

# **Europe and China's Belt and Road Initiative: New Opportunities for Cooperation and Synergy in Central Asia**



 **EURASIAN COUNCIL**  
ON FOREIGN AFFAIRS

**November 2017**

## TABLE OF CONTENTS

Introduction	pg. 3
China's Belt and Road Initiative	pg. 4
Central Asia and the Belt and Road Initiative	pg. 7
Europe and the New Silk Road: Opportunities for Cooperation and Synergy	pg. 10
Conclusion	pg. 12
About the ECFA	pg. 14
<u>Supporting Documents:</u>	
MAP 1 - Silk Road Routes, Old and New	pg. 15
MAP 2 – The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa	pg. 16
MAP 3 – Reviving The Silk Road: Projects Subsumed under China's Belt and Road Initiative	pg. 17
TABLE 1 - Trade between China and Central Asia, 2005 and 2015*	pg. 18
TABLE 2 - China's Foreign Direct Investment (FDI) in Central Asia, 2006 and 2015	pg. 19
TABLE 3 - Central Asia: Ranks on the China Connectivity Index (2005, 2013, and 2015)	pg. 20
TABLE 4 - Economic Health Index Rankings* – Central Asia (current)	pg. 21

## **Europe and China's Belt and Road Initiative: New Opportunities for Cooperation and Synergy in Central Asia**

### Introduction

China hosted the first major summit on its Belt and Road Initiative (BRI) in May 2017. Around 1,500 delegates from at least 100 countries gathered in Beijing to discuss the initiative's progress and its prospects for the future<sup>1</sup>. Among them were high-level representatives of the United Nations, the World Bank, and the International Monetary Fund as well as those from Europe, the United States, and countries along the Belt and Road routes. On the sidelines, participants struck lucrative trade and business deals and forged important agreements aimed at expanding bilateral cooperation.

In late November, the Eurasian Council on Foreign Affairs (ECFA) will welcome senior guests from government, finance, academia and the media to Cliveden House in Berkshire, England, for its Fourth Annual Meeting (more information on ECFA and the Annual Meeting can be found [here](#)). Although a more modest undertaking than the May Belt and Road Forum, the Meeting's sharp focus on deepening political, economic and institutional relations between Europe and Central Asia and its exploration of potential areas for increased participation in the BRI is a timely follow-on to the May forum and should prove fruitful. This Occasional Paper lays the foundation for those formal and informal talks by reminding readers of some of the work already carried out by China, the Central Asian states and the EU, and by highlighting potential areas for further collaboration and synergy.

China's Belt and Road Initiative<sup>2</sup> – the Belt portion of which was first announced in September 2013 by President Xi Jinping during his open lecture at the Nazarbayev University in Astana, Kazakhstan – is an ambitious undertaking comprising two long-distance transportation networks: the overland Silk Road Economic Belt (the “Belt”) and the seagoing 21<sup>st</sup> Century Maritime Silk Road (the “Road”). When complete, the Belt will connect China and Europe via Central Asia and have branches reaching into India, Pakistan and Russia. The Road and its various spurs will link China, Southeast Asia, South Asia, the Middle East, Africa, and ultimately Europe. Situated at the poles of each route are China, whose economy will be double the size of the United States' by 2050, and Europe, with its 500 million strong consumer market (see [Map 1](#)<sup>3</sup>). In all, it will include more than sixty countries – eleven of them EU member states – and span four continents<sup>4</sup>. The BRI's overall objective is to facilitate the seamless flow of capital,

---

<sup>1</sup> Y. Yang (2017). Closer China and EU Cooperation Vital for Global Prosperity. <https://euobserver.com/stakeholders/137899>.

<sup>2</sup> People's Republic of China (2015). Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road. <http://www.chinese-embassy.org.uk/eng/zywl/t1251719.htm>.

<sup>3</sup> *The Economist* (2017). Map: Economic Corridors. <https://www.economist.com/news/china/21721678-silk-routes-are-not-always-appealing-they-sound-china-faces-resistance-cherished-theme>.

<sup>4</sup> PWC (2017). China and Belt and Road Infrastructure: 2016 Review and Outlook. <https://www.pwchk.com/en/consulting/br-watch-infrastructure.pdf>, p. 6.

goods, services, and ideas between Asia and the rest of the world and thereby promote market integration, expand and deepen cross-border ties, and scale up economic activity. China's self-defined role in this process is to provide the necessary leadership, financing and expertise to make it happen.

While officially designated the Belt and Road Initiative, the BRI appears in the press under a variety of names, including "One Belt, One Road" (OBOR), the "New Silk Road" and, more problematically, as part of a "New Great Game". The historical reference to the Silk Road embraced by China and other champions of the initiative highlights the interconnectivity of the ancient world and suggests that the social, economic and political benefits reaped then can once again be enjoyed by participating countries if the necessary hard and soft infrastructure is put in place. Some sceptics, however, invoke a different historical referent – the 19<sup>th</sup> century struggle between the British and Russian empires for control of Central Asia known retrospectively as the Great Game. Such critics see the BRI as China's strategy to best Russia and the United States in a contemporary struggle for political and economic control of the region<sup>5</sup>. In that it privileges the interests of a few powerful countries at the periphery and ignores the considerable agency of the countries along the route, the New Great Game trope distracts attention from the very political and economic forces that stand to undermine or ensure the BRI's success and, for that reason, is best abandoned. The Silk Road offers a more apt and constructive parallel in that it recognises the countries along the route as full and equal partners in a venture to which they have much to offer and from which they have a great deal to gain.

### China's Belt and Road Initiative

The BRI is a large-scale, multifaceted, multipolar cooperative program for regional infrastructure development. Our focus here is on that portion of the Silk Road Economic Belt (SREB) that stretches from China through Central Asia to Europe. This is not to be confused with the New Silk Road announced in 2011 by then U.S. Secretary of State Hillary Clinton<sup>6</sup>. With its rather vaguely-defined call for region-wide hard and soft infrastructure development, that South Asia-oriented American venture sought to turn Afghanistan into a commercial hub and has not thus far been implemented<sup>7</sup>. Its most prominent projects to date are the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) and CASA-1000, an electricity generation and export project initially involving Kyrgyzstan, Tajikistan, Afghanistan and Pakistan. Each of these has made only limited progress so far due to security and other issues.

In contrast, the loosely-structured BRI has already linked Afghanistan into a far-flung network of trade routes. The first goods trains made the journey from Nantong in

---

<sup>5</sup> A. Morrison (2017). Central Asia's Catechism of Cliché. <http://www.eurasianet.org/node/84491>.

<sup>6</sup> H. Clinton (2011). Remarks on India and the United States. <https://2009-2017.state.gov/secretary/20092013clinton/rm/2011/07/168840.htm>.

<sup>7</sup> W. Shepard (2016). China's 'New Silk Road' Picks Up Where Hillary Clinton's Flopped. <https://www.forbes.com/sites/wadeshepard/2016/09/09/chinas-new-silk-road-picks-up-where-hillary-clintons-flopped-in-afghanistan/#4dff150a63f9>.

China's eastern Jiangsu province to Afghanistan via Kazakhstan and Uzbekistan in August 2016, with feeder lines connecting the main line to the Tajik capital Dushanbe and to Samarkand and Bukhara in Uzbekistan. A second train destined for Mazar-i-Sharif on the Uzbek-Afghan border departed the eastern Chinese city of Yiwu a few days later. It carried a hundred containers loaded with more than US\$4 million in goods. Henceforth, the two services are expected to run on a regular schedule.

China describes the Belt and Road Initiative as a cooperative strategy for win-win development through enhanced connectivity<sup>8</sup>. Conceived as “open, transparent, harmonious and inclusive”, each participating country is to have a say in defining the BRI's goals and objectives. In an effort to put to rest lingering suspicions regarding its true intent and to counter comparisons to the United States' post-war Marshall Plan, China notes that the initiative is consistent with the UN Charter and reflects the Five Principles of Peaceful Coexistence that have long governed its own relations with India. These are: respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in other countries' internal affairs, equality and mutual benefit, and peaceful coexistence<sup>9</sup>. It is here that differences between China's approach to international development and that of Western countries and institutions are most evident<sup>10</sup>. The United States, EU, IMF and similar entities usually make loans and other forms of assistance contingent upon the presence of at least a fledgling free-market economy and a reasonable human rights record. In contrast, China's non-interference policy allows it to deal with other countries regardless of the type of economy or regime in place or any unresolved human rights issues. This is not to say that China is entirely disinterested in such matters but merely that it recognises its neighbours' inherent sovereignty and assumes that stability and good economic practices and governance will follow from better market access and improved standards of living. Such an approach allows China to forge deals in which the returns aren't necessarily financial or even tangible, and which could include strategic influence or other forms of soft power.

China has identified five priority areas – or pillars of connectivity – as essential to the BRI's success: policy coordination, infrastructure and facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.<sup>11</sup> As seen here, the initiative is about exploiting existing strengths and building connectivity rather than constructing anew entire transport, trade and communications networks. To fully realise the many benefits the BRI has to offer, participating countries have to work together in unprecedented ways to formulate viable development plans and policy that will enhance cross-border communication and cooperation. Good connectivity along the core multimodal transportation corridors and throughout the Belt and Road infrastructure network is absolutely vital. This can only be achieved by eliminating gaps in the network and removing bottlenecks, which will entail building or upgrading ports, highways, railroads, airports, gas and oil pipelines, electricity transmission lines, and

---

<sup>8</sup> Yang.

<sup>9</sup> PRC.

<sup>10</sup> K. Pethiyagoda (2017). What's Driving China's New Silk Road, and How Should the West Respond? <https://www.brookings.edu/blog/order-from-chaos/2017/05/17/whats-driving-chinas-new-silk-road-and-how-should-the-west-respond/>.

<sup>11</sup> Ibid. EUOBOR (2016). One Belt One Road Initiative. <http://www.euobor.org/index.php?app=OBOR>, pp.2-3.

other facilities. In addition to hard infrastructure, soft infrastructure needs to be put in place to facilitate unimpeded trade by removing barriers, reducing cross-border trading costs and time, enhancing development through investment, and improving regional economic integration. This will require better financial integration – including improved coordination of fiscal policy – and the development of regional financial institutions. Most crucially, the whole package hinges upon and promotes people-to-people bonds and mutual understanding, as already seen in the regular exchanges and dialogue taking place among individuals and groups from across the network.

China sees the Belt and Road Initiative as the beginning of a new era of globalisation that will benefit everyone in the region. To ensure its success, China anticipates lending up to US\$8 trillion to advance infrastructure development projects in 68 countries. Altogether these countries represent about two-thirds of the world's population and account for a third of global GDP<sup>12</sup>. By spring 2017, more than forty countries and international organisations – including the European Bank for Reconstruction and Development (ERBD) – had signed cooperation agreements under the BRI, and Chinese companies had invested more than US\$50 billion in BRI-related projects<sup>13</sup>. Additional agreements were signed during the May forum.

China has invested heavily in new financial institutions created to support development under the BRI<sup>14</sup>. In 2014, it helped establish the Silk Road Infrastructure Fund (SRIF) with an initial endowment of US\$40 billion, the Asian Infrastructure Investment Bank (AIIB) with a US\$100 billion contribution, and the New Development Bank (NDB) – also known as the BRICS Bank – with a US\$100 billion founding investment. The Sino-CEEC – or 16+1 – Financial Holding Company established last year by China and sixteen Central and Eastern European countries is the most recent funding mechanism to enter the field. In his opening speech at the May Belt and Road Forum, President Xi underscored his country's continuing commitment to the BRI by promising an additional RMB100 billion (about US\$14.5 billion) investment in the SRIF and reporting that the China Development Bank and the Export-Import Bank of China will set up special loan programs worth RMB250 billion (nearly US\$38 billion) and RMB130 billion (about US\$19.7 billion), respectively<sup>15</sup>.

There has been considerable speculation regarding the motivation behind China's commitment to the BRI, not least that it is a geostrategic response to the Obama Administration-backed Trans-Pacific Partnership (TPP). President Trump's withdrawal of the United States from the TPP may have strengthened China's position in promoting the BRI, but even without this recent development it is inconceivable that China would spearhead such a massive undertaking without expecting some return for its efforts and substantial investment. Many analysts believe that the country is using the BRI to create a regional supply chain within which it can set the standards in such key sectors as

---

<sup>12</sup> A. Bruce-Lockhart (2017). China's \$900 Billion New Silk Road. <https://www.weforum.org/agenda/2017/06/china-new-silk-road-explainer/>.

<sup>13</sup> President Xi (2017). Speech at the Belt and Road Forum. <http://www.globaltimes.cn/content/1046925.shtml>.

<sup>14</sup> A. Chakhoyan (2015). 5 Things to Know about the New Silk Road. <https://www.weforum.org/agenda/2015/11/5-things-to-know-about-the-new-silk-road/>.

<sup>15</sup> President Xi.

transportation, energy and communications yet also address some of its own most pressing economic concerns<sup>16</sup>. While the initiative would certainly boost the poorer economies in the region, it could also increase the standard of living and thereby improve the security situation in the under-performing and politically restive western provinces of China and help better integrate them into the national economy. Sceptics also worry that China will use the BRI to address its overcapacity and overproduction problems – especially in steel and construction materials – by opening up new export markets and migrating its low-end production facilities to neighbouring countries as FDI. In doing so, it would transform domestic liabilities into diplomatic assets, or so the argument goes. That done, China could retool its manufacturing industry to support its aspirations of becoming an innovation-driven economy producing at the high end of the global value chain. While these may be legitimate concerns and sound predictions, whether China takes any of these steps – and whether its Belt and Road partners will allow it to do so – remains to be seen.

### Central Asia and the Belt and Road Initiative

The BRI is less a blueprint for international development than an umbrella concept and framework within which to set priorities. There is no master list of planned, completed, or priority projects or checklist of goals and objectives to tick off, and there is no gatekeeper as such. What there is is a will to promote connectivity and enhance trade across the network, a growing number of foreign stakeholders that see opportunities for investment in the region, and newly created funding mechanisms to support relevant state and private sector ventures.

Addressing the Belt and Road Forum, President Xi summarised progress thus far<sup>17</sup>. He reported that since the BRI's official launch in 2014, China has successfully coordinated with major initiatives such as the Russian-backed Eurasian Economic Union, Kazakhstan's Nurlu Zhol (Bright Path), the UK's Northern Powerhouse, and Poland's Amber Road. In collaboration with local entities, it has accelerated work on the Hungary-Serbia railway and upgraded the Greek port of Piraeus. Other hard infrastructure projects aimed at improving connectivity along the six BRI-delineated economic corridors are underway or in various stages of planning, including high-speed communications, pipeline, railroad, highway, and port development projects. Enhancements have also been made to soft infrastructure, with a 90% reduction in customs clearance times for agricultural exports from Central Asia to China just one of the outcomes already achieved.

Despite the upheaval caused by the 2007 - 2008 global financial crisis and the more recent slump in commodity prices – which hit the gas and oil producing countries particularly hard – China is now Central Asia's largest trading partner and leading source of FDI. (See **Table 1** for a comparison of China's trade with the region before the

---

<sup>16</sup> P. Cai (2017). Understanding China's Belt and Road Initiative.

<https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>, pp. 6-9.

<sup>17</sup> President Xi.

financial crisis and after the official BRI launch and **Table 2** for a similar comparison of its stock of FDI.) Over the three-year 2014 - 2016 period, total trade between China and the Belt and Road countries exceeded US\$3 trillion<sup>18</sup>. Chinese companies established 56 economic zones in 20 countries, which generated US\$1.1 billion in tax revenues and created 180,000 jobs. China invested more than US\$50 billion in the BRI, the AIIB dispersed US\$1.7 billion in loans for nine projects (the single Central Asian project was in Tajikistan), and the SRIF invested another US\$4 billion. Meanwhile, China finalised nearly US\$305 billion in construction contracts, with around US\$3.25 billion of that going to SREB projects, mainly in Russia, Pakistan and Europe<sup>19</sup>.

The BRI has made impressive headway but only a fraction of the initiatives just cited have benefitted Central Asia directly. Notwithstanding the relative lack of attention thus far and the amount of work still to be done, the BRI appeals to the Central Asian states because it promises to meet local needs, improve cross-border trade, and generate revenue without outside interference in their domestic affairs. If the BRI can deliver on that promise, it will truly be a win-win partnership. China's current investment strategy for the region targets energy, transport, and hard and soft infrastructure along two corridors: the New Eurasian Land Bridge Economic Corridor, which connects China and Europe via Kazakhstan and Russia, and the China-Central Asia-West Asia Economic Corridor, which bypasses Russia and links China and the five Central Asian countries (see **Map 2**<sup>20</sup>).

China is now estimated to account for up to a quarter of Kazakhstan's oil production, takes about half of Turkmenistan's gas exports, and has just signed gas and uranium deals with Uzbekistan worth US\$15 billion<sup>21</sup>. Three long-distance pipelines – parts of which were built by Chinese companies or with Chinese capital – already carry gas and oil from Central Asia to China and a fourth line from the Galkynysh Gas Field in Turkmenistan is planned. The Galkynysh Field – which was discovered in 2006 and has only been in production since 2013 – is believed to be the second largest gas reserve in the world. The China Development Bank provided US\$8.5 billion in loans for its initial development and is considering further investment. China has also supported gas and oil projects in other parts of Central Asia, including in the Aktobe region of Kazakhstan and in Kyrgyzstan, where it has been involved in construction of the Kyrgyzstan-China pipeline and a new oil refinery<sup>22</sup>. It has also been investing in power generation, with Chinese company Tebian Electricity Apparatus taking the lead<sup>23</sup>. In 2015, Tebian built a US\$390 million electricity transmission line in Kyrgyzstan, and in 2016 it completed a

---

<sup>18</sup> Ibid.

<sup>19</sup> International Crisis Group (2017). Central Asia's Silk Road Rivalries. <https://d2071andvip0wj.cloudfront.net/245-central-asias-silk-road-rivalries.pdf>, p. 4.

<sup>20</sup> HKTDC Research (2017). Map: The Belt and Road Initiative. <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.htm>.

<sup>21</sup> W. Wilson (2016). China's Huge 'One Belt, One Road' Initiative is Sweeping Central Asia.

<http://www.heritage.org/asia/commentary/chinas-huge-one-belt-one-road-initiative-sweeping-central-asia>

<sup>22</sup> D. Taldybayeva (2017). Prospects for China-Kyrgyzstan Economic Relations in the Framework of the Silk Road Economic Belt Project. <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Prospects-for-China-Kyrgyzstan-Economic-Relations-in-the-Framework-of-the-Silk-Road-Economic-Belt-Project/obor/en/1/1X000000/1X0A9JIX.html>

<sup>23</sup> International Crisis Group, pp. 9-10.

US\$350 million overhaul of the Dushanbe power plant and began refurbishing the Bishkek power and heating plant.

Comparable progress has been made in the transport sector. Three trunk lines comprise the rail component of the SREB. One runs from Khorgos on the Chinese-Kazakh border through Kazakhstan to intersect with Russia's Trans-Siberian Railway. Another links China via Khorgos to Kazakhstan, Turkmenistan, Iran, and Turkey. And a third is meant to connect western China to Kyrgyzstan, Uzbekistan, Turkmenistan, Iran, and Turkey. All three offer – or will when they are completed – onward connections to Europe and other destinations. While most of these initiatives pre-date the BRI, investment and the rate of progress have significantly increased under its umbrella. (See **Map 3** for existing and proposed rail and pipeline routes subsumed under the BRI as of year end 2015<sup>24</sup>.) Already, China is linked to Europe by high speed rail via Kazakhstan, and in 2016 alone more than 1,200 trains carrying 8.2 million tonnes of freight passed through the country *en route* to or from China<sup>25</sup>. Progress has also been realised elsewhere in the region. Bilateral agreements reached in 2016 between China and the two partner countries offer a glimmer of hope for the long-awaited China-Kyrgyzstan-Uzbekistan railway<sup>26</sup>. Last year's opening of the 19.2 km Qamchiq tunnel – which was built by the China Railway Tunnel Group and partly financed by the Export-Import Bank of China – is a promising sign. This tunnel constitutes a vital link in the Angren-Pap rail line between the densely populated Fergana Valley and Tashkent and the rest of Uzbekistan. If all goes to plan, the Angren-Pap line will link with the China-Kyrgyzstan-Uzbekistan line when it becomes operational.

Chinese companies have also been at work building and improving highways across Central Asia, most often with Chinese financial backing. Notable examples currently underway include the Issyk-Kul ring road and North-South Road in Kyrgyzstan and the Tajik-Uzbek Highway. Elsewhere, emphasis has been placed on upgrading highways between new and existing ports and major border crossings.

Port development is arguably the area of endeavour with the greatest potential impact in terms of connectivity. There are three major port initiatives underway along the SREB that warrant mention – two in Kazakhstan and one in Greece – and China has invested heavily in all three of them. In 2014, China and Kazakhstan established the International Centre for Boundary Cooperation (ICBC) on their shared border. This cross-border special economic zone encompasses the new Khorgos dry port. Although work is still underway, Khorgos is already the Belt's most important rail and highway transport hub. When finished, it is expected to receive half a million twenty-foot equivalent units (TEU) of cargo by rail a year and be the largest dry port in the world<sup>27</sup>. On average, 65

---

<sup>24</sup> C. Inton (2017). Map: Reviving the Silk Road.

<http://www.straitstimes.com/sites/default/files/articles/2017/05/14/china-silkroad-security.jpg>.

<sup>25</sup> *Xinhua* (2017). China, Kazakhstan Move Closer with Belt & Road Cooperation.

<http://www.globaltimes.cn/content/1050910.shtml>.

<sup>26</sup> M. Rakhimov (2016). Uzbekistan and China Partnership in the New Silk Road.

[http://www.china.org.cn/opinion/2016-07/21/content\\_38929557.htm](http://www.china.org.cn/opinion/2016-07/21/content_38929557.htm).

<sup>27</sup> K. Rapoza (2017). Kazakhstan Bets Big On China's Silk Road.

<https://www.forbes.com/sites/kenrapoza/2017/07/18/kazakhstan-bets-big-on-chinas-silk-road/#377f07255805>.

trains a month – or about 6,200 TEU’s of cargo – currently move through Khorgos. This past spring, Kazakhstan sold a 24.5% stake in the dry port each to Chinese companies China Ocean Shipping Company (COSCO) and Jiangsu Lianyungang Port Company. Across Kazakhstan at the western end of the transport corridor from Khorgos is Kuryk, the country’s new Chinese-financed ferry port on the Caspian Sea. Its completion will triple Kazakhstan’s current ferry capacity. This is Kuryk’s first year of operation and by the end of 2017 more than a million tons of cargo will have moved through the port. China’s role in upgrading of the Greek Port of Piraeus has already been mentioned. After investing heavily in the project, COSCO acquired a 51% stake in the Port Authority in 2016, and in 2021 – after further substantial investment – it will acquire an additional 16% stake<sup>28</sup>. The company plans to use the port as a hub for Chinese exports to Europe.

Although the projects are too many in number and too diverse in nature to list here, China is also investing heavily in Central Asia’s manufacturing industry and soft infrastructure. China’s commitment to developing the soft infrastructure necessary to ensure seamless connectivity was particularly evident during the May Belt and Road Forum, when it forged a variety of cooperation and coordination agreements with four of the five Central Asian states<sup>29</sup>.

#### Europe and the New Silk Road: Opportunities for Cooperation and Synergy

China’s commitment to Central Asia is evident in the preceding discussion, and even the most cursory recap of BRI activity in Europe will reveal a growing footprint there<sup>30</sup>. Seventeen European countries have now joined the AIIB (including thirteen EU member states), and the UK is working with China to internationalise its currency. Four EU member states have signed BRI-related MoUs with China and eleven are members of the 16+1 group. China-supported port projects are underway in five EU countries and railway projects in seven, and eight are cooperating with China on projects in third countries. Almost all of these ventures originated in bilateral agreements between individual countries and China rather than at the EU level, and few of them directly benefit Central Asia.

The EU has well-established trade relationships with the Central Asian countries. In 2015, Kazakhstan became the first country in the region to sign an Enhanced Partnership Cooperation Agreement with the EU, which will go into effect once ratified by all member states. Except for Turkmenistan, whose agreement is still pending ratification, the remaining Central Asian countries have Partnership Cooperation Agreements with the EU. These important arrangements foster economic development

---

<sup>28</sup> P. Le Corre (2017). Europe’s Mixed Views on China’s One Belt, One Road Initiative. <https://www.brookings.edu/blog/order-from-chaos/2017/05/23/europes-mixed-views-on-chinas-one-belt-one-road-initiative/>.

<sup>29</sup> *Xinhua* (2017). List of Deliverables of Belt and Road Forum. [http://news.xinhuanet.com/english/2017-05/15/c\\_136286376.htm](http://news.xinhuanet.com/english/2017-05/15/c_136286376.htm).

<sup>30</sup> F. van der Putten et al. (2016). The Role of OBOR in Europe-China Relations. [https://www.clingendael.org/sites/default/files/2016-02/Europe\\_and\\_Chinas\\_New\\_Silk\\_Roads\\_0.pdf](https://www.clingendael.org/sites/default/files/2016-02/Europe_and_Chinas_New_Silk_Roads_0.pdf), p. 9.

by strengthening ties between the signatories, creating a legal basis and framework for cooperation, and promoting trade and investment. As such, they will help ensure a smooth launch for any EU ventures under the BRI.

The EU is also investing in the region. Total EU development assistance to Central Asia over the 2007 - 2013 period was about €750 million, and during the 2014 - 2020 period it will be about €1 billion<sup>31</sup>. Throughout the current period, funds will be allocated to eligible countries in a limited number of priority areas. Now a middle-income country, Kazakhstan no longer receives development assistance, and assistance to Turkmenistan will soon be phased out as it, too, is expected to attain middle-income status. Until then, it will receive EU assistance earmarked for education. Kyrgyzstan is receiving support for rule of law, education and rural development projects; Tajikistan for health, education and rural development projects; and Uzbekistan for rural development.

Since the Central Asian states gained independence in 1991, the EU has also undertaken a number of regional economic development programs. Three in particular stand out. The first is the Central Asia Invest Program, which promotes sustainable economic development in the region by providing grants to private sector ventures and especially to SMEs. The second is the now-discontinued Interstate Oil and Gas Transport to Europe program, or INOGATE. Operational from 1996 to 2016, INOGATE was a regional energy cooperation program charged with converging energy markets, attracting investment, and ensuring sustainable development and energy security. The third is the Transport Corridor Europe-Caucasus-Asia initiative (TRACECA), which sought to create an east-west transport and communications corridor and thereby open-up Central Asia and the Caucasus to Europe and beyond.

*The EU and Central Asia: Strategy for a New Partnership* formulated in 2007 clearly articulates the EU's current position with regard to Central Asia. It recognises that political and economic developments in the region impact EU interests, and that the region's energy resources and supply routes can meet EU needs. Subject to bi-annual review, the document highlights seven areas for EU action<sup>32</sup>: human rights, rule of law, good governance and democratisation; education; economic development, trade and investment; energy and transport links; environmental sustainability; security; and inter-cultural dialogue. Like the Central Asia Invest Program, INOGATE and TRACECA, these action-areas dovetail neatly with the BRI.

Earlier this year, the ICBC Standard Bank released its first-ever China Connectivity Index and Economic Health Index. These annual reports are intended to help policymakers, business leaders, investors and other stakeholders reach better evidence-based conclusions regarding the BRI and its offerings<sup>33</sup>. A key take-away from this year's Connectivity Index is that connectivity has increased faster between China and

---

<sup>31</sup> European Parliament (2016). Implementation and Review of the European Union-Central Asia Strategy. [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/535019/EXPO\\_IDA\(2016\)535019\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/535019/EXPO_IDA(2016)535019_EN.pdf), p. 9.

<sup>32</sup> Council of the European Union (2007). The EU and Central Asia: Strategy for a New Partnership. [http://register.consilium.europa.eu/doc/srv?l=EN&f=ST\\_10113\\_2007\\_INIT](http://register.consilium.europa.eu/doc/srv?l=EN&f=ST_10113_2007_INIT).

<sup>33</sup> Available at <http://www.oxfordeconomics.com/icbc-standard-bank-belt-and-road-economic-indices-oe>.

the BRI economies than between China and other economies, and those economies with the greatest increase in connectivity have also had the fastest growth<sup>34</sup>. It is noteworthy that none of the Central Asian countries were among the top ten countries most connected with China in 2015 or among the top ten movers, and only one – Turkmenistan – was in the top ten in overall economic health. The data collated in **Table 3** and **Table 4** reveal a pattern of uneven progress across Central Asia and suggest that the region as whole is lagging behind other BRI partner states in connectivity and economic health. This may reflect an eastern bias in the BRI, but it also suggests that there is great scope for EU engagement with the BRI in Central Asia and highlights new opportunities for investment in the region’s hard and soft infrastructure.

Institutional mechanisms already exist for cooperation between the EU and China but the Connectivity Platform agreed at the 2015 EU-China Summit created a more specific framework for improving infrastructure linkages and exploring synergies between the BRI and the EU’s Investment Plan for Europe, TEN-T transport connectivity program and foreign policy initiatives in Central Asia<sup>35</sup>. It also created space from within which the EU, as an engaged stakeholder, might influence the BRI agenda, advance its own interests, and promote the interests of EU investors and companies. Areas in which the EU may wish to exert its influence include cooperation plans and strategies, policy, and rules and principles governing joint ventures. Any headway made in reducing tariffs, removing non-tariff barriers to trade, and promoting transparency, good governance and rule of law in commercial transactions would be especially welcomed by investors and companies interested in Central Asia. And any contribution to improving connectivity, hard and soft infrastructure, and trade would be welcomed by the Central Asian states themselves.

## Conclusion

In first presenting the Belt and Road Initiative to the world, President Xi identified five priority areas for collaboration and these still warrant attention four years on. As the data compiled in the China Connectivity Index and Economic Health Index would suggest, this is especially true of Central Asia. One area – infrastructure and facilities connectivity – targets hard infrastructure development and the other four – policy coordination, unimpeded trade, financial integration, and people-to-people bonds – target soft infrastructure.

Aside from underwriting important new financial mechanisms to support the initiative, China’s most significant contributions to the BRI thus far have involved hard infrastructure development carried out by state-owned enterprises (SOEs) to improve connectivity. According to one estimate, in the past three years 50 Chinese SOEs have

---

<sup>34</sup> Ibid., China Connectivity Index, p. 3.

<sup>35</sup> I. Bond (2017). The EU, the Eurasian Economic Union and One Belt, One Road. [http://www.cer.eu/sites/default/files/pb\\_eurasian\\_IB\\_16.3.17\\_0.pdf](http://www.cer.eu/sites/default/files/pb_eurasian_IB_16.3.17_0.pdf); and G. Geiger (2016). Briefing: One Belt, One Road (OBOR). [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2016\)586608](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2016)586608)

been involved in 1,700 such projects along the Belt and Road<sup>36</sup>. The EU has also shown interest in hard infrastructure – especially in transport connectivity as seen in the all-but-forgotten TRACECA initiative – but its overall development philosophy drives it toward soft infrastructure development as a means to promote good governance, rule of law, human rights, democratisation, and a skilled workforce, attributes it deems essential to sustainable economic development. Given a truly equitable partnership and clear communication between the two sides, China’s focus on hard infrastructure coupled with the EU’s focus of soft infrastructure would create a win-win scenario in which Central Asia would be among the biggest beneficiaries. It would also create a level-playing field more welcoming to private sector ventures and investment.

---

<sup>36</sup>G. Wu (2017). SOEs Lead Infrastructure Push in 1,700 ‘Belt and Road’ Projects.  
<http://www.caixinglobal.com/2017-05-10/101088332.html>

## About the ECFA

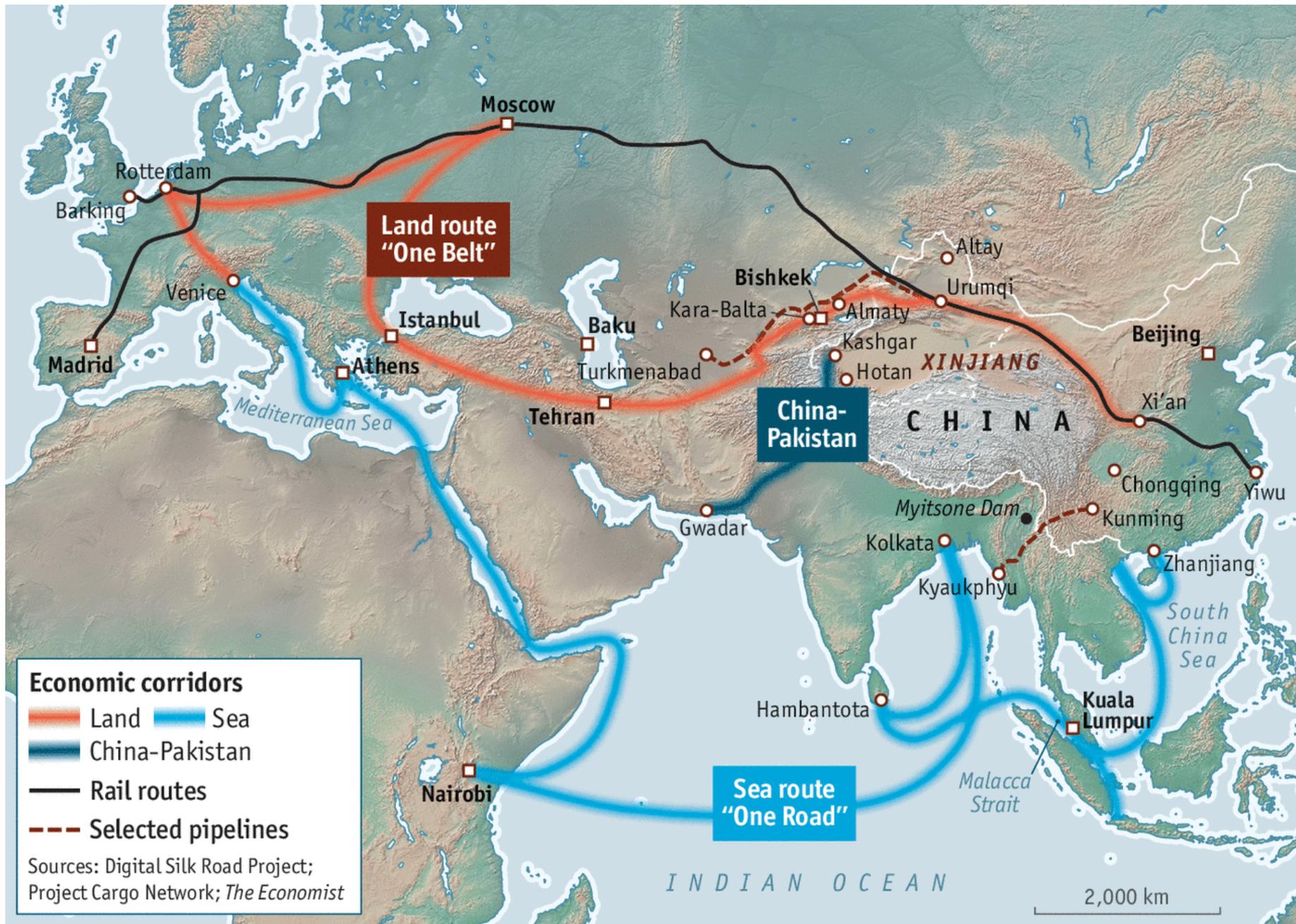
Central Asia is a region the size of Western Europe and contains five countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Blessed with some of the richest and most diverse resources anywhere in the world, over the last twenty years the region has shown its commitment to become a reliable, long-term partner of the West.

Kazakhstan is Central Asia's engine for economic growth, and the Kazakh Government has taken the lead in developing relations with the European Union. In its commitment to the process of deepening political and economic relations with European states, Kazakhstan is participating in the **Eurasian Council on Foreign Affairs (ECFA)** and is providing an annual contribution towards its running costs. The Honorary President of the Eurasian Council on Foreign Affairs is H.E. Kairat Abdrakhmanov, Foreign Minister of the Republic of Kazakhstan. As with similar institutions in other countries, it is anticipated that other governments in the region and corporate sponsors and private individuals will join the growing funding base of the ECFA.

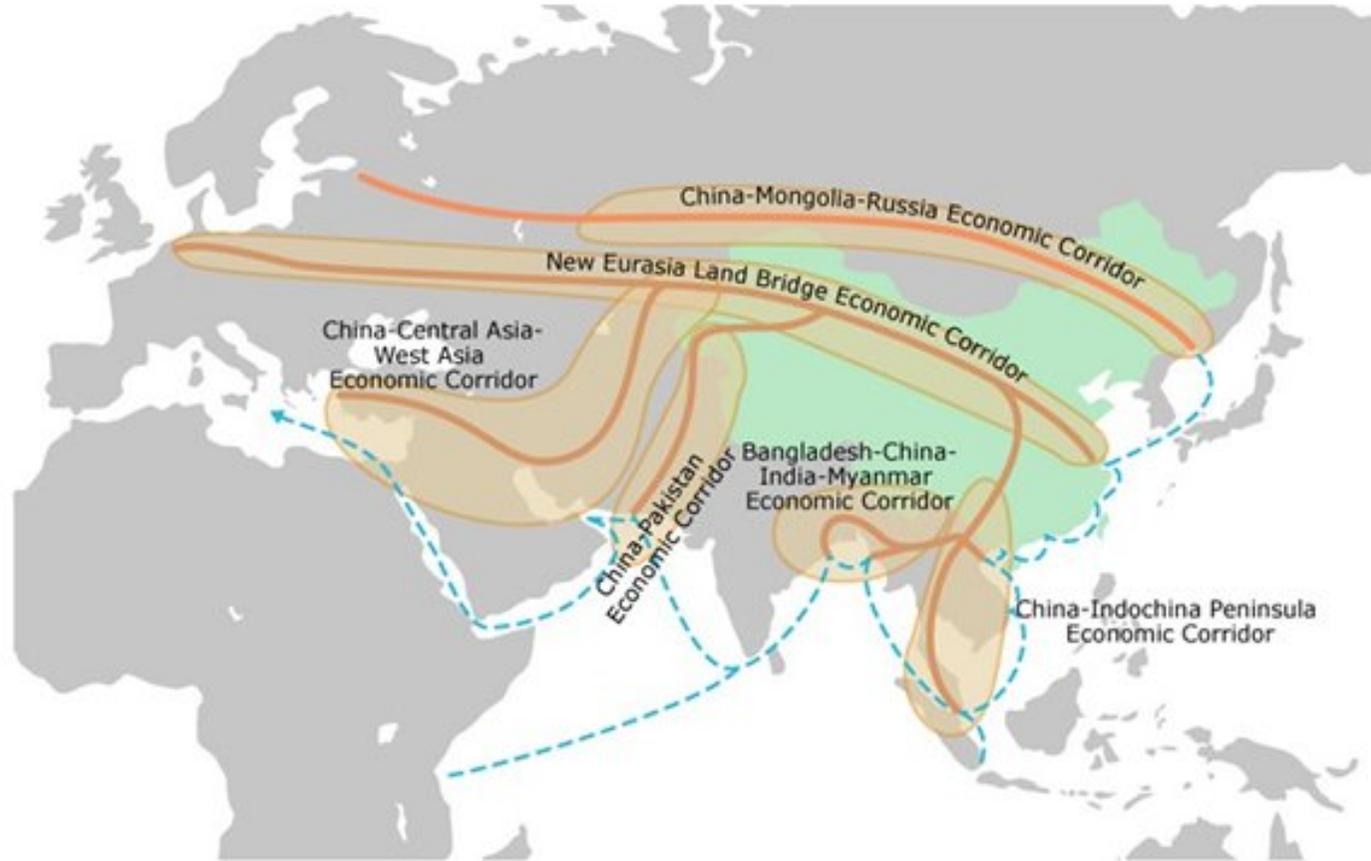
Since its inception, the ECFA has established a growing reputation as a valuable and independent source of high-quality research, publications and information to keep European countries abreast of the fast-changing development of the Central Asian region. Increasingly seen as a stepping stone between East and West, the need for up-to-the-moment information on Central Asia has never been greater. Now in its fourth year, and in recognition of Central Asia's growing stature in world affairs, ECFA is expanding its remit to include the geopolitical and economic influence of China and the United States on the region.

A list of the ECFA's Occasional Papers can be [found here](#). You can [subscribe here](#) to receive all news updates as well as the ECFA's regular newsletters and bulletins.

*Important Disclaimer: Please note that the views expressed in the ECFA's Occasional Papers series do not represent the views of its Honorary President or the views of any of the members of the Advisory Council. The purpose of the Papers is to encourage debate and discussion on the important developments occurring in Central Asia.*

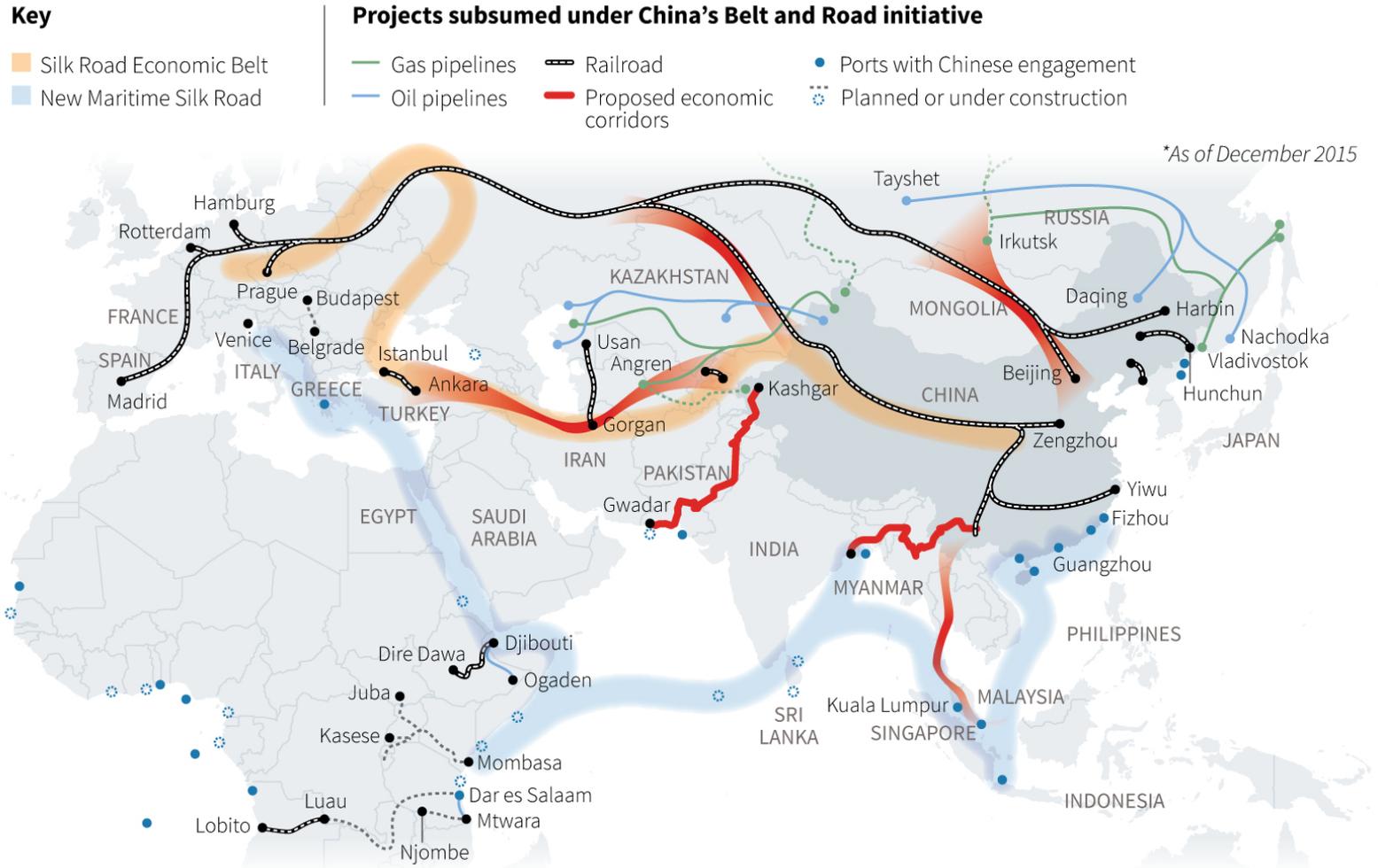


**The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa**



# Reviving the Silk Road

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China's Belt and Road initiative, aims to invest in infrastructure projects including railways and power grids in central, west and southern Asia, as well as Africa and Europe.



Source: Mercator Institute for China Studies.

C. Inton, 24/03/2017

**Table 1: Trade between China and Central Asia, 2005 and 2015\***

<b>Country</b>	<b>China's Imports, 2005 (US\$ millions)</b>	<b>China's Exports, 2005 (US\$ millions)</b>	<b>China's Imports, 2015 (US\$ millions)</b>	<b>China's Exports, 2015 (US\$ millions)</b>
<b>Kazakhstan</b>	2,909.4	3,896.8	5,840.3	8,427.4
<b>Kyrgyzstan</b>	105.0	867.2	56.8	4,284.7
<b>Tajikistan</b>	14.2	143.7	50.2	1,796.6
<b>Turkmenistan</b>	19.1	90.9	7,827.6	817.1
<b>Uzbekistan</b>	450.5	230.1	1,266.8	2,236.4

\*SOURCE: Data compiled from World Integrated Trade Solution (2016). Countries: China. <http://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2015/TradeFlow/EXPIMP>

**Table 2: China's Foreign Direct Investment (FDI) in Central Asia, 2006 and 2015\***

<b>Country</b>	<b>China's Stock of FDI, total at end of 2006 (US\$ millions)</b>	<b>China's FDI during 2015 (US\$ millions)</b>	<b>China's Stock of FDI, total at end of 2015 (US\$ millions)</b>
<b>Kazakhstan</b>	276	N/A	5,000
<b>Kyrgyzstan</b>	125	152	1,000
<b>Tajikistan</b>	30	219	909
<b>Turkmenistan</b>	0	N/A	133
<b>Uzbekistan</b>	15	128	882

\*SOURCE: Data compiled from TKTDC Research (2017). The Belt and Road Initiative: Country Profiles.

<http://china-trade-research.hktcdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative-Country-Profiles/obor/en/1/1X000000/1X0A3610.htm>

**Table 3: Central Asia: Ranks on the China Connectivity Index  
(2005, 2013, and 2015)\***

Country	Overall Rank			Trade Rank			Capital Rank			People Rank		
	2005	2013	2015	2005	2013	2015	2005	2013	2015	2005	2013	2015
<b>Kazakhstan</b>	7	10	12	4	9	11	22	29	20	23	22	29
<b>Kyrgyzstan</b>	15	9	13	14	10	10	13	10	40	17	31	38
<b>Tajikistan</b>	36	63	64	57	64	63	8	50	61	56	56	56
<b>Turkmenistan</b>	49	64	63	54	63	64	26	58	53	57	57	57
<b>Uzbekistan</b>	39	34	36	31	27	36	55	60	55	20	30	26

\*Dates chosen to reflect pre-global financial crisis, the BRI launch, and the most recent data available, respectively.

Source: ICBC Standard Bank (2017). Belt and Road: China Connectivity Index.

Available at <http://www.oxfordeconomics.com/icbc-standard-bank-belt-and-road-economic-indices-oe>

**Table 4: Economic Health Index Rankings\* – Central Asia  
(current)**

<b>Country</b>	<b>Economic Health</b>	<b>Macroeconomic</b>	<b>Risk Outlook</b>
<b>Kazakhstan</b>	<b>15</b>	<b>20</b>	<b>18</b>
<b>Kyrgyzstan</b>	<b>56</b>	<b>56</b>	<b>51</b>
<b>Tajikistan</b>	<b>60</b>	<b>61</b>	<b>56</b>
<b>Turkmenistan</b>	<b>6</b>	<b>12</b>	<b>6</b>
<b>Uzbekistan</b>	<b>22</b>	<b>24</b>	<b>19</b>

\*Among Belt and Road countries.

Source: ICBC Standard Bank (2017). Belt and Road: Economic Health Index, p.32.

Available at <http://www.oxfordeconomics.com/icbc-standard-bank-belt-and-road-economic-indices-oe>