



# Economy and Belt and Road Initiative: Kazakhstan and China

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## Abstract

The Middle Corridor is a part of China Belt and Road Initiative. With the operationalization and potential expansion of the MC, trade volumes between Kazakhstan and China are still very important. The MC provides an alternative route for trade between China and Europe, bypassing traditional routes through Russia. China's geo-economic role has been growing steadily over the past three decades. The latest development when the presidents of Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan, as well as Chinese President Xi Jinping, signed numerous agreements on bilateral cooperation was the first face-to-face forum in Xian, China-Central Asia on 18 and 19 May 2023. Kazakhstan's reliance on trade routes through Russia may decrease as the MC offers a more diversified and potentially more reliable option. This diversification could lead to a shift in Kazakhstan's trade patterns, with a greater proportion of goods being transported through the MC.

## Subject Areas

Sociology, Economics

## Keywords

China, Globalization, Kazakhstan, Silk Road

## 1. Introductory History and Generalities

Genghis Khan (1162-1227) and Kubilai Khan Yuan dynasty or Mongol dynasty (1206-1368) were established in China by Genghis Khan, who occupied northern China in 1215, but not until 1279 did Kublai Khan take control of southern China. The Mongols established their capital at Beijing (then called Dadu). They rebuilt the Grand Canal and put the roads and postal stations in good order. Paper

money, which had had limited circulation under the Song, came to be used throughout the empire unified the two regions under the Mongol Empire and the Qing dynasty ruled China between 1644 and 1911.

The historical and contemporary ties between Kazakhstan and China [1] form the basis for understanding their current geopolitical and economic dynamics. With a history dating back to the Mongol Empire, these ties have evolved significantly, particularly following Kazakhstan's independence in 1991.

Generally, this article explores the trade dynamics between Kazakhstan and China, the impact of infrastructure development on trade efficiency, and the role of international partnerships in enhancing economic resilience. Since 2013, Kazakhstan accounts for more than 70 percent of Chinese investments in Central Asia [2].

The Belt and Road Initiative [3], introduced by Chinese President Xi Jinping in 2013, further solidified these developments and the strategic importance of the Middle Corridor, a key component of the BRI, in shaping Kazakhstan's trade and foreign relations.

The discussion delves into several critical areas:

1) Historical Context: Kazakhstan's independence in 1991 marked the beginning of a new era in Sino-Kazakh relations. The historical background, including the Mongol Empire and the Yuan dynasty, sets the stage for understanding these relations.

2) Political and Economic Frameworks: The governance structures of Kazakhstan, including the roles of the President, the Government, and the Parliament, are outlined to provide a comprehensive view of the country's political landscape.

3) Belt and Road Initiative (BRI): The BRI's impact on Kazakhstan is analyzed, emphasizing the significant Chinese investments in the region and the strategic importance of Kazakhstan in the BRI framework.

4) Middle Corridor (MC): The MC's role in diversifying Kazakhstan's trade routes and reducing dependency on Russia is important. Kazakhstan's reliance on trade routes through Russia may decrease as the MC offers a more diversified and potentially more reliable option. The potential for increased trade volumes and infrastructural development along the MC is highlighted.

5) Resource Wealth: Kazakhstan's abundant natural resources, including oil, gas, uranium, and various minerals, are crucial to its economic relationship with China and other global partners.

6) Trade and Infrastructure: The paper examines the trade dynamics between Kazakhstan and China, the impact of infrastructure developments on trade efficiency, and the role of international partnerships in enhancing economic resilience.

7) Shifts in Foreign Relations: Recent changes in Kazakhstan's foreign policy, particularly the growing economic ties with France, are explored. This shift is seen as a strategic move to diversify its economic partners and reduce over-reliance on any single country.

Kazakhstan, the largest enclaved country, is the ninth largest territory in the world. In the north and the west, the country shares border with Russia (7591 km), with China in the east (1783 km), with Kyrgyzstan (1242 km), with Uzbekistan (2351 km) and Turkmenistan (426 km) in the south. The total length of land border of Kazakhstan with other states amounts to 13,200 km.

Before 2022, Kazakhstan was China's key partner in the Central Asian region due to its location, size, and substantial energy resources. Since 2013, the relationship between China and Kazakhstan has been structured by the Belt and Road (一带一路). In 2023, confirmed by the Astana Times, Russia was the second economic partner of the country.

## 2. Bordering Countries

In May 2013, President Tokayev was the first of the Central Asian leaders to hold a face-to-face meeting with Chinese President Xi Jinping. Afterwards, a joint statement on building "enduring friendship" and sharing "weal and woe" was released.

For most of Kazakhstan's recent history power was held in the hands of former President Nursultan Nazarbayev. That changed in 2019 when Nazarbayev, 81 years old in 2022, stepped aside and anointed his long-time ally Tokayev as his successor. In his capacity as head of the security council that oversees the military and security services, Nazarbayev continued to retain considerable sway over the country. Tokayev announced later that he was taking over from Nazarbayev as security council head.

Following the collapse of the Soviet Union and independence of Kazakhstan, China and Kazakhstan have pursued a process of rapprochement. China has 9.6 million square kilometers and Kazakhstan 2.7 million square km<sup>2</sup>. China is about 3.5 times bigger than Kazakhstan.

New Silk Road or the Belt and Road in September 2013 was initiated by President Xi Jinping who introduced an ambiguous, geoeconomic and geostrategic during his visit to Kazakhstan. On 7 Sept. 2013, President Xi Jinping made a memorable speech titled "Promote People-to-People Friendship and Create a Better Future" in the capital Astana. This global infrastructural development strategy was later defined as BRI which is an umbrella to set out to accomplish more advanced transport and essential economic and financial relationship.

The Belt and Road Initiative (BRI) is a prime example of how decarbonization processes interact with geopolitics. China's support to energy, transportation and industrial projects and underpin the geopolitical aspirations of China and its partners.

Kazakhstan is the largest land locked country in the world. Most part of the country accounts for desert just less than fifty percent and semi-deserts more than ten percent, Steppes occupy a quarter of Kazakhstan's territory has five percent forests. There are 8500 rivers in the country. The Caspian Sea, in the Northeastern part, is also important. The Aral Sea is divided between Kazakhstan and Uzbekistan. In Kazakhstan, there are 48,000 large and small lakes, among which are

Balkhash, Zaisan and Alakol. The remoteness of the country from the oceans determines the continental climate of the country.

There are more than 5000 deposits of mineral resources in the country, the estimated cost of which is said to be tens of trillions of dollars. The country is ranked first in the world on explored reserves of zinc, tungsten and barite, second—on silver, lead and chromites, third—on copper and fluorite, fourth—on molybdenum, and sixth—on gold.

Kazakhstan also has significant oil and gas resources and holds the 9th place in the world in proven oil reserves, most of which are located in the western regions. In addition, the country's uranium and coal deposits are the 2nd and the 8th largest in the world respectively.

Kazakhstan is among the world's top ten exporters of grain and is one of the leaders in flour export. Nearly seventy percent of arable land in the north of the country is occupied by grain and industrial crops—wheat, barley, millet. Rice, cotton, and tobacco are cultivated in the south of the country. Kazakhstan is also famous for its gardens, vineyards and melons. Livestock farming is another main area of agriculture in the country.

China is key partner in the Central Asian region due to its location, (as shown in **Figure 1**) size, and substantial energy resources for Kazakhstan and their cooperation is very positive.



**Figure 1.** Chinese-Kazakh border region and border crossings.

In 2019, 75 percent of Kazakhstan's population have access to the internet, a figure well ahead of any other country in Central Asia.

### **3. Trade and Impact on the Expansion of the Middle Corridor (MC) Transport Infrastructure**

The Middle Corridor (as shown below in **Figure 2**) is a part of China Belt and

Road Initiative. With the operationalization and potential expansion of the MC, trade volumes between Kazakhstan and China are still very important. The MC provides an alternative route for trade between China and Europe, bypassing traditional routes through Russia.



**Figure 2.** The MC among trade corridors connecting Europe and Asia (Source: Middle Trade and Transport Corridor, World Bank, November 2023).

China's geo-economic role has been growing steadily over the past three decades. The latest development when the presidents of Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Tajikistan, as well as Chinese President Xi Jinping, signed numerous agreements on bilateral cooperation was the first face-to-face forum in Xian, China-Central Asia on 18 and 19 May 2023.

Kazakhstan's reliance on trade routes through Russia may decrease as the MC offers a more diversified and potentially more reliable option. This diversification could lead to a shift in Kazakhstan's trade patterns, with a greater proportion of goods being transported through the MC.

The MC initiative involves significant investments in transport infrastructure along the corridor, including railways, ports, and logistical hubs. This infrastructure development can enhance connectivity between Kazakhstan and China, facilitating smoother trade flows and reducing transport costs and time. In the first two months of 2023, trade between China and the five Central Asian countries surged by 22 percent compared to a year ago.

Upgrades in infrastructure along the MC, such as modernized railways and expanded port capacities, can improve the connectivity between Kazakhstan and

China. This enhanced connectivity can stimulate bilateral trade and economic cooperation between the two countries.

MC presents a promising alternative to traditional shipping routes such as the Red Sea and the Northern Corridor. There is a potential to global trade connectivity.

#### **4. Policy [4] and Institutional Frameworks between Kazakhstan and China**

China and Kazakhstan have important political and economic relationship. The Republic of Kazakhstan is a unitary state with the presidential system of government. Under the Constitution, Kazakhstan is a democratic, secular, legal and social state which recognizes the man, his life, rights and freedoms as the supreme values of the country.

Kazakhstan gained independence on December 16, 1991. Astana is the capital city of the country.

Kazakh language is the official language of Kazakhstan. The Russian language has the status of the language of interethnic communication. The unit of currency used in Kazakhstan is tenge.

The President of the Republic of Kazakhstan is the head of state, the highest political official, who determines the main directions of the domestic and foreign policy of the country and represents Kazakhstan on the international arena. The President is a symbol and guarantor of the national unity and the state power, inviolability of the Constitution, as well as the rights and freedoms of an individual and citizen.

The Government implements executive powers, heads the system of executive bodies and exercises supervision of their activity.

The Parliament of the Republic of Kazakhstan performs legislative functions and consists of two Chambers acting on a permanent basis: the Senate and the Majilis.

The Senate is composed of deputies, two of whom represent each region of the country, as well as the cities of the national significance and the capital of Kazakhstan. Ten deputies of the Senate are appointed by the President, five of them by the proposal of the Assembly of People of Kazakhstan.

The Majilis consists of 98 deputies. The term of the powers of Senate deputies is six years; term of the powers of the Majilis deputies is five years.

The country is divided into 17 administrative zones and has 3 cities of national significance. Kazakhstan and China may strengthen their cooperation through bilateral agreements aimed at optimizing trade along the MC and new increased of relationship with France (2022) exists. There is a trade decline because of the drop in oil prices and the resultant weakening of Kazakhstan's national currency (Central Asia).

These agreements are focusing on uranium, streamlining customs procedures, reducing trade barriers, and promoting mutual investments in infrastructure projects.

Alignment with International Initiatives: Both Kazakhstan and China may align their policies and strategies with broader international initiatives supporting trade facilitation and infrastructure development, such as the Belt and Road Initiative (BRI). This alignment could deepen their collaboration within the framework of the MC.

## 5. Transition to a New Dependency or Adaptation to a More Fragmented Environment and Economy [5]

Reduced Dependency on Russia: Kazakhstan's reliance on Russian trade routes may decrease as the MC provides an alternative pathway for trade with China and Europe. This reduced dependency on Russia could contribute to Kazakhstan's economic diversification and geopolitical autonomy. The MC offers Kazakhstan and China an opportunity to enhance their economic resilience by diversifying their trade routes and reducing their exposure to geopolitical risks. This diversification can strengthen their economic stability and competitiveness in the global market.

Overall, the development of the Middle Corridor is expected to bring significant changes to the relationship between Kazakhstan and China, fostering increased trade, infrastructure development, policy cooperation, and enhanced economic resilience.

Other Central Asian nations like Kyrgyzstan, Turkmenistan, and Uzbekistan are following Kazakhstan's lead in developing railway connections to the corridor to enhance their own economic and strategic positions in the region [6]. Emulating Kazakhstan's approach, these countries are looking to leverage the Middle Corridor to advance their domestic development strategies and regional power status.

Confirmed on 14 February 2024 with the travel of the French President Macron to Kazakhstan, France is an important trading partner of Kazakhstan. In 2022, France was already Kazakhstan's fifth largest trading partner ahead of China. Kazakhstan uranium constitutes 42 percent of the world production of uranium.

**France-Kazakhstan.** In 2022, France exported \$932 M to Kazakhstan. The main products that France exported to Kazakhstan are Planes, Helicopters and Spacecraft (\$237 M), Packaged Medicaments (\$50.4 M), and Vaccines, blood, antisera, toxins and cultures (\$45.1 M). During the last 27 years the exports of France to Kazakhstan have increased at an annualized rate of 12.8 percent, from \$35.8 M in 1995 to \$932 M in 2022.

**Kazakhstan-France.** In 2022, Kazakhstan exported \$3.18 B to France. The main products that Kazakhstan exported to France were Crude Petroleum (\$2.82 B), Radioactive Chemicals (\$237 M), and Gas Turbines (\$45.8 M). During the last 27 years the exports of Kazakhstan to France have increased (France (FRA) and Kazakhstan (KAZ) Trade (The Observatory of Economic Complexity <https://oec.world/en>). In 2022, France ranked 14 in the Economic Complexity Index (ECI 1.31), and 8 in total exports (\$608 B). That same year, Kazakhstan ranked

78 in the Economic Complexity Index (ECI –0.35), and 45 in total exports (\$98.7).

## 6. Epilogue

Kazakhstan's strategic location, rich resource base, and evolving foreign relations make it a pivotal player in Central Asia. The Belt and Road Initiative [7] and the Middle Corridor offer significant opportunities for enhancing trade and infrastructure.

However, the recent shift towards stronger economic ties with France indicates Kazakhstan's desire for a more balanced and diversified foreign policy. This paper concludes that while China remains the key partner, Kazakhstan is strategically positioning itself to navigate a more fragmented and multipolar global environment [8].

## Conflicts of Interest

The authors declare no conflicts of interest.

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