At our current stage of world history where the dominant trend is towards global economic development, we see the paradoxical coexistence of two divisive tendencies: first, further international cooperation and integration, and second, anti-globalism and protectionism. This state of affairs bears particular significance for post-Soviet countries, even towards those who are still regarded in public opinion as a threat, such as China. Moreover, governments in post-Soviet countries conduct concrete integrative measures, including forming of the Eurasian Economic Union (EAEU), and participating in China’s Belt and Road Initiative (BRI). Therefore, a complicated picture emerges of cross-border activities (both formal and informal) that is yet to be fully explored.

The Focus

Eurasian integration at border between China and post-Soviet countries

Ivan Zuenko

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The ‘birth’ of a new border

Integration processes really do change the dynamics and characteristics of cross-border activities. A good example can be witnessed in the case of the border between China and EAEU. The Union was founded in 2015 on the basis of a previous union – the Customs Union of Russia, Belarus, and Kazakhstan, with enlargement by adding Kyrgyzstan and Armenia the same year. It formed a 7000-km border between China and three EAEU countries (Russia, Kazakhstan, Kyrgyzstan), which at the same time became the border between just two custom spaces. There are no customs between EAEU members, and the cargo from China shipped into EAEU via any checkpoint on the border can be transited to the Russian or the European market without any customs procedures in EAEU territory. However, because the EAEU does not possess a singular customs body, the customs clearance is conducted by different customs services of individual EAEU-member states. This coexists with the fact that conditions of economic and institutional development of, for example, Russia and Kyrgyzstan are very different as well. This has created a situation for shippers of Chinese cargos where they can choose the route for shipment (via Western China and Kazakhstan or via the Sino-Russian border and then via Trans-Siberian Railways), as well as to ‘choose’ a customs service: Russian or Central Asian (Kyrgyzstan and Kyrgyzstan). Of course, they choose the most profitable and easiest. The most important border crossing point is the border Asia became a key corridor for transcontinental traffic, because of its geographical location and its commitment to developing logistical infrastructure. As a result, the amount of transit traffic from Asia to Europe, via Kazakhstan, has already reached considerable traffic via the Russian Far East. A similar trend has emerged with regard to Chinese goods for the Russian market. Practically speaking, it is a situation in which only China and Kazakhstan/Kyrgyzstan has seen the preferential border checkpoints moving to the west, on the border between China and Kazakhstan/Kyrgyzstan. Some commodities are officially not allowed to be sold at the local markets despite the fact that, according to the statistics, an increase of imports from China to Kazakhstan and Kyrgyzstan surpass its needs. For example, the current volume of imports of Chinese clothing and footwear to two Central Asian countries (Kazakhstan and Kyrgyzstan), with a total population of 23.5 million people, is close to the volume for imports to Russia with a population of 146 million people.

Shadow Silk Road

How does this happen? Central Asia’s increasing connectedness and its rising role in transiting Asian goods to European markets seems to be regarded as an example of how the ‘New Silk Road’ linked to China’s Belt and Road Initiative works. However, analysis of customs statistics of China, Russia, Kazakhstan, and Kyrgyzstan shows that there are critical divergences, so that one of the main (or maybe even the most important) reasons for cargo shippers to choose Kazakhstan and Kyrgyzstan instead of Russia is increasing possibilities for implementing various illegal, semi-legal, or informal schemes. (In Russian, which is a lingua franca for all EAEU countries, they are called ‘black’ or ‘grey’ schemes). It became possible due to the weak political institutions in Central Asia and specific conjugation of circumstances, according to which Central Asian countries received a flow of goods much bigger than they could expect judging by local economic development. What kind of shadow practices can be witnessed on this ‘new border’? In the case of ‘black schemes’, we speak about smuggling when commodities enter the country without customs clearance or paying fees, and when customs service officers accept bribes for turning a blind eye. In the case of ‘grey schemes’, the most widespread practice is when commodities with a high tax ratio (for example, clothing, footwear and leather goods) are cleared as cheap commodities. Cargo shippers cut their expenses and officials receive kickbacks, whilst the national budget suffers a loss. There are also a vast quantity of various informal practices of moving cargo across the border, which help cargo shippers to avoid paying customs duties. These practices are common amongst so-called ‘shuttle traders’ and people who are hired to move the commercial cargo across the border under the pretense of their personal belongings. These people are called pogomail (helpers) or krypich (English ‘camel’) or kiripich (English ‘camel’) across the various parts of the border between Russian-speaking post-Soviet countries and China. The participation of all these informal practices is indefensible, albeit minimal due to the lack of leverage of officials when (and if) formal checks are broken. People who are hired to move commercial cargo across the border are often the people living on the borderslands routinely travel to the nearest foreign town to buy cheaper things for themselves, which the state cannot bar. We can see it in the case of the free trade zone of Horgos, currently the most successful hub for shuttle trade using these informal practices on the EAEU-China border. It lies on the Sino-Kazakhian border, and gives visitors from both countries visa-free access to duty-free shops. Of course, all these schemes did not suddenly appear when the EAEU was formed; they were pre-existing. But the Eurasian integration in the framework of the Union created conditions in which these shadow practices began to flourish in the EAEU countries with a common border with China. How cooperationism can coexist with protectionism

The main beneficiaries of these practices are shippers and local officials who monetize their access to the ‘administrative rent’. Such practices to flourish, and ordinary people to feel safe from Chinese economic and demographic expansion.

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Bilboard in Chinese characters near Mahabaleshwar, India: ‘Buying Soya Beans’ (photo by Ivan Zuenko)