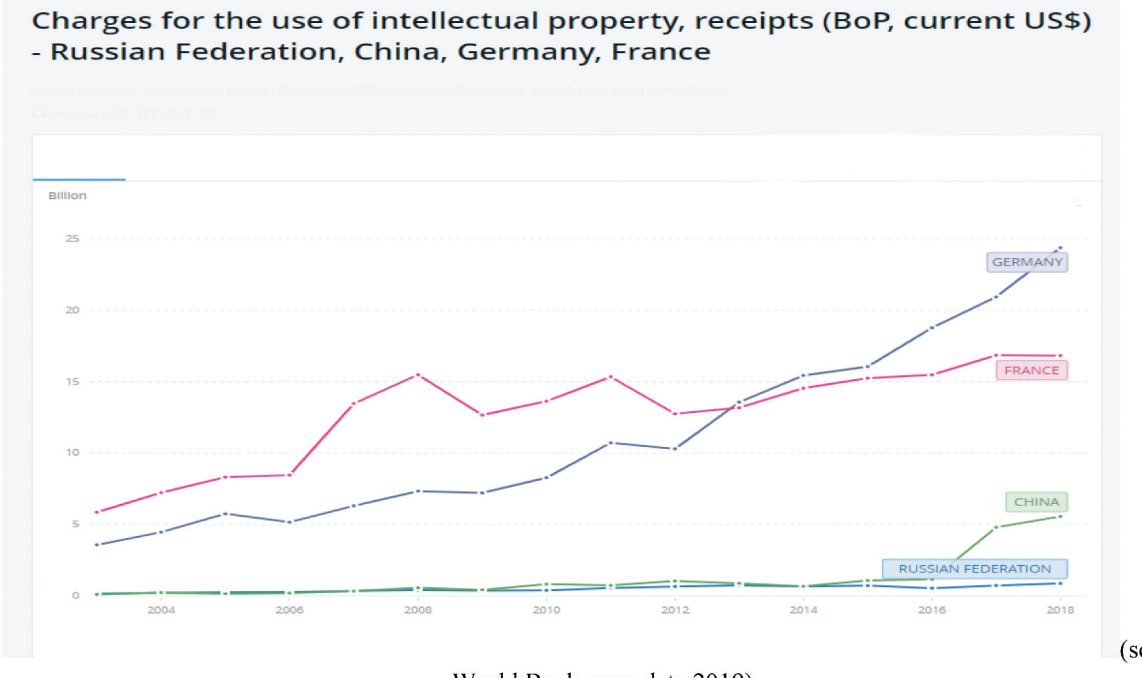
(Source: OECD 2021)

Table 8.



(Source: World Bank open data 2019)

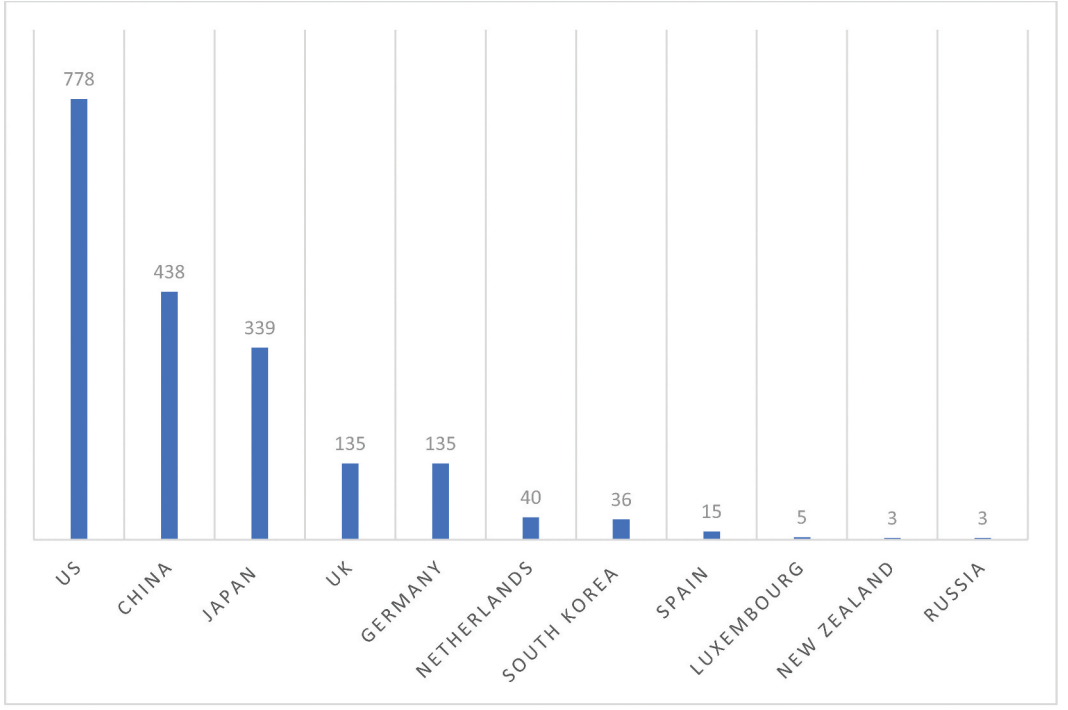
Table 9.



(source: World Bank open data 2019)

(Source: World Bank open data 2019)

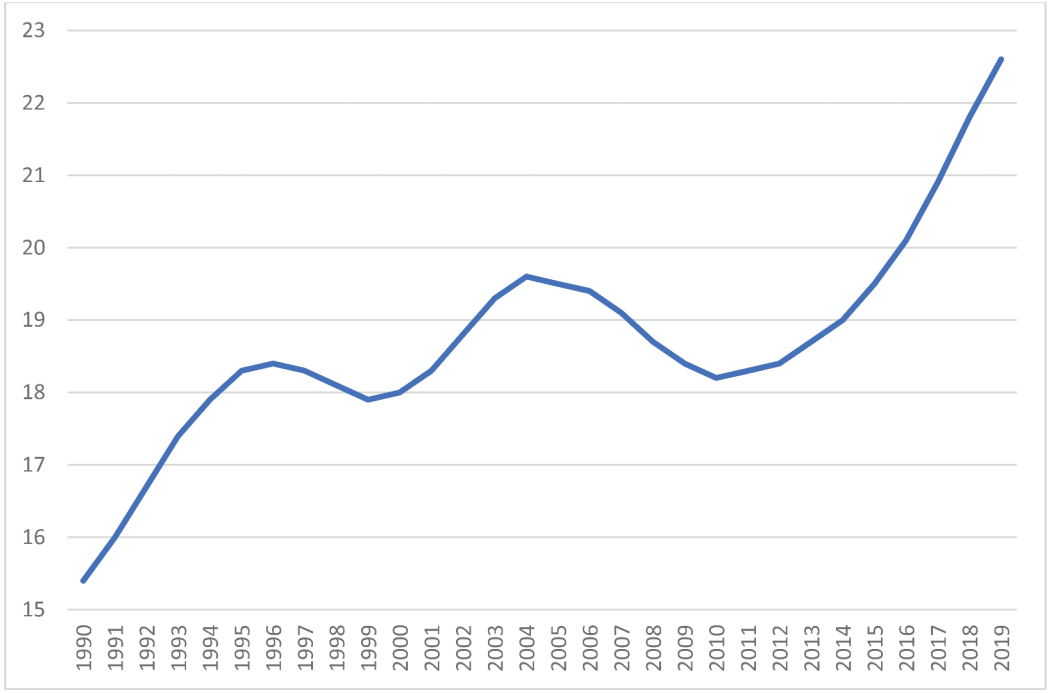
Table 10. Number of firms in the top 2500 R&D spenders.



(source: European Commission 2018)

(Source: European Commission 2018)

Table 11. Russia's age dependency ratio, old (% of working-age population).



(Source World Bank Data 2021)

increased military spending considerably in the late 2010s in order to remain a major military power. Since 2015, Russia has spent on average more than 4% of its GDP on military spending, compared to 3.2% for the US, 2.3% for France, 1.2% for Germany and less than 1% for Japan (SIPRI 2021). The burden of military expenditure, the overreliance of government revenues on oil prices and the aging population are severely constraining Russia in its capacity to act as regional paymaster bearing the cost of integration across the EAEU.

The failure of the EAEU to attract most former USSR republics

The EAEU has only managed to attract five of the 15 former Soviet republics. The western parts of the former USSR (the Baltic republics, Moldova, Georgia, Ukraine and even Belarus) have been strongly attracted to the EU as a regional economic center. Not only is the EU's GDP more than five time the size of Russia's, but the western-most former republics of the USSR have more complementarity with the EU than with Russia in terms of wage differential, technology level and economic specialization. For the Baltic republics, historical political factors explain their shift away from Russia and their decisions to join the EU and NATO as soon as they could (Berend 2009; Plakans 2011). But even countries with more ambiguous historical political situations have progressively shifted toward the EU in terms of economics. In the 3 years that followed the conception of the EAEU supranational institutions in 2012, the EU developed association agreements with Georgia, Moldova and Ukraine to lower their respective economic obstacles. The Russian government's attempts to reverse this shift proved disastrous. Economic sanctions against Moldova (on wine imports) backfired and generated trade diversion in favor of the EU (Nastoll 2014), while the war in Ukraine reduced Russian exports to Ukraine by 75% between 2012 and 2017 (OEC 2019).

Even Belarus, Russia's closest partner, has developed strong economic ties with the EU; the EU is now its second most important trade partner (OEC 2019). Although Belarus and Russia have shared deeply integrated manufacturing processes since USSR industrialization, Moscow's fear that Belarus would shift toward the EU enabled it to benefit from important Russian subsidies, notably in energy imports (Batsaikhan & Dabrowski 2017).

Although Uzbekistan and Tajikistan have considered joining the EAEU, they have so far remained outside it, as have Turkmenistan and Azerbaijan. An extreme specialization in oil exports in Turkmenistan and Azerbaijan, like Tajikistan's and Uzbekistan's specialization in mineral ore (notably gold) and agricultural products, can explain their lack of interest in joining a Eurasian integrated market (OEC 2019). These countries' economic specialization in commodities for which developed economies have a permanent structural

demand (meaning zero tariffs on products like gold, oil and gas) reduces the need to create a regional market: domestic producers in these extracting industries do not need privileged market access like manufacturers and exporters of tradable services.

EAEU member states elites behave more like comprador rent-seekers than entrepreneurial capitalists

In a private-sector-led economy that is seeking to act as economic center for a region and to create a successful regional economic integration scheme, the presence of entrepreneurial capitalists and MNEs who support that scheme is essential. This was true for the creation of the European Single Market with the role of the European Roundtable of Industrialists, for the completion of NAFTA and for the ASEAN Free Trade Area (Dinan 2005; Nesadurai 2003; Dawson 2006; Terry 2004). As discussed above, numerous scholars specialized in regional integration, such as Mattli, Telo, Baldwyn and Dinan, have shown that an important necessary condition for successful economic integration is a microeconomic rationale for such integration, which creates bottom-up support from businesses to the state engaged in the integration process (Mattli 1999; Dinan 2005; Telo 2007). The microeconomic rationales that make firms and entrepreneurs willing to engage in international competition and dominate their industry include benefiting from economies of scale thanks to an enlarged market, reducing production costs by regionalizing their production process across the region's economies, and securing privileged access to an enlarged market.

To explain the incapacity of some countries to move out of the economic periphery and industrialize their domestic economies, international political economy theorists have developed the concepts of comprador, ersatz or rent-seeking capitalists (Harvey 2007; Ravenhill 1986; Yoshihara 1988; Mandel 1997). In less developed economies, local capital holders might not feel capable of challenging global competitors on international markets because of their limited technology or management know-how. They develop activities in local services or local industries that are protected from international competition thanks to privileged relations, such as family links, with local political elites. Such capitalists do not have the ambition to challenge the existing international division of labor. They are not lobbying their state to establish an industrial and technology policy to develop MNEs in the high-tech and capital-intensive industries. They usually show little interest in supporting a regional integration process that could challenge their rent-seeking positions, nurtured by their cosy relations with national political elites. Generally, a large part of the profit generated by their rent-seeking activities is not reinvested in the local economy but transferred to unregulated financial offshore centers for tax evasion and money laundering purposes (Defraigne and Villalobos 2020; Gunder Franck

1979; Mandel 1997; Ang 2020). The capital is then reinvested in real estate or financial portfolios overseas, mostly in developed economies harbored from the recurrent macroeconomic shocks experienced by developing economies. This means a lack of domestic investment in the rent-seeking capitalists' local economy and generates bottlenecks in that economy's development. Such rent-seeking behavior by capital holders is a major obstacle to economic integration in many regional agreements between developing economies (Defraigne and Villalobos 2020; Galeano 2008; Nesadurai 2003).

Capital holders from the former Soviet republics of the EAEU constitute no exception in this regard. Various studies and financial scandals have shown that the former Soviet republics are more plagued by this phenomenon than many developing countries (Aslund 2019). While developing countries such as China, Vietnam, or South Korea are also characterized by high level of corruption and cronyism, a large share of their businesses' profits are reinvested in domestic industries, and sporadic political purges (until the 1980s in China and South Korea) or eruptions of scandals limit the scale of the phenomenon (Ang 2020; Chaponnière and Lautier 2014). Various indicators show that few checks on corruption, capital evasion or money laundering exist in former Soviet republics. Recurrent massive unregulated capital outflows that can be seen on the balance of payments of these countries (Aslund 2019; Vercueil 2019; Boulatov 2020). Indicators from the World Bank and Transparency International put these countries at the bottom of the rankings in terms of good governance and corruption practices (Batsaikhan & Dabrowski 2017). Cooley and Heathershaw have exposed the magnitude of rent-seeking, corruption and capital evasion across Central Asia (Cooley and Heathershaw 2017). Scandals such as that which occurred at the Danske Bank of Estonia in 2019 have revealed that hundreds of billion US dollars are channeled out of former Soviet republics to be laundered in Western banks (Milne 2019). These amounts are extremely high relative to domestic GDP, even by developing world standards, and compare with the worst cases, which are in sub-Saharan Africa and MENA countries. Various scholars' analyses of the Russian economy and the regular capital outflows that Russia experienced from its transition to the 2010s demonstrate the prevalence of comprador rent-seeking capitalists among Russian capital holders (Vercueil 2019; Schimpfössel 2018; Radu 2019; Marie 2016; Judah 2013; US Department of State 2019).

Conclusion: a weak regional leader and a limited tool of economic integration

The analysis above has shown the weaknesses of Russia as a candidate for regional economic leadership and the limits of the EAEU, its main tool to promote regional economic integration for economic and geopolitical purposes. Russia is a medium-sized economy by world standards, much smaller

than either the neighboring EU or China, while the EAEU remains a small regional integration project compared to the EU, NAFTA or TPP and is half the size of ASEAN or Mercosur. Russia is not advanced or rich enough to be the main provider of technology and finance to the former USSR republics, and the EU and China can fill this regional vacuum. Finally, the prevalence of comprador rent-seeking capitalists in the EAEU, and in Russia in particular, also limits the prospects of the integration process and Russia's position of regional leader. With a share of 12 to 14% of total trade between 2012 and 2017, EAEU intraregional trade remains very limited compared to other regional integration projects such as the EU, ASEAN and even Mercosur and some African regional integration schemes (UNCTAD 2021). The relative rise of intraregional trade since 2014 can be explained by the effects of the depreciation of EAEU currencies due to the collapse of oil prices. Such depreciations increase the relative prices of imported goods and foster the consumption of intra-EAEU products as they are paid for in a weaker currency (Russell 2017). Overall, the EAEU generates only limited trade diversion and trade creation effects. It does not provide an alternative to non-EAEU overseas markets for any of the EAEU member states.

After outlining the various weaknesses of the EAEU as a regional economic integration project and of Russia as a regional economic center for Eurasia, I turn to an analysis of China's BRI to see to what extent it threatens EAEU objectives and the role of Russia as regional economic leader and to what extent it can transform the traditional role of Central Asian economies in the international division of labor.

The BRI as a competing regional integration project for Eurasia

China a new economic regional leader that challenges the traditional role of Russia

Given the significant finances put forward by the Chinese government, can one expect China to replace Russia as the main driver for Eurasian economic integration in the short or mid-run? China is certainly better suited to act as regional economic leader for the EAEU economies and Central Asia. China's GDP was eight times larger than Russia's in 2019 and Chinese government revenues were 10 times larger than Russia's in 2017 (US$2,553 billion vs 259 USD billion) (World Bank 2020). Regarding their respective technological levels, Tables 6, 8, 9 and 10 demonstrate that China caught up with and overtook Russia in the early 2000s. Russia only outpaces China in the field of military capacity, but given Chinese resources allocated to R&D and military spending, Russia's edge is unlikely to be maintained in the mid-term. China offers a larger market as well as better complementarity with EAEU member states and the rest of Central Asia. From the perspective of the EAEU periphery, China can act as provider of technology and as outlet for agricultural,

mineral and energy products. This explains why China's share in the total trade of all EAEU economies has been rising, often at Russia's expense (OEC 2019).

The origins of the BRI

In 2013 China launched the BRI, the Xi Jinping administration's major global strategy to facilitate its access to overseas markets and raw materials. The BRI is motivated by the domestic.

On the domestic front, BRI could be perceived as a way to reduce industrial capacities that emerged after the slowdown of the Chinese economy in 2012 and also to foster the integration and development of the Western provinces, notably of Xinjiang, ~~as~~ to reduce political instability and increase economic and social integration within China (Rolland 2017; Hillman 2020).

On the international front, the CCP leadership has long realized that the increasing dependency of the Chinese economy on overseas market and raw materials (Economy and Levy 2014). One response developed by the Hu Jintao administration from 2006 has been to try to stimulate domestic consumption as to reduce the share of exports in China's economic growth (Kroeber 2020). Nevertheless, the economic dependency has remained high as China continues to lack key raw materials and is still far more export oriented than the EU or the US (Shambaugh 2013). Furthermore, after the 2008 crisis, the US diplomacy toward China ea stern and southern neighborhood becomes more assertive as the Obama administration considered Pacific Asia as the most important future outlet for American goods and services (Carrai, Defraigne, and Wouters 2020). In late 2012, the Obama administration adopted a two-pronged strategy by simultaneously launching the TTIP negotiations and bringing Japan aboard on the ongoing TPP negotiations. This proactive economic diplomacy that aimed at creating the two biggest regional trade agreement was marginalizing China (and the other BRICS) (Blustein 2019; Defraigne and Nouveau 2017). In that respect, BRI can be interpreted as a response to the US diplomatic offensive that aims at containing China rising economic and geopolitical influence (Carrai, Defraigne, and Wouters 2020).

For these various domestic and international factors, the Chinese leadership is attempting to deepen the economic integration of the Eurasian continent through the building of transportation corridors to Southeast Asia, South Asia, Central Asia, Europe, the Middle East and Africa (Defraigne 2020a). This should increase the level of economic interdependency between China and the continent, secure market access, notably of the EU, and strategic raw material access.

Unlike the US or the EU, China cannot offer legally binding new generation bilateral free trade agreemen t that covers procurements, technical barriers to trade, ISDS and IPRs. Indeed, the Chinese leadership want to keep these specific

tools for its industrial policy to protect and support its national champions in key industries (Defraigne 2020a; Dufour 2019). What China can offer is ~~to~~ aid and investment to develop infrastructure projects that will favor the de facto and not de jure economic integration of the Eurasian continent. In this context, the 15 former soviet republics located in Central Asia and Eastern Europe gained a new importance. China had already developed numerous bilateral and regional agreemen[W]th the various countries of the former USSR but the New Silk Roads gave a new impetus to their relations (Calder 2019). However, the role of the former ~~s~~oviet bloc countries in the BRI should not be overstressed for the following reasons.

The importance of the EAEU member states' economies in the BRI scheme

In the general BRI scheme, the EAEU and other former USSR republics do not constitute the most prized markets. In the eyes of the Chinese leadership, one goal of the BRI is to guarantee Chinese firms' easier access to important markets, which are mostly based in Western Europe and Southeast Asia (Rolland 2017). The former Soviet bloc countries and the Balkans function as corridors to reach the European market, as well as providing key raw materials, mostly energy products. They constitute a limited market compared to the western part of the EU and Southeast Asia (Carrai, Defraigne, and Wouters 2020).

Central Asia does not host a unique "silk road." The BRI aims to develop several corridors and trade routes. Seven main corridors have been conceived by the Chinese authorities to generate a complex web of transport routes in which no individual country becomes indispensable (Rolland 2017). Despite significant improvement in the rail network over the past decade, sea transport through the Indian Ocean remains a much cheaper alternative to train transport through the Eurasian corridors (Griffiths 2017). Further, the asymmetry of China–EU trade, characterized by a persistent high trade deficit for the EU, increases the cost of the land route as most trains return partly empty (Hillman 2020). The routes through the former Soviet republics are thus less attractive from a purely economic perspective. Nevertheless, their geographic position and their energy resources make them an important piece in the BRI connectivity strategy.

The impact of the BRI on the diversification of EAEU member states' economies

The official goal of the BRI is to better integrate the Eurasian continent and to foster trade, investment, development and a higher degree [ec]onomic interdependency. After six years of BRI-related programs, it is difficult to precisely assess its impact as there is no precise data on the amount effectively spent and the Chinese authorities have not been clear about the countries targeted. For the 65

countries named in the original OBOR documents, the average annual contribution of the BRI to recipient countries' GDP ranges from 0.22% to 0.82% according to various estimates of the total amount of BRI funds (Defraigne 2020a).

To put these Tables in perspective, we can compare the BRI budget to other major infrastructure plans with similar goals of fostering regional economic integration and regional trade. The European Recovery Programme, better known as the "Marshall Plan" (1947–52), explicitly aimed not just at reconstructing the Western European economies but also at integrating Western Europe and facilitating the development of intra-European trade (Ellwood 1992; Hogan 1989; Defraigne 2004). Between 1947 and 1952 the amount of funds disbursed amounted to 1.5% of the combined GDP of the recipient countries, an amount far larger than even the highest estimates for the BRI. Another major economic integration project that involved a large amount of spending on infrastructure was the EU enlargement toward Eastern Europe in the early 2000s. The accession funds provided by the EU to the new member states from Eastern Europe between 2000 and 2006 stood at 2% of their combined GDP (Defraigne 2020a). BRI funds, while significant, are therefore not exceptional by historical standards.

In qualitative and institutional terms, the Marshall Plan imposed the opening up of Western European economies to the US – to US FDI and technology transfers (Ellwood 1992; Hogan 1989) – but also to their neighboring trade partners, launching the economic integration process of Western Europe (Dinan 2005; Defraigne 2004). This induced a profound transformation of Western European economies and generated stronger transatlantic ties. In the early 2000s, the EU enlargement and its accession funds likewise accelerated the transformation of Eastern European economies to a considerable extent. EU funds catalyzed the insertion of the new member states from Eastern Europe into the IPNs of Western European firms and other MNEs operating in the EU by improving those countries' infrastructure and developing within them the same institutional framework (i.e., the Acquis Communautaire) as Western firms (Berend 2009; Lepesant 2011). This considerably increased the level of economic integration and interdependency between new and old EU member states and changed the role of Eastern European economies in the international division of labor. It further marginalized Russia, which had played the role of center for the Council for Mutual Economic Assistance (COMECON), existent from 1949 to 1989, replacing it with Western Europe (Berend 2009; Defraigne and Nouveau 2017).

Might the BRI corridors generate a similar trade diversion and transform the role of BRI recipient countries in the international division of labor by inserting them into the IPNs of Chinese MNEs?

From 2014 to 2019, the effects of the BRI on the role of important recipient countries in the international division of labor remained limited (Defraigne 2020a). Various indicators can measure the insertion of recipient countries into IPNs, such as the rise of manufactured products in the share of GDP and

exports as well as a rise in productivity as MNEs generate technological spill over. FDI inflow to these countries should also accelerate as Chinese MNEs develop production units to build the IPNs.

Among the various former COMECON economies, the most significant changes are observable among the first countries that joined the EU, such as the Czech Republic and Hungary, around the time of the 2004 EU enlargement. During the implementation of BRI from 2014 to 2019, changes were far less significant, even though Hungary was a significant recipient of BRI-related projects (Defraigne 2020b; OEC 2019).

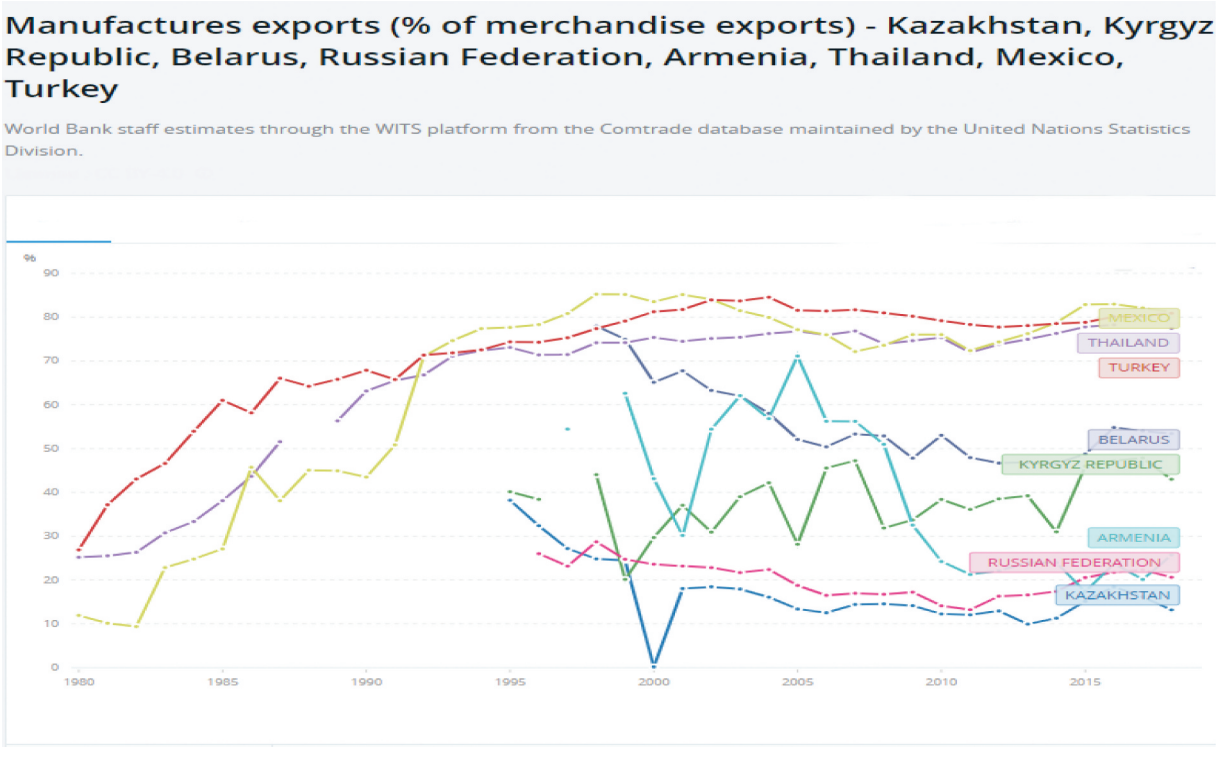
Tables 12 and 13 trace the performance of three emerging economies known for being inserted into IPNs of MNEs in the 1980s and 1990s: Turkey with EU MNEs through the creation of the Custom Union between the EU and Turkey in 1996 (Aydin Düzgit and Tocci 2015; Unal 2012), Thailand with Japanese MNEs through the development of the Japanese aid plan after the Endaka (the strong appreciation of the yen after 1985) in the 1980s and 1990s (Hatch and Yamamura 1997) and Mexico with US MNEs through the development of NAFTA (Deblock 2016a). The share of manufacture in the total export of these countries has risen fast because of their insertion into the IPNs set up by MNEs. No similar evolution is visible for EAEU member states in the 2010s. A high level of manufactured products in merchandise exports is observable throughout the 2010s in Poland and the Czech Republic, which were inserted into the IPNs of Western European MNEs in the late 1990s and early 2000s (Berend 2009). For EAEU member states, however, no major changes appear except in the Kyrgyz Republic, whose share of manufactured products in its national merchandise exports remains far more modest (Tables 12– 15).

If one analyses the destinations and origins of the trade of each member states of the EAEU, no major trade diversion effects can be observed as in the other regional integration processes such as NAFTA, ASEAN or the EU that have generated a regionalization of production processes and an insertion into IPNs by the economies involved.

A rise in China's share of the total trade of some of the EAEU countries can be observed. It corresponds roughly to the rise of China in global trade and in the global economy (OEC 2019). It is too early, and reliable data is still insufficient, to precisely determine the effect of the BRI on China's trade with the BRI recipient countries, but the effect is likely to be positive.

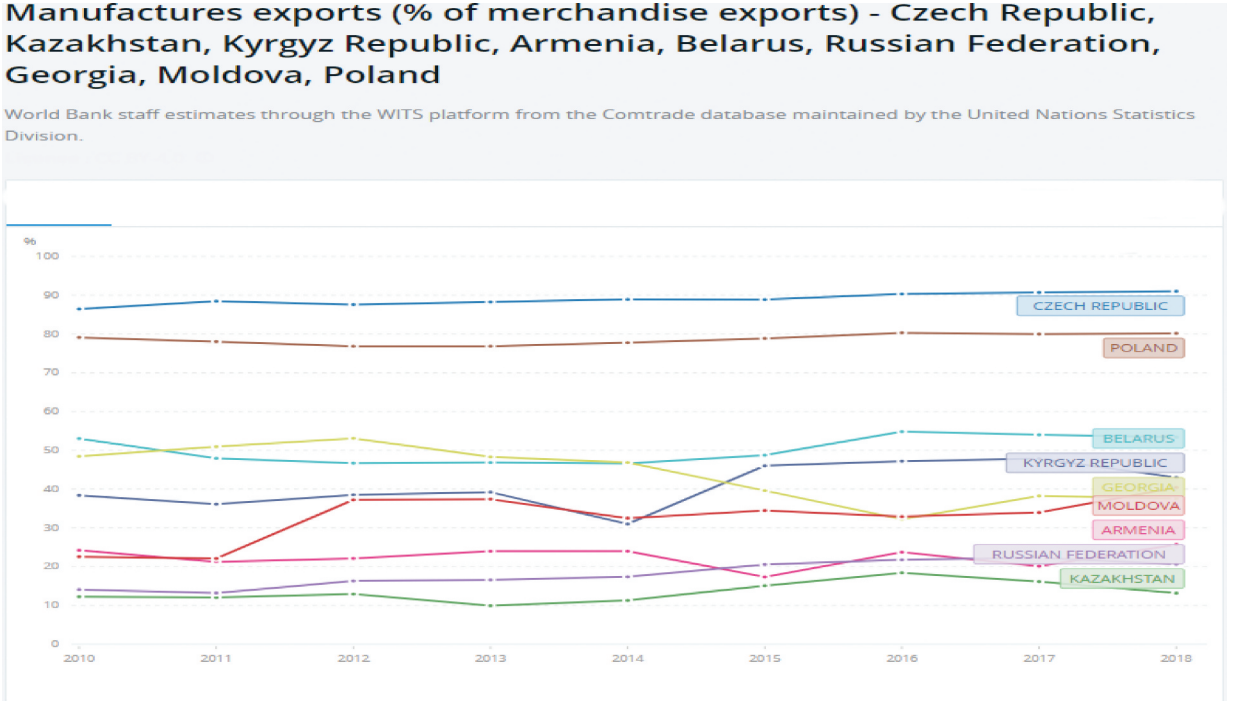
The EAEU has not generated major changes in the trade structure of its member states. If one compare to some non-EAEU ex-soviet republics, some are characterized by a relative decline of the EAEU as a trade partner. This could lead to believe that the EAEU might have contributed to avoid a larger fall in intraregional trade compared to extra-regional trade. However, this would be overreaching as it is not the case for all non-EAEU ex-soviet republics, some increasing their share of trade with the EAEU (World Bank WITS 2021).

Table 12.



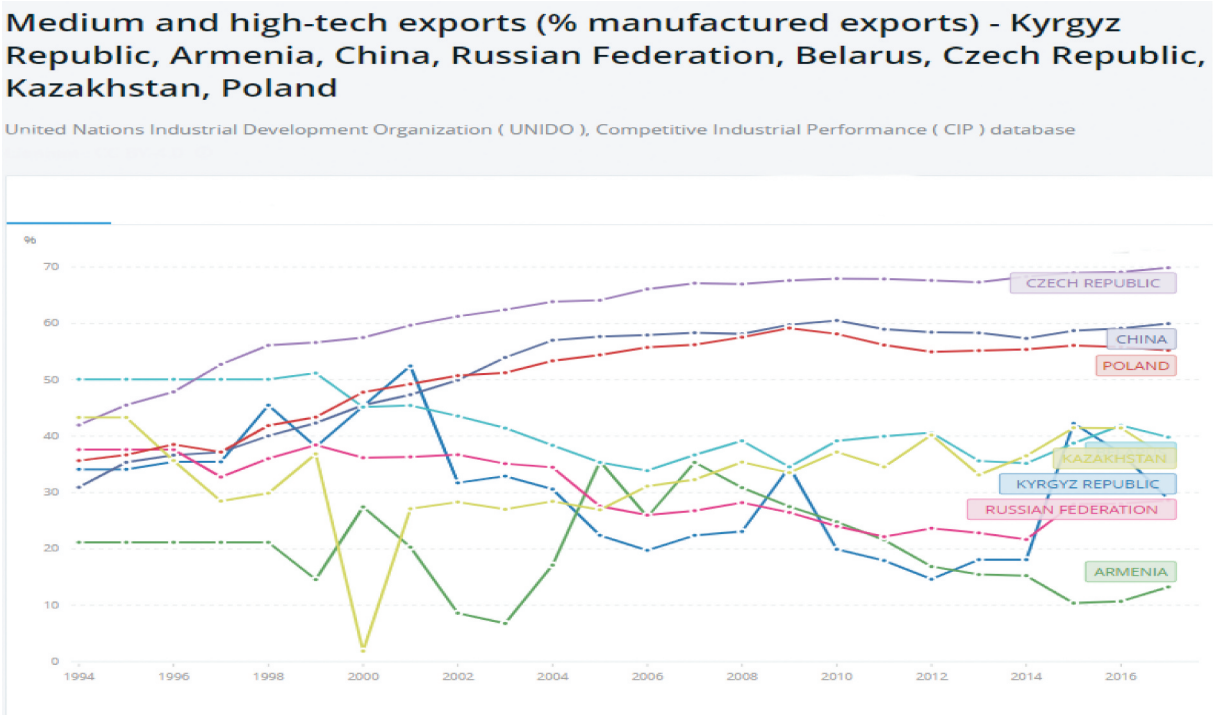
(Source: World Bank open data 2019)

Table 13. Manufacture exports in percentage of merchandise exports



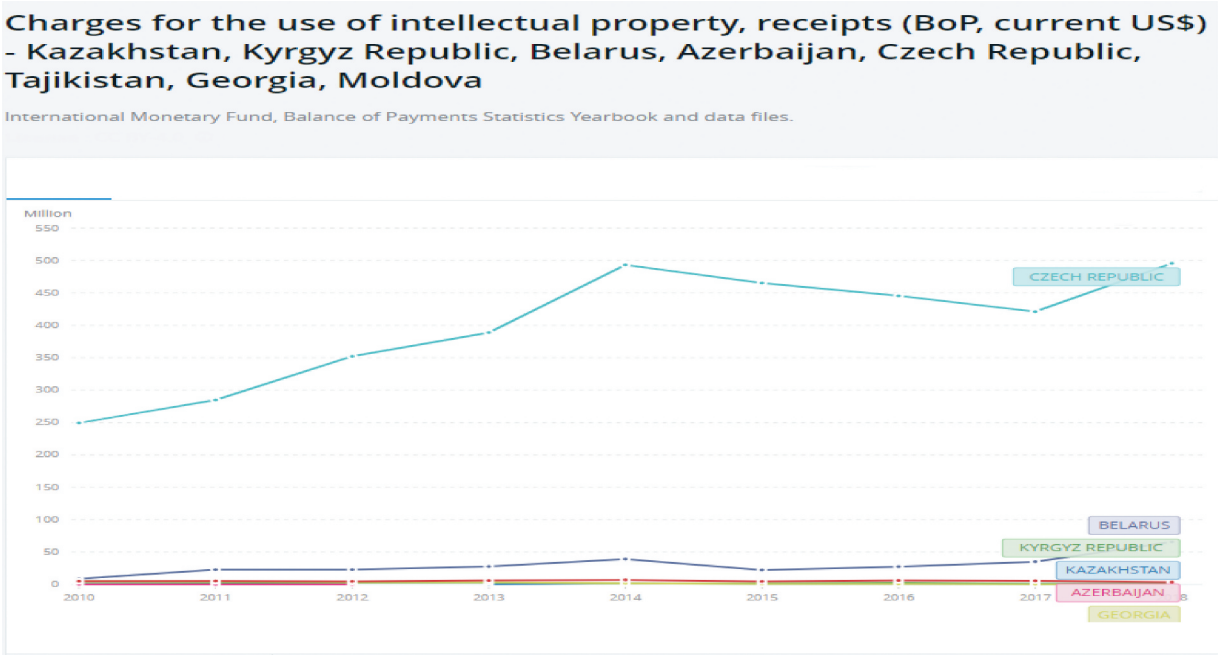
(Source: World Bank open data 2019)

Table 14.



(Source: World Bank open data 2019)

Table 15.



(Source: World Bank open data 2019)

The relatively narrow range of products exchanged by EAEU economies and the importance of energy and commodities in their trade generates major fluctuations due to international price changes that generate high volatility that complexify the interpretation of aggregate trade Tables. Analyzing the impact of the EAEU and BRI on the trade structure of the EAEU is also made more difficult by the geopolitical environment. In the early phase of the the EAEU and the BRI, Russia's military intervention in Ukraine led to sanctions by the EU and the US as well as counter sanction by Russia, generating significant trade diversion effects (Aslund 2019). For example, reports have highlighted that Belarus and Armenia (as well as Serbia) has been benefiting from this trade diversion, not only for its domestic producers but also through acting a transit trade that enables to bypass some of the sanctions (Yeliseyeu 2017 & Fritz et al. 2017). It is difficult to assess if the rise of exports from Belarus and Armenia to Russia in 2015–2016 (World Bank WITS 2021) is explained by the EAEU regional integration process or by a temporary trade diversion driven by geopolitical factors. However, despite these difficulties, trade data indicate no clear trends to claim that the trade structure of EAEU member states have been impacted significantly by the EAEU or the BRI as the economies involved regional integration process driven by IPNs such as the EU, NAFTA or ASEAN.

The evolution of the ratios of trade to GDP and trade in services to GDP from 2008 to 2018 (World Bank WITS 2021) only show an increase for Armenia and Belarus (that could in part be explained by geopolitical factors). The rise of services of Armenia is explained (as for Georgia) for a large part by the development of tourism (WTTC 2021), a phenomenon that does not imply a deeper integration in IPNs induced by the EAEU or the BRI. Overall, all macroeconomic indicators outlined here do not show a major transformation in the role of these countries in the international division of labor that would be concomitant with the BRI or the EAEU. Although the increase in China's economic weight generates an increase in trade, the level of economic interdependency with BRI recipient countries is therefore unlikely to be as strong as that observed between the EU and its peripheral member states or between the US and Mexico. This difference must be generated by the limited development of IPNs in the EAEU economies.

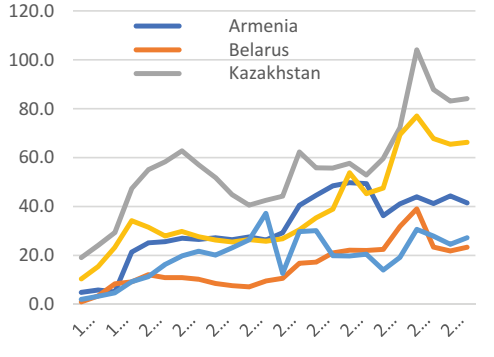
Why is the BRI not modifying the traditional role of EAEU economies in the international division of labor ?

The insertion of the BRI recipient countries from the EAEU into IPNs controlled by Chinese MNEs has remained limited or inexistent so far for identifiable reasons. First, most of these economies lack specific locational advantages to attract FDI in manufacturing and tradable (international) services. The cost, qualifications and flexibility of their labor force is not particularly advantageous relatively to inland Chinese provinces that are better connected to the

international transport networks (Defraigne 2020a). An analysis of the evolution of inward FDI of the EAEU member confirms this claim. As Table 16 shows, in the cases of Russia, Belarus and Armenia, there are no major upsurge of FDI inflows after 2013. The situation for Kazakhstan and the Kyrgyz Republic is different with major FDI inflows after 2014 but sectoral analyses reveal that is mostly resource-seeking investment in mining and energy (Santander Trade 2021a, 2021b) that have little impact on the countries' capacity to insert in IPNs. The Baltic countries, that benefited from a free trade agreement with the EU since 1998 (before eventually joining in 2004), experienced in this regard a much more significant change than EAEU economies since the launching of EAEU and BRI. As Table 16 shows, FDI stocks increased very rapidly in the Baltic economies, especially in Estonia. There were not mainly in the mining and energy industries but reflected an insertion in Western European MNEs' IPNs (Berend 2009; Defraigne and Nouveau 2017).

Second, over the years Chinese firms have developed very efficient Marshallian districts in various manufacturing sectors that make Chinese production very competitive. These business clusters generating external economies of scale in light industry can be developed in less than a decade to compete internationally, as the experience of countries like Vietnam or Bangladesh has recently shown (Chaponnière and Lautier 2014; Onishi and Hayakawa 2018). In contrast, few EAEU member-state economies have built internationally competitive Marshallian districts. The USSR developed such business clusters in defense and aerospace, but they are now struggling to keep up with the pace of global competitors with a global export share falling from 24% in 2010 to 14% in 2020 (SIPRI 2021; Seddon 2019). Eastern European EU member states also host such business clusters in manufacturing, but yet they are far more developed by Western EU MNEs than by their Chinese counterparts (Defraigne 2020b).

Table 16. FDI inflows as a % of GDP.



(Source: UNCTAD Data 2021)

Third, despite improvements to the transport system in recent years and further improvements that the BRI should bring about in the near future, most EAEU member states remain landlocked (apart from Russia, only Kazakhstan has access to the closed Caspian Sea) and remote from the main centers of the world economy (Western Europe, North America, and East Asia). Thanks to progress in rail infrastructure and the reduction of red tape related to border crossing, rail transport across Eurasia is now twice as fast as shipping times from China to Europe (Griffiths 2017). However, as mentioned earlier, the price of rail remains more than the double per 40-foot equivalent-unit shipping container (Schramm and Zhang 2018), making the land silk road an expensive alternative for average goods.

Fourth, a very important obstacle to the insertion of these countries into Chinese MNEs' IPNs is the weakness of the state and of public goods. The high degree of cronyism, corruption and capital evasion have eroded the level of public goods that existed during the USSR (Crane & Usanov 2010). Public security, education, transport and energy infrastructure have declined since the USSR's collapse (Radvanyi 2007; Novokmet, Piketty, and Zucman 2017). As discussed earlier, the lack of investment has made the transport network obsolete and have generated numerous bottlenecks that are particularly problematic for geographic areas remote from the main centers of the world economy (Oxford Economics 2017). These inadequacies make it difficult to develop export processing zones and manufacturing activities compared to other more efficient states from the developing world.

These four elements explain why EAEU member states are unlikely to be inserted into Chinese MNEs' IPNs and change their role in the international division of labor. Therefore, the degree of economic interdependency between the EAEU economies and the Chinese economy should not reach that of the new eastern EU members vis-à-vis the western EU member states. EAEU countries remain a destination for Chinese exports and FDI, notably in energy, utilities and mining, and that will make China an important trade partner, but without the degree of economic integration eastern EU member states have with their western counterparts, nor that of Canada and Mexico with the US.

Conclusion

This article adopted a multidisciplinary methodology to highlight new findings about the effects of both the BRI and the EAEU in the economies of the EAEU. It developed a comparative analysis of other regional economic processes such as the EU, NAFTA, Mercosur, and Pacific Asia. It took into account the international production networks set up by MNEs, a fundamental microeconomic bottom-up driver of regional integration. It also provided a sociological analysis of Russia's capital holders. Thanks to these complementary approaches, the article could assess the respective economic impacts of the EAEU and the BRI projects on

regional economic integration and on the development of the EAEU member-state economies with a greater accuracy then the existing literature, which is mostly based on international economics gravity or computable general equilibrium models. As the EAEU is a recent phenomenon in a region characterized by massive recurrent macroeconomic shocks, such models cannot provide a clear idea of the impact of the EAEU and the BRI. Using specific indicators to assess the degree of insertion of the ~~EUAU~~ economies into IPNs and comparing the EAEU and the BRI with past regional integration projects offered a clearer picture of their impact on the development of the region's economies. A sociological and historical analysis of capital holders in Russia also enabled light to be shed on the capacity of the Russian entrepreneurial environment to create IPNs. This multidisciplinary approach can provide new research paths on this important topic.

Thanks to the use of numerous relevant economic indicators (see Tables 1–11) to describe the evolution of the composition of trade, the R&D intensity of the national economies, the size of the EAEU as a regional market compared to other regional integration processes, and the EAEU's economic complementarity, this article developed a comprehensive set of arguments that explains why Russia remains a weak economic regional leader. First, these indicators show that Russia has only become a medium and developing economy by world standards and cannot play the role of main provider of technology and finance to EAEU member states or to the other former USSR republics to pull them into the EAEU project. Second, the indicators highlight the lack of economic complementarity between the EAEU economies. Third, the socio-historical analysis demonstrates the prevalence of comprador rent-seeking capitalists among capital holders in the EAEU economies. The lack of complementarity and the rent-seeking behavior of EAEU capital holders account for the weak bottom-up driving force for regional integration. These three elements underline the limits of the EAEU as a tool to generate regional economic integration and thereby to increase economic interdependency and Russia's role as a regional economic leader.

The article analyzed the evolution of manufactured products and of medium- and high-tech products in trade, the R&D intensity and the IP charges for EAEU economies. This assessment of the evolution of technological know-how among these economies made clear that neither the EAEU nor the BRI have yet generated a major change in the international division of labor for EAEU member states. No high degree of economic integration or interdependency between the EAEU member states one the one hand and China or Russia on the other has been generated. The effects that are present do not compare to those seen in NAFTA, the EU or Pacific Asia. If China's economic influence is rising in many of these countries, it is because of the EAEU countries' relatively low level of industrialization and their economic complementarity as provider of commodities to the growing Chinese economy. BRI developments have not

significantly accelerated trends within Chinese trade and investment in EAEU member states. As the BRI has not fundamentally altered the role of EAEU member states in the international division of labor, they are likely to remain in the economic periphery in the short and mid-term. Their trajectories do not compare with the emerging economies inserted into MNEs' IPNs in the 1990s and early 2000s, such as Eastern Europe, Mexico or East Asia.

In other words, the rise of Chinese economic influence in the region is in large part explained by Russia's incapacity to act as a leader in better integrating the region economically or as a magnet for EAEU member states. China is taking advantage of this vacuum to develop stronger trade relations with EAEU member states and other central Asian economies, but these relations have not significantly altered the existing international division of labor, in which EAEU member states provide commodities to more advanced industrialized economies. Given this situation, EAEU member states are unlikely to be taken out of the periphery of the world economy by the EAEU or the BRI integration projects as they stand.

The analysis in this article largely used macroeconomic Tables to highlight important trends that have not been explicitly highlighted by the existing literature. To strengthen the results outlined in this article, its macroeconomic analysis would be confirmed through field studies at the microeconomic level looking at how Russian and Chinese firms are using, or are not using, the economies of EAEU member states to build new IPNs. Field studies can also better monitor the evolution of local economic, political and sociological conditions to see if EAEU member states are more likely to be included in the future developments of IPNs and if this evolution can impact the EAEU economies' respective levels of complementarity with Russia and China.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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