



RECENT DEVELOPMENTS IN THE RAILWAY NETWORK OF KAZAKHSTAN

Kazakhstan, a country in the heart of Eurasia, has a potential to become a key country to connect transcontinental routes between Europe and Asia. Despite the financial crisis in China the total amount of its trade with the European Union (EU) increased by 11.5% from €466.8 billion in 2014 to €520.6 billion in 2015. It is expected that China's global transit shipping would increase to 17 million 20-foot equivalent units (TEU) in 2020 and significant share of this rail shipment would be directed through Eurasia, particularly, through Kazakhstan.

Current railway network in Kazakhstan covers 14,800 km. According to the "Kazakhstan Temir Zholy" (KTZ), the Kazakh state-owned company, which is responsible for railway transportation, the freight turnover in Kazakhstan amounted to 189.9 billion ton-km in 2015. The KTZ managed to increase the number of transit container trains via Kazakhstan's territory from 1014 in 2014 to 1290 in 2015. Moreover, the total container traffic on the China-Europe-China route increased by 54% or by 24.9 thousand TEU compared to 2014 and reached 46.1 thousands TEU in 2015. The significant growth of container traffic in the last 5 years made it possible for the KTZ to increase the share of transit to 28% of total revenues in 2015.

Therefore, it should be noted that in order to increase the transit potential of trans-Kazakhstan transport corridors, the Kazakh government launched construction of new railways in 2012, namely, Zhezkazgan-Beineu and Arkalyk-Shubarkol, which should have reduced the cargo delivery time down to 30% from East to West and from North to South. The railway projects included the construction of 1,200 km long railroads, 46 railway bridges and overpasses and 4,200 km of power lines, as well as the upgrading of railway station facilities such as Arkalyk, Shubarkol, Zhezkazgan,

Saksaulskaya, Shalkar and Beyneu. The combined project costs reached 500 billion tenge. Both railway lines were put into operation in 2014.

988 km long Zhezkazgan-Beineu railway connects Western and Central parts of Kazakhstan and operates as part of number of key local and international railway linkages between Europe and China. The railway was constructed with a budget of 368 billion tenge. This railway is expected to carry 26.2 million tons of export and 4 million tons of transit cargo annually. Moreover, the railway will have a positive effect on the economic activity along its route by providing new jobs and new opportunities for businesses in Central Kazakhstan.

214 km long Arkalyk-Shubarkol railway, which was constructed with a budget of 133 billion tenge, connects Central and Northern parts of Kazakhstan. It was built with the purpose of providing a shorter route to reach the Russian market, which is one of the main destinations of coal export of Kazakhstan. Therefore, the country could significantly benefit from the new railway due to reduction of transit time and cost of coal delivery, which is produced at the Shubarkol coalmine and then exported to Russia.

Moreover, Kazakhstan is focusing on the renewal and the construction of new interregional railways aiming to boost interregional trade inside the country. Actually, under the "Nurly Zhol" State Program Kazakhstan is planning to implement two railway projects during the period of 2015-2018. For instance, the construction of the second track railway Almaty-Shu with a length of 124.5 km and a construction budget of 39.7 billion tenge was started in April 2015. The railway connects the southern regions of the country, namely, the Zhambyl and the Almaty regions. After the project is commissioned, the carrying capacity of goods is to increase from 30 million tons to 120

million tons and the trains routing time is to be cut down almost in half.

Moreover, in 2015 Kazakhstan started works on construction of the Borzhakty-Yersai railway with a length of 14 km and a total cost of 9.5 billion tenge. Aiming to connect the ferry complex in the Kuryk sea port with the Yersai steel production plant located in the West of the country, namely, in the Mangystau region, the railway is to provide an ability to transport over 5 million tons of goods per year.

However, despite all the recent developments, the existing transit volumes are rather low in comparison with the transit potential of Kazakhstan. Actually, Kazakhstan inherited the railway infrastructure of the Soviet Union, which uses a 1,520 mm gauge, currently known as the Russian gauge. However, the broad gauge is not compatible with the 1,435 mm gauge used by China and Europe according to the international standard. Therefore, in order to link up with the Chinese railway system two options can be considered: (a) cargos can be transferred to other trains; (b) cargos can be transported using specific wagons designed with modular chassis systems, which can be replaced with a new set of gauge. Nevertheless, both options will increase the cost of transportation. As a matter of fact, the cost of shipping a container via an overland route via Kazakhstan is over \$8,000 per TEU, while maritime transportation costs only \$1161 per TEU.

Therefore, despite the fact that Kazakhstan is developing its railway network by cutting the cargo transit time, the overland route via the country is to attract businesses only if the transportation cost is lowered. For that reason, Kazakhstan should focus on managing new tariff policies, which include signing transit tariff agreements with the regional countries involved in the development of international transit corridors such as the Silk Road Economic Belt.

Politics, Foreign Affairs and Security

- The Parliament of Ukraine failed to get enough votes to remove Ukrainian Prime Minister, Arseniy Yatsenyuk, and his Cabinet of Ministers. A petition calling for a vote of no-confidence in the Government initiated by Yuri Lutsenko, leading the pro-presidential Petro Poroshenko Bloc faction, got 194 votes, falling short of the 226 required to oust the Cabinet.
- During the meeting between the First Deputy Prime Minister of Kazakhstan, Bakytzhan Sagyntayev, and the Prime Minister of Azerbaijan, Artur Rasizade, in Baku, the parties discussed the state of bilateral trade and economic relations, stressing the importance of the development of the Trans-Caspian international transport route, especially, after the joining of Ukraine.
- During the regular round of negotiations held in the Belarusian capital of Minsk, the Contact Group for the settlement in the East Ukraine discussed topical measures for the observance of the ceasefire in Donbass and the withdrawal of heavy weapons.
- According to the State Border Guard Service of Ukraine, Kiev has unilaterally closed Maryinka border checkpoint in Donbass. The security concerns raised after the tragic incident when minibus carrying civilians blew up on an anti-tank bomb near the checkpoint.
- During the official visit to Cuba, the Commander-in-Chief of the Ground Forces of Russia, Oleg Salyukov, met with the Minister of the Revolutionary Armed Forces of Cuba, Leopoldo Cintra Frias. The parties discussed the training of Cuban officers at the Russian military higher education institutions and Cuba's participation in the 2016 International Army Games in Russia.

Economy, Finance and Energy

- The Deputy Minister of Energy Russia, Kirill Molodtsov, stated that more than 15% of total crude output of Russia, or 82.5 million tons of oil, was extracted from Arctic oilfields in 2015. However, it was announced that Russia is planning to decrease oil production at the Arctic offshore to 31-35 million tons by 2035 due to the low profitability of the projects.
- 100% subsidiary of the Kazakh national oil and gas company KazMunayGas, KMG International, received profit worth \$4.6 million from the operating activity in 2015. The main asset of the KMG Interna-

tional, the Petromidia refinery, located in the Black Sea, reached a historical record of a daily crude oil processing rate, namely, 15,200 tons per day in 2015. The refinery processed 4.95 million tons of oil in 2015.

- According to the head of SOCAR Energy Georgia, Mahir Mammadov, Azerbaijan increased an upper limit of daily gas supply to Georgia from the Shah Deniz field from 1.5-2.8 million cubic meters of gas per day to 3.2 million cubic meters of gas per day in the winter period.
- According to the Statistics Committee of the National Ministry of Economy of Kazakhstan, the country produced 6.85 million tons of oil and gas condensate in January 2016, which is 0.5% less than that in January 2015. Some 5.71 million tons of oil and 1.13 million tons of gas condensate were produced in the reporting period.
- As a result of the talks between the Ministers of Energy held in Doha, Russia, Saudi Arabia, Qatar and Venezuela, announced their readiness to freeze oil production volumes at the January 2016 levels if other oil-producing countries were to join the initiative. However, during the meeting between Ministers of Energy of OPEC countries held in Tehran, Iran, Iraq, Qatar and Venezuela could not manage to reach an agreement on the issue of oil output reduction.
- The Director of International Affairs of National Iranian Oil Company, Mohsen Ghamsari, announced that the country increased oil exports by 400,000 barrels per day at the first month following the removal of international sanctions against Tehran. Iran's crude export in February has reached 1.4 million barrels per day.
- The Ministry of Infrastructure of Ukraine and the Ministry of Transport of Russia have agreed to introduce the "back home" regime in the period from February 16 through February 25, 2016 allowing more than 600 Ukrainian vehicles that were blocked on the territory of Russia to access Ukraine. Similarly, about 600 Russian vehicles would be able to return to Russia from the EU countries.
- The Institute for Strategic Planning and Economic Development of Turkmenistan reported that over 22 million tons of cargo had been transported via the Turkmen railways in 2015, nearly 67% of which accounted for transit traffic.
- The Head of the European Union (EU) Delegation in Uzbekistan, Yuri

Sterk, stated that the EU and Uzbekistan planned to create a Council on foreign investments and trade in the first half of 2016.

- According to the Statistics Agency of Tajikistan, the inflation in the country measured by consumer price index amounted to 1.4% in January 2016, which is 0.8% higher compared to January 2015. Food prices, non-food products and paid services grew by 1.7%, 0.6% and 2.3% respectively. The Government of Tajikistan plans to keep inflation at 7.5% by the end of 2016.
- According to the Deputy Minister of Agriculture of Kazakhstan, Saparhan Omarov, export of Kazakh grain in the current marketing year amounted to nearly 5 million tons as of February 1, which is 961 thousand tons or 24% more than that in the same period last year. Moreover, Kazakhstan increased the gross agricultural production by 4.4% in 2015 and brought it to 2.7 trillion tenge (\$7.7 billion).

Society and Culture

- The leaders of Azerbaijan, Kazakhstan, Russia, Ukraine, Uzbekistan, Turkmenistan and other Eurasian countries offered condolences to Turkey on the terrorist act, which caused the death of 28 people and injury of 61 more as a result of an explosion in Ankara.
- According to the Council of the EU, the European Commission will provide new development funding of 251 million euros to Tajikistan by 2020. The funds will focus on vital sectors for growth and social stability, such as rural development, health, and education.
- The Tovuzchay water reservoir was opened in Azerbaijan. According to the Chairman of the Azerbaijan Melioration and Water Management Company, the total capacity of the Tovuzchay water reservoir is 20 million cubic meters of water. The water basin of the reservoir occupies an area of 160 hectares.
- The Ministry of Foreign Affairs of Tajikistan reported that the country started considering the complex border issues with Kyrgyzstan in the framework of the Cross-border Cooperation for Sustainable Peace and Development Program funded by the United Nations Peacebuilding Fund and the Swiss Agency for Development and Cooperation.
- The Russian Aerospace Forces launched the light-class Rokot carrier rocket with the European Space Agency's Sentinel-3A satellite from the Plesetsk cosmodrome in the Arkhangelsk region.