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THE ECONOMIC BELT OF THE SILK ROAD: PERSPECTIVES AND THREATS

The article considers the concept of the "Economic belt of the Silk Road", as well as its prospects and opportunities. The geopolitical aspects of trade and economic cooperation and the expansion of international and regional trade, the formation of international transport corridors through the territory of Kazakhstan and Central Asia from China to Europe and the Middle East, the gradual growth of China's economic presence in Central Asia as a strategically important partner are analyzed. Priority directions are considered, its features, prospects of realization and possible threats are revealed also there are three lines.

Key words: geopolitical aspect, initiative, international transport corridor, security, partner, agreements

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Жібек жолындағы экономикалық белгілері: келешегі және сақтандыру

Аталмыш мақалада «Жібек Жолының экономикалық белдеуі» концепциясы, оның болашағы мен мүмкіндіктері қарастырылады. Сауда-экономикалық қауымдастықтағы геосаяси аспектілері, халықаралық және аймақтық сауданың кеңеюі, Қытайдан Еуропаға және Таяу Шығысқа дейін, Қазақстан және Орталық Азиядан өтетін, халықаралық көлік дәліздерінің құрылуы, Қытайдың Орталық Азиядағы маңызды стратегиялық серіктес ретінде экономикалық даму жолы сарапталады. Сондай-ақ, оның ерекшеліктері айқындалып, басым бағыттары және туындайтын ықтимал қауіптері мен үш бағыттағы құрылуы қарастырылады.

Түйін сөздер: геосаяси аспект, бастама, халықаралық көлік дәлізі, қауіпсіздік, серіктес, келісім.

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Экономический пояс Шелкового пути: перспективы и угрозы

В статье рассматривается концепция «Экономический пояс Шелкового пути», а также ее перспективы и возможности. Анализируются геополитические аспекты торгово-экономического сотрудничества и расширение международной и региональной торговли, формирование международных транспортных коридоров через территорию Казахстана и Центральной Азии из Китая в Европу и Ближний Восток, постепенный рост экономического присутствия Китая в Центральной Азии как стратегически важного партнера. Рассмотрены приоритетные направления, выявлены их особенности, перспективы реализации и возможные угрозы, а также предусматривается существование трех линий.

Ключевые слова: геополитический аспект, инициатива, международный транспортный коридор, безопасность, партнер, соглашения.

Introduction

The concept of the “Economic belt of the Silk Road” (EBSR) is of considerable interest. Today China is one of the largest investors and producers in the global economy, despite a slight decrease, there is developing quite rapidly. This idea opens new prospects and opportunities for investment, trade and economic cooperation of countries that are located along the Silk Road. The project is quite extensive, because it includes numerous projects in the field of industry, infrastructure, trade and services that will provide a safe and permanent environment for the development of the entire center of Eurasia. In general, this is a good chance to stimulate an increase in the economies of all states and the Central Asian region.

The aim of the research is to examine its priority areas, to identify its features, as well as prospects for implementation and possible threats, during the analysis of the strategic concept of the “Economic belt of the Silk Road”.

Kazakhstan is sincerely interested in expanding cooperation between countries throughout the Eurasian space for a number of reasons. Among them, one of the main is the geopolitical aspect. Kazakhstan is in the heart of the continent and is a natural bridge for interaction between the West and the East, the North and the South. At the same time, these vectors have different and simultaneously complementary development potential. For example, Western Europe is the largest and most affluent world market for consumption, while Asia has significant production capabilities, etc.

The formation of EBSR is, of course, a grandiose undertaking, the realization of which will last for several decades. Therefore, a lot of changes in external and internal conditions are still to be faced, in which the Economic belt will have to evolve in the future.

The Eurasian Economic Union (EEU) and the “Economic Belt of the Silk Road” (EBSR) are two of the most real projects in the Eurasian space. Each of them has its own conceptual framework and has a number of pros and cons. Taking into account these circumstances allows to evaluate both the projects themselves and the opportunities and challenges of their interaction, as well as the nature of Kazakhstan’s participation in them. The main thing that attracts attention is a conceptual difference of projects. Although, it must be admitted that the conceptual determination of objectives is not clearly defined in either of the projects. The EEU is an integration project that focuses on the post-Soviet space and

has a main objective of reindustrialization of its member countries, as well as the creation of a single economic space, providing for free movement of goods, services, capital and labor. It is quite obvious that the period of economic modernization requires providing a moderate level of protection for the creation of favorable conditions for manufacturers of new products. This means that the reindustrialization cannot take place in conditions of complete openness to the global economy. Second, not only the protection, but also the structure and size of the domestic market are important. On the one hand, it is important that it had free niches, providing developing countries with an opportunity to realize their potential. On the other hand, it is equally important that the integration partners were interested in the “pulling up” developing countries in terms of technology and standard of living.

However, the EU first requires a more comprehensive understanding of the Belt’s strategic implications in their totality—and how they might relate to its own security and foreign policy objectives. There remain concerns and uncertainties as to why China has proposed the Belt, whether it potentially serves a geopolitical agenda, and how it will interact with economic and political dynamics in the many fragile and developing states through which it passes. There are also questions as to how the Belt will interact with local security dynamics and regional geopolitics. To date, very little international discourse has focused on answering these important questions, and it is precisely this gap in analysis that made SIPRI initiate this project in cooperation with the Friedrich-Ebert-Stiftung (FES).

Main directions of EBSR:

President Xi Jinping is very active in promoting the idea of reviving the Silk Road nowadays. The first idea was directed towards Central Asia - it was the project “Economic belt of the Silk Road”. In modern circumstances, the countries of the Silk Road attract China with the potential to organize high-speed transit shipments to Europe and, of course, the availability of a variety of natural resources (metals, oil, gas, grain and others). The new Chinese initiative is of great interest. After all, at present it is one of the largest investors and producers in the global economy and, despite a slight decrease, is developing quite rapidly. In my opinion, this idea opens up new prospects and opportunities for investment, trade and economic cooperation between the countries that are located along the Silk Road. This project is quite extensive, as it includes numerous projects in the sphere of industry, infrastructure, trade and services that will

provide a safe and permanent environment for the development of the entire center of Eurasia. In general, this is a good chance to stimulate an increase in the economies of all states and our region.

So, the plans foresee the existence of three lines. The North Line is a new Eurasian continental bridge, which includes a cross-border railway (connecting China to Europe via Kazakhstan and Russia), the automobile continental road and the trading system. The middle line provides for the cross-border railway construction of China-Kyrgyzstan-Uzbekistan. In the future, the railway system of Turkmenistan, Iran and Turkey will join it, and further Europe. The South Line is a Sino-Pakistani economic corridor, which includes the railway, road, energy pipelines and their maintenance.

According to the information already available, the new Chinese initiative can pursue three strategic goals:

- expansion of international and regional trade;
- the formation of international transport corridors through the territory of Kazakhstan and Central Asia from China to Europe and the Middle East;
- gradual growth of China's economic presence in Central Asia as a strategically important partner (1).

One of the main directions of the strategy implementation is the railways, especially China regards the economic belt of the Silk Road, primarily as a railway superhighway of Eurasia. This concept of the economic belt of the Silk Road assumes the modernization and construction of new railway lines, highways, pipelines and other infrastructure elements, also contributes to the expansion of international and regional trade. The main flow of cargo along the economic belt of the Silk Road, as planned, will be from the East to the West. Future international transport corridors will allow the central and western suburbs of China to get on the route through the station Dostyk in Kazakhstan on direct rail communication with the EU countries.

The EBSR strategy, first of all, received unconditional support in the countries of Central Asia, especially in Kazakhstan and Kyrgyzstan. It is not by chance that these countries were chosen by Xi Jinping as platforms for initiating the initiative. Now it is important how this strategy will affect already existing economic unions and communities in the post-Soviet space, primarily the EAEU and the SCO, and in what ways can their interaction or, conversely, counteract them. China has started to promote this strategy in all directions. In less than a year and a half, Chinese leaders visited more than 20 countries, where they consistently propagated and explained its content and main directions. The foreign policy

structures of the PRC worked very intensively. Analyzing the specificity of the Chinese project on the website of the newspaper "Renminjibao", the leading Chinese expert on Russia, Professor Feng Yujiun emphasizes that it is not about creating an integration zone. "The economic belt of the Silk Road is not an artificially advanced integrated project, but a naturally formed idea of cooperation" (Амребаев, 2014). Almost all CIS countries supported this strategy. It is planned that it will cover not only Central Asia, but also the countries of Transcaucasia: Azerbaijan, Armenia, Georgia, Abkhazia, South Ossetia.

"Economic Belt of the Silk Road" (EBSR) is not an integration project in its purest form. Its main objective is to create favorable conditions for the promotion of Chinese goods on the markets of Central Asia, Russia, Europe and the Middle East. The following objectives serve this aim:

• Simplification of customs, visa and other procedures to facilitate the activities of businessmen and expansion of cooperation.

• Creation of an extensive transport and logistics infrastructure.

• The increase in bilateral trade and creation of free trade zones in the regions, through which the Economic belt will pass.

• Expansion of bilateral trade in national currencies with the prospect of turning the Yuan into a regional currency that will be able to press the position of the dollar and the euro.

Secondly, the EBSR can be considered as an important component part of China's new geopolitical concept, focused on neighboring countries (primarily Central Asia). The declared aim is the strengthening of regional economic cooperation in Eurasia and the creation of "a new model of international cooperation and global management", naturally, under the auspices of China, although it is not advertised.

Third, China's leadership today has a task of turning China into a "world workshop" and service provider to the world market, surpassing the United States and the European countries in this field. Implementation of EBSR and "Marine Silk Road of the 21st century", designed to reduce the development gap of certain regions of China and substantially increase their capacity, making China one of the world's information and industrial centers, should help to solve this task.

Kazakhstan in the implementation of the strategy

As you know, Kazakhstan at the official level confirmed its intention to actively join the

construction of the Economic belt of the Silk Road. So there are very great opportunities for Kazakhstan. During the visit of Chinese President Xi Jinping to our country in the fall of 2013, 22 agreements were signed between Kazakhstan and China totaling about \$ 30 billion, which envisage deepening economic cooperation between the countries, including in the context of the idea expressed by the Chinese leader. It should also be noted that this project is also very clearly linked with the program “Nyryly zhol”. In fact, the first steps of the “Economic belt of the Silk Road” have already been made - it is, above all, the international highway “Western China - Western Europe”. This is a modern circuit, and those who have seen it will confirm that the route is broadband, well-lit. Its commissioning will raise the transport level. Once the Russian side has completed its part of the work, the highway will turn into a corridor. This track is already working. She connected many Kazakhstan settlements with high-quality road.

Implementation of infrastructure and industrial projects by China in the EEA countries is the main opportunity for cooperation between the Union and the Economic belt of the Silk Road (EBSR), however, unified rules should be observed in those areas regulated by the EEMP.

This conclusion was reached by international experts in the study “Geo-economics of Eurasia”, presented at the meeting of the Astana club. The report was prepared by the Carnegie Foundation, the Chinese Academy of Contemporary International Relations, the German Council on Foreign Policy, the Institute of World Economy and Politics under the Foundation of the First President of Kazakhstan and the Russian Council for International Affairs

In addition, in the “Economic Belt” there are a lot of things that contain economic corridors for the development of logistics. Kazakhstan is, first of all, huge distances. And this, on the one hand, is our plus, because Kazakhstan can be a transport hub in the Eurasian space. And on the other hand - our minus, because it requires the constant development of transport routes. And the fact that China is now developing this program, promises us great opportunities. This is very good and very successful. By the way, that’s why China proposed this idea, understanding that our country is also interested in such development, because it gives us the opportunity to become a transport hub in the heart of Eurasia. And China is ready to invest in it. We are talking about investing in our part of the way: they quickly built their section of the route to Khorgos, having fulfilled their obligations.

Kazakhstan is sincerely interested in expanding cooperation between countries throughout the Eurasian space for a number of reasons. Among them, one of the main is the geopolitical aspect. Kazakhstan is in the heart of the continent and is a natural bridge for interaction between the West and the East, the North and the South. At the same time, these vectors have different and simultaneously complementary development potential. For example, Western Europe is the largest and most affluent world market for consumption, while Asia has significant production capabilities, etc. In addition, Kazakhstan is a continental country and in this regard is interested in accessing the world’s maritime transport routes through the territory of neighboring countries (Сыроежкин, 2014).

When Chinese leader Xi Jinping visited Astana, Kazakhstan and Southeast Asia in September and October 2013, he raised the initiative of jointly building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road.^[6] Essentially, the ‘belt’ includes countries situated on the original Silk Road through Central Asia, West Asia, the Middle East, and Europe. The initiative calls for the integration of the region into a cohesive economic area through building infrastructure, increasing cultural exchanges, and broadening trade. Apart from this zone, which is largely analogous to the historical Silk Road, another area that is said to be included in the extension of this ‘belt’ is South Asia and Southeast Asia. Many of the countries that are part of this belt are also members of the China-led Asian Infrastructure Investment Bank (AIIB). North, central and south belts are proposed. The North belt would go through Central Asia, Russia to Europe. The Central belt goes through Central Asia, West Asia to the Persian Gulf and the Mediterranean. The South belt starts from China to Southeast Asia, South Asia, to the Indian Ocean through Pakistan. The Chinese One Belt strategy will integrate with Central Asia through Kazakhstan’s Nuryly Zhol infrastructure program.

In general, as is evident from the speech of President Xi Jinping in Astana, the primary task of the Chinese initiative is a gradual reduction and then complete elimination of trade and investment barriers between the project participants (Асанбеков, 2014). According to the Chinese side, this measure is necessary for the disclosure of trade and investment potential of the participating countries. In addition, the project primarily involves strengthening multilateral cooperation in the financial sector, ensuring uninterrupted monetary circulation and harmonization of the monetary systems of member countries.

When solving this problem, it is proposed to create a network of regional financial development organizations and optimize the flow of financial flows.

In my opinion, Kazakhstan's position must be based on the fact that China is our strategic partner and neighbor state. Like any other project, the Chinese initiative has its advantages, as there are certain risks and challenges. When considering the possibility of participating in a Chinese project, the primary task of Kazakhstan is to maximize the benefits of the Chinese initiative, on the one hand, and minimize the risks arising from the project, the other.

Forecasts for the implementation of the EBSR strategy: Analysis of threats and risks of the implementation of EBSR

So, the practical implementation of the Chinese initiative has prospects and can even lead to the formation of a new architecture of the world economy, where the main link will be Central Asia, but, unfortunately, there may be a variety of threats. Therefore, here you can see not only the positive aspects of this idea.

To begin with, the investment projects of Chinese companies are mainly related to the production of oil and natural gas. Therefore, one of the threats for Kazakhstan may be the preservation of the raw material orientation of the national economy.

There are risks that come not from China's external, but even domestic policies. To date, China's economic policy in Central Asia is linked to a common strategy to ensure favorable external conditions for achieving success in terms of modernization, further growth of the economy and the subsequent transformation of the country into one of the global economic power centers. China intends to use more actively the Central Asian direction of its policy, and therefore tries to strengthen its positions in the national economies of the countries of Central Asia by strengthening investment activities there and increasing the volume of loans.

One of the tasks of the "Economic belt of the Silk Road" is the implementation of China's new geopolitical concept, which is to turn this country into a global power. Proceeding from the goals and objectives of this project to recreate the Silk Road, we can assume that China will seek to open borders with the countries of the region for the free movement of goods and people. Therefore, in connection with this situation, certain risks may appear, because there is a danger of appearing in the total trade, economic and migration expansion by the CNR.

We must note another threat: it is the growing debt of the Central Asian countries to China. The amount of the debt of the RK to China is \$ 13.6

billion or 8.8% of the total amount of external debt. The largest share of debt also falls on other debts, except investments and bank debt, which is \$ 9.7 billion, 71.3% of the debt to China (5) The first deputy head of Tajikistan's Ministry of Finance noted that China remains the major creditor, with a debt of \$ 942 million (5).

The arrival of the Chinese labor force in the region also has consequences. Opponents of the initiative insist that the hopes associated with its implementation of creating new jobs for the local population and the maximum elimination of unemployment are absolutely unsuccessful. The real policy of Chinese companies shows only one thing: if Chinese companies create jobs in Central Asia, they do it solely for their compatriots, that is, for their citizens. With the project will come the Chinese labor force, in the countries of Central Asia already an excess of labor. Those who consider China's growing presence in Central Asia, as a very disturbing phenomenon, also point out that the main and direct beneficiary of the benefits from such a presence are certain individuals in political circles and business structures who are intensively engaged in business with China. In other words, a relatively narrow stratum of society and a small part of the population.

In addition, one can see problems such as increased competition for Kazakh enterprises, increased smuggling, environmental degradation, and the like. In general, this idea of China for Central Asia is ambiguous and ambiguous.

Possible ways to reduce risks and threats

Perhaps, even in the presence of diverse problems in achieving mutually beneficial trade and economic interaction, the way out is seen in the integration of the Central Asian region. The above problems are objective, but, nevertheless, a number of scientists see a way out of the current situation in regional integration. It is known that a large regional market has a great attraction for external investment in the processing industry, than small national markets. Integration could use the regional industrial, energy and transport infrastructure with high efficiency to achieve economic growth of all countries of the region. Although for a number of reasons, there is currently a very low probability that this idea will be implemented, but nevertheless it is necessary to revive and develop regional integration in Central Asia. The danger for the region lies not in the processes of economic interaction with China itself, but in the fact that with such a huge difference in the demographic and economic potential of the

interacting parties, this whole process turns into an expansion of the dominant one. Therefore, I think that to counteract the peaceful, quiet Chinese economic expansion of Central Asia, a powerful economic union of the Central Asian countries is needed. Why is it that Uzbek cars, Turkmen gas, Kazakh food products, Tajik cotton, Kyrgyz textiles can not move freely in the territory of Central Asia? This would be useful and beneficial in the full sense of these words for the development of the whole region, this will help not only not to become a “springboard” or “raw material appendage” of China, but also to develop cooperation of Central Asia and China in a bilateral direction.

Conclusion

The Belt has different security implications in Central and South Asia. It is perceived by the landlocked Central Asian regimes as a welcome means of boosting economic growth. In certain states, particularly Kazakhstan and Uzbekistan, it feeds into domestic development agendas as well. At the regional level, it does not itself exacerbate interstate disputes and could potentially serve to benefit greater regional cooperation. Indeed, cooperation in Central Asia has always been stimulated by external powers and Chinese financial incentives could induce states to begin to cooperate on, or to move past, interstate disputes that have hampered the realization of transnational economic projects. Russia has endorsed the Belt, after long consideration, as the result of its tightened geopolitical and geoeconomic parameters and economic motives. At this stage, it sees no structural conflict with its interests in Central Asia or its own regional economic framework of the EEU. Instead, the Belt and the EEU are perceived as complementary—how this unfolds in practice remains to be seen. The Belt permits Russia to diversify its economic latitude over both Chinese-initiated economic integration blocs and possible future Western ones. In South Asia, where the Belt currently only runs through one state, namely Pakistan, it has raised political temperatures. India has objected to CPEC in the strongest terms, in part due to the fact that it traverses disputed territory. To some degree, this is also an extension of a pre-existing India–Pakistan rivalry, as well as China–Pakistan competition with India over regional influence and security. India is concerned about the long-term geopolitical implications of CPEC, particularly in the face of China gaining more regional influence at the expense of India. It anticipates that investment protection and protection of future transit through

Pakistan will also increase China’s security role in the region. One of the epicentres of increased regional competition could be Balochistan, the province that is home to Gwadar Port, one of the BRI’s key strategic investments.

Chinese investments, they also stimulate greater political will by Chinese and local authorities to cooperate to resolve them. Greater economic growth brought by Chinese investment could indeed provide the conditions for stability and development. However, there are concerns that Chinese capital could instead exacerbate some of the structural governance problems in both regions, particularly those pertaining to corruption and lack of accountability. It could also further entrench inept government apparatuses. To the extent that investments are perceived to be favouring one group over another, they could exacerbate local community and inter-ethnic tensions. Lack of transparency surrounding many Chinese deals feeds into these concerns. Overall, investment alone will not be sufficient to bring about transformative development to Central Asian and South Asian societies. Inclusive and long-term sustainable growth will require institutional reform and the erosion of patrimonial practices and state corruption. It remains to be seen the degree to which China, Central Asian governments and Pakistan will prioritize good governance and long-term growth in addition to short-term economic gains. Much of the asserted positive spillovers of the Belt therefore still depend on the quality of its implementation, the distribution of the spoils and how human security in addition to regime and statecentric security is emphasized and addressed.

Thus, the idea opens up new prospects and opportunities for investment, trade and economic cooperation of countries that are located along the Silk Road. This project is quite extensive, as it includes numerous projects in the sphere of industry, infrastructure, trade and services that will provide a safe and permanent environment for the development of the entire center of Eurasia. In general, this is a good chance to stimulate an increase in the economies of all states and countries of Central Asia.

However, they were not found to be very useful. One of the threats, in particular, for Kazakhstan, is the preservation of the raw orientation of the national economy, just as the investment projects of the Chinese companies are connected, in the first instance, with the ordinary oil and natural gas. In this regard, it was concluded what measures should be taken and ways of avoiding the threats and risks of implementing EBSR were considered.

In conclusion, it should be noted that the Kazakhstan was chosen in no particular order

to establish the conception “Economic system of Silk Road”. The leadership of China regards Kazakhstan as the main and prospective trade and economic partner in Central Asia. Thus, the practical implementation of the Chinese initiative

“The economic Belt of the Silk Road” may lead to the formation of a new architecture of the world economy around Eurasia, where Central Asia becomes the main link, and our state will take a special, strategically important place.

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