The Belt and Road initiative largely replicates the Silk Road, a common historical heritage of China, Kazakhstan and all countries along its path. The economic potential of the initiative is huge, and so are its geopolitical effects.
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A series of conferences dedicated to the China-promoted One Belt One Road initiative are taking place in the capital of Kazakhstan, Astana. Plans to launch a gigantic renewable energy project with the potential to supply the EU were also mooted.

Saltanat Rahimbekova, Deputy Head of the International Green Technologies and Investment Projects Centre (IGTIC), said the institution she represents is initiating the project ‘Super Grids Silk Road’, as the energetic component of One Belt One Road.

The aim is to massively increase the possibility of the 64 countries along the New Silk Road to tap into cheap alternative energy.

As Rahimbekova explained, IGTIC is an ideological continuation of the heritage of the Astana EXPO-2017 ‘Future Energy’ exhibition. Its main aim is the transfer of green technologies and attraction of investment for green projects.

Together with the Association of ecological projects of Kazakhstan, IGTIC is initiating the project ‘Super Grids Silk Road’. One of the ideas is to motivate scientists to develop next generation solar panels or wind technologies.

She explained that current solar panels are 12th generation, while the aim is to think how the 15th generation versions might look and how to make the energy they produce as cheap as possible.

Rahimbekova added that her institute is willing to cooperate with the recently established Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund.

One of the big projects IGTIC is presently working on is an atlas of solar and wind energy in Kazakhstan. Every investor will be able to consult

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the record before deciding the location of projects, she explained.

Rae Kwon Chung, Climate Change Advisor to the Secretary General of the UN, and ex-Ambassador for Climate Change of the Republic of Korea, made even bolder statements.

Rae Kwon Chung is co-winner of the 2007 Nobel Peace prize together with the Intergovernmental Panel on Climate Change (IPCC). He said the ‘Super Grids Silk Road’ was about investing billions of dollars in solar and wind energy and supplying it along the historic route.

At present, the Silk Road countries are suffering from electricity shortages, including cities in south Kazakhstan. But there were many bankable projects, he said, citing the ‘Asia Super Grid’ in Mongolia, an ambitious series of wind power projects.

SoftBank of Japan, he said, was willing to invest almost $280 billion in Mongolia to export power produced from wind to China, Korea and Japan. He said that the technology was no longer a problem and that the only outstanding issues are political.

In this particular case, the Japanese power company objects to the idea of importing electricity, he said.

But if countries along the Silk Road agree, the political momentum is there, because they support China’s mega project, the Korean climate change leading expert said.

Rae Kwon Chung also agreed that the ideal bank to fund ‘Super Grids Silk Road’ is the Asian Infrastructure Investment Bank (AIIB) and said the Global Energy Interconnection Development and Cooperation Organisation (GEIDCO) could oversee it.

With its permanent office in Beijing, GEIDCO is a non-governmental, non-profit international organisation of willing firms, associations, institutions and individuals dedicated to promoting the sustainable development of energy worldwide.

**A ROLE FOR THE EU?**

Asked by EURACTIV about a possible role of the EU, he said: “They can be an investor. And also they can import electric energy from ‘Super Grids Silk Road’.

He added: “They [the EU] will no longer need Gazprom Russia. This project will be of huge scale, because Central Asia has a huge land space, and the potential to be an exporter of electricity to Europe”.

Rae Kwon Chung said that particular aspect of the project could get off the ground in “maybe in 20 or 30 years. And it will take some time to work on political agreements.”

The Korean expert argued that the climate change impact would be particularly severe in the Middle East and in Central Asia. Until the end of the century temperatures could go up to 6.5 degrees centigrade for Central Asia, which would make it very difficult for people living in this huge area to adapt.

Even if climate action efforts lead to a 2 degrees decrease, because of its continental climate, temperatures in Central Asia would still go up, he warned, advising Central Asia to start thinking what kind of cities and villages to build for the future.

He warned that Masdar City, a planned 19,000 people city project in Abu Dhabi, is too big, as in Central Asia people were scattered around wider areas. He added that eco-design holds the solution to the challenges.
Roman Vassilenko, deputy minister of foreign affairs of Kazakhstan, met on Wednesday (4 July) with a group of international journalists from around the world to field questions about his country’s development and the China-promoted Belt and Road initiative.

This week Astana is hosting a number of international events and has attracted many journalists. Vassilenko, who is a career diplomat, having served in the UK and in the US, spent two and a half hours with reporters and answered many questions.

The diplomat said he had received many questions in advance concerning the Belt and Road initiative, and made use of a map to offer explanations.

He argued that it is that map that gives a sense of why Kazakhstan is among the strongest supporters and key participants of China’s mega project, the Belt and Road initiative.

It was unveiled by Chinese President Xi Jinping in September 2013, in a speech at Kazakhstan's Nazarbayev University in the Kazakh capital. The Central Asian nation is the first country on the way to Europe from China, if land transport is used instead of sea.

Many maps about the Belt and Road can be found in internet, but most of them are extremely vague or even misleading.

"[After China and Kazakhstan] Russia comes next, and then Belarus and Ukraine", said Vassilenko, explaining that there were two major routes being used by the railroad shipping companies that transport goods from China to Europe.

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He explained that the northern route goes from southwest China into Kazakhstan with a crossing at the Chinese city of Khorgos.

It then continues across Kazakhstan to Russia and Belarus, and then into Poland and Germany, ending in Duisburg, the largest dry port and a hub in the heart of Europe. From there, trains can reach every corner of the continent.

The southern route, Vassilenko added, goes across Kazakhstan to Aktau [a Kazakh city on the Caspian Sea], then crosses the water into Azerbaijan, continuing by rail into Georgia, Turkey and then the EU via Bulgaria.

Kazakhstan has built 2,500 km of railroad since it became independent, more than any other post-Soviet country. That investment was meant to take advantage of the country’s central position in Eurasia and restore east-west connections, the Kazakh diplomat explained [in Soviet times the connections were north-south].

Kazakhstan has also laid 4,000 km of tarmac, including a 2,700 km that makes up the Kazakh leg of the 7,000 km-long Western Europe-Western China Highway. It is already been used by shipping companies but the main activity is by rail.

Thanks to these projects, as well as agreements between the railways companies of Kazakhstan, Russia and Belarus on the northern route, as well as by Kazakhstan railways and their counterparts from Azerbaijan, Georgia and Turkey, tariffs and operations have been synchronised, so the routes have become profitable, the diplomat explained.

A few figures mentioned by Vassilenko illustrate the exponential growth of container transport. In 2010, there were zero Chinese containers shipped via Kazakhstan to Europe. In 2011, 1,200 containers were shipped. In 2017, that number grew to 200,000 containers and this year, almost 400,000 containers are expected to cross Kazakhstan.

He added that the number would double in each of the next two years, reaching 800,000 containers next year and 1.5 million in 2020.

Overall, Kazakhstan expects to transit 2 million containers, including the north-south direction, by 2020. This would bring $5 billion in transit fees.

The advantage for goods companies is that they are able to send their wares from China to Europe in 15 days. In comparison, transport by ship takes between 30 and 45 days, Vassilenko said.

He also explained that shipping by rail is less expensive than by air, but still more expensive than by sea ($2,000 by ship, compared to $6,000 by rail).

But experience shows that if the goods are of high value, like Hewlett Packard’s who manufacture their computers in China, or Apple’s iPhones, it is more advantageous to use the rail route.

The volumes are also telling, as only 1.5 million containers are transported by rail per year compared with 15 million containers via sea link.

China is among the biggest investors in Kazakhstan, where 51 economic projects worth $28 billion are being implemented jointly with the Middle Kingdom, and not all are related to the Belt and Road initiative.

Many of them, Vassilenko explained, relate to industries such as petrochemicals, energy, housing construction, road construction, agriculture and processing of agricultural products, etc.

With its 28 members, the EU remains the largest investor in Kazakhstan though, accounting for roughly 50% of the total and half of the $300 billion dollars invested in Kazakhstan over the 26 years of independence, Vassilenko said.

He added that taken individually, Russia is the largest trading partner, accounting for almost 21% of Kazakhstan’s trade, while China is quickly catching up and accounts for 18% of the country’s foreign trade.

Annually, the presidents of Kazakhstan and China exchange visits, overseeing each time the signing of dozens of commercial agreements. The last time they met was just before the Shanghai Cooperation Organisation (SCO) last month in Qingdao.

EURACTIV asked Vassilenko how his country, which is indeed very large, but has a population of only 18 million, hopes to preserve its identity and sovereignty, and not be overwhelmed by its powerful Chinese neighbor.

In his answer, the Kazakh diplomat highlighted the effort of Astana to maintain balance between the world's big powers.

"We are very mindful of the differences in terms of the size of the economy, of the population between Kazakhstan and China, but we are firmly of the opinion that we need to continue to develop these trade and economic relations, these political relations, for the benefit of all, not just Kazakhstan and China, but between Kazakhstan and our other partners,” he said.

He further stressed that relations with the EU and US were also seen as a big priority.

“Our goal is to ensure the balance of those relations, politically and economically”, he said, giving as example the biggest sector of the country – oil and gas – where investments have been distributed evenly, China accounting for a quarter of all investments, but the largest investor being the US, and Italy, the UK and France having also a very important share.

Also, he said that the directions

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of major export pipelines from Kazakhstan were in several directions. The major export oil pipeline to Russia became operational in 2001, connecting the country’s largest onshore oil field Tengiz with Russia’s Black Sea port of Novorossiysk, but in the meantime an oil pipeline and a gas pipeline were built to supply China, and there were regular transport of oil by tankers across the Caspian Sea to Baku, where the commodity was pumped into the Baku-Tbilisi-Ceyhan pipeline.

“So it’s a very diversified structure, ensuring the economic balance of interests of all the players”, the diplomat said.

In term of political relations, Vassilenko said his country was the first from the former Soviet Union to sign a border delimitation treaty, in 1998.

This was even more important given the border clashes between China and the Soviet Union of 1969-1970 took place on the territory of today’s Kazakhstan, he argued. [The Sino-Soviet border conflict was a seven-month undeclared military conflict between the Soviet Union and China at the height of the Sino-Soviet split in 1969.]

He also reminded that his country was among the countries who established in 1996 the Shanghai Cooperation Organization [with Russia, China, Kyrgyzstan, Tajikistan], as a structure serving as a mechanism for jointly addressing common issues, developing not just security cooperation, as it was the case originally, but also economic cooperation.

Vassilenko said he will make an excursion in history to better explain the importance of such an organization. When SCO was established by the five countries mentioned [China plus four countries bordering it], one of the first decision was to withdraw troops, as a confidence-building measure, at 100 kilometers from the respective border.

“So it’s a combination of economic policies, political interaction and international structures that we seek to develop as the overall framework for stable, sustainable and mutual beneficial relations with China”, he said.
The “Astana International Financial Centre” or AIFC, was inaugurated today (5 July) at a lavish ceremony in the Kazakh capital. Foreign dignitaries stressed the importance of the project to the Chinese-led Belt and Road initiative, which is also referred to as the New Silk Road.

More than 50 countries and international organisations sent representatives at the AIFC inauguration. Many of the foreign speakers stressed that the project is the brainchild of Kazakhstan’s President Nursultan Nazabayev.

Nazabayev, who has been the country’s leader since the former Soviet Republic became independent, signed a decree on the establishment of the AIFC in 2015.

The project is compared to global financial centres such as Hong Kong or Singapore. A lot of work was needed, including an amendment of the constitution for creating a “one country – two systems” legal base, attractive for major foreign investment.

The AIFC will be based on English common law jurisdiction and English as working language, as the best way to attract foreign direct investment, and create the best juridical environment in the post-Soviet space. The expectation is that in the next ten years AIFC will become one of the largest Asian financial institutions.

AIFC has created a stock exchange, also inaugurated today, in partnership with Nasdaq and the Shanghai stock exchange. It is expected that in September-October the initial public offering for five major Kazakh companies will begin.

Pride of place was given to the Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed, who sat beside

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the President at the opening ceremony.

The President said that tomorrow the country will mark the 20th anniversary of Astana as capital of the country. 6 July is also his 78th birthday.

“Our country is only 27 years old. In terms of history, this is only a blink. But I think our people made a big step forward in its flourishing. We hope that AIFC will serve the same purpose. On our side, we will make everything so that work for everyone in the Centre will be a pleasure, that business would bring big profits, and that this will be profitable also for Kazakhstan”, the President said.

Astana is making big efforts to accommodate those who will work for the AIFC. An Expat Centre was launched to assist the influx of foreigners expected, based on the ‘one-stop-shop’ principle.

AIFC governor Kairat Kelimbetov, who has previously served as deputy Prime Minister and as Chairman of the National Bank of Kazakhstan, said that the project became possible after Nazarbayev met with “the captains of business” in New York and London and personally promoted the project.

“I consider that the task we are given to make Astana an international financial centre in the next 20 years is something we can do”, he said.

Jacob Aharon Frenkel, Chairman of JPMorgan Chase International, said that many had doubts when Nazarbayev took the decision to move the capital to Astana. But he said the pessimists had been proven wrong, as Astana was one of the fastest developing cities in the world. He added that the creation of AIFC would be an equally transformative decision.

Hans-Paul Bürkner, Chairman of the Boston Consulting Group, said that AIFC would be another major accelerator for the development of Kazakhstan. He said the AIFC would “leverage the New Silk Road” and “clearly position Kazakhstan as the regional financial centre”.

Bürkner also praised the AIFC for its efforts to develop fintech.

Dr Bandar, Hajjar, President of the Islamic Development Bank (IsDB), said his institution supported the strategic goals of the Kazakh government, as well as Islamic infrastructure integration. The AIFC would boost international cooperation between Kazakhstan and the IsDB member countries, he said. He added that the AIFC would promote Islamic financing within the Community of Independent States (CIS), a market of former Soviet republics with 180 million people.

The only ‘European’ message was from Sir Suma Chakrabarti, President of the European Bank for Reconstruction and Development (EBRD). He said he was confident that the AIFC would contribute to the transparency of the Kazakhstan financial market, in Central Asia, and in the wider region. This is why the EBRD will continue to provide support for the reform agenda of Kazakhstan, he added.
Kazakhstan is the buckle of the Belt and Road initiative

By Aymone Lamborelle and Georgi Gotev | EURACTIV.com

The Belt and Road Initiative (BRI) is a development strategy proposed by the Chinese government which focuses on connectivity and cooperation between Eurasian countries.

The Belt and Road initiative largely replicates the Silk Road, a common historical heritage of China, Kazakhstan and all countries along its path.

Some estimates list the Belt and Road Initiative as one of the largest infrastructure and investment projects in history, covering with all its ramifications more than 68 countries, including 65% of the world’s population and 40% of the global GDP.

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The Belt and Road Initiative (BRI) is a development strategy proposed by the Chinese government which focuses on connectivity and cooperation between Eurasian countries. BRI largely replicates the Silk Road, a common historical heritage of China, Kazakhstan and all countries along its path.

As the largest landlocked country in the world, wedged between vying emerging powers Russia and China, sitting on a wealth of oil and mineral deposits, Kazakhstan’s location is unique – and vital.

From a total of more than 10,000 kilometres, 3,000 kilometres run through the territory of Kazakhstan.

The main land corridor of the Belt and Road initiative will cross Kazakhstan, significantly reducing the time and cost of transportation, compared to the traditional maritime routes or other land corridors.

Among the big projects are the construction of the modern dry port Khorgos on the border with China and modernisation and expansion of the Aktau port on the Caspian Sea.

The Astana International Financial Centre (AIFC), located at the impressive venue built for Expo 2017, will serve as a regional financial hub for BRI for based on common law jurisdiction.

The Belt and Road Initiative (BRI) is a development strategy proposed by the Chinese government which focuses on connectivity and cooperation between Eurasian countries. BRI largely replicates the Silk Road, a common historical heritage of China, Kazakhstan and all countries along its path.
INTERVIEW

Fraser Cameron: I don’t think the EU is hostile to New Silk Road

By Georgi Gotev | EURACTIV.com

As long as the principles of the OECD, the World Bank and the IMF on transparency, public procurement and sustainable development are observed, the European Union is not hostile to China’s New Silk Road project, Fraser Cameron told EURACTIV.

Fraser Cameron is the director of the EU-Asia Centre, a think tank dedicated to promoting closer relations between the EU and Asia, established in 2011. He is a former British diplomat and EU official, and a visiting professor at several universities in Asia.

He spoke to EURACTIV’s senior editor Georgi Gotev.

I’m coming back from Kazakhstan, where I attended a series of events dedicated to the New Silk Road, or to the One Belt One Road initiative. I think there is a branding problem here…

… I know, I keep telling the Chinese, it’s a stupid thing to keep changing the name. They had a very good name, New Silk Road. Everyone in Europe and most of the world understood the Silk Road. And then they switched to One Belt One Road, and then switched again to Belt and Road initiative, which sounds like a road safety campaign. In terms of branding, as you say, there hasn’t been a good development.

“One Road” is very confusing because it’s not one road, the idea is to have many, many roads…

Exactly!

Bad translation from Chinese, perhaps?

I don’t know. I think the reason they changed from Silk Road is they believed Hillary Clinton had mentioned it in a speech and they didn’t want it to be associated with her. It’s a bit crazy, but there you go.

But the initiative has potential?

Sure, but it’s a very long-term project. It was launched three or four years ago and hardly anything has been done. A lot of potential is there, lots of countries are involved, lots of memorandums of understanding

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were signed etc, but in terms of hard and concrete projects, there are very few, and most of them could have been done under any heading.

Well, at least there is a significant increase in container traffic between China and Western Europe by train, although it’s not going to replace the traditional way of the containers by sea, because railway transport is faster than sea, but it’s more expensive...

90% of the transport is by containers and the perishable freight goes by air freight, but rail transport is not likely to increase significantly, given those delays at borders. That’s the main problem, it’s not the physical infrastructure. So when you talk about connectivity, one thing is improving infrastructure, but also very important is the mentality of people occupying customs posts, who traditionally have seen this as the way to augment their income through bribery and corruption.

The EU doesn’t seem to be very enthusiastic about the Silk Road. Is it because some member countries don’t want a change of the status quo, they don’t want traffic to be diverted?

There isn’t much evidence of traffic being diverted. I don’t think the EU is hostile to it, it’s not particularly enthusiastic. It basically says, look, if this brings investment to countries that need it, and there is a desperate need of investment all over Asia, then that’s good, but it must be done under the principles of OECD, World Bank, IMF, on transparency, public procurement, sustainable development, all these things.

But it must be a matter of concern for the EU, seeing China increasing considerably its clout on some EU countries, like the Western Balkans?

Yes and no. It’s good that the countries have alternative sources of investment. The Chinese have put money on building infrastructure in Greece, Montenegro, Macedonia, taking over a plant in Serbia, a new railway between Budapest and Belgrade, that’s good, but as long as it stays within international standards. That’s the key point from the EU. Increasing China’s influence is like increasing economic might regardless of who you are, by investing, you are getting more political influence, that’s quite clear.

What do you think of the establishment of the Astana International Financial Centre (AIFC), in the context of the New Silk Road?

It was in the process of preparing for the opening when I was there last November. It’s difficult to say how it is going to have a big impact or take business away from any other financial centres. The Chinese have foreign exchange controls now that limit the export of foreign currency, including the renminbi [yuan]. Their plans for the internationalisation of the renminbi have been put on hold at the moment. So the Astana Financial Centre, fine, but I think its scope will be very limited.

How about the ideas of several things, not only transport, being boosted via the New Silk Road, like for example producing electricity in Central Asia and supplying Europe?

The energy aspect is, of course, one of the main motivations for China’s Belt and Road initiative, because they are obviously seeking swap deals with companies of energy-rich countries along the road. But this is a very international market, and countries will sell their energy usually to the highest bidder, unless there is a political reason not to do that. Look at how difficult it has been for China and Russia to agree on an energy deal, because fundamentally the two countries are suspicious of each other.

A summit in the 16+1 format was held in Sofia at the weekend. One of the decisions has reportedly been to establish a global centre in Sofia for Chinese economic penetration in the region...

All of the 16 countries [11 EU members: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and five EU hopefuls: Albania, Bosnia-Herzegovina, Macedonia, Montenegro and Serbia] have been trying to get something special from the Chinese and essentially failed. 16+1 has brought basically nothing to these countries, it has brought some minor political advantage to the Chinese, but the Chinese also see the weaknesses of the 16+1 makeup and are trying to drop it. It was very much at the insistence of the Bulgarians that they went ahead and had this summit at the weekend, because Li Keqiang was going to Germany anyway. For the Chinese, the German market is more important than all the 16 put together.

So your verdict for 16+1 doesn’t seem to be good?

16+1 is going nowhere. In terms of Belt and Road, it’s different, it will run for a long time because it has been associated with President Xi Jinping and it has been put in the constitution. But the Chinese clearly haven’t done their political risk assessment.