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Silk Road Economic Belt and Transport and Logistics opportunities of Kazakhstan

The article describes the socio-economic background of «Economic Belt of The Silk Road» international strategy election by China and its basic principles. Purpose of the adoption of the strategy and its benefits for the participants are evaluated. The Kazakh-Chinese cooperation in the transport prospects and logistics sector is considered. Conclusions about the feasibility and the development of economic partnership between our countries are made.

Key words: integration, regionalism, economic zone, Eurasian transcontinental corridor, freight logistic possibilities, industrial cooperation.

The phenomenal success of China have been the subject of discussion in the broad scientific community. Significant changes in the foreign policy of the last of the fifth generation of Chinese leaders headed by Xi Jinping are of particular interest.

China not only in words, but in fact was able to realize corporation school theory advanced by P. Sorokin, and developed by D. Galbraith, W. Rostow, F. Perrou, which was the core of the new development of integration processes. The theory of corporation school is connected with the theory of structuralism, in which the Swedish economist Gunnar Myrdal considered it as a deep economic integration process of structural transformation in the economy of the integrated countries.

Fundamentals of neoclassical theory, namely, the problem of international economic cooperation, consisting in how to protect the diverse benefits of broad international economic cooperation from the constraints and at the same time maintain the maximum for each country's degree of freedom were inherent in the works of R. Cooper, J. Pinder and I. Stoller.

Many theoretical and practical issues of international economic integration, including the problem of increasing the efficiency of the integration process of the country is one of the most promising areas of modern economic science as many theoretical and practical aspects have not yet been properly developed. In particular, for all the importance of the research possibilities and prospects of integration processes and projects in certain countries are undefined. Theoretical and practical significance of the study of these problems, the need for new approaches determined the choice of research topics, goals and work tasks. This article attempts to reveal the economic essence of Chinese international strategy «Economic belt of the Silk Road» as a stage of global integration, to determine its role in the development of Kazakh-Chinese relations, in particular in the transport sector and to identify the socio-economic benefits that can be obtained.

New economic realities of China

Against the background of a slow recovery of the world economy from the global financial and economic crisis, the world community will have to find a new model of cooperation, integration, and create new mechanisms of economic development. In the course of the integration of the Chinese economy into the world economy, China is ready to assume more international responsibilities and obligations in accordance with their abilities and make a major contribution to peace and human development. The initiative for the joint construction of «one belt and one road» is aimed at promoting free and orderly movement of economic factors, the efficient allocation of resources, and deepen market integration, to promote coordination of the economic policies of the countries along the route of one belt and one way, broadening and deepening regional collaboration, formation of open, inclusive and balanced architecture of regional cooperation through joint efforts in the framework of such partnership all get benefit and opportunities for sustainable development [1].

Chinese project of The New Silk Road is a strategic idea of the Chinese Communist Party. This project is China's land route, which will connect the Chinese industrial areas with German river and sea ports, and from there the whole Europe [2].

New Chinese initiative, according to the available information can pursue three strategic objectives:

- Expansion of international and regional trade;
- The creation of international transport corridors from China to Europe and the Middle East through Central Asia;
- Gradual increase of China's economic presence in Central Asia as a strategic partner.

To achieve these objectives, the key challenges for China are:

- The development of trade and economic cooperation, removal of many barriers and restrictions in international and bilateral trade, the creation of a favorable climate for investment;
- Construction of the Eurasian transcontinental network of railways and highways, allowing the use of different international transport corridors flexible;
- Comprehensive deepening of trade-economic and transport-logistic of China relations with the countries located along the Silk Road, especially with the Central Asian countries;
- Connection of all parts of the Great Silk Road through advanced transport and infrastructure and communication networks, as well as the development of the pipeline system;
- Expansion of the export of Chinese goods for which China has excess capacity in the country, especially in its western provinces (overproduction of steel, aluminum, photovoltaic equipment, wind generators, etc.);
- Conducting settlements between participants of the Silk Road with the use of multiple currencies [3].

China proposed the idea of economic belt of «Silk Road» based on the concept of building «five communications — 5C» between the countries of the region. In accordance with the approved strategy, economic zone of the Silk Road will be developed in the following areas:

- Northern route A: Changchun – Mongolia – Russia – Europe;
- Northern direction B: Beijing – Russia – Germany – Northern Europe;
- The average direction: Beijing – Xi'an – Urumqi – Afghanistan – Kazakhstan – Russia – Ukraine – Hungary – Paris;
- South direction: Guangzhou – Haikou – Hanoi – Kuala Lumpur – Jakarta – Colombo – Calcutta – Nairobi – Athens – Venice (Fig. 1).

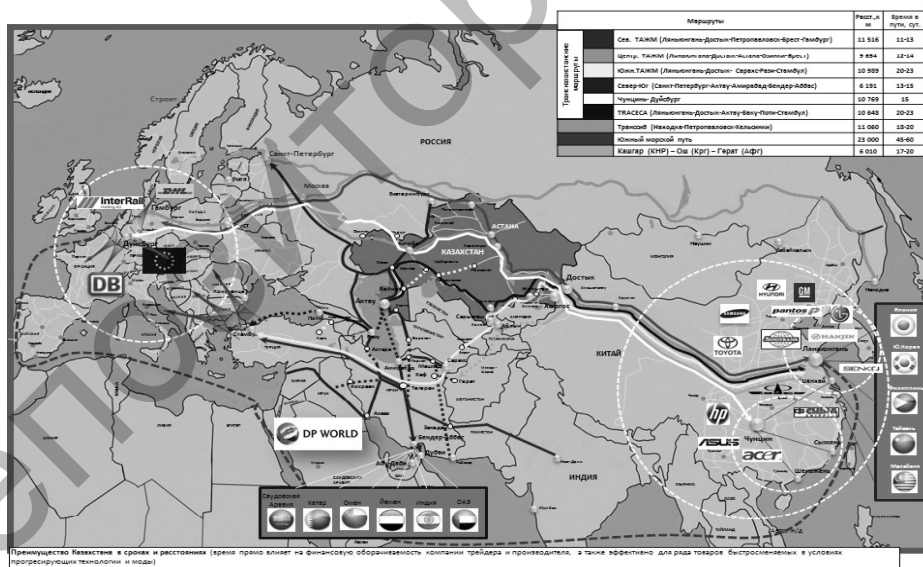


Figure 1. Map of the economic belt of the New Silk Road of Chinese People's Republic (source [4])

Of course, the economic belt of the Silk Road as an integration project for joint participation and win of all of the stakeholders, implies not only the aims of the movement, but also the algorithm to achieve the objectives — the development of infrastructure — expansion of trade — industrial cooperation — closer economic ties — the agreement on regional economic cooperation.

The economic zone of the Silk Road is based on the aforementioned transport routes, within the zone is expected to develop their own cities and industry. The economic zone of the Silk Road is the main strip,

which unites industry, population, resources, information, and other components of the region's vital functions within a single system [5].

Consider the economic reasons for China to put forward the strategy of economic belt of the Silk Road:

1. Surplus foreign currency assets. China has nearly 4 trillion of US dollars currency reserves. Since they consist of more than a quarter of US dollars assets the risk factor is high.

2. The need for access a foreign oil and gas and mineral resources. Due to the rapid growth of GDP (over 9 % within 36 years) the level of consumption of «Chinese world factory» resources and energy has grown considerably. China's dependence on imported oil has reached to 59.5 % (net oil imports amounted to 308 million tons.), dependence on imports of gas is 32.2 %, natural gas imports rose to 59 billion cubic meters (including natural gas transmission pipelines totaled to 52.5 %) dependence on imports of liquefied natural gas accounted for 47.5 %, dependent on other imported resources such as iron ore — 53.6 %, aluminum — 52.9 %, copper — 69 %, the potassium salt — 52, 4 %. The strategy will help to gain access to the resources of Russia and the Central Asian Republics, build energy and transport infrastructure to serve China by Russian, Kazakh, Turkmen energy.

3. The concentration of industrial infrastructure on the East Coast of China and the economic «weakness» of the Centre and the West of China. Over 30 years of opening up the eastern coastal areas have become more successful in economic development than inner and especially Western ones. The strategy will connect the inner and western regions of China to international projects. If East subjected to external shock, it threatens the economic security of China. In 2015, the share of the economy in Eastern Coastal Economic Zone amounted to 54.2 % of China's GDP. The population of Chinese living in the area is 40.2 % of the total population. According to the Asia-Pacific strategy, the United States and NATO have deployed military power in the amount of 123 thousand soldiers around China, representing 40% of US troops abroad [6].

4. The need to intensify the investment process abroad («to go to the outside»). In 2015, Chinese investment in Europe fell by 15.4 %, in North America remained unchanged. The growth was only in Asia — 16.7 %, Africa — 34 %, in Oceania — 52 %, the rapid growth in Latin America — 133 %. According to the United Nations Conference on Trade and Development (UNCTAD), the volume of trade between the main markets on the Eurasian continent by 2020 will increase by 1.5 times — from \$ 800 billion in 2014 to \$ 1.2 trillion. It is also expected that trade between China and the European Union will increase from 615 to 800 billion \$ US, between China and India from 66 to \$ 92 billion by 2020. Moreover, intercontinental transport of goods between Asia and Europe is dominated by sea transport, which accounts for more than 98 %.

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Implementation of the Strategy will significantly increase China's exports. This will contribute to the development of tourism and agriculture in Eastern Europe, Central Asia and South Asia, accelerate the process of industrialization and the development of logistics infrastructure, the construction of a network of telecommunications infrastructure, the integration of the financial sector and other sectors of the network as part of Eurasia.

The strategy immediately and unconditionally received support in Central Asia, especially in Kazakhstan. considering the fact that Kazakhstan supports the focal point of the Eurasian connection with the Middle East, it is necessary to create all conditions for the development of the New Silk Road. The economic zone of the Silk Road as a whole opens up new opportunities for Kazakhstan. According to today's Chinese version of the Silk Road, Kazakhstan is not only a transit country but also a key partner of the Eurasian corridor in Northern part.

China is the largest trading partner of Kazakhstan in Asia, and Kazakhstan ranked second among China's trade partners in the CIS after Russia. To further enhance of the trade cooperation level, the leaders of the two countries' strategic goal is to increase the volume of bilateral trade to \$ 40 billion by 2016. However, in 2015 the bilateral trade reached only \$ 10 billion (13.8 % of total trade turnover of Kazakhstan), including the export: 5.0 billion (11.8 %), imports: 4.7 billion dollars. (17.0 %) (Table 1).

Table 1

Trade indicators of Kazakhstan's foreign trade with China (US \$ mln)

Indicators	2014 y.	2015 y.	Gain 2015/2014 yy.
Commodity turnover of the Republic of Kazakhstan with China	17 156 639,5	10 566 611,8	-38,4
Specific weight of a commodity turnover with China in a total turnover of the Republic of Kazakhstan	14,2	13,9	-
Export from Kazakhstan to China	9 799 418,4	5 483 803,2	-44
Specific weight in a total export of the Republic of Kazakhstan (%)	12,3	12,0	-
Import from Kazakhstan to China	7 357 221,1	5 082 808,6	-30,9
Specific weight in a total import of the Republic of Kazakhstan (%)	17,8	16,8	-
Trade balance of the Republic of Kazakhstan with China	2 442 197,3	400 994,6	-

Note. Source [7].

Foreign trade turnover between Kazakhstan and China on the basis of 2015 amounted to 10.6 billion US Dollars. Export as compared to 2014 decreased by 44 % and amounted to \$ 5.5 billion USD, import decreased by 30.9 % to US \$ 5.1 bln. dollars (Fig. 2).

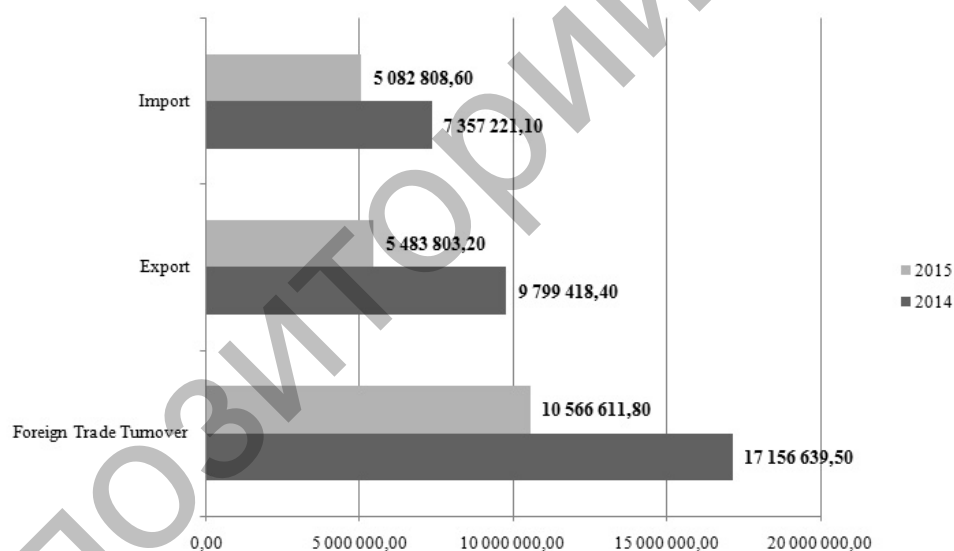


Figure 2. Dynamics of Kazakhstan's foreign trade with China for 2014–2015 (million USD.) (source [7])

Reduction of the dynamics of foreign trade of Kazakhstan with China is primarily due to the crisis in the global economy.

At the present stage one of the important components of the strategic partnership between Kazakhstan and China are economic and trade relations, where the transport component plays important role and accounts for over 75 % of trade turnover between Kazakhstan and China.

In the economic zone of the Silk Road are a lot of transport and logistics, investment direction with the participation of Kazakhstan, such as land and sea transport corridors, power-train «Silk Wind», FEZ «Khorgos-Eastern Gate», Kazakh-Chinese International Center Cross-border cooperation (ICBC), multi-modal transportation based on the scheme «Rail Air», dry port «KTZ — Khorgos Gateway» and others.

A key prerequisite for the development of Eurasia and Africa is the expansion of transport and logistics infrastructure through the development of the four direction. The implementation of the Economic Belt of

the Silk Road will reduce the distance of transportation in comparison with the route through the Suez Canal. Length of the route is 8,400 km, of which 3,400 km were laid on the territory of China, and 2,800 km under construction on the territory of Kazakhstan from «Western China – Western Europe» and 2,200 km are being built or upgraded in Russia. All of these routes can be divided into three groups.

Group 1 – North. The most developed and popular choice of the route is the transport corridor «Western China – Western Europe», passing through the cities of China, Kazakhstan and Russia (Lianyungang, Zhengzhou, Lanzhou, Urumqi, Horgos, Almaty, Kyzylorda, Aktobe, Orenburg, Kazan, Nizhny Novgorod, Moscow and Saint Petersburg) with access to EU ports. This route is already in force and today is unique and the only one, as most of the existing transit flow goes through it. An important advantage of the way that it passes the only one customs border — between China and the outer boundary of the Eurasian Economic Union, which is located in Kazakhstan.

2 group. The sea route is a route which passes through the territory of Kazakhstan and uses the Caspian Sea ports for transit (Urumqi – Aktau – Makhachkala – (Tbilisi) – Novorossiysk – Constanta). The cost of transport with an overload on container ships is currently about \$ 4000 for 1 TEU (standard unit of measurement of capacity of commercial vehicles) for the delivery to the EU, 3200 for \$ 1 TEU for delivery to the South of Russia, 3700 \$ 1 TEU with cargo delivery from China to Georgia (Fig. 3).

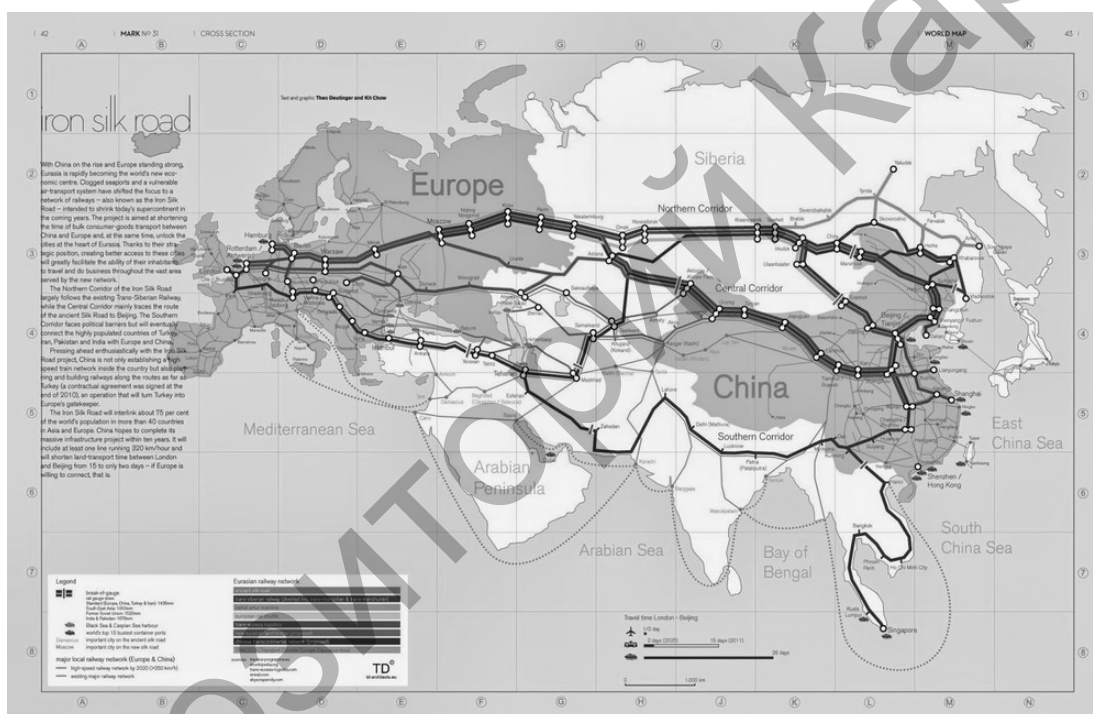


Figure 3. The basic perspective directions of the Economic Belt of The Silk Road (source [8])

Group 3 – South. The route Urumqi – Aktau – Baku – Poti – Constanta (the second option: Urumqi – Dostyk – Almaty – Shymkent – Tashkent – Ashgabat – Tehran – Istanbul) is the most expensive and at the same time one of the least powerful among all of these options and virtually untested. Using the railway, shipping cost of 1 TEU comes to \$ 5,000, and up to \$ 4,000 when delivering by vehicles and ferry. To carry out all planned activities it will require investments in the amount of not less than 8 billion dollars. This would reduce the cost of transportation up to \$ 1500 per TEU.

The expected volume of investments is \$ 2 billion, which will lead to decreasing of shipping costs of 1 TEU by rail to \$ 1,800 [8].

The basis of the economic belt of the Silk Road in Kazakhstan became the Eurasian transcontinental corridor that Nursultan Nazarbayev announced to create, speaking at the Astana Economic Forum in May 2015.

Kazakh side proposed to launch a project for the organization of a block train «Silk Wind» en route «Dostyk / Altynkol – Zhezkazgan – Aktau port – port of Baku – Tbilisi – Kars». According to the scheme

proposed by Kazakhstan, it is assumed that the cargo containers from China will be delivered to the Kazakh port of Aktau on the Caspian Sea by rail. Then they will be loaded on sea ferries and sent to the Azerbaijani port to Baku, and then again by rail to the ports of Georgia, where the goods will be delivered to Turkey or Ukraine ports by container ships [9].

In order to increase the transport and transit potential of land corridors of Kazakhstan and China rail and logistics infrastructure were established at the border on the basis of FEZ «Khorgos-Eastern Gate» and Kazakh-Chinese International Center for Cross-Border Cooperation (ICBC), which allows the transportation in excess of 40 million tons. Today was signed a contract with Hewlett Packard, DBSchenker, Toyota, FESCO, BRAVIS for the formation of container trains in transit through Altynkol station and processing in FEZ «Khorgos – Eastern Gate».

International Centre of Cross-Border Cooperation (ICBC) «Khorgos» is a unique Kazakh-Chinese project. The main goal of ICBC «Khorgos» is the development of cross-border, trade and economic cooperation and international tourism on the Great Silk Road. Creating ICBC «Khorgos» opens up additional possibilities for the expansion of international trade and the development of the tourism industry with the formation of the territory of the visa-free visits to Kazakhstan and China citizens, making trade deal agreement which is a great interest among the business community, tourists from near and far abroad. The ICBC «Khorgos» has launched 5 investment projects for development of export-import trading operations, as well as contract logistics. Another 10 projects are under consideration. The total amount of investment projects in the first stage is \$ 300 million [10].

One of perspective logistics decisions for partners is making multimodal transportation based on the scheme of «Rail Air» in Kazakhstan. This scheme provides transportation of container train by rail from China to Kazakhstan with further air transportation from Kazakhstan to Europe.

In 2015 the dry port «KTZ — Khorgos Gateway» was put into service in collaboration with the world's largest Dubai Port World logistics operator. «Dry Port is the first land port in Kazakhstan, as well as the largest logistics park in Central Asia. The dry port «KTZ — Khorgos Gateway» conducts operations for six months and has already processed more than 20 thousand of TEU, unitized products are actively processed. The road transportation is organized from the EU to China and from China to the Eurasian continent markets.

In order not to miss out on all the features and benefits that will be provided by the Economic Belt of the Silk Road for our country, it is necessary to discuss the new strategy of joint development with key regional partners — China, Russia, Iran and other states. This strategy could include the following priorities:

- Creation of transport and logistic strategy of the Eurasian Economic Union (Eurasian Economic Union) and the Shanghai Cooperation Organization (SCO) — common position of the member countries;
- The developing of long term «Transport and logistics map of the Silk Road of XXI century», including existing and planned co-operation projects and investment in transport and logistics, infrastructure development in general;
- Preparation of a joint strategic document «Energy Belt of the Silk Road», which determines the long-term priorities for international cooperation in the energy trade, taking into account the objective transformations of this market;
- Development of a strategic document about development of countries' agricultural cluster of the Silk Road «Agricultural complex: Siberia – North Kazakhstan – Western China», which will give a powerful impetus to the development of this sector of the economy, especially Kazakhstani agriculture;
- Development of the project of international cooperation on the Irtysh river «General Irtysh», which is shared and actively used among three countries (China, Kazakhstan and Russia), on the basis of «common river» principle, by analogy with Mekong initiative, including the involvement of the investor's package. This measure will remove encountered problems of trans boundary rivers;
- Development of a list of measures for the participation of foreign companies in the development of the cluster «Alatau» special economic zone, which is concentrated around Almaty and covers three countries (Kazakhstan, Kyrgyzstan, and China);
- Creation of a unified transport and logistics company (hereinafter — UTLC). An important element in the implementation of UTLC is to create a common market of transport services, an integrated transport system and the implementation of the transit potential of the countries which are members of the Eurasian Economic Union. It is necessary to provide a guaranteed supply of quality through the transport and logistics services on the principle of «one window» in relation to containerized goods, operation and development of

key transit corridors passing through the countries of Eurasian Economic Union, to modernize and ensure the development of key transport assets of Eurasian Economic Union countries;

– To increase the scale of transportation of goods and passengers between Europe and Asia via the shortest distance through the territory of Kazakhstan with the lowest cost of funds and the time it is necessary to form an unified national network of main communication roads, including railways, roads, ports and airports. This transport infrastructure should meet the highest world standards;

– In order to maximize the use of the transit potential of Kazakhstan is important to optimize the operation of border crossings, acting on rail and road crossings, to develop trade and economic relations with partner countries, taking into account the protection of national interests and international transport corridors, ensuring uninterrupted transcontinental transit of goods and passengers. Moreover, Kazakhstan enjoys a prime location for the transit of Chinese goods to Europe. In the future, more than half of Chinese goods directed to the EU, will be transported through the territory of Kazakhstan.

Conclusions

Integration is the only true way of socio-economic and political development, and regional integration is the real key for countries to entry into the global world economy [11].

China's initiative is designed for the long term. According to some estimates, its implementation would take about 30 years. In the future we plan to create seven «zones»: transport, energy, trade, information, science and technology, agriculture, tourism.

The result may indeed the emergence of a large-scale free trade zone on the north-western provinces of China, Central Asia to Central and Eastern Europe. On the way the project is home to some three billion people. In this case we are talking about mega market, and no doubt about mega potential too.

These plans should be obligatory supplemented by meridional transport routes and gas pipelines, connecting Siberia to the central and western regions of China, Central and South Asia with Southeast Asia.

In conclusion, it should be noted that Kazakhstan was chosen for the publication of the economic belt of the Silk Road concept. China's leadership is considering Kazakhstan as a major and long-term trade and economic partner in Central Asia. Moreover, Kazakhstan has the largest economy in the region and accumulates more than 70 % of China's trade turnover with the countries of Central Asia.

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Ж.М. Жартай, Е.А. Семак

Жібек жолының экономикалық белдеуі және Қазақстанның көліктік-логистикалық мүмкіндіктері

Мақалада Қытаймен «Жібек жолының экономикалық белдеуі» Халықаралық стратегиясын таңдаудың әлеуметтік-экономикалық алғышарттары қарастырылды, оның негізгі принциптері қозғалды. Берілген стратегияны қабылдау мақсаттары, стратегияға қатысушылар үшін артықшылықтары бағаланды. Көліктік-логистикалық саласында қазақстандық-қытайлық қатынастардың болашағы зерттелді. Мемлекеттер арасындағы экономикалық серіктестіктің мақсаттылығы және дамуы туралы қорытынды жасалды.

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Экономический пояс Шелкового пути и транспортно-логистические возможности Казахстана

В статье раскрыты социально-экономические предпосылки избрания Китаем международной стратегии «Экономический пояс Шёлкового пути», изложены её основные принципы. Оценены цели принятия данной стратегии, её преимущества для участников. Рассмотрены перспективы казахстанско-китайского сотрудничества в транспортно-логистической сфере. Сделаны выводы о целесообразности и развитии экономического партнёрства между нашими государствами.

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