



# Europe as the Western Peninsula of Greater Eurasia

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## Abstract

Will increased economic connectivity on the Eurasian supercontinent convert Europe into the western peninsula of Greater Eurasia? US geoeconomic primacy has relied on organizing the two other major economic regions of the world, Europe and Asia, into the US-led trans-Atlantic region and Indo-Pacific region. Greater Eurasia is a geoeconomic initiative by Russia and China to integrate Europe and Asia to construct a new region. Greater Eurasia is constructed by first establishing a Russian-Chinese regional partnership that decouples from US primacy, and second to integrate Europe into the new Eurasian region. The geoeconomic architecture for region-building, much like the economics of nation-building, consists of developing connectivity and dependencies with strategic industries, transportation corridors, and financial instruments.

## Keywords

Eurasia, Europe, geoeconomics, regionalism, Russia

## Introduction

Will the strategic partnership between Russia and China contribute to fragment the West as a region? The Greater Eurasia initiative is a collaborative geoeconomic project aimed to reduce Russian and Chinese dependence on US strategic industries, transportation corridors, and financial instruments. The subsequent construction of a Eurasian region with autonomous geoeconomic levers of power, decoupled from the US, gradually establishes greater connectivity with Europe as the foundation of a new Greater Eurasian region.

US geoeconomic primacy has relied on integrating the two other geoeconomic regions of the world, Europe and Asia, into a US-led trans-Atlantic region and Indo-Pacific region. This regional framework, by design, made it impossible for Russia to restore its political subjectivity in Europe and for China to restore its political subjectivity in Asia. Subsequently, Moscow and Beijing counter the hegemonic ambitions of the United States by enhancing economic connectivity between Europe and Asia to restore the political subjectivity of Eurasia.

The West has been adamant there cannot be a return to business as usual with Russia, and the sentiment is similar on the Russian side as the Western-centric foreign policy

that prevailed for three centuries has come to an abrupt end. The West's support for the 2014 coup in Ukraine ended the remaining illusions in Russia about a gradual integration with the West to construct a Greater Europe. Furthermore, the West's anti-Russian sanctions have exposed the hazards of excessive economic reliance on a single state or region. Russia's pivot to the East to diversify its economic connectivity is not a temporary remedy to overcome sanctions from the West, rather it represents a fundamentally different strategy to engage with the world. Russia has abandoned its Greater Europe Initiative, which guided Russian foreign policy in various formats since Gorbachev's aspirations for a "Common European Home." A consensus has emerged that Russia's future belongs in a geoeconomic conception of a Greater Eurasia.

The growing strategic partnership between Russia and China was initially dismissed in the West as a "marriage of convenience," although Europe has grown increasingly

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concerned about Russia's seemingly permanent pivot to the East. It is improbable that Russia will return to the Europe-centric ambitions of previous decades as there is no willingness in the West to reform the EU and NATO to lessen their zero-sum format for "European integration." Russia is making economic and political long-term investments in Greater Eurasia that makes the pivot to the East "irreversible." Furthermore, irrespective of the continued division of Europe and anti-Russian sanctions, it is in Russia's interest to diversify its economic ties to mitigate unfavorable asymmetrical dependence.

The geoeconomics of Greater Eurasia involves repositioning Russia from the dual periphery of Europe and Asia—and reposition itself in the center of a Greater Eurasia. Rather than de-coupling from Europe, this entails repositioning Europe to the Western periphery of Greater Eurasia. China is a key partner as it is also marginalized in the US-centric geoeconomic architecture, and Beijing demonstrates both the capabilities and willingness to rewire the global economy. For Russia, the geoeconomic concept of Greater Eurasia also offers a new approach to Europe. It is argued in this article that Russia's integration initiatives with Europe have gone through three major stages: First, Yeltsin seeking to integrate *into* the West on the West's terms, then Putin integration *with* Europe as equals, and now Moscow seeks to integrate Europe either *into* or *with* Greater Eurasia.

The impact of Greater Eurasia on Europe can be explored by assessing the establishment of a Russian-Chinese geoeconomic partnership that decouples from the United States, and the integration of Europe into this new geoeconomic region. The article first outlines the theoretical assumptions. The three-pillared economic infrastructure linked to nation-building in the 19th century is also utilized to establish geoeconomic regions: strategic industries, transportation corridors, and financial instruments. Second, the Chinese and Russian geoeconomic decoupling from the United States is resulting in the construction of a new autonomous Eurasian supercontinent uniting Europe and Asia by reorganizing strategic industries, transportation corridors, and financial instruments. Last, the implications for Europe are explored. It is argued that as economic dependencies develop toward a geoeconomic infrastructure in the East, there are strong indications that political loyalties are waning. Solidarity and internal cohesion for the EU could be a formidable challenge as some member states are gravitating toward Greater Eurasia, while others are committing to the trans-Atlantic region. It is concluded that a Eurasian Russia presents a dilemma for Europe. Accommodating Russia in Europe requires significant reforms, although it provides incentives for Moscow to support an autonomous EU within Greater Eurasia. In contrast, maintaining the zero-sum structures in Europe that were inherited from the Cold War will create systemic incentives for Russia to bring a fragmented EU into Greater Eurasia.

## The geoeconomics of region-building

Geoeconomics is defined as the "geostrategic use of economic power" by states (Wigell, 2016). Geoeconomics presumes that power derives increasingly from control over markets, and states pursue relative gain to advance their security. Economic statecraft mimics militarized geopolitics with "disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases" (Luttwak, 1990, p. 17). Power and security is therefore contingent upon "productive efficiency, market control, trade surplus, strong currency, foreign exchange reserves, ownership of foreign companies, factories and technology" (Huntington, 1993, p. 73). With increasingly destructive weapons and more economic integration, there are strong incentives for shifting to competition with economic means. Economic interdependence does not transcend competition, rather "economics is the continuation of war by other means" (Bell, 2008, p. 330).

Geoeconomics builds on the political economy of realist theory. Governments intervene in the market to develop asymmetrical economic interdependence as the stronger and less dependent side in an economic partnership can extract political concessions from the weaker and more dependent side (Hirschman, 1945). The more dependent side will seek to reduce excessive reliance by diversifying economic connectivity or establishing some degree of economic autarky for "shaking off commercial dependence on foreigners which was continually becoming more oppressive" (Schmoller, 1897, p. 76). Geoeconomic theory therefore expects that the international system gravitates toward a "balance of dependence," the equivalent of a balance of power, as governments seek to reduce excessive reliance on any one state or region (Diesen, 2017).

Economic dependency is not merely measured in trade. Three categories of economic dependency can be established that are defined by the diminished ability to diversify: (1) strategic industries create dependency due to the man-made scarcity of high technology products or natural resources; (2) transportation corridors are important for economic competitiveness; and (3) financial instruments such as trade/reserve currencies and banks. After the industrial revolution, Britain established geoeconomic leadership with technological supremacy supported by free trade to saturate foreign markets with manufactured goods, control over the main maritime corridors of the world, and as the banker of the world and the central role of the sterling. The United States rise to superpower status similarly relied on taking over the three geoeconomic pillars with strategic industries due to technological leadership, control over the world's maritime corridors, and financial instruments by establishing the US dollar as the reserve currency and a leadership position in international banking and finance.

In the 19th century, economics was closely tied to nation-building. Alexander Hamilton, Friedrich List, Gustav Schmoller, Sergei Witte, and others recognized that industrialization and economic power was necessary to maintain political sovereignty. Hamilton convinced President Jefferson to abandon his vision of an agrarian democracy and instead build a manufacturing base by establishing a causal relationship between industrialization and political independence from the British (Szlajfer, 2012, p. 51). The economic nationalists recognized Adam Smith's arguments about the benefits of maximizing economic efficiency with free trade, yet the state-centric structure of the international system demands a balance between political and economic considerations:

As long as the division of the human race into independent nations exists, political economy will as often be at variance with cosmopolitan principles . . . a nation would act unwisely to endeavour to promote the welfare of the whole human race at the expense of its particular strength, welfare and independence. (List, 1827, p. 30)

Free market competition was criticized for preventing industrialization. Infant industries, defined by low quality and high costs, could not mature in direct competition with more advanced industries in rival states. Temporary tariffs and subsidies were subsequently used as an investment until industries had matured and become competitive on international markets. Hamilton's economic nationalist ideas translated into the three-pillared American System of establishing manufacturing base, transportation infrastructure, and a national bank to cement the newfound independence from Britain.

Geoeconomic regions build on the realist political economy of neo-mercantilism and economic nationalism, although economics is used for both nation-building and region-building. In a global economy, there are strong incentives for regional integration to increase collective bargaining power as "self-reliance was never viable on the national level" (Hettne, 1993, p. 227). Geoeconomic regions are important instruments to move toward a balance of dependence, and they follow the same logic as military blocs. The EU offered the Europeans more symmetry in the trans-Atlantic partnership, which encourages the United States to form the North American Free Trade Agreement (NAFTA). Similarly, "the East Asian countries in view of the fortresses emerging in Europe and North America must plan for a future with a much stronger regional interdependence" (Hettne, 1993, p. 227). Contrary to the liberal assumptions about economic integration, economic regionalism in Asia demonstrates an effort to shield states from disproportionate US influence (Breslin, 2010, p. 714). Russia has also sought to develop collective bargaining power with former Soviet Republics with the Eurasian Economic Union (EAEU). The EAEU commonly depicted through an imperial lens in terms

of restoring the Soviet Union, although the institution bears more similarity to the EU in terms of developing a geoeconomic region to improve symmetry with more powerful actors (Krickovic, 2014).

The viability of geoeconomic regions depends on both internal and external support. Internal cohesion is developed by increasing economic connectivity within a region as the foundation for political loyalty. Support by an external actor can be obtained by also providing collective goods beyond the region. Inter-regionalism is an ideal solution as mutual recognition elevates the legitimacy and value of regions to external actors (Hettne & Söderbaum, 2000, p. 469). Brussels frequently accuses Moscow of engaging EU member states individually rather than the collective bloc. The missing question is why would Russia want to embrace a format that by design utilizes collective bargaining power to create asymmetrical interdependence? Engaging individual member states strengthen Russia's hand. This dynamic explains why the EU refuses to even establish diplomatic relations with the EAEU in an effort to undermine its legitimacy. As the US Secretary of State, Hillary Clinton was even more brazen in declaring that Washington is determined "to figure out effective ways to slow down or prevent" EAEU integration (Financial Times, 2012). Washington's relationship with Brussels has historically had similar tensions by balancing cooperation and competition. Washington embraced the rise of a powerful EU that can constrain US influence as it also enabled the Europeans to contain Russian influence on the continent (Katzenstein, 2005, p. 50).

## China's challenge to US primacy

The construction of the West as a geoeconomic region was the result of a very unique economic history. The main adversaries of the US during the Cold War were communist states decoupled from international markets, while the militarized rivalry of the Cold War mitigated economic rivalry and tensions between capitalist allies. A liberal economic system emerged in the West after the Second World War, based on US primacy due to its control over strategic industries, transportation corridors, and financial instruments.

After the Cold War, the geoeconomic rivalry of the late 19th century and the early 20th century has gradually returned. A liberal international economic system only takes shape when there is a concentration of economic power in a hegemon as competition is alleviated. In contrast, when the relative power of the hegemon decline "the liberal order is expected to unravel and its regimes to become weaker, ultimately being replaced by mercantilist arrangements" where political considerations are prioritized above market forces (Ruggie, 1982, p. 381). As US power declines and rivals emerge, the United States will also continue to become more inclined to use administrative position in the international economic system coercively in service of zero-sum

foreign policy interests, which further compels rivals to band together and find alternatives.

Global value chains are mostly concentrated regionally, with three main economic regions in the world: North America, Europe, and East Asia (Baldwin & Lopez-Gonzales, 2013; Johnson & Noguera, 2012). US geoeconomic dominance has been advanced with inter-regional formats with the two other main economic regions of the world—Europe and East Asia. “System-dominance” entails the United States offering support to regional powers in return for allegiance to the US-centric system (Buzan, 2005; Katzenstein, 2005, p. 57; Schweller, 1999, p. 41). The EU can at times test the authority of the US and the trans-Atlantic region, albeit security dependence on NATO has deterred the EU from straying too far away from Washington. The Asia-Pacific partnership in East Asia includes Japan and other regional allies that have allegiance to a US-led region. The rise of China incentivized the United States to reconceptualize the Asia-Pacific region as the Indo-Pacific by elevating the role of India and marginalizing China. The challenge for the United States has been to find a geoeconomic equivalent to Brzezinski’s (1997) recipe for unipolarity: “prevent collusion and maintain security dependence among the vassals, to keep tributaries pliant and protected, and keep the barbarians from coming together” (p. 40).

The United States was moving toward strengthening its control over the two other economic regions with the Trans-Pacific Partnership (TPP) in Asia and the Transatlantic Trade and Investment Partnership (TTIP) in Europe, which would marginalize both China and Russia (Blackwill & Harris, 2016; Lo, 2015, pp. 55–56). Obama (2016) outlined Washington’s intentions with the TPP:

America should write the rules. America should call the shots. Other countries should play by the rules that America and our partners set, and not the other way around. That’s what the TPP gives us the power to do . . . The United States, not countries like China, should write them.

Secretary of State, Hillary Clinton, similarly referred to the TTIP in the trans-Atlantic region as an “economic NATO,” which leaves little ambiguity about the target (Oreskes, 2016).

Moscow’s Western-centric foreign policy has ensured that Russia does not represent a significant challenge to the US-led geoeconomic architecture. Moscow has been locked into excessive dependence on a partnership with the EU and the wider West as more powerful regions. Except for its energy resources, Russia has limited economic capabilities and its Western-centric foreign policies limited the ability to diversify away from an unfavorable asymmetrical interdependence. The West has gradually sought to reduce reliance on Russian strategic industries (energy), limit its control over maritime corridors by advancing NATO’s presence in the Baltic Sea and

the Black Sea, while financial dependence persists in the form of Russia’s continued use of the US dollar, Western banks, and the SWIFT (Society for Worldwide Interbank Financial Telecommunications) transaction system.

The main disruption to the international economic system comes from the spectacular rise of China, which overturns 500 years of Western dominance. Beijing has for decades followed a strategy of catching up without attracting unwanted attention from great powers, which Deng Xiaoping articulated as “hide your strength, bide your time.” As China’s economy surpassed the United States in 2014, in terms of purchasing power parity (PPP), neither China nor the United States was comfortable with the format for the interdependent partnership. China has advanced with its own three-pillared geoeconomic strategy. First, China is asserting control over strategic industries by establishing technological leadership with the China 2025 industrial strategy and through the acquisition of natural resources around the world. Second, Beijing has since 2013 developed the trillion-dollar Belt and Road Initiative (BRI) that constructs vast transportation corridors for physical economic connectivity. Third, financial instruments of power are established under Chinese control by internationalizing its currency and building up gold reserves, establishing new development banks such as the Asia Infrastructure Investment Bank (AIIB), and the China International Payment System (CIPS) as an alternative transaction system to SWIFT. In East Asia, the Chinese-led Regional Comprehensive Economic Partnership (RCEP) trade agreement is aimed to construct a geoeconomic region, as opposed to the now-defunct US-led TPP.

### **The geoeconomics of Russia’s Greater Eurasia**

The ambition to integrate Europe and Asia into one supercontinent has always been motivated by reducing the dominance of maritime powers. In 1846, Friedrich List developed his proposal for a trans-Eurasian continental system from Europe to Bombay. List presented “On the Value and Conditions of an Alliance between Great Britain and Germany” to leading English statesmen in 1846, which argued that a British-German partnership to control Eurasia was necessary to counteract the growing maritime power of the United States (List, 1846). While the British rejected the proposal, Germany revived the ideas of List in the 1890s by moving ahead unilaterally with the Berlin–Baghdad Railway. Before Hitler invaded the Soviet Union, General Karl Haushofer had advocated for Germany to join Russia and China in a transcontinental Eurasian bloc to escape the dominance of the Western maritime powers. Haushofer believed that Germany had to join the East as “the geopolitical future will belong to the Russian-Chinese bloc” (quoted in Weigert, 1942: 741). Russia also began

constructing a Eurasian political economy following the defeat in the Crimean War in the 1850s, which aimed to escape its quasi-colonial status in Europe (Witte, 1954: 66, cited in Von Laue, 1954). The Russian efforts to detach itself from the oceanic economy under British control gave rise to Halford Mackinder's (1919) theories about the geopolitics of Eurasia, which has greatly influence both British and American policies ever since.

The spectacular rise of China after the Cold War has presented Russia with the opportunity to restore its political subjectivity in a partnership to construct Greater Eurasia. Primakov had reached out to China and India in the 1990s as it became evident that a new Europe was being built without Russia, although neither China nor India had the capacity or willingness to challenge the United States. The world has since changed. In a perfect storm, Russia abandoned its Greater Europe ambitions around the same time as China decided to challenge the geoeconomic leadership of the United States.

Russia's Greater Europe project can be traced back to the Helsinki Final Act of 1975, which inspired Gorbachev's vision of a Common European Home. The Greater Europe project appeared more feasible under Yeltsin in the 1990s as Russia liberalized its economy and sought integration into the West—and even neglected traditional partners in the East toward this endeavor (Tsygankov, 2006, p. 58). However, in doing so, Moscow lacked bargaining power as it confined itself to excessive dependence on a very asymmetrical partnership with the West. Making matters worse for Russia, the excessive reliance on the West proved detrimental due to the zero-sum format of Europe. Efforts to construct a new Europe with NATO and the EU soon demonstrated that a Europe without Russia would inevitably become a Europe against Russia. The continued division of Europe with exclusive institutions fueled an integration dilemma as the states between the West and Russia came under growing pressure to choose sides (Charap & Troitskiy, 2013). "European integration" subsequently became a zero-sum process where the shared neighborhood was asked to choose between "Europe" by decoupling from Russia (Diesen, 2016).

Putin continued the Greater Europe initiative by pursuing integration with the West, although with a realist understanding of the world. Moscow strengthened its bargaining power by nationalizing energy resources as a strategic industry and declaring an end to unilateral concessions. Although, the Western-centric foreign policy ensured restrained Russia's ability to develop its geoeconomic power and ensured it had limited ability to diversify its ties. The West did not have the incentives to accommodate Russia in a European geoeconomic region as it would upset the internal balance of power and undermine the US-centric international system. Instead, Russia's resurgence only incentivized expansion of the EU and NATO toward Russian borders in terms of membership and partnerships to further skew the asymmetrical dependence relations with collective bargaining power. The West's

support for toppling President Yanukovich in 2014, after the refusal to sign the EU's Association Agreement, represented the death of Russia's Greater Europe endeavor (Sakwa, 2014). Illusions about gradual integration with the West have been dispelled, and Moscow needed an alternative geoeconomic strategy.

The geoeconomics of Russia's Greater Eurasia aims to skew the balance of dependence by making Russia less reliant on any single state or region, and concurrently increasing the dependence of others on Russia. This entails repositioning Russia from the dual periphery of Europe and Asia, and toward the center of a larger Greater Eurasia. Russia's Eurasia strategy makes a clear break with the former approaches by the Russian Empire in the 19th century and the Soviet Union in the 20th century in terms of abandoning hegemony (Diesen, 2020). The modest relative power of the Russian Federation translates into neither capacity nor intention of pursuing Russian dominance in Eurasia. Instead, Russia can be conceptualized as a counter-hegemonic power or a Eurasian balancer, which seeks to bring forward a multipolar world. The balance of dependence is more favorable for Russia in the East. While in Europe there are strong systemic incentives to balance Russia, there are inducements to accommodate Russia in Asia where it is not feared as a hegemonic power. For example, Japan has strong incentives to defer the territorial disputes with Russia and establish closer economic connectivity to prevent Russia from becoming excessively reliant on China, which would reduce Russia's neutrality in disputes between China and Japan (Diesen, 2018).

While Russia seeks to increase economic connectivity with all states on the Eurasian supercontinent, China unavoidably becomes the key partner due to its ability and preparedness to challenge the United States. However, the Russian-Chinese partnership required to construct Greater Eurasia is faced with two challenges—Chinese reluctance and the asymmetrical power distribution. First, Moscow is facing an uphill battle to convince Beijing to form a strategic partnership for Greater Eurasia as it deviates to some extent from China's strategies. Second, Moscow is apprehensive that Beijing will use the asymmetrical economic interdependence for political influence.

Central Asia is subsequently the main region to either make or break the partnership. Russia has sought to maintain its position as the "first among equals," which is challenged by China's growing economic clout. Although, attempts to harmonize interests with China in Central Asia have overall been positive. The zero-sum geoeconomic and security architecture that defines the shared neighborhood between Russia and Europe has largely been addressed in Central Asia. An agreement has been reached to harmonize the Russian-led EAEU and the Chinese BRI under the umbrella of the Shanghai Cooperation Organisation (SCO). The decision to expand the SCO by including large powers such as India and Pakistan also speaks to Russia's strategic

considerations and compromise, which is to accept Chinese leadership but reject its dominance (Gatev & Diesen, 2016).

Russia's three-pillared geoeconomic strategy in Greater Eurasia continues along the path of Sergei Witte's policies from the late 19th century—when Russia underwent rapid industrialization and increased its energy extraction, constructed the Trans-Siberian Railway, and established new financial instruments such as the Peasant Land Bank. In the late 19th century and early 20th century, Russia's burgeoning economic infrastructure across Eurasia caused fears in London that Britain's global maritime-based empire would be challenged (Mackinder, 1904).

First, strategic industries are fostered by developing the high-tech sector and areas of natural competitiveness such as agriculture. As the world enters the Fourth Industrial Revolution, defined by digital technologies manipulating the physical world, Moscow aims to establish an independent technological ecosystem. This is a challenge since Russian modernization has historically been tainted by late industrialization, ineffective use of subsidies and tariffs in the 19th century to support infant industries, a stagnant technology sector in the Soviet Union, and de-industrialization in the 1990s. However, there are reasons for optimism. Russian digital companies already dominate the domestic market and with a strong presence in former Soviet Republics, and they are making headway in terms of transitioning into manipulating the physical world with, for example, self-driving cars. Russia cannot compete against China and the United States, although it is establishing technological preparedness by developing spin-offs before the domestic market is saturated by foreign companies. China is proving to be an important partner for modernization. China has become a minority partner in areas where Russia has lacked competencies, such as e-commerce and payment systems. The “splinternet” refers to the Balkanization of the internet as the digital space is territorialized or nationalized. China and Russia are forming a technology axis to develop alternatives to US digital leadership in both software and hardware. A recent case in point, Huawei is set to launch its mobile phones in Russia with the Russian operating system Aurora, as a replacement of Android.

Second, Russia's geographical expanse makes its territory ideal to develop physical connectivity for transportation and energy pipelines (Scholvin & Wigell, 2018). The diversification war between Moscow and Brussels was previously limited to the EU diversifying energy suppliers versus Russian efforts to diversify transit states. Russia's pivot to the east includes vast energy infrastructure to diversify energy consumers, and thus reducing Russian dependence on Europe for consumption. The new Eurasian pipeline infrastructure enables Russia to become a “swing supplier” that can supply both the east and the west from the same oil and gas fields. The major Russian-Chinese gas deal in May 2014, sparked by the Ukraine crisis, meant that “Russia's ultimate dream of becoming a swing supplier between

Europe and Asia was no longer a remote reality” (Paik 2015, p. 38). Moscow has also become a leading supporter of China's BRI as an east–west transportation corridor, which is balanced with a north–south corridor through Russia, Iran, and India. Russia is opening up to develop the Arctic in concert with China as the Russian Northern Sea Route is incorporated into China's concept of a Polar Silk Road, which offers faster and cheaper transportation between Asia and Europe that is outside of US control.

Third, Russia relies on China to develop alternative financial instruments to transition away from US banks, transaction system, and the dollar. Russia and China as the largest energy producer and consumer are experimenting with settling trade in domestic currencies and promoting similar solutions with partner states. Both countries have accrued large amounts of gold and are dumping their US-denominated foreign reserves. The Chinese CIPS system is now used with Russia and may be extended to include India to bypass US sanctions. From cooperation in the AIIB to the BRICS Development Bank, the objective is to reduce reliance on US financial instruments. An SCO Development Bank, however, has been obstructed by Russian efforts to make the EAEU's Eurasian Development Bank the main bank for Central Asia—which indicates that collective strength of China and Russia is limited by the consideration of a balance of power within Greater Eurasia.

### **Europe between the trans-Atlantic region and Greater Eurasia**

The emergence of Greater Eurasia reorganizes the EU's position in the world and presents challenges to internal cohesion and solidarity. The Project Europe 2030 Report to the EU Council posits that “the EU cannot assume that the ‘rise of the rest’ will necessarily result in a win-win situation” and the EU has now the choice of becoming “an assertive global actor or, alternatively, the Union and its Member States could slide into marginalization, becoming an increasingly irrelevant western peninsula of the Asian continent” (Project Europe 2030, 2010). Both the United States and China are using more economic tools to manipulate the behavior and direction of the EU and is subsequently losing control over its own destiny. In a relatively short time, the EU has transitioned from being a subject to an object of geoeconomic power politics.

The geoeconomic architecture of Greater Eurasia is becoming more visible in Europe. Chinese strategic high-tech industries are making forceful inroads into Europe through expansions and acquisition. Chinese 5G technology is ahead of the United States, which is a key stepping stone toward advancing artificial intelligence, self-driving cars, the internet of things and other technologies associated with the fourth industrial revolution. Russian strategic industries are largely limited to energy resources, weapon systems and

agriculture, although with strong ambitions to narrow the gap with China and the United States in the digital sphere.

Eurasian transportation corridors are also establishing several bridgeheads into Southern and Eastern European, where governments are often frustrated about playing second fiddle to the Western Europeans. The China Ocean Shipping Company (COSCO) has taken over the historical port of Piraeus in Greece and expanded its capacity to the extent it is cannibalizing the traffic to ports in Western Europe. The seaport is connected with high-speed rail to Hungary, coupled with other infrastructure projects in the region. Italy has similarly broken ranks by becoming the main Western economy to sign up to the BRI despite concerns in Brussels and Washington. The Chinese-Russian Arctic route may open a northern bridgehead into Europe. Similarly, the developments in the Caspian Sea will connect Europe with the North-South Transportation Corridor (NSTC) through India, Iran, and Russia. Furthermore, new energy corridors through the Baltic Sea and the Black Sea will increasingly render Ukraine less significant and make Russian gas more competitive and reliable than American LNG.

Eurasian financial instruments are also used to connect with Europe. Most European states signed up with the Chinese-led Asian Infrastructure Investment Bank in 2015. The Chinese 17 + 1 format with Central and Eastern European (and Greece) is depriving the EU of its collective bargaining power and diluting solidarity. Hungary even accepted the Chinese tender for the high-speed rail infrastructure project in contravention to EU regulations. New payments systems and diversification of trade currencies have been spearheaded by China and Russia. The EU is also moving in this direction due to concerns about US extraterritoriality, from sanctioning a French bank for trading with Cuba to imposing sanctions on states that abide by the JCPOA (Joint Comprehensive Plan of Action) Iranian nuclear agreement.

What are Russia's interests in the US-Chinese power struggle in Europe? Russia gains more from Greater Eurasia as the trans-Atlantic region is organized in a zero-sum relationship with Russia. It is unclear if China's geoeconomic incursion into Europe serves Russian interests. The case of Ukraine is of importance as China's interests are less zero-sum structured vis-à-vis Russia compared with the West. While Russia has lost significant economic influence in Ukraine, China has grown its economic presence to the extent that Western influence can be balanced. China has become the largest state trading partner with Ukraine. Ukraine is second only to Russia in supplying weapons to Ukraine, and China has been seeking more control over these exporting companies. China has sought to acquire Ukrainian-owned Motor Sich, one of the world's largest engine manufacturers for helicopters and aeroplanes, which is fiercely opposed by the United States. Ukraine became a member of China's BRI in 2017, with the Belt and Road Trade and Investment Promotion Centre established in Kiev.

China Harbour Engineering Company is renovating both the Sea Port of Yuzhnyi and the Sea Port of Chornomorsk in Odessa. Furthermore, China Pacific Construction Group was awarded a 2-billion-dollar deal to construct a new metro line in Kiev. While Moscow may benefit from Ukraine not succumbing to US control, it is noteworthy that Chinese policies are not always aligned with Russia. A case in point is China's support for the Ukraine-Georgia-Azerbaijan-Kazakhstan transportation corridor that bypasses Russia. Ukraine has also expressed interest to join the 17 + 1 mechanism to deepen China's economic connectivity with Central and Eastern Europe.

Geoeconomic theory postulates that when economic interests shift, political loyalties will follow. The trans-Atlantic region was built around economic dependencies, although as economic interests shift toward the East the foundation for internal cohesion and solidarity wanes. Economic regions that emerged during the bipolar and unipolar era are undergoing tectonic shifts and the West is seemingly fragmenting. The US focuses increasingly on developing the Indo-Pacific region to counter China, the UK envisions its future as "global Britain" by reducing its institutional connections with the EU, and even Germany's growing economic interests in the east are influencing its political considerations (Szabo, 2015). Divergent interests will gradually tear away at the trans-Atlantic relationship. The EU's decision to continue economic integration with China, which is deemed to be less of a threat due to mere geography, will continue to fuel discord between the United States and the European Union. Aiming to assume leadership in the EU and charting an alternative path, Macron, the French President, cautioned against Europe being a vassal of the United States and proclaimed that "we are undoubtedly experiencing the end of Western hegemony over the world."

The United States has expressed growing frustration about the inability to convert its geopolitical position in Europe into geoeconomics, and relies increasingly on economic coercion to maintain the political loyalties of Europe. US Secretary of State, Mike Pompeo, criticized the Europeans for growing their trade with the East even though their security interests are with the West. Trump similarly scorned Berlin for relying on the United States for its security from Russia, yet still buying Russian gas instead of American gas.

Irrespective of US objections and threats of sanctions, Europe has begun gravitating away from the trans-Atlantic region and toward Greater Eurasia. First, strategic industries are displacing the position of the United States. Germany, Britain, France, and other European states are working with Huawei to install Chinese 5G technology and thus challenge US leadership in the fourth industrial revolution. Turkey and Serbia will have the Russian S-400 missile defense system delivered. US ambitions to increase LNG supplies to Europe diminish as Germany is completing the Nord Stream 2 with Russia through the Baltic Sea, which complements the Turk

Stream pipeline through the Black Sea. The EU is also seeking to de-couple from the United States in technologies that endow Washington with extraterritorial powers. Second, new transportation corridors physically connect the Eurasian continent that falls outside US control and reduces the importance of chokepoints. Greece, Italy, Poland, Austria, Luxemburg, and Switzerland have joined the Chinese BRI, which connects the sea route with Eurasian land routes. The harmonization of Russia's Northern Sea Route with China's Polar Silk Road to develop an Arctic transportation corridor will likely provide significant economic opportunities to Europe. Third, new financial instruments are challenging the institutions established at Bretton Woods. In 2015, all of the major US allies in Europe joined the Chinese-led AIIB, and the EU has on its own initiative established the INSTEX transaction system to bypass SWIFT to continue trade with Iran.

### Conclusion: Russia and the EU in Greater Eurasia

It is concluded here that misguided policies toward Russia on the assumption it would not have any other partners have backfired. Kissinger's "worst nightmare" of a Russian-Chinese alliance is in the making. Russia's three-century-old occidental era has come to an end, and Russia will not return to its Western-centric foreign policy after sanctions are removed. Greater Eurasia presents a more favorable regional format for Russia. Converting Europe and Asia into one regional entity enables Russia to obtain a privileged seat at the table and concurrently diversify its partnership to avoid excessive dependence on any one state or region.

Russia's Eurasian strategy differs vastly from the Soviet Union or the Russian Empire as Moscow has neither the capabilities nor intentions to pursue hegemony. Russia's position in Eurasia as a balancer has advantages as it by design incentivizes other powers to accommodate rather than balance Russia. Japan is prepared to defer territorial disputes and strengthen economic connectivity with Russia, South Korea seeks out Russia to diversify away from the United States and China, and India is defying geography by considering developing the Arctic with Russia. Even in a deeply divided region such as the Middle East is Russia successful in establishing a close partnership with all major parties. Russia's Western borders are the only region where relations are still organized strictly along zero-sum structures. The failure to reach a post-Cold War settlement with Russia in Europe represents a strategic blunder for the EU as Russia can either exacerbate or mitigate the US-China geoeconomic rivalry on the continent.

Accommodating Russia in Europe has always been a dilemma as its inclusion would drastically shift the balance of power within Europe as a region, although excluding Russia creates a powerful adversary. Under the trans-Atlantic region, the tensions with Russia in a divided Europe

could seemingly be managed by maximizing asymmetries. In Greater Eurasia, there are higher costs of excluding Russia in Europe. While the competition between the United States and China renders Europe an object of geoeconomic rivalry, a post-Cold settlement between the EU and Russia could elevate the role of both. Greater Eurasia increases the systemic incentives of the EU to establish greater economic connectivity with Russia for two important reasons. First, Brussels should create incentives for Russia to support an autonomous EU within Greater Eurasia. Second, Brussels and Moscow share an interest in preventing Russia from becoming excessively dependent on China.

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