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## CHALLENGES OF THE «ONE BELT, ONE ROAD INITIATIVE» IN THE CONTEXT OF GLOBAL ECONOMIC INSTABILITY

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**Abstract.** The paper examines the development of China's «One Belt, One Road» initiative, which was formed in 2013 when the Silk Road Economic Belt and the 21st Century Maritime Silk Road projects merged. These projects are both economic and political in nature, designed to promote free, orderly movement of economic factors, efficient allocation of resources, deepening of market integration, they aim to coordinate the economic policies of the countries along the One Belt and One Road routes, expand and deepen regional cooperation, forming an open, inclusive and balanced architecture of regional cooperation, in which all participants should get China takes on key tasks in these projects to ensure their implementation.

**Key words:** China, Kazakhstan, One Belt One Road, Maritime Silk Road

### Basic provisions

In 2013, China announced a global development strategy called «One Belt, One Road», or the «Belt and Road». The idea of this project is to create a fundamentally new format of China's international interaction, where large-scale multilateral and bilateral ties between China and other states will be established. This megaproject includes most of the countries of Eurasia, part of Africa, Australia and Oceania. Since 2013, the «One Belt, One Road» joint construction initiative has been moving forward systematically and has already achieved notable successes in areas such as promoting political coordination, infrastructure connectivity, seamless trade, free movement of capital and rapprochement of peoples.

A number of early illustrative and exemplary results emerged. Participating countries have benefited in real ways, thereby strengthening their sense of identity and their understanding of the real level of inclusion in the initiative. Political coordination is an important guarantee for the effective joint construction of the One Belt, One Road and an important prerequisite for the implementation of various interaction and cooperation activities. The Republic of Kazakhstan is one

of the most important participants of the Belt and Road project. As of April 2021, the government has invested more than \$30 billion, which was used to develop various initiatives under this project: transport infrastructure, logistics hubs, focal points, etc. [1]. More than 12.5 thousand km of roads and 3 thousand km of railways were built. Special attention was paid to seaports and airports. At the same time, Kazakhstan honestly fulfills all of its obligations. For example, within the framework of construction of a large highway between Western Europe and Western China, it was the section between China and Kazakhstan that started functioning first of all, while, for example, Russia fulfills its part of obligations much slower. According to the World Bank, Kazakhstan could receive up to \$5 billion annually from transit fees alone for goods passing through its border to other markets.

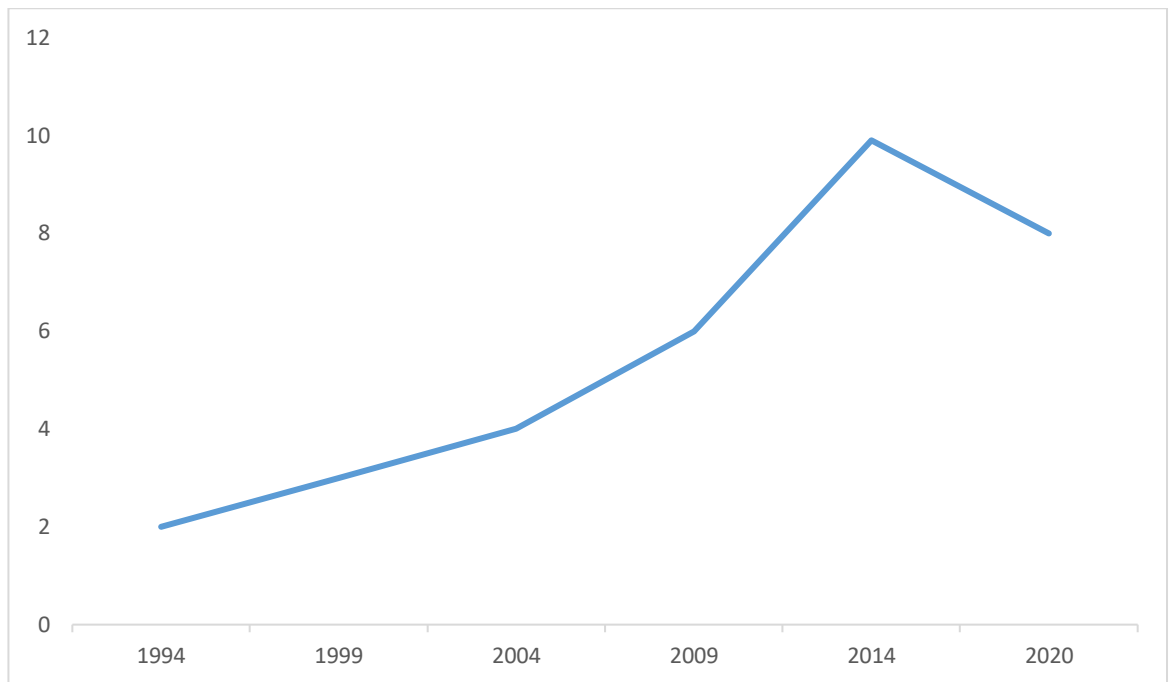
### **Introduction**

An additional incentive for Kazakhstan is that the Belt and Road project is organically combined with its domestic infrastructure development program, Nurly Zhol, which modernizes the country's transport system, builds infrastructure, and integrates remote regions into the overall logistics network. In the summer of 2019, some of the latest official relevant figures on the implementation of the Belt and Road project between Kazakhstan and China were announced at a forum in Astana (Nur-Sultan). The following can be highlighted here:

- Delivery time between China and Europe via Kazakhstan is 15 days (similar delivery via sea takes 28-42 days);
- The current number of China-Kazakhstan investment projects under the Belt and Road Initiative is 51, with a total project value of over \$27 billion;
- A China-Kazakhstan fund with a capitalization of more than \$2 billion has been established, which should improve the investment climate in Kazakhstan;
- The transnational corporations of China that are most actively involved in the Belt and Road project in Kazakhstan are CITIC Group (investment company) and CNPC (oil and gas). In particular, CNPC has paid \$42 billion in taxes, created 30,000 jobs, and supported social projects worth over \$360 million during its operations in Kazakhstan [1].

Figure 1 - Dynamics of exports from Kazakhstan to China in 1994-2020

Note - compiled by the author on the basis of the source [2]

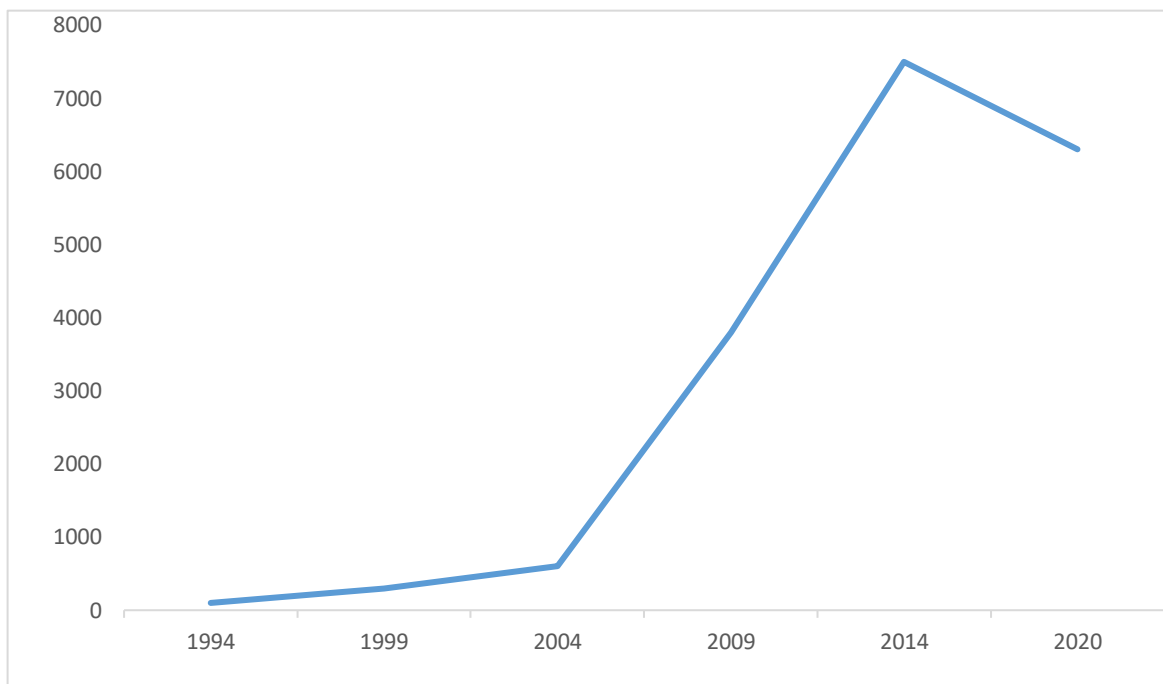


Thus, we can conclude that Kazakhstan occupies one of the most important places within the Belt and Road project. The leaders of the two countries, Xi Jinping and Nursultan Nazarbayev, and then Kassym-Jomart Tokayev, have expressed the enormous importance of this project for each country in every negotiation. At the same time, if we look at the dynamics of the trade balance between China and Kazakhstan before and after the start of the Belt and Road project, we see that positive trends, although present, are not so extensive. For example, the volume of Kazakhstan's exports to China fell from \$10 billion to \$7.82 billion from 2014 to 2020 (see Figure 1). (see Figure 1). At the same time, it is possible to observe a recovery growth after exports fell from 2014 to 2015 by almost half, but it is still not possible to reach the level of 2012-2013

A similar trend can be observed in the dynamics of imports (see Figure 2), although here the recovery growth is more pronounced.

Figure 2 - Dynamics of Kazakhstan's imports from China in 1994-2020

Note - compiled by the author on the basis of the source [2]



It is important to note, however, that the drop occurred in monetary terms due to the fact that the world market saw a drop in the price of hydrocarbons, which make up the bulk of Kazakhstan's exports. As a result, it can be considered that the interest in Kazakhstan from the Chinese side is certainly present, and it is quite significant, but it can hardly be considered a «key link» in the chain of interests of China (as it is sometimes claimed in the Kazakhstani press).

Researchers' opinions on the opportunities that the Belt and Road project offers to Kazakhstan are divided. While some say that it belongs to the win-win category of projects, others rightly point out some of the threats that its implementation poses to Kazakhstan. It is difficult not to agree with the opinion that China, being the main initiator of the project, will be its main beneficiary, and the interests of other states, especially those that are inferior to China in economic and military power, will be of secondary importance [3].

### **Description of materials and methods**

At a meeting to mark the 5th anniversary of the work of promoting One Belt, One Road construction in Beijing in August 2018, Chinese President Xi Jinping made a proposal that One Belt, One Road construction should move from the painting style of ideas and sketches to the Chinese painting style of «gongbi», that is, he pointed to the need to move from comprehensive planning to careful detail, called for achieving high quality construction, and thereby bring benefits.

Today the route China - Kazakhstan - Europe and vice versa has become the most modern, the most convenient and the most economically developed and

profitable route that meets all the requirements for the reliable and timely delivery of goods.

China's increasing geopolitical influence in the world does not suit all other states, including not only the United States (in fact, the only «superpower» according to the classification described in the first chapter), but also a number of regional powers that have certain contradictions with China. For example, India within the framework of the «One Belt, One Road» initiative has become a key ICC country, since sea routes pass through it as well, and Indian ports are being developed within the framework of this program. But India itself, its political leadership, according to a number of experts, has an ambiguous position on this project. Any experts point out that national Indian media, experts and politicians are particularly concerned about the growing influence of China in the Indian Ocean, as a significant part of the Asia-Pacific region is increasingly falling within the sphere of Chinese influence. At the same time, trying to be a «regional power», India views South Asia as a sphere of its own national interests. And these interests, in their view, can be significantly damaged by China. This is why India has responded to the Chinese initiative by developing the «Mausam Project» plan to strengthen the historic maritime ties of the Indian Ocean basin countries.

However, the Indian project is much smaller than the Chinese one, involving only cooperation in the fields of culture and tourism. At the same time, it is complemented by the Spice Road project, which reflects India's foreign policy efforts in the region. The situation is also complicated by unresolved border disputes with China, the de facto provision of political asylum, the headquarters of the Dalai Lama and the Tibetan government in exile on Indian territory, and in 2011 there was another conflict with China over China's development of oil fields in the South China Sea (in disputed territories), which almost led to a military confrontation. Moreover, India has complicated relations with Pakistan, which has one of the key values in the «One Belt, One Road» initiative [4].

## **Results**

Nevertheless, India's political leadership already in 2015 entered into negotiations with China, joined the MSEI project and became one of the founders of the AIIB. Chinese experts have been studying the possibility of pairing the two projects - Mausam and MSE the policy of modern India, which is trying to keep a balance in the region between the U.S. and China, while expanding its influence, despite attempts to conduct an independent foreign policy, still needs economic growth incentives to level the social imbalance of the country. This makes it necessary to cooperate with China on the SMP project, since participation in the project involves significant investments by Chinese companies in the country's port

infrastructure.

Some Asian countries, including those participating in the China Initiative, also voice the Chinese threat to their economies and national interests at the official (government) or opposition (often non-systemic) level. Thus, the victory of the opposition politician M. Mohamad in Malaysia in the presidential elections in May 2018 led to increased criticism at the official level of this country of the Chinese initiative.

### **Discussions**

The politician promised to revise the deals concluded by his predecessors within the framework of this initiative, or to terminate them altogether. The reason is cited for the country's substantial increase in foreign debt and the almost non-existent effect of its participation in the Chinese project. In August 2018, it was even announced that the East Coast Rail Link (ECRL) project and the Sabah gas pipeline project under the Chinese initiative in Malaysia would be terminated. Nevertheless, during the negotiation process in August 2018, some compromises were reached in favor of Malaysia, which prevented not all controversial important projects for China in the country from being frozen.

In addition to Malaysia, Thailand, Tanzania, Sri Lanka, and Nepal have also halted or substantially revised the implementation of some projects on their territory in the last year [5].

Similarly, in Kazakhstan, as the largest Central Asian state neighboring China, which has a large territory, insignificant for such an area population, many minerals and agricultural resources, the Chinese threat, which the current government is trying to hide, smoothing over the contradictions, but which seems obvious to many, as noted by Kazakhstani political analysts is increasingly seen. As noted in the previous chapter, the growth of the country's foreign debt to China, the active access of the largest Chinese company to oil production, the purchase of agricultural land by Chinese businesses, the threat of «demographic invasion» - this is what even ordinary citizens of Kazakhstan fear. Non-systemic opposition, rigidly opposing the current political regime (its head M. Ablyazov is hiding abroad) has taken these fears on its arm, arguing that the current authorities are in every way promoting the Chinese expansion to the detriment of the national interests. A. Navalny (2014), a prominent politician from Russia's extra-systemic opposition, is of a similar opinion, believing that concessions to China's interests in the economy together with the expansion of military cooperation will only lead to a weakening of Russia, the sale of its resources on unfavorable terms, economic and demographic expansion (especially in the east of the country), and then to Chinese territorial claims against Russia, in which Russia will have nothing to counter.

Overall, according to research by the Center for Global Development in Washington, DC, the debt risks associated with participation in the China Initiative are relevant for countries such as Pakistan, Djibouti, Maldives, Laos, Mongolia, Montenegro, Tajikistan and Kyrgyzstan, among others. Debt risks have serious strategic implications, as countries have to fulfill obligations in favor of China in the event of default on loans. For example, Sri Lanka has already handed over to China a controlling stake and a 99-year lease on the port of Hambantota in 2017, and India and Japan have concerns that it could become a Chinese military base in the future. Similar scenarios are possible in the Maldives and Djibouti.

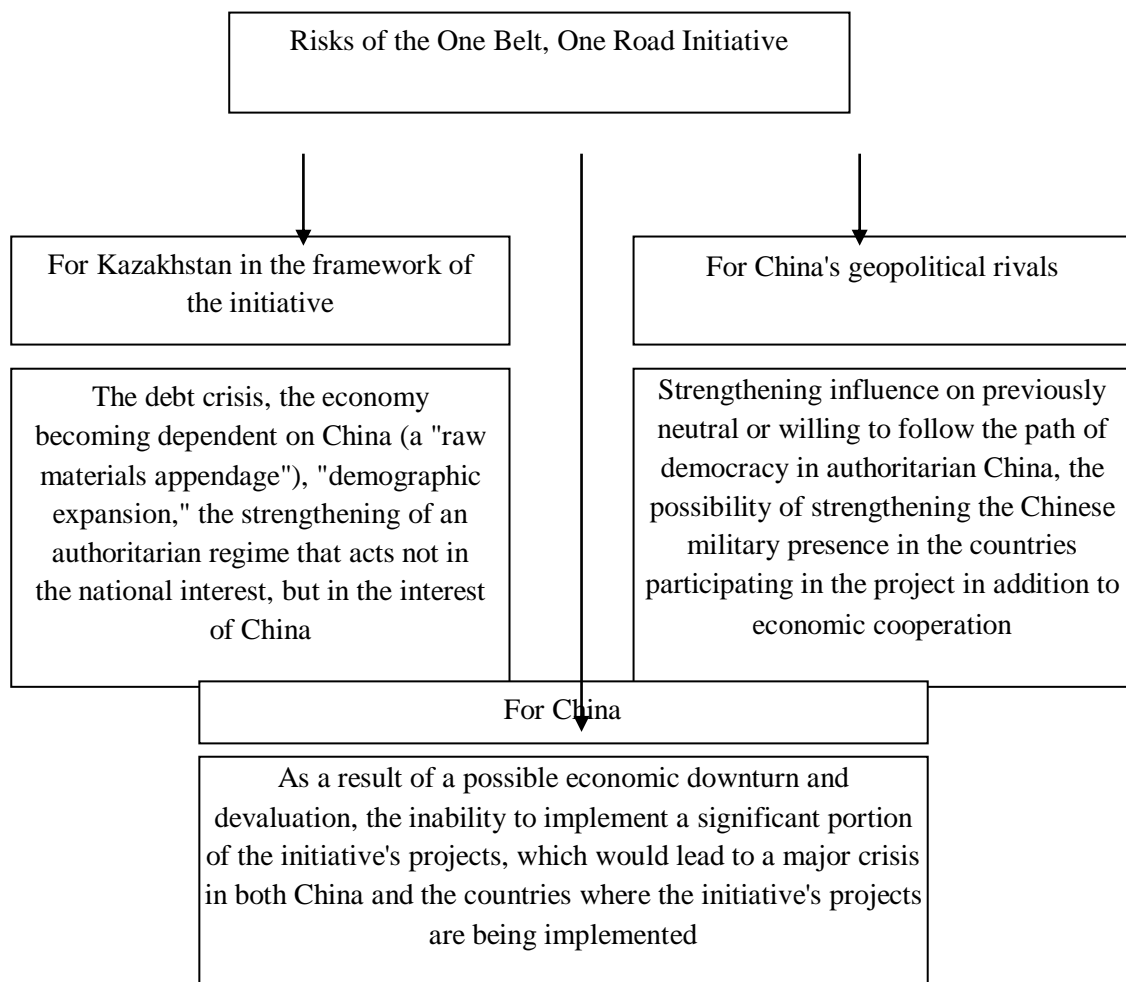
The European Union, the United States and other democracies have also recently been concerned about China's growing geopolitical influence in the world and in Europe in particular. As previously described, Chinese companies are actively investing in the development of port and transport infrastructure in Eastern and Southern Europe and are gaining the loyalty of these countries. At the same time, given the fact that the «Chinese model» is not a democratic model, it contradicts the ideas of freedom and democracy, «extrapolation» of this model to other countries will not lead to the effective development of countries, they will only consolidate authoritarian regimes that will act not in the interests of their people, but in the interests of China. As if to oppose the interests of «Western Civilization» to those of China, the EU plans to sign a new strategy on Asia, which implies improving transport, digital and energy connections. Nevertheless, no alternative strategy has yet been finally formed.

Many democratic politicians have made critical statements on the Chinese initiative in recent years. French President Emmanuel Macron stated that the Chinese project should not be a one-way road. The US position was voiced by Defense Secretary J. Mattis, who stressed that «in a globalized world, there are many belts and many roads. » In March 2018, during a visit to Beijing, British Prime Minister Theresa May refused to endorse it, while Australia abstained from endorsing it. As a result, Jonathan Hilman believes that One Belt, One Road can actually unite China's competitors rather than divide them [6].

Finally, there are also risks for China itself in this initiative and the projects under it. First of all, there are concerns that the initiated projects may not be implemented. Foreign experts also talk about this, arguing that many of the projects under the initiative are risky and uncertain. B. Konrad, Vice President of the Mercator Institute for China Studies in Berlin, states that «there will be a large number of projects with unintended consequences. Risks of bad loans and high default risks are present for many of these projects. The risk to China's banking system is by definition a risk to the global banking system».

Similarly, Chinese experts are not always convinced of the feasibility of many projects. For example, Chengang Xu, a professor of economics at the Graduate School of Business in Beijing, noted that one of the main goals of the initiative is seen as an attempt by China «to delay the solution of the overproduction problem, when the country has accumulated a large amount of excess capacity and many companies have actually turned into 'zombie companies' (as in Japan before), especially in the steel and construction sectors». Taking all this into account, it is possible to construct a scheme describing the risks of the «One Belt, One Road» initiative both for Kazakhstan and other participants at the present stage:

Figure 3 - Risks of implementing the «One Belt, One Road» initiative at the present stage



Thus, Figure 3 shows that the risks of the initiative are also present for the countries participating in the project, and they are already evident: these are the problems associated with the debt crisis in connection with the implementation of projects, the economic and demographic expansion of China in these countries, the economy becoming dependent on China, actually turning it into sources of cheap



raw materials, the transfer of non-ecological production, the strengthening of non-democratic regimes that will not act in the national interest. For China's geopolitical adversaries, who consider the ideals of freedom and democracy to be their key interests, the risks include an increasing loyalty of some states to China and a retreat from the ideals of democracy and a possible strengthening of China's military presence in such «friendly» countries. For China itself, the risks are associated with the economy, because in the conditions of its decline, devaluation of the yuan, there may be problems with the implementation of a number of expensive projects, and hence a large-scale economic crisis in the country, which will affect other countries involved in the «One Belt, One Road» initiative projects [7].

### **Conclusion**

Kazakhstan has great ambitions for the One Belt, One Road initiative, as it is geographically an ideal point to connect China and the West, and Kazakhstan's interest in the initiative is undeniable - the Kazakh government is already involved in the Nurly Zhol (Shining Path) program, which is an economic stimulation plan with a budget of USD 9 billion to develop and modernize roads, railways, etc. Kazakhstan's economy has suffered from falling oil prices since late 2013, and consequently Kazakhstan's future economic growth depends on the development of infrastructure and regional trade. The country aspires to become the largest business and transit hub in Central Asia, a bridge between Europe and Asia. Kazakhstan sees China's One Belt, One Road initiative as a means to achieve this goal.

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## ЖАҒАНДЫҚ ЭКОНОМИКАЛЫҚ ТҰРАҚСЫЗДЫҚ ЖАҒДАЙЫНДА "БІР БЕЛДЕУ, БІР ЖОЛ" БАСТАМАСЫНЫҢ СЫН- ҚАТЕРЛЕРІ

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**Аңдатпа.** Мақалада Қытайдың 2013 жылы "Жібек жолының экономикалық белдеуі" және "21 ғасырдағы Теңіз Жібек жолы" жобаларын біріктіру кезінде қалыптасқан "Бір белдеу, бір жол" бастамасын дамыту қарастырылады. Бұл жобалар экономикалық және саяси сипатта болады, экономикалық факторлардың еркін, реттелген қозғалысын, ресурстарды тиімді бөлуді, нарықтық интеграцияны тереңдетуге жәрдемдесуге арналған, олар "бір белдеу және бір жол" бағыттары бойында орналасқан елдердің экономикалық саясатын үйлестіруге бағытталған. аймақтық ынтымақтастықты кеңейту және тереңдету, барлық қатысушылар алуы керек ашық, инклюзивті және теңдестірілген аймақтық ынтымақтастық архитектурасын қалыптастыру Қытай осы жобалардағы негізгі міндеттерді өз мойнына алады., олардың орындалуын қамтамасыз ету.

**Тірек сөздер:** Қытай, Қазақстан, "Бір белдеу - бір жол", теңіз Жібек жолы.

## ВЫЗОВЫ ИНИЦИАТИВЫ "ОДИН ПОЯС, ОДИН ПУТЬ" В КОНТЕКСТЕ ГЛОБАЛЬНОЙ ЭКОНОМИЧЕСКОЙ НЕСТАБИЛЬНОСТИ

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**Аннотация.** В статье рассматривается развитие китайской инициативы "Один пояс, один путь", которая была сформирована в 2013 году при объединении проектов "Экономический пояс Шелкового пути" и "Морской Шелковый путь 21 века". Эти проекты носят как экономический, так и политический характер, призваны содействовать свободному, упорядоченному перемещению экономических факторов, эффективному распределению ресурсов, углублению рыночной интеграции, они направлены на координацию экономической политики стран, расположенных вдоль маршрутов "Одного пояса и одного пути", расширение и углубление регионального сотрудничества, формирование открытой, инклюзивной и сбалансированной архитектуры регионального сотрудничества, в которой все участники должны получить Китай берет на себя ключевые задачи в этих проектах, чтобы обеспечить их реализацию.

**Ключевые слова:** Китай, Казахстан, "Один пояс - один путь", морской Шелковый путь.

