

Russia's Geoeconomic Strategy for a Greater Eurasia

Glenn Diesen

‘A brilliant analysis of the major shift in the Eurasian balance of power, drawing on and fundamentally developing the concept of geoeconomics. Drawing on a formidable conceptual and historical armoury, this book is an essential study of the nascent Greater Eurasia.’

Prof. Richard Sakwa, University of Kent, UK

‘Glenn Diesen has given us a sophisticated and compelling analysis of Eurasian geoeconomics and geopolitics, and of Russia’s central part in this region. If you want to know about this region and how it may develop, this is the book for you.’

Prof. Graeme Gill, University of Sydney, Australia

‘This timely and thoughtful volume addresses a major and often neglected phenomenon in the current international system – the emergence of Greater Eurasia. Glenn Diesen’s analysis challenges the mainstream Western paradigm, which tends to pose the European Union in the centre of political, economic and intellectual development of Eurasia – while being excessively pessimistic about any initiatives coming from non-Western powers. Despite Diesen’s great optimism with regards to prospects of Greater Eurasia, his alternative view significantly enriches the debate that has by and large been confined to Eurocentrism in the recent years.’

Prof. Alexander Lukin,

National Research University – Higher School of Economics, Russia



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Russia's Geoeconomic Strategy for a Greater Eurasia

Moscow has progressively replaced geopolitics with geoeconomics as power is recognised to derive from the state's ability to establish a privileged position in strategic markets and transportation corridors. The objective is to bridge the vast Eurasian continent to reposition Russia from the periphery of Europe and Asia to the centre of a new constellation. Moscow's 'Greater Europe' ambition of the previous decades produced a failed Western-centric foreign policy culminating in excessive dependence on the West. The 'leaning-to-one-side' approach deprived Russia of the leverage required to negotiate a more favourable and inclusive Europe consistent with Gorbachev's 'Common European Home'. Eurasian integration offers Russia the opportunity to address this 'over-reliance' on the West by using Russia's position as a Eurasian state to advance its influence in Europe.

Offering an account steeped in Russian economic statecraft and power politics, this book offers a rare glimpse into the dominant narratives of Russian strategic culture. It explains how the country's outlook adjusts to the ongoing realignment towards Asia while engaging in a parallel assessment of Russia's interactions with other significant actors. The author offers discussion both on Russian responses and adaptations to the current power transition and the ways in which the economic initiatives promoted by Moscow in its project for a 'Greater Eurasia' reflect the entrepreneurial foreign policy strategy of the country.

Dr Glenn Diesen is an Adjunct Research Fellow at Western Sydney University and an affiliate at the National Research University – Higher School of Economics in Moscow. Dr Diesen specialises in Russia's approach to European and Eurasian integration, and the dynamics between the two. This includes central topics such as ideology, energy and geoeconomics. He is the author of *EU and NATO Relations with Russia*, Routledge 2015.

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To my wife and sons – Elena, Konstantin and Andre



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Preface

Professor Sergei Karaganov

Glenn Diesen's book is a wonderful piece of research. It is a wonder simply because the author, a Norwegian who studied in Holland and is now teaching in Australia, could make a perfectly reasonable and accurate analysis of trends in Russia's foreign policy only by perusing the literature.

Russia's Asian history is full of brilliant feats. Russian free people, the Cossacks as they were called at that time, conquered vast territories in Siberia in less than seventy years from the end of the 16th century to the middle of the 17th century. The colonisation of North America took much longer.

But things slowed down after the initial advance. Many bright Russian minds wrote about a great future for Russia in Asia, but Siberia was largely viewed as a big prison, despite some development success in the late 19th and early 20th centuries.

The Soviet development of Siberia and the Far East by the military and security services with their prison camps hardly helped to improve the region's grim reputation. In addition, regardless of its strong school of Oriental studies, Russian culture followed European mainstream trends and portrayed Asia as something backward and threatening.

It was not until the beginning of the 2000s that Russia belatedly saw that Asia was no longer a backward and filthy peripheral region of the world rather it has a promising future, that Siberia beyond the Urals was not an imperial burden, or at the very least the backyard in the confrontation with the West, but a potential development frontier.

Also, Russian 'Eurosceptics', who actually happened to be realists, saw that the European Union's numerous mistakes and lack of action had plunged it into a long-term crisis that made it an increasingly unreliable partner. By the late 2000s, it had become clear that confrontation with the West was unavoidable because of its reluctance to give up its neo-Weimar policy with regard to Russia. When a fierce confrontation took place, Russia's pivot to the East was strongly boosted by the exposed danger of the previous unilateral economic dependence on European markets.

This was the background against which Russia's Eurasianism, with a century-old intellectual history that had become increasingly marginal in the last several decades, began to turn from an ideology of anti-Western losers into a modernist and forward-looking geopolitical and geoeconomic orientation. Subsequently it

transformed into the Greater Eurasia concept – a common continental, economic, logistic and political space from Shanghai (Tokyo) to Lisbon, with Russia at the centre. This common space can give a future to Europe locked in a desperate crisis and at the same time put China into a network of balancing ties that would prevent its dominance in Eurasia and the consolidation of its neighbours against it (almost inevitable in that case).

Fortunately or not, geoeconomics and geopolitics, which some tried to blot out, are now returning on a new level to the incoming post-post-modernist or just a new conservative era.

Glenn Diesen gives a beautiful modern interpretation of the new geoeconomics and geopolitics. The theoretical parts of his work would be useful reading for all as they are well written in a plain lucid style. But the book astonishes by an in-depth and accurate insight into the Russian elite's mentality. Glenn Diesen explains and conjectures what many Russian intellectuals and politicians only feel intuitively. It is really a mystery how he could grasp what many Russian academics and leaders are still trying to figure out. The researcher's talent is probably the answer.

At any rate, the book is quite exciting and interesting reading for everyone and will help us Russians to better understand our own policy.

Introduction

The intensifying rivalry between Russia and the West has prompted anticipation of a new Cold War. While a resurgent Russia warrants legitimate fear in the West, it should be recognised that Moscow presents entirely new challenges. Employing Cold War terminology can be tempting to shape opinions by invoking connotations of a familiar past and present imagery reflecting a simple normative binary division between two centres of power. Yet, the narrative of Russia attempting to restore the Soviet Union by military force is a dangerous self-deception that dilutes the ability of the West to recognise the fundamental transformation the international system has undergone. Russia has utilised military power primarily to preserve the status quo: to defeat Chechen separatists threatening Russia's territorial integrity and to maintain the strategic position it already held in South Ossetia, Crimea/Ukraine and Syria. Moscow's revisionist ambition to shift the international distribution of power is principally to be achieved by economic statecraft, which for a long time has been seen as a prerogative of the West.

Russian foreign policy is routinely analysed through the prism of political-military competition, irrespective of evidence that Moscow is rapidly replacing traditional geopolitics with geoeconomics. Moscow progressively reveals that influence over strategic markets, transportation corridors, economic blocs, financial institutions and trade/reserve currencies is considered to be more important in restoring its great power position. The distinction between Russian geopolitics and geoeconomics is however often obscured since Russia's economic statecraft principally relies on controlling energy and transportation infrastructure, which denotes that control over territory remains essential to establish a privileged or even monopolistic position in international markets.

Russia's geoeconomic strategy for a 'Greater Eurasia' aims to utilise economic connectivity to remove Russia from the periphery of Europe and Asia, and reposition it at the heart of an integrated Eurasia. Geoeconomic theory supposes that integration with the vast Eurasian continent will enhance Moscow's bargaining power by elevating the reliance on Russia as an energy and transportation hub, while connecting with the rising markets in Asia will enable Russia to diversify away from excessive dependence on any one state or region. Despite being endowed with a territory that extends across the Eurasian landmass, Russia has imprudently relegated itself to the margins of Europe by rigorously

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pursuing a Western-centric foreign policy for more than two decades following the collapse of the Soviet Union. The principal achievement of the Putin administration was to embrace economic statecraft to enhance its bargaining power in Europe. Yet, the continued 'leaning-to-one-side' policy exacerbated unfavourable asymmetrical relations with the West. Recent developments indicate that Russia has learned from this mistake and increasingly acts on the belief that it is necessary to pivot towards the East in order to enhance bargaining power with the West.

Russia's strategy for a 'Greater Eurasia' follows the abandonment of its previous strategy for a 'Greater Europe', which aimed to use established economic ties with the West to terminate its exclusion from the main institutions representing Europe. While Russia is said to pursue a 'natural Westerncentrism' (Lo 2012), the aspirations and preference for a Greater Europe was always contingent on eventually reaching a mutually acceptable post-Cold War political settlement that would adequately accommodate Russia on the continent. Following its failed efforts in the 1990s to develop the inclusive Organisation for Security and Cooperation in Europe (OSCE) as the main engine for European integration, Moscow proposed in 2008 a new pan-European security architecture and 2011 saw the formation of an EU-Russian Union that would include free trade and free movement of people from Lisbon to Vladivostok.

Russia recognises that its bargaining power in the West was curtailed by its excessive Western-centric foreign policy. Subsequently, in recent years the rhetoric has shifted towards perennial words such as 'diversification', 'mutlipolarity', 'multialignment' and 'multi-vector' foreign policy. Attention is devoted towards more distant horizons in the East due to the rise of Asia and the concurrent lack of progress in constructing a Greater Europe. The global financial crisis unfolding in 2007–2008 made the shift of economic power from the West to the East more apparent. The entrenched problems of unsustainable debt and structural weaknesses within the US and the EU were juxtaposed with resilience and rapid recovery in Asia. After several years of progressively improving economic ties with Asia, Russia's 'pivot to Asia' was announced when Vladivostok hosted the Summit of the Asian Pacific Economic Community (APEC) in 2012. However, the pivot remained irresolute and a momentum did not materialise within the political and business community since the Russian economy remained deeply embedded in Western markets (Lukin 2015a: 2). The willingness to commence with substantive and painful reforms to decouple from the West was absent. Relations with China and Iran remained largely instrumental in enhancing Russia's market value in the West, resulting in hesitations and delays with common projects requiring long-term commitments. However, the conflict over Ukraine and the ensuing mutual sanctions between the West and Russia became a seminal moment. The sense of betrayal in Moscow culminated in a broad consensus that the project for a Greater Europe had failed, while sanctions exposed the vulnerabilities of excessive economic dependence on the West. Subsequently, the crisis generated a momentum in Russia to replace the strategy for a 'Greater Europe' with a 'Greater Eurasia'.

The geoeconomics of Greater Eurasia

Geoeconomics is defined here as the economics of geopolitics. In a globalised world with growing economic interdependence and more destructive weapons, power derives increasingly from control over strategic markets, transportation corridors and financial institutions rather than territory. Building on the work of Albert Hirschman (1945), it will be theorised that states obtain power by developing economic partnership with asymmetrical interdependence to maximise both autonomy and influence. The geoeconomic equivalent of balance of power logic is therefore conceptualised as a 'balance of dependence'. Favourable symmetry is obtained by creating a privileged or even monopolistic position for one's own corporations to maintain the dependence of others, while diversifying away from excessive reliance on others and denying them similar advantages. The economic leverage is subsequently converted into political capital by extracting political concessions from dependent states. It will be argued here that economic connectivity has become the main approach to acquiring geoeconomic power on the world's largest continent.

The phenomenon of Eurasian integration is defined here as the continent's increasing economic connectivity with new physical infrastructure and mechanisms for cooperation. Infrastructure entails transportation (rail, road and sea ports) and energy infrastructure (oil, gas and plutonium reserves, pipelines, electricity grids and Liquefied Natural Gas (LNG)), while mechanisms for cooperation include institutions, trade agreements, trade currencies and shared identities. As the largest continent in the world in terms of landmass, population, natural resources and Gross Domestic Product (GDP), the conspicuous contradiction of Eurasia is the extreme disconnection between the states and regions.

Russia's strategy for Eurasian integration is construed as asserting itself as the successor of the Mongol Empire as the last administrator over the ancient Silk Road. The Silk Road connected the major Eurasian powers with a myriad of land corridors for centuries before it gradually disintegrated following the collapse of the Mongol Empire. The disconnection of land corridors in Eurasia ushered in the rise of European maritime powers from the early 1500s, which would yield military advantage and control international markets and trade routes for the next 500 years. Russia's eastward territorial expansion in the mid to late 1800s and the introduction of the railway evoked fears, especially in the UK, that Moscow would become the successor of the Mongols' land empire and dominate the Eurasian continent. Economic statecraft was virtually absent under the communist policies of the Soviet authorities, and the Cold War militarised and exacerbated divisions in Eurasia. The post-Cold War era has however presented entirely new opportunities. While hegemony is not a feasible option for Russia, economic connectivity in Eurasia can produce a collective hegemony to displace the dominance of Western maritime powers. With the global diffusion of power and the rise of Asia, most of the major economies across the world's largest continent have launched various initiatives promoting the integration of Eurasia.

Eurasian integration is aimed at making globalisation less Western-centric as opposed to rejecting global economic integration. US global primacy and

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dominance in Eurasia has largely rested on its geoeconomic power. Washington embraces a periphery-led geoeconomic architecture in Eurasia maintained primarily with partnerships or nodes in Europe and Japan (Katzenstein 2005). The US-sponsored physical infrastructure and mechanisms for cooperation in Eurasia have the main objective of circumventing and marginalising rival powers in the Eurasian heartland, principally China and Russia. The Bretton Woods architecture and America's dominant naval power controlling the world's main maritime trade corridors along the Eurasian periphery are however in relative decline. America's history of skilful economic statecraft has gradually been replaced with more traditional and expensive geopolitics. The economic foundations for America's pre-eminence is rapidly declining due to shrinking manufacturing power, growing social inequality, rising national debt and loss of power over the levers of global economic governance. Moscow increasingly subscribes to the premise of America's inevitable decline and aims to benefit from the subsequent demise of the US-led international order (Sakwa 2016a).

Russia endeavours to influence the transition away from US global primacy by developing collective administration by major Eurasian land powers. While far from being the leading economic power, Russia constitutes a unique contributor to Eurasian integration due to its vast geographic expanse that can be utilised as a land bridge between Europe and Asia. Furthermore, Russia controls much of the world's natural energy resources and leverage from Soviet era pipeline infrastructure in Central Asia and other former republics. The rise of intra-Eurasian trade and changing 'geography of trade' produces incentives for connecting the vast continent with new physical infrastructure, trade agreements, financial institutions and reserve currencies. The phenomenon of power shifting from the West to the East will transpire irrespective of Russian support. China's new Silk Road project has emerged as the most dominant rival to the US-peripheral model, which has launched several large infrastructure projects, investment banks and other China-centric connectivity initiatives across Eurasia. Eurasian integration projects have also been announced and pursued in the last few years by actors as diverse as the EU, India, Iran, South Korea and Kazakhstan. Russia's strategy is to influence and shape favourable formats for an increasingly integrated Eurasia by promoting particular connectivity initiatives. Russia's first rational objective for a Greater Eurasia would be to manage the continent from the heartland by enhancing collective autonomy and influence, and thus evicting US hegemony directed from the periphery. The second objective should be to ensure the sustainability of an integrated Eurasia by establishing a balance of power or 'balance of dependence' to prevent the continent from being dominated by one power, with China being the most plausible candidate.

Russia's physical infrastructure projects include but are not limited to upgrades of the Trans-Siberian railway and the Baikal-Amur railway; construction of grand pipeline projects and LNG facilities; development of the Northern Sea Route along the Arctic; construction of a high-speed rail link between Moscow and Beijing; the development of Russian ports and accompanying cargo infrastructure in the Russian Far East and European Russia; and various bridges and crossings

along its borders. A broader definition of connectivity is emerging to enhance and diversify mechanisms for cooperation, which includes free trade agreements, new investment banks, different trade/reserve currencies and the construction of shared identities. Furthermore, economic cooperation is facilitated by developing new institutional frameworks such as the EEU (Eurasian Economic Union), the SCO (Shanghai Cooperation Organisation) and BRICS (Brazil, Russia, India, China, South Africa). Painful compromises with China are indicative of Russia's determination to develop a strategic partnership that can lay the foundation for an alternative economic system and value chains. Russia-China agreements have progressed with the historic \$400 billion agreement signed in May 2014 to develop a pipeline infrastructure and supply China with gas for the next thirty years, followed in May 2015 with the agreement to harmonise the interests of the EEU, SCO and BRICS as part of an 'integration of integrations'. China and Russia seek to develop common financial institutions leading to wider efforts to reduce reliance on the US dollar. Extensive agreements made over the last few years suggest that Russia aims to diversify its economic partnership by connecting to South Korea, Japan, India, Iran, Vietnam and other actors in Eurasia.

Research design

The puzzle to be explored in this book is Russia's strategy to enhance its bargaining power with the West by pivoting to the East. There is no incongruity with this approach since realist theory recognises that a balance of power is a prerequisite for sustainable and mutually beneficial collaboration. Enhanced multilateral cooperation with the West requires more leverage to balance Western unilateralism. Russia promotes particular integration projects and considers certain connectivity initiatives to be complementary, while other integration schemes are opposed if they do not incorporate Russia's strategic interests. Russia is fiercely opposed to so-called 'exclusive' European institutions such as NATO and the EU as they are perceived to maintain the Cold War division and marginalise Russia on the continent. Conversely, institutions and integration schemes can rarely be labelled as simply 'inclusive' or 'exclusive' as there are both NATO-Russia and EU-Russia cooperation initiatives. However, the collective bargaining power of the 28+1 format of these two initiatives institutionalises an asymmetrical partnership that camouflages unilateralism as bilateralism. To Moscow's disdain, these institutions can suspend 'cooperation' if Moscow does not comply with the decisions of its more powerful partners. The preferences of economic connectivity projects in Eurasia resemble a similar state-centric realist understanding of integration and regionalism as states pursue relative gain.

The research question to be answered is: *to what extent is Russia's geoeconomic strategy for a Greater Eurasia 'rational' by acting in accordance with the 'balance of dependence' logic?* Russia's strategy for Eurasian integration is surveyed from its ability to recognise and pursue its interests in accordance with geoeconomic theory. A strategy is conceptually different from a policy as the former implies that the international environment and plausible actions of the

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other must be incorporated as a consideration. Consistent with realist assumptions, it is assumed that the international distribution of power creates systemic pressures and incentives for states to adopt geoeconomic strategies, while the failure to respond accordingly is punished. It is advocated in this book that states act rationally by adopting economic statecraft to augment their power and security. 'Advocating' that Russia should act in accordance with the geoeconomic understanding of a balance of power logic is not a statement of support for Russia in its disputes with other powers. Instead, it suggests what the 'correct' strategy would be for Russia to maximise its own security.

Chapter 1 theorises the rationality of an ideal geoeconomic strategy for Eurasian integration, which sets a benchmark for later comparing Russia's decision making. States compete for relative power by skewing the symmetry in economic interdependent relationships. Cooperation is sustainable when there is an equilibrium since it prevents economic power from being utilised to extract undue political concessions. The assumption of states as inherently rational actors is repudiated because of the complexity of economic statecraft, which is challenged by ideological 'market fundamentalism' or neoliberalism. The theoretical assumptions outlined in this chapter establish the groundwork for reconfiguring Mackinder's 'heartland theory' as a geoeconomic theory. The deficit of connectivity across the Eurasian landmass made the vast continent susceptible to being ruled from the periphery by maritime powers. Growing Eurasian connectivity can bring to fruition Mackinder's prediction of a diametrical shift in global power as Eurasian land powers obtain competitive advantage vis-à-vis maritime powers.

Chapter 2 explores the geoeconomic decline of the US as an indicator of the increasingly favourable environment for rival formats for collaboration in Eurasia. The US has historically pursued the geoeconomic strategy of a maritime state conserving the balance of power in Eurasia from the periphery. The development of a large and expensive standing army deployed in Eurasia has incrementally eroded US economic status and encouraged collective balancing among Eurasia's land powers. Since the days of Alfred Thayer Mahan the US has exercised economic statecraft by controlling strategic markets and trade corridors in the Americas and the Pacific. The geoeconomic pre-eminence expanded to a global scale following the Second World War due to its share of global GDP, creditor status, specialised high-wage industries, a prominent role in international financial institutions and printing the world's sole reserve currency. However, the Second World War also severely skewed the balance of power in Eurasia, creating systemic pressures for the US to become the principal balancer. The rivalry with the Soviet Union, a country largely detached from international markets and thus resistant to US economic statecraft, required expensive militarised geopolitics that has incrementally diminished the foundations for US geoeconomic power. Instead of reforming and reversing the regression from geoeconomics to militarised geopolitics after the Cold War, the US maintained its reliance on superior military force to sustain the unipolar moment. Promoting security through hegemony rather than balancing has pushed major Eurasian powers together, which US grand strategy has historically aimed to hinder. Concurrently, rising debt, loss of manufacturing

and growing social inequality undermines the Bretton Wood institutions and US ability to control transportation corridors. There are good prospects for a geoeconomic revival with 'shale revolution' making the US an energy exporter. The Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) were significant accomplishments to have Washington write the rules for trade in East Asia and Europe, albeit the former was abandoned by the Trump administration. However, integration among rising Eurasian land powers presents the US with a dilemma: it can either accommodate some of Eurasia's major powers to influence the new international economic order, or alternatively hold on to the levers of power and encourage the development of new value chains, transportation routes and financial institutions in opposition to the US.

Chapter 3 surveys the rise of Russian geoeconomics within the context of the former objective of establishing a 'Greater Europe'. Moscow's initial embrace of economic statecraft, often deplored in the West as 'state-managed capitalism', focused predominantly on utilising energy resources to create greater symmetry in relations with Europe. Russia skewed symmetry in its favour, increasing EU dependence by asserting control over energy supplies, transit and downstream assets, while sabotaging alternatives that would enable the EU to diversify away from excessive reliance on Russia. Yet, guided by the political objective of establishing a 'Common European Home', Russia has endowed its Western partners with a privileged role in its energy and economic projects. Efforts to revive Russia's great power status progressed, albeit with the 'leaning-to-one-side' policy subduing the West's incentives to accommodate Russia within a more favourable format of 'Europe'. The EU's reliance on Russia as a supplier has been balanced by Russia's dependence on the EU as its export market. As long as the West remained Russia's only choice, the EU and NATO remained emboldened to unilaterally engage the 'shared neighbourhood' and impose economic sanctions when conflicts subsequently arose.

Chapter 4 moves to consider the emerging geoeconomics of Russia as a Eurasian state. Russia is rapidly diversifying its economic partners and adopting a 'swing strategy' to compel partners to engage Russia with carrots rather than sticks as the latter would result in pushing Russia towards a competing centre of power. The balance of power logic in Asia is diametrically opposite to that in Europe, as states are eager to accommodate Russia since Moscow's excessive dependence on Beijing will further augment the power of China as the prospective regional hegemon. Developing the Russian Far East and dual connectivity with East Asia and European Russia is imperative to establish a gravitation pull towards the Eurasian heartland that removes Russia from the periphery of Asia and Europe. Energy and transportation infrastructure is undergoing substantive development to connect the Pacific coast with European Russia. The EEU is a pivotal mechanism for cooperation in Eurasia by enhancing collective bargaining power with China and the EU, while the SCO and BRICS are more suitable for engagement with the broader Eurasia.

Chapter 5 takes up the specific case of China as the principal architect of Eurasian connectivity. China is an indispensable partner for Russia due to its economic power and preparedness to contest US global primacy. Yet, China also

presents challenges due to competing formats for Eurasian integration. Under the dogma of a 'peaceful rise', China initially sought to avoid attracting international attention as it pursued an export-driven development model to rapidly industrialise and accrue US treasury bonds. This development model is no longer sustainable as it perpetuates the devaluation of the yuan, suppresses domestic consumption and creates unacceptable vulnerabilities as its extensive foreign currency reserves are challenged by the fiscal imprudence of the US. Concurrently, China is in a position to challenge the geoeconomic foundations of US primacy. The new strategy entails exerting control over energy resources across the world, developing alternative transportation corridors and energy infrastructures with the One Road One Belt initiative to connect the world to China. These development initiatives are funded with new China-centric financial institutions that internationalise the yuan as a new global reserve currency.

Chapter 6 surveys the incipient strategic partnership between Russia and China. The dyad will make up the core of any influential Eurasian constellation as it includes the world's largest energy consumer and the largest energy producer, the principal trading nation and a continental land bridge, in addition to them being the two main independent centres of power willing and capable of contesting US dominance. Yet, the growing influence of China in Central Asia and the Russian Far East has invigorated concerns in Moscow. Concurrently, Beijing is anxious that Russia may demote the partnership to a mere bargaining chip with the West in a future re-set and possible return to a Western-centric foreign policy. While both states compete for a favourable balance of dependence, each side provides indispensable benefits for the others' vision of a Eurasian arrangement and thus each must adequately accommodate the other. Russia and China have gradually moved towards a compromise, which accelerated considerably as a result of the Ukrainian crisis. Russia requires Chinese support for the EEU and for the financing and development of the Russian Far East. Easing access to the EEU market and developing one custom zone between Chinese borders and the EU has been vital to obtain Beijing's support for an institution that creates Russian privilege and establishes collective bargaining power to China's detriment. The \$400 billion gas pipeline deal announced in May 2014 and the agreement the following year to harmonise the EEU and Silk Road under an expanded SCO demonstrates Russia's preparedness to make long-term commitments. Furthermore, it appears that Russia may tacitly accept Chinese economic leadership as an inescapable reality, but opposes Chinese dominance by diversifying partnerships.

Chapter 7 assesses Russia's efforts to develop 'strategic diversity' in Northeast Asia to avoid excessive reliance on China. Economic connectivity in Northeast Asia is imperative due to potential investment and technology transfer from Japan and South Korea. The proximity further elevates Russia's bargaining power with these two energy-hungry states that can also benefit greatly from the Russian transportation corridor developing on the Pacific coast. Furthermore, the animosity towards Russia in Europe is largely absent in Northeast Asia due to different power dynamics and history. Russia's 'swing state' strategy encourages Japan to engage Russia to ensure that Moscow maintains a neutral position in Tokyo's