Konstantin Syroezhkin: Geopolitical projects in Central Asia and the role of Kazakhstan

“The West begins to assess the Economic belt of the Silk Road and China’s policy in Central Asia more positively than the EEU and Russian policy in Central Asia. Moreover, according to some US officials, China’s policy in Central Asia “fully fits in” the US policy in the region”, Konstantin Syroezhkin, leading Sinologist in Kazakhstan, Ph.D., assesses the geopolitical projects in Central Asia, the problems of their interaction, as well as the nature of Kazakhstan’s participation in them, exclusively for cabar.asia.

To date, there are three competing geopolitical projects in Central Asia – American project of “New Silk Road”, Russian project of “Eurasian Union” and the Chinese project of “Economic Belt of the Silk Road” (EBSR). These three appeared almost simultaneously, which happened due to changes initiated by these countries in their policies with respect to Central Asia.

In October 2011, Vladimir Putin voiced an idea of creating a “Eurasian Union” on the basis of integration of Russia, Belarus and Kazakhstan. In November 2011, the then US Secretary of State Hillary Clinton offered a new US strategy towards Central Asia “The New Silk Road”. The concept of the formation of the “Economic belt of the Silk road” was suggested by the President Xi Jinping in September 2013, during his tour in four Central Asian states.

Kazakhstan, anyway, is involved in all three of the projects, but its participation in them has different levels and goals.

American project of “The New Silk Road” is not rejected in Kazakhstan, although it is less and less heard about, both at the official and expert level. This is due, on the one hand, to a lack of specificity in the project and funding for it, and, on the other hand, due to the change in the US approach to the project. Today, almost nobody in the United States speaks on the project at the political level, preferring to focus on the prospects for its “pairing” with the Chinese project of EBSR.

At the same time, it should be noted that both the American project of “Greater Central Asia” in the region and “The New Silk Road” are parts of Washington’s strategic plan, aimed at the transformation of the whole of Eurasia into a large-scale controlled geo-economic space, including the Caspian region, Central Asia, the Middle East and South Asia.

The essence of this plan is to tie Central Asia and Afghanistan into a single
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military-strategic and geopolitical unit, and then link the “Greater Central Asia” with the so-called “Greater Middle East”, which, according to the plans of American strategists, should be controlled by the West.

Another purpose of these projects is the separation of this extended region and its withdrawal from the influence of other great powers – Russia, Iran and China.

The third objective is to pull Afghanistan out of the destabilizing effect of such neighbors as Pakistan and Iran, and to link this country to a more stable Central Asia. By the same logic, Afghanistan serves this strategy as an important nodal point and the intersection of trade and transport routes under construction.

The logic is quite strange, because Afghanistan, unstable in every state, is a just a center of focusing the efforts the Central Asian states to reach its socio-economic stabilization, but not as a geopolitical center, or a development model for neighboring countries.

The main drawback of this concept is that it does not take into account not only the interests of Russia, Iran and China in the region, but also the interests of the states of Central Asia themselves. In any case, its developers do not say anything about the interests of those countries. And it is one of the main reasons why both projects were not only refused by Russia, Iran, China and Central Asian states, but also critically perceived by Western experts, including American.

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 re-industrialization 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.

Thirdly, the reconstruction and the creation of new production facilities in the framework of the EEU require a sufficiently broad and effective internal market. That is why the EEU is focused on expanding the number of participants and literally “forced” to ensure the full development of all its members.

It is natural that in the future, there will be possible expansion of the areas of operation of the EEU, due to the issues of monetary union, a common energy market, coordination on foreign policy and the expansion of political content in its activities. In the longer term, as suggested by Vladimir Putin, the EEU may turn into a center of a polycentric world.

**With regard to the difficulties associated with the practical implementation of the EEU, they are many.** If we abstract from the influence of external factors, the main problem of the practical implementation of the project is as follows.

The main problem is related to the difference in the vision of the ultimate goals of the Eurasian integration in the member-states of the Union. For Russia and personally for Putin, it is primarily a geopolitical project, but to satisfy the ambitions of his colleagues, he is ready to start with economy matters. For N. Nazarbayev, it is exclusively an economic project, but its dubiety is quite obvious today, the more that purely economic problems could be solved without departing from the scope of the Customs Union. For A. Lukashenko, A. Atambaev and S. Sargsyan, it is a desire to get as many economic preferences from Russia as possible, in fact, without giving anything in return.

**The main drawback of this project in its current form is that it offers its members nothing but the unification of economic conditions, involving the creation of a common regime of free movement of goods, services, capital and labor.** In these circumstances, it is rather difficult to achieve unity, which is necessary for the successful integration. It is necessary to offer something that would really create the right motivation among political leaders and elites.
The second problem is how to overcome the transit-trade paradigm, which is dominant now in the post-Soviet space. By the way, it is being actively promoted by China and the United States under the guise of the idea of “open model” of integration in Central Asia.

The third problem is Russia’s desire to speed up the process of the EEU’s expanding and strengthening a political component in it. While none of the members of the EEU acts openly against this policy, it is negatively perceived by not only public opinion, but also by the political establishment of Belarus, Kazakhstan and of other member States.

The fourth problem is the dominance of national egoism. Partners in the EEU, unfortunately, do not consider it necessary to take into account the concerns and interests of each other. The reason is the economic power disequilibrium of partner countries that is fueling suspicions that Russia is using the integration processes exclusively in its own interests. The fact that Russia is losing much in this situation is generally ignored by the nationalized consciousness of other Member States.

Fifth problem is the lack of competitiveness of Kazakhstan, compared to Belarus and in particular Russia, as well as the dominance of raw goods in the Kazakhstan’s export.

The sixth issue is the sanctions policy of the West against Russia, which, albeit indirectly, affects the economies of other Member States and makes further integration with Russia unattractive, especially considering two important factors. Firstly, apart from Russia, none of the EEU Member States sees the geopolitical future of this project, and therefore they will make the focus on the economy, seeking from Russia favorable terms and preferences. Secondly, in terms of sanctions, Russia can no longer pay the heavy price of the Eurasian integration.

“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.

1. Creation of an extensive transport and logistics infrastructure.
2. The increase in bilateral trade and creation of free trade zones in the regions, through which the Economic belt will pass.
3. 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.

**In other words, the basis of this concept is not the development of the industrial potential the countries, through which EBSR will pass, but above all the intensive development of the western regions of China, and their transformation into a transport and logistics, foreign trade, and in the long term, financial hub of “Grand Central Asia”**. For this reason, Xinjiang is in the heart of the EBSR project. It is supposed to become not only into a transport and logistics, trade, cultural, scientific and educational center of EBSR, but also its outpost.

Although in recent years, the need for enhanced cooperation in the real sector of the economy and even the construction of industrial enterprises on the territory of the countries of the region together with China have been actively discussed, we must recognize that China has never regarded them as a potential part of its economy. Central Asia remains a market for Chinese goods, a source of natural resources, as well as a transit area. Chinese investments in Central Asia (in part, with the exception of Uzbekistan) were directed mainly in the infrastructure and did not imply the development of the real sector.

It is difficult to say whether the project of EBSR will change this approach. And it’s not only about the readiness of other states in the region to develop the infrastructure of the real sector of the economy together with China. It’s not about a dilemma for China - to invest in the reindustrialization of the region and thereby to obtain a competitor to the Chinese exports of manufactured goods. The main problem is that after the Chinese investments, there comes Chinese labor, which is not for the benefit of Central Asia with its own excess labor force.
With regard to the difficulties associated with the practical implementation of EBSR, they are many, similar to the situation with the EEU.

The main problem for China is to establish relations with the Central Asian countries, Russia and the United States. Central Asia is a very difficult area, where not only the interests of Russia, USA, Europe, China, India, Iran and Turkey intertwine, but also the relations between the countries of the region themselves are not so good.

So for China, as the initiator of a new integration project, it is necessary to make efforts of a skillful moderator of these relations and contradictions. We do not know if China is able to do it. In any case, neither the US nor Russia managed to do it. The failure of the idea of a “New Silk Road” and the difficulty to promote the EEU prove it.

The second challenge is the cultural and mentality differences between China and Central Asian countries. China can offer nothing as a consolidating idea, of course, excluding its opportunities of loan services for the economies of the region.

The third challenge is the need for positioning of new concepts in the context of equity and mutual benefit; they must not contain even a hint of a possible prospect of “Chinese expansion”. So far, the discussion of all recent Chinese geopolitical concepts is built solely around the interests of China. Chinese experts do not give an answer to the logical question of what the benefit for the region will be. They do not give an answer to the question about Russia’s role in the practical implementation of these concepts.

The fourth problem is the prospect of creation by China of a free trade zone in the area of Central Asia. If Russia may make some concessions in other issues, this issue is of great importance for it. The EBSR cannot destroy the principal idea of the EEU’s creation reconstruction of the industrial potential of its member countries, which is almost impossible to do without restriction of Chinese imports.

The fifth problem is the lack of specific filling of the EBSR. For the Central Asian states and Russia, it is one of the main challenges of the project. It is still not very clear what the project involves, besides the creation of a transport and logistics, commercial and financial infrastructure.

In order to remove these concerns, Beijing will have to propose specific breakthrough projects, as was in the case with the network of gas pipelines “Central Asia - China”, and it will be very difficult to do, given the emphasis of China on cooperation in the commodity sector, provision of preferential credits and supply of various consumer goods.
Sixth, there is a risk with the national egoism and the desire of some leaders of Central Asian countries to get preferences from different sources simultaneously, in order to obtain geopolitical, economic and personal benefits. If China starts to promote the idea of the EBSR too intensively, the Central Asian countries will always be able to neutralize the activity of Beijing by rapprochement with Moscow or Washington that will be happy to take advantage of China’s diplomacy mistake.

But the main problem is that the EBSR strategy acts as a competitor to the EEU, so the main question is how to implement this strategy, not colliding with Russia and not destroying the Russian-Chinese relations.

This means that China will need to agree on the division of spheres of influence and interest. It should negotiate with all the parties concerned, above all - with Russia, which still sees Central Asia as a “zone of privileged interests”.

The main problem is how to create conditions for the EEU and the EBSR, so that they could function not as competitive projects, but could complement each other. The first step in this direction was taken during the visit of Xi Jinping in Kazakhstan, Russia and Belarus in May 2015, where the documents on pairing these projects were signed.

Although the areas of cooperation between the EEU and EBSR actually exist, and the project of EBSR itself has serious competitive advantages, which, strictly speaking, forms the basis for the “pairing” of projects, the parties did not do anything significant except signing the documents. And it largely explains the position of Kazakhstan, which, while remaining an active member of the EEU, now turns its attention towards China.

Pairing the national program of “Nurly Zhol” is taking place not in the triangle with the EEU and EBSR, but with each of the projects individually. Judging by the latest documents signed with the Chinese, the leadership of Kazakhstan does not think of the issue of pairing all three concepts. In any case, we cannot find anything about pairing the EEU and EBSR in the “Declaration on the comprehensive partnership between China and Kazakhstan in the new stage” signed in September 2015 and in the “Joint intergovernmental communiqués between Kazakhstan and China” signed in December 2015. The main emphasis is placed on the pairing of EBSR and “Nurly Zhol”.

The reason is understandable – firstly, the EBSR and the program of “Nurly Zhol” almost perfect match, at least, in those aspects that relate to the transmission of goods from China through the territory of Kazakhstan, the development of transport and logistics infrastructure. Secondly, China has offered generous loans and is ready to finance not only
projects in the EBSR, but also projects planned to be implemented within the framework of the program “Nurly Zhol”.

To date, a “road map” to enhance cooperation between Kazakhstan and China has been formed in almost all sectors of the economy. Also, there was made a decision to speed up the process of establishing a joint working group on pairing the EBSR and “Nurly Zhol”.

The parties expressed willingness to strengthen cooperation in infrastructure construction, production capacity, trade, economy, finance, human exchanges; make effort to ensure balanced development of trade between the two countries; the resolution of issues in the field of immigration and quarantine control of transport, export and import of agricultural products and minerals; boosting cooperation between regions.

Specifically, we are talking about three areas. At the first stage, it is planned to develop the transit transport corridor, create logistic centers in Kazakhstan and simplify procedures (customs, tax, financial, etc.), in order to enhance bilateral trade. The goal is to take a certain part of the flow of trade between China and Europe to Kazakhstan.

The second direction is the cooperation with China within the framework of the program of pairing the EBSR and “Kazakhstan – 2050”. It is realization of joint industrial projects on the territory of Kazakhstan, including in the context of the Chinese idea of placing excess capacity on the territory of Kazakhstan. The first group includes 45 projects, and agreements on 25 of them have already been signed, totaling $ 23 billion.

The third area is the cooperation in the field of high-tech industries and high-tech sectors. The issue of the choice of one or two areas, in which Kazakhstan and China will conduct cooperation on the level of research institutes, universities is being discussed with China. Kazakhstan is also negotiating about the creation of joint ventures.

All this indicates that the directions for pairing the EBSR and “Nurly Zhol” have been found, and they have gained real shape in the form of specific projects, and the main thing is that they have already been secured financially. Moreover, a real breakthrough came in 2014-2015, when the volume of guaranteed Chinese investment in Kazakhstan’s economy tripled[iii] It is difficult to judge, if it’s good or bad, but it is the fact.

It is also a well-known fact that with the help of China, Kazakhstan has started to implement the program of re-industrialization. “Intergovernmental framework agreement on cooperation in the field of production facilities and investment”, signed in August 2015, is already implemented.
As for the EEU, unfortunately, nothing definite can be said either in terms of investment or in terms of specific large-scale projects, therefore, the re-industrialization program planned in its framework is still only in draft. This means only one thing – the competition between the EEU and EBSR becomes a reality, and talks about “the need for pairing the projects” remain talks, at least, in Kazakhstan.

The West begins to assess the Economic belt of the Silk Road and China’s policy in Central Asia more positively than the EEU and Russian policy in Central Asia. Moreover, according to Deputy State Secretary E. Blinken, China’s policy in Central Asia “fully fits in” the US policy in the region. China’s policy in Central Asia “completely joined» (fully complementary) with American policy in the region. American experts also advice to the political leadership and the expert community of Central Asian states not to abandon the project of Chinese EBSR for the sake of “short-term benefits of joining the pro-Kremlin bloc”.

Naturally, the leadership of the countries in the region cannot ignore this approach of the West, and taking into account the volume of investment provided by China and the conditions under which it was provided, the choice in favor of the EBSR is virtually uncontested. At the same time, it seems that the risk associated with the reorientation to China is taken into account only at the expert level. Judging by the plans referred to above, even if the risk is taken into account at the government level, the government prefers not to talk about it in public.

Although Kazakhstan is not only one of the core members of the EEU, but also its founder, the question of how to combine EBSR and “Nurly Zhol”, without entering into conflict with Russia and without destroying the Russian-Kazakh relations, is quite topical. It seems that the problem of pairing the EBSR and the EEU is considered to be Russia’s problem. Anyway, the problem is not voiced at the official level.

References:

[i] Although the idea of Eurasian integration of post-Soviet space, of course, belongs to Nursultan Nazarbayev and dates back to 1994, in today’s form, the EEU is a Russian geopolitical project. Putin considered the “Eurasian Union” in the geopolitical context, and N. Nazarbayev insisted on the addition of the word “economic”.

[ii] This strategy is a continuation of the new integration model for the region – the concept of “Greater Central Asia”, which appeared in mid-2005. According to the author of that concept, the head of the Institute of Central Asia and the Caucasus, Frederick Starr, a new
region was to be created as a result of the inclusion of Afghanistan into Central Asia and to be considered as naturally associated with South Asia.

At the end of 2012, the total volume of investments from China into Kazakhstan’s economy amounted to 20.0 billion dollars (4.6 billion dollars -. FPI).. At the beginning of 2014 – $ 22.6 billion (5.68 billion... USD -. FPI). As a result of N. Nazarbayev’s visit in China in May 2014, the agreed amount of Chinese investment in Kazakhstan's economy amounted to 10 billion dollars. During the visit of the Head of the State Council Li Keqiang in Kazakhstan in December 2014, there were signed contracts worth 14 billion dollars. During the visit of N. Nazarbayev to China in September 2015, the amount of signed contracts totaled 24 billion USD. During the visit of K. Massimov in December 2015, the amount of signed contracts totaled 10 billion USD. In other words, during only the last two years, Kazakhstan has signed contracts with China to $ 48 billion dollars, and the total volume of Chinese investment in Kazakhstan’s economy has exceeded 70.6 billion Dollars.

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