



National Think Tank 2017 (3)



A Series of OBOR by Silk Road Academy

The Alignment of the Silk Road Economic Belt and the Bright Road of Kazakhstan: Problems and Perspective

Editor-in-chief

Li Yongquan, Wang Xiaoquan

The Belt and Road Center of CASS



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图书在版编目 (CIP) 数据

“丝绸之路经济带”与哈萨克斯坦“光明之路”新经济政策对接合作的问题与前景 = The Alignment of the Silk Road Economic Belt and the Bright Road of Kazakhstan: Problems and Perspective : 英文 / 李永全主编. —北京: 中国社会科学出版社, 2017.5

(国家智库报告)

ISBN 978 - 7 - 5203 - 0388 - 0

I. ①丝… II. ①李… III. ①丝绸之路—经济带—经济发展战略—研究—中国—英文②国际合作—经济合作—研究—中国、哈萨克—英文 IV. ①F127②F125.536.1

中国版本图书馆 CIP 数据核字 (2017) 第 086572 号

出 版 人 赵剑英

责任编辑 喻 苗

责任校对 韩天炜

责任印制 李寡寡

出 版 中国社会科学出版社

社 址 北京鼓楼西大街甲 158 号

邮 编 100720

网 址 <http://www.csspw.cn>

发 行 部 010 - 84083685

门 市 部 010 - 84029450

经 销 新华书店及其他书店

印刷装订 北京君升印刷有限公司

版 次 2017 年 5 月第 1 版

印 次 2017 年 5 月第 1 次印刷

开 本 710 × 1000 1/16

印 张 8.75

字 数 121 千字

定 价 56.00 元

凡购买中国社会科学出版社图书, 如有质量问题请与本社营销中心联系调换
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Preface

From both what happened in the United States and Europe and what the political economy perspective of the world would expect, anyone may predict a weakening trend of the economic globalization in at least the near future. That is, the predictable politics and economic policies in the western countries, which have been the major drivers of the previous wave of globalization, tend to drive down the economic globalization, alongside nationalism and populism dominate the policy-making of international trade and investment flows in a quite few countries.

That trend does not necessarily mean a catastrophe for China's economic growth, though it has benefited from the previous economic globalization. China will accomplish its goals of building a moderately prosperous society in all respects in 2020 and realizing its great rejuvenation in 2050, no matter what happens to the globalization. China, however, does hope that there will be a sound environment of international trade, capital flows, mobility of the talented, and other factors that economic globalization can bring in.

As the beneficiary of the globalization, the second largest economy, a country trading the largest volume of commodities internationally, and other number ones, China is indeed willing to initiate and lead the potentially next wave of economic globalization. In addition, China is also obligated to seek a change in global system of governance on behave of its own, other developing countries, and other emerging markets. All those can help developing countries in general and emerging markets in particular to gain bigger say in global governance and bigger share of globalization dividends.


The Silk Road Economic Belt and 21st Century Maritime Silk Road Initiative proposed by Chinese President Xi Jinping, taking ancient land and maritime silk road as a symbol, aims to develop economic collaboration relationships and partnerships with countries along the belt and road, build a community with political mutual trust, economic integration and cultural inclusion. This initiative covers the core of economic globalization, seeks to construct new global governance framework, and is expected to become the tipping point of next wave of economic globalization. It aims to link the Chinese domestic development to the world development, to push forward the collaboration

of real economy and production capacity among countries, and to extend domestic pattern of transferring manufacturing from coastal to inland regions to international “flying geese paradigm”.

Before the global system of governance fully changes to more represent interests of developing countries, the Belt and Road Initiative and its corresponding institutional arrangements, such as Asian Infrastructure Investment Bank can supplement the defects of the existing system. On the other hand, one should not forget that the Belt and Road Initiative’s original purpose, that is, serving to fill the worldwide financial gap in constructing infrastructure.

Since the Belt and Road Initiative was proposed in 2013, over 100 countries and international organizations have responded positively, and 40 of them have signed cooperative agreements with China. Chinese enterprises’ investments in countries along the belt and road amount to more than 50 billion US dollars, which serves to facilitate a host of major projects, boom economic development and expand employment in host countries. As President Xi put it, while the Belt and Road Initiative comes from China, it benefits the world.

In front of readers is a series of books, on the theme of the Belt and Road Initiative and its practices in various localities. Those books include (1) A Field Investigation Report on the 21st Century Maritime Silk Road; (2) The Alignment of the Silk Road Economic Belt and the Bright Road of Kazakhstan: Problems and Perspective; (3) The International Risk and Cooperative Space Expansion of the Belt and Road Initiative—the Example of Sri Lanka; (4) Port and Port Cities in Building of the Belt and Road; (5) Study on “21st Century Maritime Silk Road” Docking with “Global Maritime Fulcrum”: Research Report about Fujian Province of China and Indonesia; (6) Expanding the Belt and Road : A New Perspective on China—Latin America Integrated Cooperation; (7) The Construction and Development of Asia and Africa Economic Circle under the Belt and Road Perspective; (8) The Development in the Four Economic Corridors of Indian Ocean under the Chinese Belt and Road Perspective. I hope readers, both theorists and practitioners, will find them helpful.



Vice President of the Chinese Academy of Social Science
Beijing, May 4, 2017

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General Report

The Issues and Prospects Involving the Alignment and Cooperation of the Silk Road Economic Belt and Kazakhstan's the Bright Road Initiative

Wu Hongwei

Abstract: As an important neighboring country for China, located in the core area of the Silk Road Economic Belt, Kazakhstan plays an important role in the joint construction of the Silk Road Economic Belt. China is an important priority in Kazakhstan's external policy and an important partner of Kazakhstan's. The joint construction of the initiative for the Silk Road Economic Belt and the New Economic Policy of the Bright Road Initiative are the national strategies for development worked out by the leaders of both China and Kazakhstan in line with the new international situation of political and economic development and combining with the national developmental conditions and the characteristics of China and Kazakhstan. Both countries have reached a high degree of consensus on the coordination of the two strategies. According to an analysis of Kazakhstan's New Economic Policy of the Bright Road Initiative and relevant strategy of development, there is a high degree of fit between China and Kazakhstan in foreign policy, developmental goals and strategy implementation, and both countries can engage in all-round cooperation for mutually beneficial and win-win outcomes. Meanwhile, we should also realize that due to various factors,

the cooperation and strategic alignment between China and Kazakhstan will not be smooth and there are many difficulties that need to be overcome.

Keywords: Silk Road Economic Belt; the Bright Road Initiative; Alignment

In September, 2013, President Xi Jinping put forward the initiative for the joint construction of the “Silk Road Economic Belt” in Astana, the Capital of Kazakhstan, and the countries along the Silk Road have actively responded to this initiative. At present, there are ups and downs in the world’s political and economic situation; the prices of bulk commodities have fallen sharply; the consumer market is generally sluggish; various countries around the world have generally stagnated in their economic development; some countries are confronting unprecedented economic crises. In such a situation, the construction of the Silk Road Economic Belt undoubtedly presents some rare opportunities for developing the economy and increasing the people’s living standard in many countries. The special geographical location of Kazakhstan and the courage and determination of its leaders to participate in the construction of the Silk Road Economic Belt determine its status and role in China’s strategy of the Silk Road Economic Belt. Aligning the New Economic Policy of the Bright Road Initiative put forward by Kazakhstan’s leaders with the construction of the Silk Road Economic Belt advocated by China is an important issue of common concern for the scholars of both countries.

I. The New Economic Policy of the Bright Road Initiative and Its Relevant Developmental Path

(I) The proposal of economic integration offered by Kazakhstan

Since 1991, when Kazakhstan gained independence, Kazakhstan has established diplomatic relations with 139 countries and has actively cooperated with the International Monetary Fund, the Asian Development Bank, the European Bank for Reconstruction and Development, the

World Bank, the Islamic Development Bank and other major international economic and financial organizations. Meanwhile, Kazakhstan is a member of such international organizations as the United Nations, the Commonwealth of Independent States, the Eurasian Economic Union, the Shanghai Cooperation Organization and the Organization of Islamic Cooperation. Kazakhstan has put forward many important proposals in some important national venues, such as the United Nations, including the meeting mechanism of the Conference on Interaction and Confidence-Building Measures in Asia, showing that Kazakhstan hopes to play an important and influential role in international and regional affairs.

With its own line of thought and plans, Kazakhstan actively advocates and promotes economic integration in Central Asia. Kazakhstan has always wanted to play a role in Central Asia and plans to build integration mechanisms or organizations without outside involvement there. Kazakhstan has proposed the establishment of a Central Asian Union many times, but such a proposal cannot be realized without the active response from most of the Central Asian countries, especially Uzbekistan. Even the established Central Asian Cooperation Organization with only the participation of the Central Asian countries was merged with the Eurasian Economic Community to form a new regional cooperation organization—the Eurasian Economic Community—on October 6, 2005, after Russia joined the Central Asian Cooperation Organization.

In 2014, the Eurasian Economic Community came to an end. On October 10, the member countries of that Community signed an agreement concerning the removal of the Eurasian Economic Community in Minsk, and the Eurasian Economic Union was formally established on January 1, 2015. So far, only Kazakhstan and Kyrgyzstan, among the five Central Asian countries are members of the Eurasian Economic Union. The other three countries are observing and studying the advantages and disadvantages of joining it, or are not planning to join it. Obviously, the Central Asian countries have different policies and goals for regional economic integration.

With respect to foreign contacts, Russia is always the most important strategic partner for Kazakhstan, and Kazakhstan has also participated in all of Russia-led Eurasian regional integration organizations

and processes. The President of Kazakhstan early envisioned the establishment of the Eurasian Economic Union, but there were only a few responders. Afterwards, Russian President Putin adopted this idea, developed the Central Asian Economic Union and the Russia-Belarus-Kazakhstan Customs Union towards this goal and made it become a reality.

On January 1, 2015, the Eurasian Economic Union was officially initiated and Kazakhstan officially became a member country. Kazakhstan recognizes and actively participates in the Russia-led regional economic integration process, but it highly values its own state sovereignty and independence and is unwilling to push forward the Eurasian Economic Union; Kazakhstan rejects any proposal and act which may threaten its sovereignty and territorial integrity.

When delivering a speech at the Third Astana Economic Forum, Nursultan Nazarbayev stressed that Eurasian integration can focus on the following seven aspects: First, developing trade and opening the border; second, developing transportation and communication infrastructures; third, promoting mutual investment and technical exchanges; fourth, establishing a common capital market; fifth, stabilizing energy, new energy and clean energy; sixth, boosting the exchange and development of human resources; seventh, stabilizing living standards by safeguarding food security. The President of Kazakhstan believes that, because it is located in the continental heartland, Kazakhstan can advocate and coordinate the integration of Europe and Asia.

(II) *Kazakhstan—2050 Strategy*

In 1997, Nursultan Nazarbayev, the President of Kazakhstan, presented the *Kazakhstan—2030 Strategy* in the State of the Union speech for the first time, which identifies the long-term national plan, the main goals and key fields to be dealt with and achieved by 2030; subsequently, it was further explained in the *2010 Strategic Plan*.

The *2020 Strategic Plan*, released by Kazakhstan in 2010, states the main tasks for Kazakhstan: First, making preparations for economic development during the post-crisis era; second, speeding up industrialization and the construction of infrastructures, bringing about

sustainable economic development; third, increasing investments in the future in order to sharpen the competitive edge in human resources; fourth, providing Kazakhstani citizens with high-quality social services, housing—and public services; fifth, consolidating harmony, enhancing the national security and further developing international relations.

In order to achieve the tasks specified in the *2020 Strategic Plan*, the Government of Kazakhstan has developed the *Innovative Industrial Development Plan* and the *National Industrialization Blueprint*. The 162 projects set out here are planned to be implemented and the total amount of investments will reach 6.5 trillion KZT (Kazakhstani Tenge).

According to an evaluation conducted by the World Economic Forum in 2013, Kazakhstan had by then become one of the top 50 countries in the world in terms of competitiveness. When delivering the State of the Union speech for 2013 on December 14, 2012, President Nursultan Nazarbayev stressed that the main goals of that strategy had been realized. According to President Nursultan Nazarbayev, at present, human beings are facing ten global challenges: (1) the quickening pace of the era; (2) an unbalanced global population; (3) a global food security crisis; (4) extreme shortage of water resources; (5) global energy security; (6) a shortage of natural resources; (7) the third industrial revolution; (8) increasing social instability; (9) a crisis in Kazakhstani civilization and cultural values; (10) threats from new international turbulence.^①

President Nursultan Nazarbayev believed that the *Kazakhstan—2030 Strategy* would not address the new challenges and so he developed the *Kazakhstan—2050 Strategy*. Its main goal lies in building a well-off society by 2050 on the basis of making the country powerful, developing the economy and an all-personnel labor potential, and becoming one of the 30 most developed countries by 2050. The *Kazakhstan—2050 Strategy* is the continuance of the *Kazakhstan—2030 Strategy* at the present stage.

President Nursultan Nazarbayev put forward the main tasks to be completed, in stages, by 2050.

① Nursultan Nazarbayev: *Kazakhstan—2050 Strategy—A New Political Policy for National Improvement*, December 14, 2012, separated edition.

1. Further improving the national macroeconomic policies, including the policies for the budget, taxation, the management of national and foreign debts, and the monetary and credit policies;

2. Adopting a new philosophy for developing Kazakhstan's infrastructures;

3. Further improving the national asset management system;

4. Using the new natural resource management system;

5. Developing the industrialization plan for the next stage;

6. Realizing large-scale agricultural modernization;

7. Introducing a new policy for water resources in Kazakhstan

(III) The New Economic Policy of the Bright Road Initiative

On November 11, 2014, President Nursultan Nazarbayev delivered the State of the Union speech for 2015 entitled *the Bright Road Initiative—the Path to the Future*. He stressed that the whole world was facing new challenges and threats. In order to cope with the new situation and new challenges, President Nursultan Nazarbayev introduced the *New Economic Policy of the Bright Road Initiative*. The focal point of the New Economic Policy is the forthcoming *Infrastructure Construction Plan*. The plan is expected to be implemented in five years, 6-trillion KZT are planned to be invested and the national fiscal input will account for about 15%.

1. The main content of the *New Economic Policy of the Bright Road Initiative*

(1) Improving the transportation and logistics infrastructure. The macro regions in Kazakhstan will be connected to Astana mainly by highways, railways and the principal air routes: Western China—Western Europe, Astana—Almaty, Astana—Ust-Kamenogorsk, Astana—Aktobe—Atyrau, Almaty—Ust-Kamenogorsk, Karaganda—Jezkazgan—Kyzylorda, Atyrau—Astrakhan. Furthermore, it is also necessary to build a port facility on the shores of the Caspian Sea and establish a logistics hub in Eastern Kazakhstan. The Government of Kazakhstan is studying the construction or renting of inland ports and sea ports in China, Iran, Russia and the EU countries.

(2) Speeding up the construction of industrial infrastructures. This construction will stimulate the huge demand for products and services in such fields as building materials, transportation, energy, housing and public facilities.

a. Continuing to build up the industrial infrastructures in the existing special economic zones;

b. Establishing new industrial parks in different areas;

c. Promoting infrastructure development in the tourist industry.

(3) Energy infrastructure—addressing the undersupply of power resulting from a shortage of power grids in the southern region and the shortage of natural gas that occurs due to the shortage of natural gas pipeline networks in the central and eastern regions.

a. The Ekibastuz—Semey—Ust-Kamenogorsk high-voltage power grid;

b. The Semey—Aktogai—Taldykorgan—Almaty high-voltage power grid.

(4) Optimizing the construction of housing-related public utility infrastructures, water supply and heat supply networks—investments will not be lower than 2 trillion KZT; the annual investment by 2020 will not be lower than 200 billion KZT. Encouraging the European Bank for Reconstruction and Development, the Asian Development Bank, the Islamic Development Bank and individual investors to make investments.

(5) Strengthening the construction of housing infrastructures, mainly low-rent housing and low-priced commercial housing.

(6) Carrying out the construction of infrastructures for social undertakings, mainly addressing the shortage of school buildings and preschool educational institutions—determining ten institutions of higher education relating to the scientific and technological industries and technical educational training, and increasing the input of materials and technical equipments in these institutions of higher education.

(7) Continuing to support small and medium-sized enterprises and commercial operations—effectively using the loans from the Asian Development Bank, the European Bank for Reconstruction and Development and the World Bank to promote the development of small and medium-sized enterprises from 2015 to 2017.

2. Desired effect of the *New Economic Policy of the Bright Road Initiative*

(1) Turning it into an important impetus for Kazakhstan's economic growth in the years to come, and helping Kazakhstan become one of the 30 most developed countries in the world;

(2) Providing a large number of jobs—road construction alone can create 200,000 jobs;

(3) Stimulating the development of the cement, steel, machinery, petrochemical and equipment manufacturing industries and relevant service fields;

(4) Building transportation networks of highways, railways and air routes connecting the Capital Astana to other areas across the country; building new highways to enhance the international transportation capacity; improving the living standard and quality of Kazakhstani people.

3. Some major projects under the framework of the *New Economic Policy of the Bright Road Initiative*

(1) Eight highways, including the one connecting Europe—Western China, Astana—Almaty, Astana—Ust-Kamenogorsk were built under the framework of the Bright Road Initiative plan in 2015. In July, 2015, the Khorgos—Eastern Gate Free Trade Zone started functioning and Kazakhstan is expected to deliver inbound and outbound goods amounting to 4.4 million tons/year through this Free Trade Zone by 2020.^① At an enlarged meeting of the Government held in May, 2015, President Nursultan Nazarbayev ordered the Government to build a new airport near Almaty. A new aviation hub will include not only the airport, but also an aviation city covering the infrastructures with various functions. According to Kazakhstani officials, the project location and companies have been identified, and the hub will include various types of centers, parks and leisure facilities; the total amount of investments is

① Liu Yan, *The Minister of Kazakhstan's Ministry of Investment and Development Summarized the Work of the Year 2015*. China's Economic and Commercial Counselor's Office in Kazakhstan, 2016-01-06, <http://kz.mofcom.gov.cn/article/jmxw/201601/20160101227887.shtml>.

expected to reach 8 billion USD.^①

(2) According to the requirements specified by the Kazakhstani leaders, the local authorities in Kazakhstan have also developed their own plans for development, such as the *Strategic Plan of Astana City for Stable Development by 2030* and the *2011-2015 Development Plan of Astana City*.

(3) At the Astana Economic Forum held in May, 2015, President Nursultan Nazarbayev said Kazakhstan would build an international financial center in Astana. The World Expo will be held in Kazakhstan in 2017, thus various types of large facilities are being built. These facilities will be transferred to the international financial center after the World Expo.

(IV) The 100-Step Plan

The 100-Step Plan is an initiative developed by the Government of Kazakhstan for achieving the five reform goals put forward by President Nursultan Nazarbayev; it is a national programme designed to cope with potential international and domestic threats and challenges, safeguard the long-term national development and turn Kazakhstan into one of the 30 most developed countries in the world. The 100-Step Plan is divided into five parts—establishing specialized state organs, strengthening the legal construction, carrying out industrialization, guaranteeing economic growth, and building an accountable government. There are 100 concrete steps and implementation measures.

(V) The First Five-Year Plan and the Second Five-Year Plan

In 2009, President Nursultan Nazarbayev ordered the Government to study and develop a programmatic document for accelerating innovative national development. The *2010-2014 National Plan for Accelerating Innovative Industrial Development* (the First Five-Year Plan) was

① Liu Bo, *The Investment in Almaty's International Aviation Hub Project is about 8 Billion USD*. China's Economic and Commercial Counselor's Office in Kazakhstan, 2015-11-25, <http://kz.mofcom.gov.cn/article/jmxw/201511/20151101193996.shtml>.

released and implemented in 2010. In order to further promote domestic industrialization and vigorously develop the innovative industries, the Government of Kazakhstan set up a committee led by the Prime Minister and the Minister of Kazakhstan's Ministry of Industry & New Technology to develop the *2015-2019 National Plan for Innovative Industrial Development* (the Second Five-Year Plan) on the basis of learning lessons and drawing upon the experience from the previous stage, and identifying the overall direction, goals and measures for developing the processing industries in Kazakhstan in the next five years.

The Second Five-Year Plan is designed to enhance the competitiveness of the domestic industrial manufacturing industry, promote the diversification of the economic structure in Kazakhstan and guarantee sustainable and stable economic growth. According to the Plan, Kazakhstan will focus on developing 16 manufacturing sectors from 2015 to 2019. Among these, 14 are physical processing industries—including those of ferrous metallurgy, non-ferrous metallurgy, oil refining, petrochemical products, food products, pesticides, industrial chemical products, means of transportation and their accessory and engine manufacturing, electrical products, agricultural machinery manufacturing, railway equipment manufacturing, mining machinery and equipment manufacturing, oil refining and exploitation machinery and equipment manufacturing, building material industries, and two are the innovative and aerospace industries.^①

II. Lining Up the Silk Road Economic Belt with the Policy of the Bright Road Initiative

Lining up China's Silk Road Economic Belt Strategy with Kazakhstan's New Economic Policy of the Bright Road Initiative during the construction of the Silk Road Economic Belt is a consensus reached by the leaders of both countries. As stated in the *Joint Declaration*

① Li Shuo, *Explain Kazakhstan's Second Five-Year Plan*. China's Economic and Commercial Counselor's Office in Kazakhstan, 2014-07-11, <http://kz.mofcom.gov.cn/article/ztdy/201407/20140700659453.shtml>.