



## CURRENT DEVELOPMENTS OF CHINA'S ONE BELT, ONE ROAD INITIATIVE

Over the last three decades, China has reached a high economic growth rate. Now, functioning in an open economy, Chinese business firms need to enter global markets and participate more actively in global competition. The co-construction of the One Belt, One Road (OBOR) project launched by the Chinese leader Xi Jinping in 2013 is one of the major goals of Chinese Government. This project is a major initiative for China to carry out open economic policies under new geopolitical conditions and it is also the most important project that China expects to provide special benefits for the Eurasian region. The initial outcomes of the OBOR project can be explained as follows.

First, the OBOR have gained wide international acceptance since the number of its participants has increased gradually. About 70 countries and organizations have expressed their support and contribution to the project. This global support has exceeded the scope of the traditional OBOR project and helped to form an international cooperation framework with broad influence. Meanwhile, 34 countries and international organizations have already signed a number of inter-governmental cooperation agreements with China on jointly building the OBOR project. Based on these inter-government cooperation agreements, specified cooperation programs will be additionally formulated. The Chinese Foreign Minister, Wang Yi, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Executive Secretary, Shamshad Akhtar, signed the letter of intent in Beijing on April 11, 2016. According to the document, the two sides will jointly promote regional cooperation and the implementation of the OBOR initiative. The two sides will also make specific action plans and encourage relevant countries to synchronize their development strategies with the initiative.

Second, the Chinese side could manage to set financial provision mechanisms within the framework of the OBOR. Several institutions were established to finance the Chinese OBOR initiative. The first institution is the Silk Road Fund with \$40 billion capital, which is planned to be increased up to \$100 billion. The second institution is the Asian Infrastructure Investment Bank (AIIB), established with \$100 billion fund. The third institution is the New Develop-

ment Bank BRICS (NDP BRICS). The total amount of funds of these three institutions could reach \$240 billion. The AIIB started operations in January 2016, and the first group of projects financed by the Silk Road Fund has been officially launched. Nowadays, countries along the route are discussing the possibility of allocation of mentioned funds for establishment or expansion of bilateral and multilateral cooperation.

Third, a transportation network is gradually taking its final shape within the framework of the OBOR. Currently, the construction of the connectivity network has begun on the Belgrade-Budapest Railway and the Jakarta-Bandung High-speed Railway. The China-Laos Railway, China-Thailand Railway, and other pan-Asia railway networks have started construction in March 2016. In this framework, Beijing achieved to increase the number of the freight trains on the China-Europe route. In 2015, the total amount of freight trains from China to Europe reached 815, which is 2.7 times more than the number of freight trains in 2014. On April 26, 2016, Baoding Hebei Province of China sent the first freight train on the Hebei-Europe route. The abovementioned railway will pass through the Manchuria station in the southern region of Russia in the direction of the Belarusian cargo station Kolyadichi at Minsk. Moreover, in November 2014 the Chinese Ministry of Railway Transport announced that over \$35 billion would be allocated for construction of the Baku-Tbilisi-Kars railway project launched in 2010. In order to put the Baku-Tbilisi-Kars railway into operation in 2017 the Chinese side is planning to provide both financial and technological assistance.

Fourth, cooperation process in moving of production facilities from China to OBOR countries is accelerating. China has signed agreements with 20 countries, especially Indonesia, Kazakhstan, and Mongolia to implement institutional collaboration in increasing the production capacity. At present, 52 projects, with a total investment of \$27 billion are being implemented.

Fifth, the countries along the route are striving to promote the level of trade and investment, to explore various types of free trade zones and to accelerate the integration process. Russia and China signed a Joint statement on cooperation on the construc-

tion of the joint Eurasian Economic Union (EEU) and the Silk Road Economic Belt project on May 8, 2015 in Moscow. Consequently, the EEU, a regional organization, which was initially formed with the aim of protecting itself from excessive economic influence of China, has changed its direction toward the interface with the Chinese initiative. Under the OBOR project China could manage to initiate the process of the economic corridor shaping. Currently, China is accelerating the process of formulating its plans on construction of economic corridor with Mongolia and Russia. On June 22, 2016, in Tashkent China, Russia and Mongolia endorsed a development plan to build an economic corridor linking the three neighbors, pledging to boost transportation connectivity and economic cooperation in border regions. The idea of constructing the economic corridor linking the three countries was proposed in 2014 when President Xi suggested connecting China's Silk Road Economic Belt with Russia's transcontinental rail plan and Mongolia's Steppe Road program. The proposal was put into action in 2015 when Mongolia's first highway program started. Moreover, within the framework of China-Pakistan economic corridor aimed at connecting Chinese Xinjiang with Pakistani Gwadar port Beijing is planning to expand global trade with South Asia, the Middle East and Africa.

Sixth, people-to-people and cultural interactions have been intensified. China has set up government scholarships to the nations along the Silk Road, held culture years and art festivals in the countries which are located along the route, and carried out the Silk Road Film Bridge Project and the Silk Road Book Translation Project, having positive effects on people-to-people and cultural cooperation in the OBOR initiative.

Currently the OBOR initiative is at the stage of transforming from being discussed to being accepted to a certain level both economically and politically. To date, the OBOR countries could manage to avoid the direct conflict of interest formally reaching an agreement on their participation in the project. However, with transition to the implementation phase, there is an essential need for the approval of the Official One Belt One Road Action Plan, according to which the OBOR funds will be allocated.

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## Politics, Foreign Affairs and Security

- During the 15th Summit of the Shanghai Cooperation Organization (SCO) held in Tashkent, the member-states, observers and guests discussed security concerns stemming from Afghanistan and prospect for further economic cooperation. As a result of the SCO Summit, the participants signed the Tashkent Declaration, which sums up the results of the previous 15 years of work and specifies future plans. The parties also approved the roadmap for the next 5 years to implement the strategy of the organization until 2025. During the meeting, India and Pakistan signed a Memorandum of obligation for obtaining SCO member states status. The presidency in the SCO passed to Kazakhstan.
- During his official visit to Beijing, the President of Russia, Vladimir Putin, and the President of China, Xi Jinping, discuss ways of stepping up bilateral cooperation and strengthening economic ties between two countries.
- During the official visit to Tashkent, the President of China, Xi Jinping, and the President of Uzbekistan, Islam Karimov, discussed further prospects for improving economic collaboration. As a result of the meeting, a number of the Uzbek – Chinese intergovernmental documents were signed, namely, the intergovernmental agreements on technical and economic cooperation and on cooperation in the protection of intellectual property rights, Memorandums of Understanding on investment and major commodities' trade cooperation, as well as the loan agreement on co-financing of investment projects in oil and gas sector.
- During the official visit to Dushanbe, the Minister of Labor and Social Protection of Azerbaijan, Salim Muslimov, and the Minister for Migration and Employment of Tajikistan, Sumangul Tagoyzoda, signed the Cooperation agreement on labor and employment, aiming to exchange their experiences in labor-market regulation.
- The Prime Minister of Kyrgyzstan, Sooronbay Jeenbekov, announced the State Committee of Information Technologies and Communications would be established with the aim of strengthening fight against corruption and ensuring transparency.
- According to the State Committee for National Security of Kyrgyzstan,

the security forces of the country detained 24- and 50-year-old recruiters who had been urging Kyrgyz citizens to join extremists fighting in Syria. It was noted that they are not Kyrgyz citizens.

## Economy, Finance and Energy

- The Ministry of Oil and Gas of Turkmenistan stated that the studies carried out by the Turkmengeologiya State Corporation made it possible to extend the gas-bearing part of Turkmenistan's largest Galkynysh field. A commercial inflow of the natural gas was obtained from the well located in the area of Gunorta Yoloten, which allowed expanding the Galkynysh field in the southern direction. According to Gaffney, Cline & Associates (UK), which audits the Galkynysh field and the adjacent Yashlar field, these two sites have an estimated total resource reserve of 26.2 trillion cubic meters of gas.
- On the sidelines of Russian President's official visit to Beijing, Russia's top oil producer Rosneft agreed to purchase China's National Chemical Corporation (ChemChina) a 40% stake in the Eastern Petrochemical Complex, which is planned to be established in Russia's Far East. The parties also signed a new one-year contract under which Rosneft could supply up to 2.4 million tons of crude oil to ChemChina in 2016-2017. Moreover, Rosneft inked an agreement with Sinopec regarding the construction of a gas processing and petrochemical plant in East Siberia, aiming to set up a joint venture in 2017.
- According to Russia's state-owned gas company, the Stockholm's International Arbitration Court rejected the €1.5 billion claim of Lithuania regarding an unjust gas price for deliveries that Gazprom made to Lietuvos Dujos between 2006 and 2015.
- The Ministry of Planning, Development and Reforms of Pakistan criticized the CASA-1000 deal with Tajikistan stating that the transmission charge of \$0.0291 is 10 times higher than the National Transmission Dispatch Company of Pakistan's charge and 3 times higher than that in Europe.
- The Chairperson of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), Harry Parker, announced that Kazakhstan was unanimously elected to become the 10th member of CRIRSCO. The country will create

the National Reporting Organization aimed at developing Kazakhstan Reporting Code (KAZRC).

- According to the First Vice-President of Lukoil, Vladimir Nekrasov, in the first half of 2016 the company acquired filling station chains in Netherlands, Belgium and Luxembourg. The deal on acquiring a chain of gas filling stations in the Benelux countries will be finalized till the end of 2016.
- The Chair of the State Agency on Alternative and Renewable Energy Sources of Azerbaijan, Akim Badalov, announced the country's plans to construct the biggest wind station in the Caspian basin. The project estimated at \$300-330 million will include building of the station's facilities, construction of a road over water, as well as installation of a platform and distribution of a power network.
- The National Bank of Kazakhstan (NBK) reported that in May 2016 it increased investments in gold in US dollar terms to \$9.13 billion compared to \$7.79 billion in the same period last year. In January-May 2016, the gross international reserves of Kazakhstan as a whole grew by 3.24% to \$28.78 billion. It was also stated that the NBK's reserve assets stood at \$28.73 billion in May 2015.

## Society and Culture

- The Ministry of Health Care of Kyrgyzstan together with UNICEF stated that over 18% of children are suffering from malnutrition in Kyrgyzstan. It was also reported that in the country, over 12.9% of children under 5 are stunted, 43% of children and about 35% of women of child-bearing age suffer from anemia.
- The Executive Director of the Joint United Nations Program on HIV and AIDS (UNAIDS) and Under-Secretary-General of the United Nations, Michel Sidibe, announced the organization's plans to establish a subregional office in Kazakhstan that would become a working base for 5 Central Asian states.
- The Minister of Health and Social Development of Kazakhstan, Tamara Duissenova, reported that 2 residents of Zharma district of the East Kazakhstan region confirmed the diagnosis "the Siberian ulcer" and 29 people were hospitalized with suspected anthrax. Previously anthrax was recorded in the Erkindik village in the Karaganda region where 9 people were hospitalized and 2 have already died.