

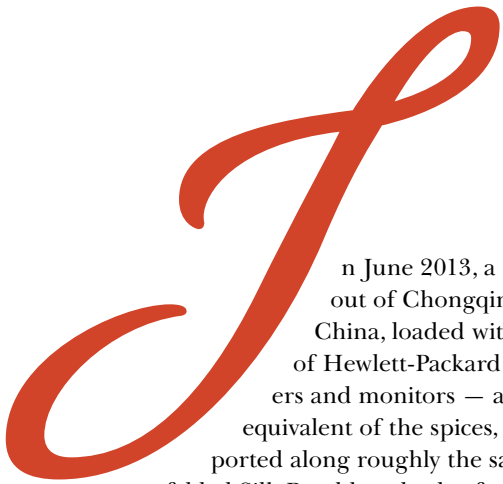
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Central Asia can benefit from increased
Asia-Europe overland trade

By per Concordiam Staff





In June 2013, a freight train rolled out of Chongqing, in central China, loaded with a valuable cargo of Hewlett-Packard notebook computers and monitors — a modern day equivalent of the spices, silk and tea transported along roughly the same route on the fabled Silk Road hundreds of years earlier. When the train crossed the Alatau Pass from China into Dostyk, Kazakhstan, five days later, armed guards boarded to protect the high-tech cargo against the modern version of caravan raiders. The train sped across three more countries — Russia, Belarus and Poland — on its nearly 11,200-kilometer journey through Central Asia and Eastern Europe before delivering its cargo to Duisburg, Germany. Total transportation time was nineteen days, much faster than an equivalent journey by sea.

Central Asia's location on overland trade routes to Europe and the Middle East makes it ideally situated to capitalize economically on China's prolific exports. New and expanded trade routes are fanning out across the region carrying products such as electronics, tires and textiles. Meanwhile, Eurasian gas and oil flow in the opposite direction to fuel Chinese factories and transportation networks. This stream of exports and imports through Central Asia is an invaluable source of economic growth for these developing nations and helps to integrate the region into the world economy. And by lessening the appeal of illicit businesses such as drug trafficking, this type of trade helps build stability.

The amount of transcontinental commerce is huge and growing. Chinese trade in goods with Europe reached 433.6 billion euros in 2012. Europe

is China's biggest export market, and though only a fraction of China's 289.7 billion euros in exports to Europe travel the overland route, it is increasingly important. Shipping goods by sea through the Indian Ocean and Suez Canal takes about five weeks, compared to as little as 15 days by rail, says the *South China Morning Post*.

Higher fuel prices, slower steaming speeds and hazards such as pirates off the Horn of Africa raise the cost of ocean-borne trade. In addition, Hewlett-Packard and others have shifted manufacturing to central China, where labor costs are lower, but these goods must be trucked to the coast before being loaded aboard ships, increasing time and cost. Sea routes are still about 25 percent cheaper than the transcontinental rail route, according to *The New York Times*, but the difference is increasingly made up by savings in inventory management costs. This is especially true for the electronics and automotive industries because the value lost during lengthy sea voyages is relatively high, Rüdiger Grube, chief executive officer of Deutsche Bahn AG, told Bloomberg News in August 2013 when his firm opened a new direct rail link with China.

Kazakhstan, where rail transport is relatively advanced, stands to benefit disproportionately from these market changes. *The New York Times* notes that Hewlett-Packard dispatches transcontinental trains at least once a week. Deutsche Bahn plans to expand to a daily service and, according to China's CCTV News; the Chinese Yuxinou International Railway has transported more than \$25 million in goods from China to Europe since 2011 and is starting to ship European goods to China. They include German vehicle components sent to the Changan



Workers weld the last links of Kazakhstan's segment of the Central Asia-China gas pipeline near Almaty in 2009.

REUTERS

The first freight train of Deutsche Bahn's new service from Zhengzhou, China, arrives in Hamburg, Germany, on August 2, 2013. AFP/GETTY IMAGES



Turkmen President Gurbanguly Berdimukhamedov opens a refinery in Samandepi, starting the first gas flowing into the Central Asia-China gas pipeline in December 2009. AFP/GETTY IMAGES

Ford plant in Chongqing. At projected growth rates, overland trade between Europe and China could reach \$4.5 billion annually by the end of the decade.

Kazakhstan is undertaking a massive upgrade in its rail system, building new lines to China and Turkmenistan with the goal of doubling transit volumes and making the country the transportation hub of Eurasia. In September 2013, Kazakh President Nursultan Nazarbayev told a meeting of the Kazakh-Chinese Business Council that he envisioned a New Silk Road between Western Europe and Western China built upon “new roads, railways, marine terminals and logistics centers throughout the country.” Kazakh National Railways has also bid to repair and manage Afghanistan’s railways to help get that country’s crops and minerals to markets in China, India and elsewhere.

Turkmenistan is also expanding trade infrastructure.

In August 2013, the country broke ground on a new Caspian Sea port in Turkmenbashi. The energy-rich country plans on using the new port to export oil products, liquefied gas and textiles to Europe and the Middle East. The port will be fed by a new gas pipeline and will reduce European dependence on Russian-controlled pipelines. Turkmen President Gurbanguly Berdimukhamedov said the new port, built in cooperation with Turkey, would also make it easier for European exports to access markets in the Middle East and Central Asia and would boost capital investment in the region.

Turkmenistan has the world’s sixth largest natural gas reserves and is also a large oil producer. It now ships most of its gas — 52 percent in 2012 — to China through the Central Asia-China gas pipeline. The pipeline, which opened in 2009 and was expanded in 2010, was built by a Chinese company. It crosses Uzbekistan and Kazakhstan, which also supply gas through it, before reaching China. At the Shanghai Cooperation Organization summit in Bishkek, Kyrgyzstan, in September 2013, Chinese President Xi Jinping met with Central Asian counterparts and announced the acceleration of the construction of “Line D” of the pipeline through Uzbekistan and Tajikistan.

China is the common thread in the fabric of Central Asian economic development. It trades and invests heavily throughout the region, including Afghanistan. According to Asia Times Online, “China is the biggest trading partner of Kazakhstan, Turkmenistan, Kyrgyzstan and Tajikistan.” Xi pledged Chinese support to Central Asian countries of at least \$48 billion in energy contracts, loans and

infrastructure credits during his September tour of the region. Uzbekistan, which still trades more with former patron Russia, should soon join the others in rebalancing trade after signing agreements with China worth more than \$15 billion.

Although energy acquisition is China’s main interest in Central Asia, China is also investing heavily in critical infrastructure necessary for the region’s development. Without development, there is no stability, and without stability, the supply of energy and other resources is not secure. “Beijing wants Central Asia states to be good neighbors — stable, predictable and not given to extremes,” says a March 2013 report from the International Crisis Group.

China has a “non-interference” policy, which Asia Times Online says Central Asian politicians seem to prefer to post-Soviet Russia’s political interference and the West’s linking of aid and investment to human rights and democratic reforms. It points out that Uzbek President Islam Karimov has praised China for showing “how to build cooperation and fruitful relations based on equality and mutual benefit.” Karimov said that China has never set any political demands in 22 years of bilateral relations.

But the International Crisis Group criticizes China for not doing enough, and emphasizes that spreading cash around does not solve problems caused by poor governance and corruption. Authoritarian states are fragile, and fragile states are unstable. China has developed good bilateral relations with all of the Central Asian states, despite the tensions that exist within the region, tensions that have the potential to erupt into a shooting war. These tensions include disputes over water rights between Uzbekistan, Kyrgyzstan and Tajikistan, Islamist extremist movements in Uzbekistan and Tajikistan and narcotics trafficking. Some argue that China is better

positioned than Western powers to mediate these disputes and encourage peaceful cooperation.

Historically, trade has encouraged peaceful relations between countries, cultures and peoples. As noted by Valerie Hansen, an expert on Silk Road history at Yale University: “The Silk Road found a place in history because of its rich cultural legacy in written records and artifacts, and because trade and tolerance were so intertwined.” With the help of Europe, Russia, China and neighboring countries, renewed trade on the modern Silk Road, represented by the railroads and pipelines spreading across Central Asia, has the potential to bring peace and prosperity to the region. □



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