

Extent of the “Belt and Road” Initiative in Stimulating Economic Growth in Post-Soviet Central Asia

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Abstract: As the “core area” of the “Silk Road Economic Belt,” the five Central Asian countries occupy an important position in the “Belt and Road” strategy. With the increase of China’s investment, the infrastructure of the five Central Asian countries has been continuously developing, economy persists to grow, and the people’s standards of living have been constantly improved. This article focuses on how the “Belt and Road” initiative has promoted the economic growth of the five Central Asian countries.

Keywords: Belt and Road initiative; Post-Soviet Central Asia; Economy

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1. Introduction

The Belt and Road Initiative (BRI) was first announced by the Chinese President Xi Jinping in 2013 when he was visiting the Nazarbayev University. Since the “Belt and Road” initiative was put forward, China has carried out close investment collaboration with countries and regions along the route for energy, minerals, infrastructure and many other resources. The five countries in Central Asia are adjacent to China’s Xinjiang which is an important fulcrum on the “New Silk Road Economic Belt. It is also the first stop for Chinese enterprises to “go west.” The countries in Central Asia are the key countries in the ancient Silk Road, which are largely associated in the BRI today. They have the advantage of being geographically close to China in terms of collaboration.

This article uses two perspectives of how the “Belt and Road” has facilitated the development of the countries in Central Asia and how each country utilizes the opportunities from the BRI. The “Belt and Road” has promoted the economic growth of the countries in Central Asia through investments and collaborations along the “Belt and Road.” China has supported the five countries in Central Asia to make certain progress in terms of the infrastructure, investment and finance, trades, agriculture, as well as employment. In regard to that, China’s investments in those countries are continuously required while expanding current collaboration in oil and gas, infrastructure constructions as well as other fields.

2. What the BRI Brings About in Central Asia?

The countries in Central Asia are located in the center of the Eurasian continent, close to China, and have the advantage of strong geographic collaboration with China. The BRI having important geographical and strategic advantages is the only way through the Asia-Europe channel. The countries in Central Asia have large amounts of mineral, natural gas, and agricultural resources, which are in urgent need for development.

However, after the disintegration of the Soviet Union, the countries in Central Asia embarked on a road of independence but their economic conditions seem unsatisfactory.

China and the five Central Asian countries have close geographic relations, and complement each other in certain aspects, with the announcement of BRI. China and the Central Asian countries have stable mutual collaborations. The five countries have actively joined the BRI, and the economic situation of each country has continued to grow. The collaborations between the two parties mainly focus on trade exchange of oil and gas, agricultural products, machinery, and electronics. The BRI has promoted the economic growth of Central Asian countries mainly through the following aspects.

3. Large Investments and Financial Support to Central Asian Countries through BRI

The economic collaboration between China and the five Central Asian countries has obvious arrangements and agreements. Since the BRI was put forward, China companies have been actively exploring international markets and further opening up opportunities for economic collaborations with the five Central Asian countries.

Table 1. 2013-2018 China's direct investment stocks in the five Central Asian countries (unit: 100 million U.S. dollars)

Year	2013	2014	2015	2016	2017	2018	2018 proportion
Kazakhstan	69.57	75.41	50.95	54.32	75.61	73.41	50.00%
Kyrgyzstan	8.86	9.84	10.71	12.38	12.99	13.93	9.49%
Uzbekistan	1.98	3.92	8.82	10.58	9.46	36.90	25.13%
Tajikistan	5.99	7.29	9.09	11.67	16.16	19.45	13.25%
Turkmenistan	2.53	4.48	1.33	2.49	3.43	3.12	2.13%
Total	88.93	100.94	80.90	91.44	117.65	146.81	100%

Data source: 2013-2018 "Statistical Bulletin of China's Foreign Direct Investment"

Indeed, China's current investment shares in Central Asia are not large in comparison with other countries. However, in some areas of Central Asia, China has provided a large amount of financial support for petroleum exploration, mining, infrastructures, power telecommunications, transportations, and technology support. Therefore, with the continuous advancement of the BRI, a group of well-known central enterprises with great influence, represented by Sinopec, CITIC Group, and North Industries Group have become the main drive for direct investments in the five Central Asian countries. In addition to China's foreign direct investments, the Asian Infrastructure Bank and the Silk Road Fund have also been established to help Central Asian countries with building and financing domestic as well as foreign markets.

3.1. BRI and technical supports in Central Asian countries

Central Asian countries have abundant resources. There are some oil and gas storage areas with complex geological and mining conditions. Therefore, under the conditions of BRI, joint ventures in Central Asia will bring in technology research and development as well as play a greater role in promoting oil recovery and new engineering technologies to promote the stable development of Central Asian oil collaboration businesses.

3.2. Increase in employment for Central Asian countries through BRI

The influx of a large number of multinational collaborative companies have provided many jobs for the people of Central Asia. For example, Chinese petroleum companies have worked hard to promote the localization of employees, using oil as a link to create more than 40,000 jobs for people in Central Asia. Vocational training for employees has improved the local wages and standards of living for the local people; thus, attaining good reputation among the local government and people.^[1]

3.3. BRI and infrastructure construction in Central Asian countries for economic development

A certain amount of infrastructure construction is needed to increase the total trade volume between a country and its neighboring countries, leading to subsequent development of the industry. On August 25th, 2016, the construction of UAE Railway project was undertaken by China Railway 19th Bureau with a total investment of US\$72 million started in May 2015. The completion of the UAE Railway will greatly shorten the distance between the central and southern regions of the area, reduce transportation costs, and increase the overall transportation capacity which has important strategic significance for the economic growth of that area.

Currently, in regard to the BRI, large-scale production capacity collaboration projects such as the power station constructed by China in Uzbekistan, the oil refinery constructed in Kyrgyzstan, and the cement plant constructed in Tajikistan will be conducive to the formation of local economic growth poles. Central Asian countries are relatively backward in terms of technology and equipment, and their transportation infrastructures are not coordinated with the economic growth. Therefore, investments in the transportation infrastructure field in Central Asia is not only favorable in regard to China's high-quality production capacity collaboration, but it is also a powerful measure to improve the infrastructure construction in Central Asian countries. Through the construction of the Eurasian continent interconnection network led by investments in transportation infrastructure, opportunities will be created for comprehensive international production capacity collaboration. After the BRI, Central Asian trains have gradually increased and in 2016, the first railway constructed by the 19th Bureau of China Railway, a Chinese company, was established. Since then, Wuhan, Gansu and other regions in China have successively launched Central Asian railway trains to allow convenient cargo transportations. Thus, the BRI has benefited the development of infrastructure and optimize transportation networks of the five Central Asian countries.

4. Opportunities for the Five Countries in Central Asia

Based on different situations of each of the five countries in Central Asia, they encountered various development opportunities through the BRI.

4.1. Kazakhstan

China is Kazakhstan's main trading partner, as well as their second largest import-export market. At present, China-Kazakhstan collaboration covers transportation infrastructure, trades, processing industry, energy, agriculture and many other potential fields. Statistics showed that in 2017, the bilateral trade volume between China and Kazakhstan was US\$18 billion. It was an increase of 37.4% over the previous year. The main commodities imported by Kazakhstan from China are mechanical, electrical, and chemical products, which cost for more than 60% of Kazakhstan's total imports from China. The main commodities that Kazakhstan exports to China are metal, mineral, and chemical-based products. China and Kazakhstan have fully implemented capacity collaboration and established a fund for it. At present, 51 collaboration intentions have been reached, with a total investment of US\$26.5 billion and thus, there are more than 1,200

Chinese-funded enterprises in Kazakhstan. China and Kazakhstan have completed 4 collaboration projects in the fields of machinery manufacturing and petroleum processing, with a total investment of US\$143 million. As the largest country in Central Asia, Kazakhstan is an important country along the BRI as it has strong economic and cultural ties with China both, in history and at present. Therefore, as an important force for the construction of the Eurasian Continental Channel and a valuable collaborative country for China to promote the “go west” initiative, the investment and collaboration between Kazakhstan and China are of great significance to the construction of the “Silk Road Economic Belt,” the investments, as well as development of its own enterprises.

4.2. Uzbekistan

China is Uzbekistan’s second largest trading partner country, the largest source of investment, export destination of cotton, supplier of telecommunications equipment and soil improvement equipment. In 2017, the bilateral trade volume between China and Uzbekistan was approximately US\$4 billion, which was an increase of 15% over the previous year. In terms of investment, China has been the largest source of investment in Uzbekistan for many consecutive years, with a total investment of over US\$7.8 billion. In recent years, China and Uzbekistan have reached a consensus on a series of major projects in bilateral collaboration which features large number of collaborative projects such as the China-Central Asia Natural Gas Pipeline and the China Industrial Park that are progressing smoothly. Also, Beijing, Guangzhou, and Urumqi have allowed passengers to travel to Tashkent. Moreover, freight routes are utilized by China’s Huawei, PetroChina, Pengsheng, ZTE and other companies which actively invest in Uzbekistan, bringing employment opportunities and promoting local economic growth.

4.3. Tajikistan

Tajikistan is a landlocked country with mountain territories. “Energy, transportation, and food” are the three major strategies for developing the country. Tajikistan’s president, President Rahmon believes that active participation in the construction of the “Silk Road Economic Belt” benefits both Tajikistan and China. In addition, China Power Construction Group participated in the technological transformation project of Gravnaya Hydropower Station in Tajikistan.^[9] In 2018, the cement export in Tajikistan reached 1.17 million tons, of which the output of Sino-Tajikistan joint ventures accounted for 90% of the country’s total cement output.^[10] As a result, China and Tajikistan have carried out effective collaboration in the fields of investment, technology, agriculture, and infrastructure.

4.4. Kyrgyzstan

China provides advantages for Kyrgyzstan to improve its infrastructure by becoming its largest trading partner for their imitation goods and huge amount of exchanges. The bilateral trade in goods between the two countries reached approximately US\$5.6 billion in 2017, accounting for about 27% of Kyrgyzstan’s total import and export transactions. The investments from China companies mainly concentrate in the fields of energy, rubber industry, plastic manufacturing and non-metallic mineral production, geological prospecting, as well as mining products.

Facilities connectivity is the common concern of many countries in Central Asia; hence, it is also an important role of the “Belt and Road” construction. In 2015, the Kyrgyzstan “Datka-Kemin” power transmission and transformation project constructed by the collaboration of China and Kyrgyzstan was officially completed. The project integrates the originally independent power systems in the north and south of Kyrgyzstan. It is of great significance to improve the independence and safety of Kyrgyzstan’s power grid and promote the economic and social development of Kyrgyzstan to improve the people’s livelihood.

4.5. Turkmenistan

The collaboration between China and Turkmenistan is mainly in the energy field. Based on BRI's conditions, the two countries can achieve mutual benefit and a win-win situation as China has been the largest trading partner of Turkmenistan for many years. Turkmenistan is a country which abounds with natural resources, like petroleum and natural gas; thus, the collaboration between China and Turkmenistan in the energy field is steadily developing. The Turkish side has issued special policies in relation to Sino-Turkish natural gas collaboration and granted the exclusive onshore natural gas exploitation rights to China National Petroleum Corporation. Thus, three lines of China-Central Asian natural gas pipeline; A, B, and C has been built. Since its opening at the end of 2009, it has supplied more than 170 billion cubic meters of gas to China.

5. Conclusion

Since the ancient Silk Road, countries in Central Asia have maintained significant relationships with China and. Through the proposal of the BRI, China has increased its investments, and speed up collaborations as well as development procedures with the Central Asian countries. Additionally, it further opened up the territory of economic collaboration between China and the five Central Asian countries.

Petroleum and gas collaborations have always been key collaborations in Central Asia. China has abundant funds and a large amount of energy demand, while Central Asian countries have abundant oil resources. Therefore, the two sides have collaborated in oil development, benefiting both, the Central Asian countries and China.

In Central Asian countries, it is recommended to take into consideration of the geographical characteristics to utilize the marginal spillover effect of infrastructure, integrate factor resources, improve the volume for cross-border capacity collaborations, leverage economic and trade collaborations, as well as utilize the leverage effect in order to use the funds for new infrastructure development.

According to China News, experts from China and Kazakhstan mentioned that the relationships between China and Central Asian countries are entering a new historical stage. The countries in Central Asia will be able to benefit from the "Belt and Road" Initiative if they hold onto the opportunities.

Disclosure statement

The author declares no conflict of interest.

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