



## EVALUATION OF RECENT DEVELOPMENTS IN THE CHINA-EUROPE RAILWAY EXPRESS

The China-Europe Railway Express (CR Express), which includes rail links connecting Chinese cities and European countries, is an international railway transportation service organized by China Railway. The CR Express, which provides great opportunities for rapid, high quality and convenient transportation of goods, is an alternative trade route to Europe for China, which makes a significant contribution to the Belt and Road Initiative (BRI).

The CR Express, based on the New Eurasian Continental Bridge and the Siberian Continental Bridge, now operates on three major railway corridors such as Western, Central and Eastern Corridors: 1) The Western Corridor consists of two routes. The first route runs through Kazakhstan via the Alashankou border crossing in the Xinjiang Uyghur Autonomous Region (XUAR) passing through Russia's Siberia railway to Belarus, Poland, Germany and other European countries. The second route crosses the Khorgos border crossing in XUAR passing through the territories of Kazakhstan, Turkmenistan, Iran and Turkey or passing through Kazakhstan to Azerbaijan via the Caspian Sea, and then running through Georgia to Bulgaria and other European countries. 2) The Central Corridor runs through Mongolia via the Erenhot border crossing in the Inner Mongolia Autonomous Region (IMOB) passing through Russia's Siberian railway and then reaching the European countries. 3) The Eastern Corridor crosses Manzhouli (Suifenhe, Heilongjiang) border crossing in IMOB running through Russia's Siberian railway to Europe via Mongolia.

The CR Express, launched in March 2011 with the first cargo train (YuXinOu Railway) from China's Chongqing to Germany's Duisburg, now operates in 28 Chinese cities and 27 cities in 11 European countries. In 2011, the CR Express launched 17 train services from China to Europe, while in 2012 and 2013, this number reached 42 and 80, respectively. In 2014, the number of train services increased to 308 rising by 285% compared to 2013, which represents a very important milestone for the CR Express development. In 2015, the number of China-Europe cargo train services reached 815, increasing by 165% from that of 2014.

It can be mentioned that the significant progress in the CR Express, which has been

made since 2014 is directly related to China's strategic decisions. With the gradual development of the BRI, which Beijing put on the agenda in 2013, and China's rapidly growing trade and economic relations with the countries along the route have also increased the need for more efficient and uninterrupted transportation services. In this regard, Beijing has given great importance to the development of the CR Express. For example, in March 2014, during the first visit of the Chinese President, Xi Jinping, to the European Union (EU), he announced about Beijing's plans to increase the bilateral trade turnover to \$1 trillion. During this visit, Xi and the senior German officials attended the welcome ceremony of the YuXinOu cargo train, which arrived at Duisburg. Moreover, in September 2014, the Chinese President, Xi Jinping, met with the Spanish Prime Minister, Mariano Rajoy, calling on Spain to improve rail freight flow linking China's Yiwu and Spain's Madrid. In addition, in 2014 the CR Express had taken measures aimed at institutionalization development. For example, during the 1st CR Express Coordination Meeting, held in Chongqing on August 14, 2014, it was decided to form a China-Europe Railway Express Coordination Board. On December 16, 2014, the 1st China-Europe Railway Express Coordination Meeting was held in Zhengzhou.

On the other hand, the cooperation between Kazakhstan and China on logistics, has also made an important contribution to the rapid development of the CR Express. In this regard, launching the railway connection between China and Kazakhstan through the Khorgos Free Economic Zone on December 2, 2011, and creating Khorgos-Eastern Gateway logistics hub on the Kazakh side of Khorgos Free Economic Zone in 2012 can be considered as important developments. In February 2014, the Agreement on Kazakhstan-China Lianyungang Logistics Cooperation Center was signed between the partners. Indeed, in 2014, the state-owned railway company Kazakhstan Temir Zholy (KTZ) carried out the Zhetigen-Khorgos and the Jezkazgan-Beineu railway projects, providing a direct linkage from the Khorgos to the Aktau seaport on the Caspian Sea. Considering that the majority of cargo trains between China and Europe will pass through the territory of Kazakhstan, it can be stated that increasing coop-

eration with Kazakhstan on logistics is of great importance for development of the CR Express. For example, today more than 70% of total cargo volume of the CR Express is carried out by the YuXinOu cargo train, which passes through the Alashankou border crossing, enters Kazakhstan and then reaches Germany.

In October 2016, the National Development and Reform Commission of China announced the CR Express Development Plan for 2016-2020. According to the Plan, in 2020, the number of train services on the CR Express is targeted to reach 5,000. A total of 4000 train services have operated since the launch of the CR Express in 2011. In 2016, the number of train services was 1702, rising by 109% compared to 2015. In this context, the number of cargo train services from Europe to China amounted to 572, increasing by 116% compared to 2015. In the first quarter of 2017, the number of cargo train services from China to Europe amounted to 593 showing an increase of 175% compared to the same period last year. During the reported period, the number of train services from Europe to China reached 198 increasing by 187%. In 2016, the number of containers transported by the CR Express via Kazakhstan was 104,500, but KTZ aims to increase this amount to 800,000 by 2020. In addition, it is expected that in 2017, the volume of cargo transportation via the CR Express will be doubled compared to 2016. On April 20, 2017, an Agreement on Deepening the Cooperation on the China-Europe Railway Express was signed between China, Belarus, Germany, Kazakhstan, Mongolia, Poland and Russia. The agreement aims to increase the number of cargo trains and train speed, as well as achieving information sharing to ensure transport safety and facilitating customs clearance for cargo trains. From this point of view, the agreement could contribute to the economy of countries on the railway route while increasing train services on the CR Express. The progress made by the CR Express over the last few years has become one of the major cooperation projects within the BRI with over 70% of total cargo volume and it seems to achieve greater developments in the coming years.

## Politics, Foreign Affairs and Security

- During his official visit to Baku, the President of Moldavia, Igor Dodon, and his Azerbaijani counterpart, Ilham Aliyev, discussed the issues of mutual interest focusing on trade and economic cooperation. The sides also discussed the prospects of strengthening humanitarian cooperation and improving interregional relations.
- During his official visit to Moscow, the President of Kyrgyzstan, Almazbek Atambayev, and his Russian counterpart, Vladimir Putin discussed the key issues on the bilateral relations and current regional and international matters. As a result of the meeting, a package of documents was signed including a Declaration on Strengthening the Alliance and Strategic Partnership, the memorandums on cooperation in finance, cartography and customs, agreements on cooperation to ensure epidemiological welfare with regard to the plague, on the legal status of representative offices of the migration authorities, on the development of military-technical cooperation.
- During his official visit to Moscow, the President of Brazil, Michel Temer, and the President of Russia, Vladimir Putin, exchanged views on boosting strategic foreign policy dialogue between the two countries focusing on cooperation in the defense sphere and in other fields of mutual interest.
- The Defense Ministry of Azerbaijan stated that the country's Armed Forces held a live-fire stage of its large-scale exercises. It was noted that at this stage, artillery, air defense assets, aviation, as well as other forces and formations fulfilled combat-training tasks using weapons and military equipment.
- During his official visit to Moscow, the Defense Minister of India, Arun Jaitley, and his Russian counterpart, Sergey Shoigu, signed a roadmap for the development of bilateral cooperation. The roadmap was created to enhance the combat readiness of both countries' armed forces and to exchange experience in various defense-related matters.

## Economy, Finance and Energy

- The state oil company of Azerbaijan, SOCAR, reported that in January-May 2017 the company produced 3.1 million tons of oil in the country's offshore and onshore fields as compared to 3.16 million tons in the same period of 2016. It was also noted that total oil production reached 41.03 million tons

in 2016, as compared to 41.58 million tons in 2015.

- The Minister of Energy of Kazakhstan, Kanat Bozumbayev, announced that the Energy Ministry and the Committee for Geology and Subsoil Use of the Ministry of Investment and Development and a group of interested companies potential participants in the Eurasia project signed the Memorandum of Understanding (MoU). Among the companies who signed the MoU were KMG Eurasia LLP, Agip Caspian Sea B.V., LLC RN-Exploration, CNPC International Ltd, SOCAR, NEOS Geosolutions. The document specifies the principles of creating the consortium aimed at geological exploration of the Caspian depression
- The President of Uzbekistan, Shavkat Mirziyoyev, signed a resolution aimed at maintaining the level of capitalization of commercial banks, enhancing financial stability of the banking system and expanding their participation in financing investment projects and entrepreneurship. According to the resolution, the state-owned Fund for Reconstruction and Development of Uzbekistan will allocate \$500 million in 2017 to increase the state share in the authorized capitals of commercial banks of the country.
- According to the Chief Executive Officer of the Russian truck manufacturer Kamaz, Sergei Kogogin, the company plans to invest 50 million euro in the construction of an assembly plant in Senegal at its first stage. It was noted that the company has already started the engineering of the assembly plant.
- During his official visit to Tajikistan, the Deputy Prime Minister of Uzbekistan, Ulugbek Rosikulov, and his Tajikistani counterpart, Davlatali Said, discussed bilateral trade and economic relations between the two countries. It was noted that in January-May 2017 the Uzbek-Tajik trade reached \$70 million, which exceed the total bilateral trade turnover in 2016. The trade turnover between the two countries hit \$69 million in 2016, which is almost 6 times more than in 2015.
- The European Bank for Reconstruction and Development (EBRD) announced about its plans to deepen its efforts to promote economic inclusion in the energy sector and the extractive industries of Kazakhstan with a \$140 million loan to the private mining company Bakyrchik Mining Venture for the development of the Kyzyl gold deposit. Kyzyl is the second project signed un-

der the new EBRD integrated approach to promote economic inclusion in the energy and extractive sectors in Kazakhstan, under which the EBRD has allocated up to \$1 billion for energy and natural resource projects in the country.

- The Central Bank of Azerbaijan (CBA) reported that the lower limit of the interest rate corridor on liquidity operations has been changed from 12% to 10% in accordance with the decision of the Board of the Bank. According to the CBA report, the discount rate and the upper limit of the interest rate corridor remained unchanged.

## Society and Culture

- The Foreign Ministry of Azerbaijan reported that it provided financial aid to four countries facing famine threat. According to the report, the financial aid in the amount of \$50,000 was provided via the United Nations for the people in Somalia, Yemen, South Sudan and north-eastern Nigeria.
- The President of Uzbekistan, Shavkat Mirziyoyev, approved the agreement with the EBRD on conducting operations on environmental rehabilitation for Central Asia. The agreement envisages cooperation of the bank and the country on restoration of the environment affected as a result of uranium extraction and enrichment during the Soviet times.
- The Government of Kazakhstan signed a resolution on renaming the Astana international airport into the Nursultan Nazarbayev International Airport. It was noted that the resolution is put into effect from the date of its first official publication.
- The 5th World Kurultai of Kazakhs with the participation of the President of Kazakhstan, Nursultan Nazarbayev, was held at the Palace of Independence in Astana. Over 800 delegates and guests from 39 countries of the world take part in the event. Over 80% of delegates and guests take part in the Kurultai for the first time.
- The World Bank announced its plans to supply additional financing in the amount of \$36 million to improve access to quality water and sanitation services for more than 100,000 people living in 52 villages across Kyrgyzstan within the framework of World Bank's Sustainable Rural Water Supply and Sanitation Development Project. It was noted that \$19.8 million is a concessional credit, while \$16.2 million is a grant.