

## ONE BELT ONE ROAD

# OBOR Brings New Life to Central Asia: Kazakhstan in Focus

by Ramtanu Maitra

Dec. 12—The 2013 New Silk Road initiative of China’s President Xi Jinping, called One Belt One Road (OBOR), or the Belt and Road Initiative, is anchored in the idea of developing land and sea transport corridors stretching from China’s cities to Europe. The overland routes wend their way through Central Asia. The five Central Asian nations—Kazakhstan in the north, bordering Russia, and to its south, Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan—are all destined to benefit from China’s OBOR initiative and could become an economic hub within Eurasia.

Three of the five share a border with China, and China has laid railroads through its vast western province, Xinjiang, to these borders with Kazakhstan, Kyrgyzstan, and Tajikistan, where it is setting up dry ports along these borders.

### Railroads, Pipelines and Financing

Even years before President Xi’s official declaration in 2013, China had already begun to invest heavily in the infrastructure to link up with Central Asia. It has built a railway corridor that originates at the Pacific port of Lianyungang on the Yellow Sea, traverses Kazakhstan, and continues on to Russia, Poland, and Germany. This land-bridge reduces shipment time and cost between China and Europe.

China has also built a rail line that branches off to the south from the China-Kazakhstan railroad near Astana, the capital of Kazakhstan, goes into Uzbekistan and Turkmenistan, and ends at Tehran, Iran. This branch can be called the China-Central Asia-West Asia corridor.

It is evident from these developments that OBOR



Government of Kazakhstan

*Kazakhstan’s Nurly Zhol program includes the construction of new cities, new housing in existing cities, utilities, roads, rails, and bridges. Here, President Nursultan Nazarbayev points out features on a road model.*

has put special emphasis on utilizing Kazakhstan as an important hub. For China, Kazakhstan is of immediate importance. The China-Central Asia natural gas dual pipeline of 1,840 kilometers (“Lines A and B”) was built in 2008-2010 to bring in 30 billion cubic meters of gas from Turkmenistan, Uzbekistan, and Kazakhstan. A third pipeline of larger diameter, Line C, parallel to the first two, was built in 2012-2014 and delivers an additional 25 billion cubic meters.

In September 2013, President Xi announced the plan to revive the ancient Silk Road and connect China with Central Asia, the Middle East, and Europe, and a year later in November 2014, in a meeting with Asian leaders, [Xi committed \\$40 billion](#) to this ambitious project, designed to “break the connectivity bottleneck” in Asia. The China-led Asian Infrastructure Investment Bank (AIIB), officially launched in June 2015 with a capital of \$100 billion, can provide some additional financial muscle for these initiatives.

## New Rail Corridors

While the two rail corridors described earlier are already operational, China has worked on two more corridors to tie up with Central Asia. One is the proposed high-speed, narrow-gauge railroad to Khorgos (Horgos), the eastern Kazakhstan dry port and logistics hub on the Chinese border, that will then traverse the entire east-west breadth of Kazakhstan to reach the Caspian Sea oil port and city of Aktau, located on the Caspian eastern shore close to the Turkmenistan border.

The proposed second railroad is to link the city of Kashgar, at the western end of China's Xinjiang province, with

Osh in southern Kyrgyzstan and nearby Andijan, an eastern Uzbek city on the southeastern edge of the fertile Ferghana Valley.



Chinese banks have been encouraged by Beijing to lend money to the countries that are part of the land-bridge, and Kazakhstan has become a major beneficiary of Chinese loans. Especially, Kazakhstan has been a major recipient of Chinese investment in Central Asian oil over the past two decades. In Congressional testimony in 2014, a U.S. policy adviser provided some of the specifics:

China's largest national oil company, China National Petroleum Corporation (CNPC), is the majority owner of two of Kazakhstan's major oil companies (it owns 85.42 percent of Aktobe-MunaiGas and 67 percent of PetroKazakhstan) and is involved in several oil exploration and production projects throughout the country. The company also provides oilfield services in Kazakhstan and plans to build a refinery there. China's sovereign wealth fund, China Investment Corporation, also invested almost \$1 billion in Kazakh energy in 2009.<sup>1</sup>

1. Testimony of Dennis C. Shea, Chairman, U.S.-China Economic and Security Review Commission, "China's Energy Engagement with Central Asia and Implications for the United States," for the hearing of the House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats, on the subject of "The Development of Energy Resources in Central Asia," May 21, 2014.

## And from the Kazakhstan Side?

While it is evident that this growing partnership between Kazakhstan and China has created a "win-win" relationship, it is important to peer into what the Kazakh government is doing to translate these positive developments into better economic prospects for its citizens. There is no doubt that for the OBOR to make a significant dent in helping the Central Asian nations become economically stable—thus staving off political and terrorism-related instabilities—Kazakhstan should be the test case.

In geographical extent, Kazakhstan is the world's ninth largest country, spanning 2.7 million square kilometers. But it has a population of only 16 million, less than that of Florida (20 million). Vast stretches of this largely arid and semi-arid country have remained sparsely populated. Nonetheless, the concentration of economic activity in the eastern and western ends of Kazakhstan (as far apart as New York City and Salt Lake City) has led to the development of a workable transport infrastructure. Railroads and highways criss-cross the country; none are fully adequate, and many will become obsolete once the country begins to grow rapidly.



Xinhua

*The first container train pulls out of a logistics terminal jointly built by China and Kazakhstan in Lianyungang on China's Pacific Coast in February 2015. The rail line links Lianyungang and Almaty in Kazakhstan.*

The inadequacy of Kazakhstan's existing transport network poses a challenge to the OBOR. For instance, in 2011 China completed the corridor running from China's port of Lianyungang to Kazakhstan's Dostyk (Druzhba), and later, in 2012, to Khorgos. One nagging problem for these corridors, still unsolved, is the difference in railway gauges. While China uses a gauge of 1,435 millimeters, Kazakhstan, like all other former Soviet countries, uses the 1,520 millimeter gauge. At the China-Kazakhstan border crossings, passenger trains change bogies (the chassis under the wagon, on which the axles and wheels are mounted), while most freight is transferred to wagons with the wider gauge. Both methods require a good deal of heavy lifting equipment, and the trains must stop for 5 to 8 hours to complete the change of gauge.

### Breakout: 'Life Emerges Around Roads'

Recognizing the limitations of its rail and road infrastructure, the Kazakh government has proposed a



[www.strategy2050.kz](http://www.strategy2050.kz)

*A Nurly Zhol road construction and repair project.*

change rate between the U.S. dollar and Kazakh Tenge], with the state contributing 15% of the total. All the regions of Kazakhstan need to be closely connected by railroads, highways, and air services. . . . The New Economic Policy, "Nurly Zhol," will become a driver of growth in our economy during the coming years: 200,000 new jobs will be created by the construction of roads

comprehensive infrastructure development plan. Kazakhstan's plan—announced by President Nursultan Nazarbayev in a State of the Nation address on November 11, 2014—is called the Nurly Zhol, or Lighted Path, an initiative directly tied in to OBOR. Kazakhstan had already proactively pitched its agenda toward China more than a decade earlier, and indeed Kazakhstan's pitch was one of the reasons Xi Jinping initially presented the OBOR plan in Astana, in October 2013.<sup>2</sup>

Unfolding the Nurly Zhol in his State of the Nation address, President Nursultan Nazarbayev made the following observations:

The Infrastructure Development Plan, which I want to make public today, will become the core of the New Economic Policy. It is intended to last for five years and is to run in parallel with the Second Five Year term of the Program of Accelerated Industrial and Innovative Development. More than 100 foreign companies intend to participate in its implementation. The total investment portfolio will amount to KZT6 trillion [about \$18 billion at the December 2016 ex-

2. "China's One Belt, One Road Initiative and the Sino-Russian Entente: An Interview with Alexander Gabuev," Greg Shtraks, National Bureau of Asian Research, Aug. 9, 2016. <http://www.nbr.org/research/activity.aspx?id=707>

alone. And this means greater employment and growth of income for the population. “Nurly Zhol” will create a multiplier effect in other economic sectors: production of cement, metal, machinery, bitumen, equipment, and related services. Roads are lifelines for Kazakhstan. Life has always emerged and developed in our vast expanses around roads. Yet we must create a transport network such that car, railway, and airlines stretch in all directions from Astana.<sup>3</sup>



Xinhua

*The Kazakh link of the Pan-Central Asia pipeline, here under construction in 2008.*

Today, the integration of the Nurly Zhol and China’s Silk Road Economic Belt is more than ever a matter of importance for Kazakhstan and Eurasia. When Kazakhstan’s Foreign Minister Erlan Idrissov and Minister of Investment and Development Zhenis Kassymbek called a press conference on this subject on Nov. 30, 2016, it drew more than 80 representatives of foreign embassies and missions, including 50 ambassadors and heads of offices of international organizations. Idrissov said, according to the *Astana Times*, Dec. 1, 2016:

Implementation of the Nurly Zhol program will ensure the connection of the Kazakh regions to intercontinental routes Western Kazakhstan-Western Europe [and] China-Iran, and will turn Kazakhstan into a major Eurasian transport and logistics hub that will connect the North with the South, the East with the West, the countries of the European Union, the Middle East and South-east Asia.

### **Nuclear Fuel Fabrication**

Beyond the transportation network, which Nurly Zhol addresses directly, Kazakhstan has immense mineral deposits of high quality. It is the world’s leading uranium producer with 12% of world reserves and is the third largest chrome producer. Its deposits of copper and lead-zinc represent 10% and 13%, respectively, of

world reserves. Kazakhstan is also well endowed with bauxite, coal, manganese, iron ore, phosphate, titanium, and tungsten. According to *Business Monitor* in 2013, its mining sector is set to grow to a value of almost \$30 billion by 2017. However, except in the uranium sector, the government has not adequately addressed the development of this sector.

The development of Kazakhstan’s uranium production, however, is impressive. From 2001 to 2015, production rose from 2,022 tons to about 23,800 tons per year (39% of world production), making Kazakhstan the world’s leading uranium producer. Of its 17 mine projects, five are wholly owned by the government-owned Kazatomprom and 12 are joint ventures with foreign equity holders.<sup>4</sup>

Construction of a nuclear fuel fabrication plant—through a joint venture of Areva of France, Kazatomprom of Kazakhstan, and China General Nuclear Power Corporation (CGNPC)—was announced by the three companies on Dec. 6, 2016. France’s Areva will provide the production technology, while most of the financing will come from CGNPC. Upon completion, the plant will be managed by a joint venture of Kazatomprom and CGNPC subsidiaries.

### **Kazakhstan Needs Nuclear Power**

Notwithstanding the existing developments and plans for future developments, Kazakhstan lags in certain basic areas, resolution of which could help materi-

3. “Nurly Zhol, Bright Path to the Future: HE Nursultan A. Nazarbayev,” *The Business Year*. <https://www.thebusinessyear.com/kazakhstan-2015/nurly-zhol-bright-path-to-the-future/inside-perspective>

4. “Uranium and Nuclear Power in Kazakhstan,” World Nuclear Association, updated December 2016.

alize the country's economic prospects. *EIR's* World Land-Bridge report<sup>5</sup> pointed out the importance of education and manpower development, as well as nuclear power generation for electricity and desalination of water to overcome dependence on surface water flow. These are necessary to attain well-rounded national development.

Although endowed with uranium, and soon to have a nuclear fuel fabrication plant, Kazakhstan does not have a single nuclear power plant. (A single Russian-built nuclear power reactor operated from 1972 to 1999, generating electricity and desalinating water.) Kazakhstan generates of about 13 GW of electrical power, of which about 81% comes from coal and the rest from natural gas. It imports some electricity from Russia and exports a small amount to Kyrgyzstan, another power-starved nation. The government has plans to enhance electricity generation. In 2012, the government's energy development plan called for at least a 60% increase in production by 2030, targeting an additional investment of close to \$64 billion in this sector during that period.

5. *The New Silk Road Becomes the World Land-Bridge*, Executive Intelligence Review, November 2014.

Kazakhstan has plans for new nuclear power plants, but in November 2016, these plans were postponed because it was thought that there is no immediate need. But there *is* an immediate need: As with roads, life has always emerged and developed around cheap, abundant energy.

Kazakhstan must focus on water availability to enable its productive capabilities and to improve living conditions at the household level. Almost 90% of the country is considered arid or semi-arid, with low humidity. In terms of water resources, the country is among those at the low end of the scale in Eurasia. Kazakhstan's average annual surface water is 100.5 cubic kilometers (km<sup>3</sup>), of which 56.5 km<sup>3</sup> is from precipitation within the country; the rest comes from China, Uzbekistan, Kyrgyzstan, and Russia. Surface water resources are also very unevenly distributed.<sup>6</sup>

Although water is a major hurdle for Kazakhstan, desalination of water from the Caspian Sea could fully alleviate water shortages in the north, west, and parts of the south. Here again, nuclear power would help.

6. T.T. Sarsenbekov and S.K. Ahmetov, "Report on the Regional Water Partnership (Republic of Kazakhstan)," Global Water Partnership. [http://www.gwp.org/Global/GWP-CACENA\\_Files/en/pdf/kazakhstan.pdf](http://www.gwp.org/Global/GWP-CACENA_Files/en/pdf/kazakhstan.pdf)

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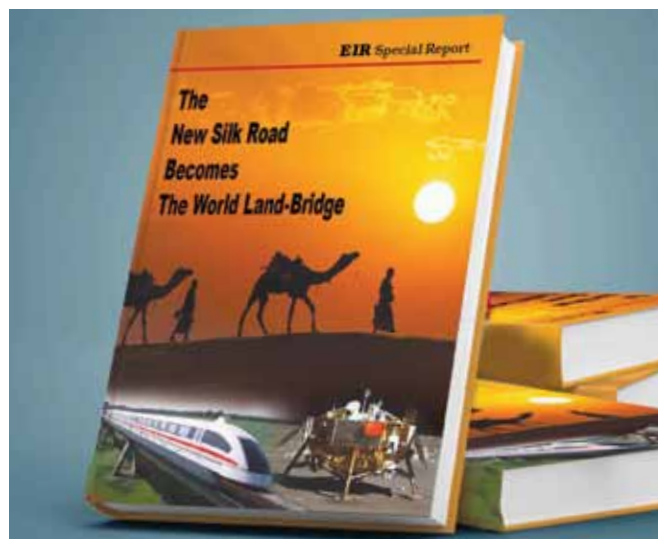
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