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**POLITICAL ECONOMY OF BELT AND ROAD INITIATIVE
PARTICIPATION OF KAZAKHSTAN IN THE INITIATIVE**

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Abstract

The BRI Initiative was introduced for almost 7 years but its motives and influence on the participating countries are still controversial. The purpose of this dissertation is to determine the current role of Kazakhstan in the Initiative and assess the impact of the Initiative on Kazakhstan. We studied the concepts and development strategies of the Initiative, the speeches of officials of the participating states of the Initiative, the governmental documents of Kazakhstan and China affecting the Initiative, international memoranda and agreements between China and Kazakhstan since 2013, as well as statistical reports for the specified period. Results showed that China is interested in the location of Kazakhstan as an alternative to the development of its logistics routes, whereas Kazakhstan is interested in China as an investor, and has already developed concrete steps for the development of regions within the framework of the Initiative. Dry Port project at Khorgos Special Economic Zone is mutually beneficial project that meets the expectations of both parties. The presence of a precedent and the proven desire of the countries to continue its development allow us to positively forecast further cooperation between the two countries.

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Introduction

Today, the flagship mega-project “Belt and Road Initiative” (BRI, Initiative) is a business card of Chinese economic policy. BRI has neither a clear time frame, nor restrictions on the types of activities, nor a link to any geographical routes. Developed on the basis of the ancient Silk Road, BRI was originally a concept that would revive old trade routes thanks to infrastructure and logistic development. This initiative was first announced by the Chinese leader Xi Jinping in Astana on September 16, 2013. It was called the “One Belt One Road Strategy” project. The strategy consisted of 2 parts “Silk Road Economic Belt”, announced in Astana, and the “Maritime Silk Road of the XXI century”, which was also voiced by Xi Jinping in Jakarta on October 3 of the same year. The annotation places were specific, as different countries were to participate in different parts of the concept: Kazakhstan and Central Asia in the development of land routes, while West, South and South-West Asia were participated in the development of sea routes. Since then, the concept has undergone several rebranding, for example in 2016 the Chinese government renamed the project into BRI, for the greater harmony in their opinion. Although the abbreviation OBOR is still used in China itself, most of scholars and governments are using BRI. Initiative has become the main foreign policy tool of the Chinese government and is practically a sign of any foreign activity of China.

Relevance of the research topic. Kazakhstan, located in Eurasia and an important partner of China, is an integral participant of the BRI. Kazakhstan’s participation in the Chinese initiative can bring great economic dividends and strengthen traditional positions in the region. In addition, Kazakhstan’s cooperation with China in the implementation of the BRI will allow the two countries to raise to the highest level of political and economic cooperation and take a worthy place in the Eurasian space.

It is worth noting that Kazakhstan is a participant of the Eurasian Economic Union so there are concerns related to the fact that the Chinese initiative may cause damage to the Eurasian Economic Union and Eurasian integration process. In order to implement comprehensive cooperation between China and Kazakhstan within the framework of the BRI, a necessary and promising action is to search

for ways of possible integration of the project and the Eurasian Economic Union initiated by Kazakhstan. Effective integration of these projects can stimulate China-Kazakhstan comprehensive cooperation, as well as jointly promote regional integration.

After the Chinese leadership announced the new initiative, there were heated discussions both in Kazakhstan and around the world. Despite the fact that there are potential opportunities for China-Kazakhstan cooperation within the framework of the BRI, skepticism and concerns about the new Chinese concept were expressed in Kazakhstan's scientific and political circles. In this regard, it is necessary to comprehensively interpret the content and specifics of the BRI to identify the objective correct position on the issue of Chinese-Kazakh cooperation within the framework of the project.

Thus, a comprehensive study of the BRI and the compliance of this concept with Kazakhstan's interests is an urgent topic of research.

The purpose of the dissertation research is to identify the content of the Initiative, prospects and problems of cooperation between Kazakhstan and China in the implementation of the BRI.

The goal is to solve **the following tasks** within the framework of the dissertation:

1. Review the history of the BRI;
2. Reveal the motivation for BRI;
3. Identify the main ideas of the BRI;
4. Determine the position of Kazakhstan relative to other participants of the BRI;
5. Consider Kazakhstan's assessments of the BRI;
6. Analyze the practical steps of cooperation between Kazakhstan and China in the framework of the BRI;
7. Identify the impact of the joint creation of the BRI on China-Kazakhstan cooperation.

The results obtained in the course of the research allowed the author to draw conclusions about the historical background, motivation, and main ideas of the BRI. Because of the analysis, the main directions of Chinese-Kazakh cooperation within the framework of the BRI were developed.

In addition, the novelty of the work is that it systematized the views and assessments of Kazakh researchers by the BRI. Determined the place of Kazakhstan in the Chinese Initiative based on attracting a large array of sources and literature in Chinese, and identified the problems and challenges of cooperation between Kazakhstan and China in the implementation of the BRI and its prospects.

Methodology

The following specific research methods were used: comparative analysis, content analysis, descriptive method, and method of generalization and interpretation of empirical data.

The study is limited to a chronological framework from 2013 to the present day. Chinese President XI Jinping first put the Chinese BRI forward in the fall of 2013 during a visit to Central Asian countries and Indonesia. On November 15, 2013, the concept of the economic and Maritime Silk Road was officially formulated at the 3rd Plenum of the CPC Central Committee of the 18th convocation in Beijing.

The research source base was made up of various documents and materials. They can be divided into several main groups.

1. Theoretical and vital reports of China and Kazakhstan. This gathering of sources incorporates materials of the CPC congresses, the arrangement “Thirteenth Chinese five-year plan” and White books, the Concept of international strategy of the Republic of Kazakhstan. This gathering of sources uncovers the applied premise of the strategy of China and Kazakhstan. Among them, the most significant for this thesis look into is an official report distributed by the Chinese government in 2015, which gives an exact clarification of the foundation of the period, the principle ideas, needs and components of participation, the bearing and undertakings of joint development, which permits the creator to follow the Chinese idea of the BRI.

2. The talks of authorities are of extraordinary enthusiasm for the investigation. This gathering permits us to follow the official situation of China and Kazakhstan on the issue of the BRI.

3. Joint Chinese-Kazakh articulations, affirmations, understandings. The fundamental wellsprings of work are additionally joint articulations finished up by China and Kazakhstan, which characterize the official way to deal with reciprocal relations and participation, and set out the official places of China and Kazakhstan on the vision of executing the BRI. This group of sources include “A memorandum of understanding between the Government of Kazakhstan and the Government of China on the implementation of the cooperation plan for pairing of the new economic policy “Nurly Zhol” and

the construction of the “Silk Road Economic Belt” of 30 November 2019, where it was clearly stated that Kazakhstan considers important initiative of China to build economic zone of the Silk Road.

4. Statistical materials and yearbooks. The state statistical bureau of the PRC published statistical materials in the work of yearbooks. This group of sources is of great importance in the analysis of China’s economic indicators and helps to identify the official dynamics of the Chinese economy in recent years.

This research topic is relatively new and insufficiently researched both in the Kazakh scientific literature and in Chinese, which indicates its scientific novelty. The current and little-studied nature of this research necessitated the study of a wide range of literature, divided into several thematic groups.

Literature review

BRI: general characteristics

In September 2013, The Chinese head of state presented the concept of the large-scale the “One Belt One Road” project, which combines the land-based “economic belt of the Great Silk Road” and the “Sea route of the XXI century” as components¹. The name of the concept is abbreviated according to the oral Chinese custom: the “One Belt One Road”. The “One Belt” is the Silk Road Economic Belt (also known as the overland Silk Road), which encourages economic cooperation between China and the respective countries through trade and investment. The “One Road” is the 21st century Maritime Silk Road, which is aimed at expanding trade exchanges in these territories. Long-term plans for joint development and implementation of this megaproject with the partnership participation of all interested states are aimed not only at solving a number of external and internal problems of China, but also at promoting the integration of the world community, creating conditions for economic and cultural convergence of developed and developing countries within the Eurasian borders.

The name “One Belt One Road” comes from the ancient Silk Road, a transit road laid by envoys Zhang Qian during the Western Han dynasty (206 BC – 24 AD) and Pan Chao during the Eastern Han dynasty (25 – 220 AD)². The road was named “Silk Road” because silk was the main commodity transported along this route. Then this name became the common name of China’s external diplomatic communication channel. The term “Silk Road” became known to every family and every home in China, although it was coined 130 years ago by the German Ferdinand von Richthofen, who in 1868-1872 traveled to 13 provinces (in the Qing dynasty in 1622-1911 there were only 18 provinces) and did geographical and geological research. After returning to Germany, he wrote a monumental work “China. Results of their own travels” in five volumes. It was in this masterpiece that he first used the scientific term “Great Silk Road” and marked it on the map³. After that, the term became widely used.

¹ Mirzaev, R.S. (2005). The Great Silk Road: realities of the XXI century. Moscow, 248.

² Hansen, V. (2014). The Great Silk Road. Port routes through Central Asia. China-Sogdiana-Persia-Levant. Tsentrpoligraf, 477

³ Aliev, T.M. et al. (2016). The economic belt of the Eurasian integration: report on the ways to implement the project of integration of the Eurasian economic Union and the Silk Road Economic belt. Ed. Kadochnikova P. A., Salamatova V. Yu. Moscow, 200

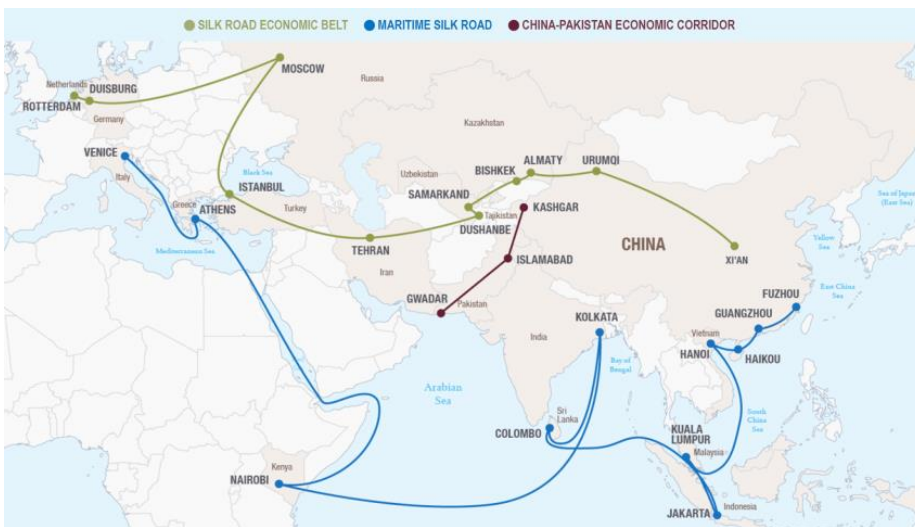
The “One Belt One Road” political strategy is outlined in three routes: the 21st century Maritime Silk Road consists of two routes (blue lines in figure 1); the Silk Road Economic Belt is a single route (in figure 2)⁴.

1. From southern China through the South China Sea (one of the key sections of this Maritime project) and the Indian Ocean, the route connects the coast of China, Africa and Europe.

2. From East-South China to the South Pacific Sea, through the South China Sea to Southeast Asia.

3. A land route from Central China to Western China (Xinjiang Autonomous region), through Central Asia to Europe. This route can still be divided into three branches of the land route: Northern (China – Mongolia – Russia), Central (China – Central Asia – Middle East) and southern (Bangladesh – China – India – Myanmar, and China – Pakistan)⁵.

Figure 1



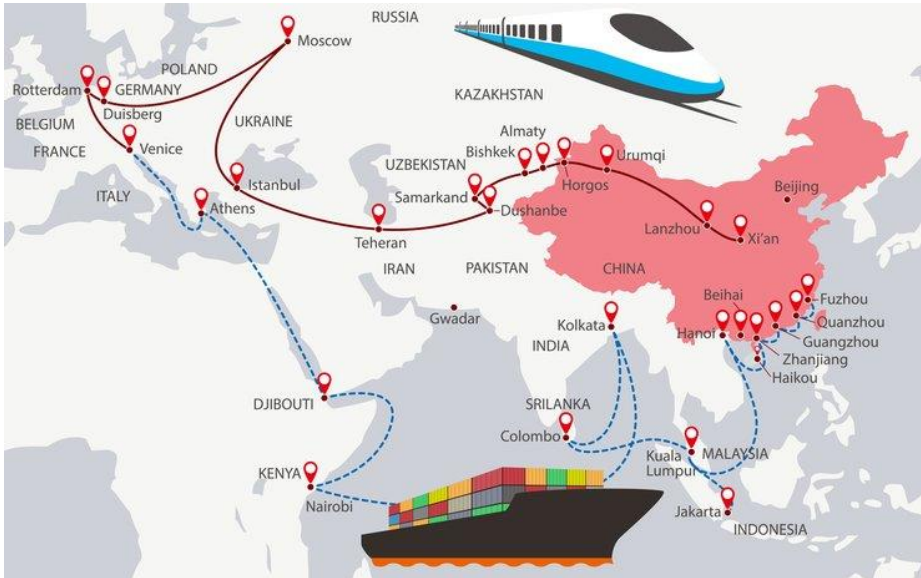
Maritime Silk Road

Figure 2

⁴ Larin, A.G. (2016). To analyze the essence of the project Economic Belt of the Silk Road and its interface with the EEU. China in world and regional politics: history and modernity. Moscow: Institute of far Eastern studies RAS, 138-149

⁵ Маршруты «Экономический пояс Шелкового пути» и «Морской Шелковый путь 21-го века», <http://www.jxsyxwqrq.cn.com/finance-economy/beltand-road-initiative-makes-strong-progress>

The Silk Road Economic Belt



The BRI has not only national significance, but also international meaning. Speaking about the significance of the BRI for China's internal affairs, it should be said that the Silk Road is considered as a large-scale economic project. It encourages the development of Western China and the development of cooperation with foreign powers in Central Asia and Europe along the above-mentioned three land corridors. Its goal is to create a Trans-Eurasian land bridge, which is especially important for Western China, since today the country's acute problem is the unbalanced development of the regions of the East and West. Since Premier Deng Xiaoping led a policy of reform and openness in 1978 to develop the Eastern part of China, the uneven regional development between the West and the East has become increasingly noticeable⁶. Now this problem has already become one of the most serious unresolved issues in China. The concept of the Silk Road economic belt should not only be a means to strengthen cooperation with neighboring countries, but, more importantly, to reduce the difference between the Western and Eastern regions within China⁷.

⁶ Lukin, A.V., Luzyanin, S. G. (2016). China's global project for Eurasia: statement of the problem. Scientific expert, 130.

⁷ 吴建民。(2016). 中国特色大国外交与“一带一路”。[Wu Jianmin. The belt and road and great power diplomacy with Chinese specifics] 外文出版社。44页。

The BRI as methods for taking care of the issue of lopsided improvement between the East and West of China⁸. Lately, there have been numerous extraordinary accomplishments in China's monetary approach. China positions second on the planet as far as monetary turn of events. In 2013, China took the first spot in quite a while of exchange products just because. Nevertheless, China's improvement despite everything faces numerous difficulties, with the advancement unevenness between the Eastern and Western areas turning into an especially perceptible issue. Geographically, the Central and Western regions of China occupy about 80% of the country's total area, almost 60% of the population live there, but their share of import-export trade reaches only 14%, foreign investment accounts for 22%, and GDP is only about 1/3 of the national average⁹.

In this way, so as to accomplish quick improvement in the Middle West of China, it is important to quicken the exchange of Eastern creation ability toward the West, and to open up the potential for collaboration between the West of China and neighboring nations. The BRI can be a decent extension to tackle the issue of China's monetary unevenness. Notable political specialist Yang Tsehu clarifies the importance of the BRI system in China, unmistakably and quickly clarifies its pith. He accepts that the BRI procedure at this phase of China's advancement is a convenient measure¹⁰. This strategy is closely linked to the geographical location and history of China. China has an overabundance of population and insufficient resources. China missed the first and second industrial revolution. Currently, China's rapid rise not only requires global raw materials, but also foreign markets. This is the current position of China. Now more and more raw materials are purchased abroad and new markets for selling goods abroad are emerging. The Chinese can choose a partner abroad, decide in which areas to invest capital

⁸ Koshanov, A. (2016). The One Belt of the Silk Road and prospects for the formation of the United Eurasian economic community. *Society and Economy*, №4, 218.

⁹ 黄孟芳、卢山冰、余淑秀。(2015). 以“欧亚经济联盟”为标志的独联体经济一体化发展及对“一带一路”建设的启示。[Hu Mangan, Lou Changbin, Yu Shushu. Development of economic integration of the CIS on the example of the EEU and the idea of creating “One Belt One Road”] *人文杂志*。2015 年第 1 期。第 36-42 页。

¹⁰ Zhiping, P. (2014). Silk Road Economic Belt: A Dynamic New Concept for Geopolitics in Central Asia. URL: http://www.ciis.org.cn/english/2014-09/18/content_7243440.html

and how to implement further development of the strategy.¹¹ However, there are many problems along the way that it need to anticipate in advance and find solutions.

Concerning universal space, the possibility of the BRI relates to the patterns of multipolarity of the world, monetary globalization, social assorted variety and social data stream. The targets of the technique are to advance the free circulation of financial components, successful portion of assets and profundity of market reconciliation, to invigorate coordination between the economy and arrangements of related states, and to open up elevated level territorial participation. The BRI, as per the key interests of the global network and the arrangement of the issue of psychological oppression and radical developments, accentuates normal goals and the craving for a superior human culture¹².

The BRI also helps to develop regional cooperation in Asia. Asia has already become the engine of economic growth and the basis of economic globalization around the world, but has many unresolved problems. For example, the level of regional integration in Asia is underdeveloped compare to Europe and America¹³. Obstacles to deepening regional cooperation are the regional disparity in Asia's development, the lack of close ties, the problem with transport infrastructures, and other problems. Today, the structure of global trade and investment, the energy situation is changing dramatically, Asian countries are at a critical stage of economic transformation and modernization, they need to adapt to economic changes and continue the trend of sustainable growth, not to fall into the “middle income trap”¹³.

The BRI also corresponds to the goal of the new Chinese diplomacy, according to which it is about creating a community in Asia that shares both interests, in particular economic development, and responsibilities, such as the need to cooperate in resolving issues, security¹⁴. The BRI will promote regional cooperation in Asia and encourage the strengthening of cooperation on the Eurasian continent.

First steps in implementing the initiative

¹¹ Denisov, I. (2015). Silk security: a new Chinese concept of development and rules of the game in Eurasia. Security index, 3(21), 51.

¹² 傅梦孜。(2017). 对古代丝绸之缘起、演变的再考察。[Fu Mengzi. Research on the beginning and process of changing the Great Silk Road.]《太平洋学报》。2017年第1期。第59-74页。

¹³ Нұрланова, Н.К., Қалиева, А.Б. (2015). Қазақстандағы транзиттік потенциалды дамытудың жаңа мүмкіндігі. ҚазҰУ Хабаршысы.Халықаралық қатынастар және халықаралық құқық сериясы, 2(70), 206-211.

¹⁴ Pantucci, R., Lain, S. (2016). China's Eurasian Pivot: The Silk Road Economic Belt. Whitehall Papers, 88 (1), 1–98.

Initially, the BRI strategy was only an idea and initiative. The PRC then introduced a number of political, economic and cultural measures to facilitate the implementation of the megaproject. Its main multi-stage plan is a media propaganda strategy, drawing up a program for investment in construction infrastructure, building an Asian infrastructure investment bank, internationalizing the Chinese yuan, and creating the Silk Road fund¹⁵.

After putting forward the BRI, the Chinese state soon placed a number of propaganda publications in the media to spread information about it in the international space. For example, according to the Xinhua News Agency, the state council published propaganda information about the strategy for Chinese mass media – “Tell Chinese history, spread the sound of China”, “Pass on the legacy of the ancient Silk Road and develop friendly quality”, “Increase the dominant meaning of the term BRI, raise public awareness”, etc.¹⁶. After that, such measures to promote the state strategy began to be actively implemented in the Chinese media – such as the CCTV TV channel, the Xinhua News Agency, the People’s Daily, the Hanie Information Portal and other local media in China¹⁷. In the first year after the BRI was launched, the media played an important role in publicizing the term and informing the public. Thanks to propaganda in the media space, not only Chinese residents, but also foreigners learned about this Chinese program. Although there are many difficulties and questions along the way, it is clear that Chinese propaganda on the topic of BRI has helped to attract world attention. It should be noted that on July 16, 2015, the News Agency began to provide information on credit and risk assessment of partner countries and provide services in the areas of information banking, think tank and consulting¹⁸.

The BRI is expected to improve connectivity across Eurasia and connect the Xinjiang region with neighboring states in Central Asia and further West with those in the Middle East and Europe.

¹⁵ 富景筠。(2016). *丝绸之路经济带与欧亚经济联盟：如何实现战略对接？* [Fu Jingjun. The Silk Road economic belt and the Eurasian economic Union: how do we pair them?] 北京。34 页。

¹⁶ Xinhua News Agency, 2017, http://www.Xinhuanet.com/english/2017-05/15/c_136286378.htm

¹⁷ 习近平。(2014). 《习近平谈治国理政》。[XI Jinping. XI Jinping on public administration] 外文出版社。2014 年第 1 版。624 页。

¹⁸ Орумбаева, М.С., Симтиков, Ж.К. (2017). Предпосылки мегапроекта Китая «Один Пояс Один Путь» и перспективы участия Казахстана в нем. Вестник КазНПУ, Алматы, 3 (12), 238.

Historically, these are regions where China's role and influence have been limited due to security concerns¹⁹. Be that as it may, strength in Xinjiang is especially powerless against spills of psychological oppression and radicalism from Afghanistan because of the nearby connections between the Taliban, al-Qaeda and fear monger bunches in Xinjiang²⁰. This reality raises security concerns in Xinjiang, which also affects stability in China. However, China sees the BRI as a potential bulwark against this problem. It relies on economic growth resulting from the infrastructure development planned under the BRI framework to enhance political and social stability, as well as the integration of Xinjiang and other regions involved in the project. In this way, China will benefit from better political and social stability and strengthen its relations as well as integration with neighboring Central Asian states. By promoting sustainable and inclusive development at the regional level, the BRI should strengthen political institutions in Asia, such as the Shanghai cooperation organization, and reduce terrorist acts and religious extremism²¹.

In addition, the BRI was launched and developed by China with the aim of developing the regional economy. The planned redistribution of means of production in developing countries will allow these countries to take advantage of knowledge, exchange of skills and technologies, in addition to developing their infrastructure, in accordance with the project's ambitions²¹. Thanks to this type of investment, China's neighbors can boost their economy and accelerate the process of industrialization. The BRI also provides a good chance for China to change its economic activities and move to a new economy – in this case, a service-oriented one – that will allow it to achieve its growth goals, reduce its imports, and show China as a country capable of diversification. Thus, this initiative could have positive consequences both in South-East Asia and in the less developed regions of China. China's goal is to

¹⁹ Branstetter, L.G., Feenstra, R.C. (2002). Trade and foreign direct investment in China: a political economy approach. *Journal of International Economics*, 58, 335-358.

²⁰ Boyer, A.L. (2006). Recreating the Silk Road: The Challenge of Overcoming Transaction Costs. *China and Eurasia Forum Quarterly*, 4 (4), 71-96.

²¹ Safavi, S.M. (2015). The Main Barriers to Export from the Free Trade Zones (Case Study of Iran). *Asian Social Science*, 11 (24), 329.

achieve more even economic development and at the same time strengthen China's international competitiveness²².

In addition, the BRI provides an opportunity to restore a positive and encouraging image of Asia in relation to its economic model and provide a certain counterbalance to the West, which is still ubiquitous in major projects. In addition, a certain business model has been introduced in China over time: "exit by entering"²³. It aims to attract external investment to local regions that are still isolated and economically underdeveloped, with the aim of generating foreign income and partnerships that it would not otherwise be able to achieve. If the project fails or if it goes through serious difficulties, it is possible that the image and confidence in the Asian business model is tarnished, in addition to impoverishing the Chinese economy²⁵. However, these problems are not insurmountable if China carefully plans its business strategy to be prepared to cope with unforeseen circumstances.

The "Chinese dream" has become a political proverb of XI Jinping; planned for improving the personal satisfaction of the Chinese individuals and guaranteeing their thriving. The Chinese President wants to consolidate the regime, gain legitimacy and introduce his own political currency, the goal of which is to ensure constant economic growth in the coming years²⁴. From this point of view, China relies on more homogeneous development between the country's regions. Indeed, there are socio-economic disparities between the coastal provinces of Eastern China, which are prosperous and highly developed, and the less developed provinces of Western and Central China. The BRI is part of this goal of homogenization to connect regions and stimulate sustained economic growth.

In addition to achieving this homogeneity at the national level, China wants to achieve more integrated economic development at the regional level. This is why China is gradually modifying its diplomatic strategy. In October 2013, the CPC organized a forum on neighborhood diplomacy called

²² Кренгауз, И.Н. (2016). Экономическое сотрудничество республики Казахстан и Китая в свете реализации программы новый шелковый путь. Вестник КазЭУ, Алматы, 219-228.

²³ Антаев, Ж.Т. (2016). Қазақстанның сыртқы экономикалық байланыстары. Проблемы права и экономики, Қостанай, 3 (9), 218.

²⁴ Aubakirova, A., Umirzakov, S., Aitenov, N. (2017). New Silk Road: Opportunities and Threats for Central Asia. Central Asia & the Caucasus, 18 (4), 7-20.

the “Working forum on Chinese diplomacy on the way to the periphery”²⁵. The forum dedicated to a specific aspect of diplomacy was the first in China. This highlighted the government’s desire to prioritize diplomatic relations with Asian countries in order to create an environment conducive to China’s development. However, even if the phrase “new diplomacy” is often used, it is not a question of abandoning the previous policy, but of correcting it. Before that, Chinese diplomacy in Asia was not part of the global doctrine – the two-way route was preferred to answer specific questions²⁶.

Conversely, the new Chinese diplomacy encourages multilateral cooperation and applies the concepts of closeness (qin), earnestness (cheng), benefit (hui) and inclusiveness (rong) in conducting its foreign relations²⁷. In this, the BRI is a concrete application of the new Chinese orientation, as we find the same values and guidelines in expressing the goals of the initiative. Thus, the pillars of the new good-neighborly diplomacy, such as openness, non-exclusion, mutual benefit and cooperation, are at the heart of the project. Indeed, the BRI is an initiative that generates mutual benefits for all participating countries through an approach based on dialogue, the search for common interests and cooperation²⁸.

The BRI is one of the means chosen to achieve greater cooperation and integration in the region. The fact remains that China primarily seeks to protect its interests. According to Wang Yi, the foreign Minister, “no country should expect China to abandon its core interests or allow its sovereignty, security and development interests to be infringed”²⁹. Thus, while China supports a win-win approach, it is determined to protect its national interests, especially in territorial issues such as the South China Sea.

Because of the BRI, the topographical reach of discretionary endeavors is not restricted to the Asian locale. The usage of such a venture likewise speaks to a worldwide strategy planned for making a network of a typical future for mankind. As referenced above, China needs to grow its range of prominence for the sake of the “Chinese dream”. The global economic crisis of 2008 became a springboard for the revival of the Chinese nation in the international arena. Its cash reserve of more than

²⁵ Maiming, R.A. (2016). Is China Becoming a ‘Responsible Stakeholder’?

²⁶ Reeves, J. (2018). China’s Silk Road Economic Belt Initiative: Network and Influence Formation in Central Asia. *Journal of Contemporary China*, 27 (112), 502–518.

²⁷ Cai, P. (2017). Understanding China’s Belt and Road Initiative. Sydney: Lowy Institute for International Policy, URL:

²⁸ Chajdas, T. (2018). BRI Initiative: a New Model of Development Aid? *The Belt and Road Initiative: Law, Economics and Politics*, edited by J. Chaisse and J. Górski, 416–453.

²⁹ Wang, Y. (2014). ‘Shuanggui Silu’ Chuli Nanhai Wenti [Wang Yi: To Advocate the ‘Dual-track’ Approach in Resolving the South China Sea Issue].”China News Service

\$2 trillion has helped significantly in the recovery of the world economy, giving China a greater voice in international relations²¹. This situation was favorable for the emergence of China, which protects its interests more and expands its sphere of influence around the world. China is now focused on the peaceful development of the region using its soft power, the latter based mainly on non-military resources: economic power, diplomatic power, cultural power, and stability at the national level³⁰. This soft power allowed China to participate in the development of rules and standards governing new areas in the international arena, such as polar issues, cyberspace, nuclear security, and climate change. The BRI is part of this goal of increasing China's influence at the global level. Indeed, this project is aimed at promoting connectivity – by land and sea – between the Asian, European and African continents, as well as at establishing and strengthening partnerships among countries interested in this project³¹. The deployment of diplomats and academics to target countries responsible for promoting the project and highlighting its benefits illustrates the important place that this initiative occupies in China's foreign policy.

Investment in infrastructure construction

After the effective usage of the arrangement of change and receptiveness of the PRC, declared in 1978, the outside monetary circumstance of China has changed essentially. There was an abundance of creation limit, the level of outside reliance is developing consistently, and the exchange model, which depended on modest turn of events and rich assets, no longer compares to the circumstance of financial improvement in China around then. There is a gigantic enthusiasm for foundation interest in Asian and European nations. The BRI system implies that the usage of outside foundation undertakings has step by step entered a groove. XI Jinping set forward a key vision of the BRI in 2013, and by 2015, the Silk Road Fund and the Asian Infrastructure Investment Bank have just been built up. Chinese remote interest in foundation has entered the phase of functional participation. On December 18, 2015, Minister of Commerce Gao Hucheng at the national conference noted that it is necessary to launch strategic

³⁰ Artosiewicz, A., Sztetlik, P. (2018). Benefits from the One Belt One Road initiative. *International Journal of Logistics Research and Applications*, 1–17.

³¹ Rolland, N. (2017). *China's Eurasian Century? Political and Strategic Implications of the Belt and Road Initiative*. Washington, DC: National Bureau of Asian Research, 329.

cooperative projects in the field of water transport, rail transport, energy resources, roads and communications. Here are the interstate joint infrastructure projects:

- “Gwadar deepwater berth”
- “Creation of the port of Colombo and the port of Hambantota”
- “Creation of a high-speed Eurasian transport corridor (from Moscow to Beijing)”
- “Chabahar port”
- “Karakorum highway”
- “Kyaukpyu port in the Bay of Bengal (deepwater berth)”
- “Creation of the main trade routes: (1) Chinese – Pakistani, (2) Chinese – Mongolian – Russian, (3) Chinese – Bengali – Indian – Burmese, (4) Chinese – Central Asian – West Asian economic corridor” , etc.³².

We will consider specific examples below in the text.

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) is an Asian regional multilateral agency of an intergovernmental nature that focuses on infrastructure. Its founding purpose will be to promote economic integration, develop mutual communication and mutual access, and strengthen cooperation between China and other Asian countries and regions³³. Its main office is located in Beijing. The authorized capital of the AIIB is \$100 billion. On October 2, 2013, President XI Jinping launched an initiative to build the AIIB. On October 24, 2014, Finance Ministers and authorized representatives, including China, India, Singapore, and others, 21 potential founding members, signed an agreement to establish the AIIB in Beijing³⁴. On April 15, 2015, the total number of potential founding members was determined to 57, including 37 countries in this framework, 20 non-regional countries. On December 25, 2015, the AIIB was established and became the first multilateral financial institution in the world. On January 16, 2016, the opening ceremony of the AIIB was held in Beijing. We can classify these full-

³² Resolution of the CPC Central Committee

³³ 2017 AIIB Annual Report and Financials. Beijing: Asian Infrastructure Investment Bank, 2018.

³⁴ Asian Infrastructure Investment Bank, 2017

fledged member countries by continent – 34 Asian, 18 European, 2 Oceanic, 1 South American and 2 African countries. Up to August 31, 2016, the AIIB has only 57 full member countries and more than 20 more countries have applied to join the AIIB. The first goal of its creation is the construction of the Silk Road economic belt. The current task is to build a railway from Beijing to Baghdad⁴⁰.

The initial intention to internationalize the Chinese yuan came from the BRI, and later the internationalization of the Chinese yuan became an integral part of this strategy. The following main aspects of the internationalization of the yuan are highlighted:

The internationalization of the Chinese yuan is a process of development of this currency. In this case, the indicator of currency development is the beginning of the use of currency outside the original territory and the expansion of both the scope of use and the functions of the currency. At the point of maximum development, the currency should perform three main functions of money on a global scale – it should be a measure of value, a means of payment and a means of accumulation. A currency can also be a means of circulation, but only if it replaces a currency on the territory of another state³⁵.

There are following roles of yuan can be used in recent years:

- As tourist currency, mainly used in Singapore, Malaysia, Thailand, South Korea and other countries;
- Trade currency: in Chinese border countries like Vietnam, Myanmar, Russia, Laos and others, the spread of money circulation is associated with cross-border trade, civil trade, and the development of the tourism industry. The Chinese yuan is already widely used as the currency of settlement and payment in these countries and can be freely exchanged for the local currency;
- Operating currency: China and the area of Hong Kong and Macao have close economic ties, in each year a lot of people visit relatives and travel back and forth, the exchange and use of the yuan is quite common³⁶.

³⁵ Yu, H. (2017). Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank. *Journal of Contemporary China*, 26 (105), 353-368, DOI: 10.1080/10670564.2016.1245894

³⁶ Bank for International Settlements. 2018. "BIS Real Exchange Rate, Real (Cpi-Based)." BIS Effective Exchange Rate Indices.

The internationalization of the Chinese yuan means the expansion and deepening of the functions performed by the currency in the Interbank Currency Council (ICC)³⁷. It is believed that a successful currency in the process of internationalization will be able to serve as a measure of value and a means of payment in international circulation and serve international transactions. As a result, with the increase in international currency turnover, foreign agents will begin to accumulate reserves, including a successful currency will be able to penetrate into the official currency reserves of other countries, which will mean a fairly high level of confidence in it. The implementation of the yuan's main functions of money abroad is the result of close trade and economic cooperation and the development of China's foreign trade³⁸. Currently, according to the number of degrees of internationalization that have passed, there are three groups of international currencies: (1) the pound sterling and the U.S. dollar, (2) Euro, (3) various national currencies that have full reversibility and play a small role in ICC (for example, the Japanese yen)³⁹. In 2016, the most high-profile result of the internationalization of the renminbi was the entry of the Chinese renminbi into special drawing rights (SDR). It was the International Monetary Fund that included the yuan in the indicative currency basket. The new basket of currencies was launched on October 1, 2016⁴³.

Silk Road Fund

The Silk Road Fund (Fund) is a Chinese investment fund that primarily invests heavily in infrastructure projects of BRI participant countries in order to promote the sale of Chinese products.

The company was registered in Beijing on December 29, 2014⁴⁰. XI Jinping announced his intention to create such a special fund on November 8, 2014 at the forum “Dialogue on strengthening interlinked partnership” on the eve of the APEC summit⁴¹. Jin Qi (former deputy chairman of the People’s Bank of China) was appointed executive director of the fund, and Wang Yanzhi was appointed

³⁷ Bataineh, B., Bennon, M., Fukuyama, F. (2018). Beijing’s Building Boom: How the West Surrendered Global Infrastructure Development to China. Foreign Affairs

³⁸ Dollar, D. (2017). Is China’s Development Finance a Challenge to the International Order? The Brookings Institutions: The New Geopolitics of Asia Accessed

³⁹ Hurley, J., S., Portelance, G. (2018). Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective. Center for Global Development: CGD Policy Paper, no. 121.

⁴⁰ International Monetary Fund, 2016, Special Drawing Right (SDR). IMF Factsheet.

⁴¹ Fasslabend, W. (2015). The Silk Road: A Political Marketing Concept for World Dominance. European View, 14(2), 293–302

chief manager of the fund. The fund finances projects only in dollars and euros. The refusal of funding in yuan are made with the aim of attracting joint investments of foreign and international financial organizations. In April 2015, the first order of the Fund for investment in the “China-Pakistan economic corridor” project was signed⁴². The Fund was created to support the BRI with the funds of China’s national financial power.

Commercial Banks.

Despite the fact that 2 specialized enterprises have been created to provide investment through BRI, most of the money goes through commercial banks of China. There is a list of commercial banks participating in investing BRI projects:

- China Exim Bank (more than 1000 projects);
- China development Bank (more than 400 projects);
- Industrial and Commercial Bank of China (more than 200 projects);
- Agricultural Development Bank of China;
- Bank of China;
- China Construction Bank;
- New Development Bank;
- China Export and Credit Insurance Corporation.

All these banks are operating in their own fields and not only investing in BRI countries members but also finance Chinese companies which want to participate in BRI projects.

The main significance of the concept of the Belt and Road initiative for world politics

The idea of BRI of China has great significance for issues of world politics. The core of BRI is a developing of Eurasia's participation, yet additionally incorporates the Maritime Silk Road for East Asia and Southeast Asia. The BRI contains China’s neighboring nations, and will likewise advance association among Asia and Europe, so it is a conciliatory key idea that has territorial and worldwide political importance.

⁴² Crookes, P. C. I. (2009). China’s Embrace of the Market Economy: Understanding Its Innovation Strategy. *European View*, 8(1), 133–141.

With the development of a complete national power, China has the capacity and purpose to give increasingly open merchandise to the world. The idea of the BRI can satisfy key needs, and assume a main job and open the advancement capability of locales along the BRI, completely prepare the energy of all divisions of the nations, effectively advance commonly advantageous and win-win collaboration⁴³. This specific methods for China undauntedly leaving the purported “Thucydides trap” completely mirrors China’s responsibility to serene turn of events.

Chinese officials’ position is that China needs to advance worldwide request and worldwide administration in an even more just and balanced way. Right now, the current arrangement of worldwide standards thinks about neoliberal hypothesis as the premise. It doesn’t reflect changes in the force to be reckoned with structure, the absence of plan of the arrangement of universal undertakings, the absence of regard for the decent variety of human advancements, can’t successfully oversee worldwide issues, the worldwide request and worldwide administration are at a defining moment ever. The worldwide network ought to acquire, improve and coordinate existing frameworks of universal guidelines to make the global framework progressively sensible⁴⁴. The idea of the BRI is another endeavor. It will without a doubt add new components to the improvement of the worldwide administration framework.

The idea of the BRI comprises of the accompanying standards: harmony and participation, transparency and comprehensiveness, common learning and trade of understanding, shared advantage and joint increase; this typifies the Chinese situation of development. We should express that sticking to this idea of global participation is the most ideal approach to advance connection between various human advancements. With the nonstop advancement of the development of the BRI, the global network will better comprehend China’s truthfulness, the worldwide network will better perceive the Chinese idea of universal request, and the Chinese idea of progress can likewise wipe out the world’s misconception and estrangement.

⁴³ The State Council Information Office of China. 2014. “Xinjiang Touze Jijian Chao 8000 Yi, Jianshe Xin Sichou Zhi Lu Jingji Dai Jiaotong TiXi.”

⁴⁴ The State Council Information Office of China. 2014. “Xinjiang Touze Jijian Chao 8000 Yi, Jianshe Xin Sichou Zhi Lu Jingji Dai Jiaotong TiXi.”

Joining such a large number of countries to the BRI is not an accident. These countries see many factors contributing to its success and significant benefits for their own economies:

1. According to the Chinese officials, “The BRI is developing a new model of global governance that differs from the international cooperation of the past”⁴⁵. This is not a question of unilateral economic assistance from China for political purposes. China offers commonly advantageous collaboration while regarding the political frameworks and decision of accomplice nations. Along these lines, associations that stress the standards of balance, common meeting and understanding assistance to unite the taking an interest nations, facilitated under the BRI, to make an imaginative, comprehensive, increasingly open, more secure world dependent on the standards of reasonableness, value and sharing⁴⁶.

2. The selected BRI projects will be mutually beneficial. The financial profitability of projects allows to ease financial restrictions and attract more public and private funds. In addition, the profit received from the implementation of projects allows to finance other projects. Profitable projects have a significant advantage over subsidies that do not bring financial benefits to their donors and can cause feelings of inferiority to those who receive them⁴⁷.

3. The Belt and Road projects are based on public-private partnerships with a focus on efficiency, profitability and innovation, which should provide a greater chance of financial success for projects⁵⁸.

4. BRI countries, emerging economies, both developing and developed, are striving to revive their growth and therefore have similar common features and goals, thus laying a good foundation for mutually beneficial cooperation. They can share successful experiences on the ways and methods that need to be used to increase effective supply, successfully change the course of the economy, and promote modernization⁵⁸.

⁴⁵ The State Council Information Office of China. 2014. “Xinjiang Touze Jijian Chao 8000 Yi, Jianshe Xin Sichou Zhi Lu Jingji Dai Jiaotong TiXi.”

⁴⁶ Suokas, J. (2018). China Invests in 42 Overseas Ports under Belt and Road Project. Global Times

⁴⁷ Knowler, G. (2018). Central Asia Containerized Rail Freight Rocketing. JOC.COM, February 6. Accessed March 29, 2020,

5. Trade of societies and researchers/scientists adds to the improvement of culture and research in the taking an interest nations, in this manner improving the non-material conditions vital for amicable and endogenous development. Such trades would fortify companionships and shared comprehension, which would expand the capacity to distinguish the correct undertakings and guarantee increasingly compelling execution of effectively arranged tasks⁵⁷.

Participating countries are considering ways of peace, prosperity, openness, cooperation, innovation and civilization within the framework of the BRI. Their broad participation increases the synergy of BRI projects and, consequently, the likelihood of their success, as well as the potential benefits that each country can derive from them⁴⁸. Be that as it may, similar to any technique, the BRI is not invulnerable to all risks.

Kazakhstan's role in BRI.

From a historical and geographical point of view, Central Asia has always been the hub of the Silk Road, while China and Kazakhstan are located in the heart of Eurasia⁵⁰. From a vital perspective, security considerations (counter – terrorism) and economic considerations (rich oil and gas reserves), the BRI will concentrate on the advancement of the inside of Eurasia – the countries of Central Asia. The BRI mirrors the drawn out duty of the Chinese government to the advancement of the Eurasian landmass, its establishment and beginning stage are the monetary ties among Xinjiang and the Central Asian neighbors⁵¹. Urumqi as the center of Xinjiang has already been an important trade center in the Central Asian region, China has become an integral part of the economic entities in this region⁵⁰. China will likely form cross-provincial participation inside the system of the monetary development belt; its vital significance is to guarantee its financial situation in the whole Eurasian landmass. China attaches so much importance to circular diplomacy, the main reason being the increasing crisis around China, for example, the crisis on the Korean Peninsula, the Diaoyu Island dispute, the problem of Afghanistan. With this reason, China should participate more actively in regional affairs, take more risks and increase investment, and China plans to further deepen economic cooperation with neighboring countries in

⁴⁸ Zhang, B. (2002). Gaibianzijiyingxiang shijie – 20 shiji zhongguo waijiao jiben xiansuo chuyi” [Transforming the self, influencing the world – Discussions on China’s underlying foreign policy line in the 20th century], Zhongguo Shehui Kexue [Social Sciences in China] No. 1, 4-19.

order to strengthen China's position in Asia. In fact, China, Kazakhstan and the Central Asian countries face common internal and external challenges in the field of religious extremism, drug trafficking, and environmental threats. All parties must agree on unified mechanisms to further enhance social and economic stability, strengthen international security cooperation, and develop and implement a new Eurasian common development strategy⁴⁹. From the customary political perspective and the opposition of incredible forces, China and Kazakhstan assume the job of the primary rivals in the Eurasian space.

For example, the president of the Pacific Forum CSIS, Ralph Cossa, said: "China has begun to assert its power of the continent, while Kazakhstan is struggling to maintain its economic and political dominance in Central Asia, the big game of the 21st century has appeared on the scene of Central Asia now"⁵⁰. In any case, there are likewise realities indicating that the showdown of financial or political relations among China and Kazakhstan has happened a little, the issues that emerge can be settled through arrangements inside the system of good-neighborliness and kinship between the two countries. In ongoing years, the two nations have marked archives on collaboration in different fields. Truth be told, rivalry is another piece of the organization, China and Kazakhstan, the two sides have irreconcilable circumstances in Central Asia, and there are additionally open doors for participation⁵¹. In the time of globalization, the Eurasian landmass will turn into an entirety. In the present global political and financial circumstance, it is important to understand the capability of collaboration between the nations of the locale without limit. The BRI and the "Eurasian Economic Union" idea will be the principle main impetus for advancing the general improvement of Eurasia.

Occupying a vast territory in Eurasia and possessing large reserves of oil and minerals, Kazakhstan has a first-class geostrategic position. China sees Kazakhstan as a major transit partner, energy source and stable neighbor of Xinjiang, its unstable province⁵². China invested billions in Kazakhstan's energy and transport infrastructure even before the launch of BRI. Simultaneously,

⁴⁹ Ohashi, H. (2018). The Belt and Road Initiative (BRI) in the context of China's opening-up policy. *Journal of Contemporary East Asia Studies*, 7 (2), 85-103, DOI: 10.1080/24761028.2018.1564615

⁵⁰ Cossa, R. (2013). Planning for the Future of the ROK-U.S. Alliance: A Joint Vision for Today and Post-Reunification. *Korean Journal of Defense Analysis*, 25, 519-529.

⁵¹ Jakóbowski, J., Kaczmarek, M., Popławski, K. (2018). The Silk Railroad. The UE-China Rail Connections: Background, Actors, Interests. *Prace OSW Warsaw: Ośrodek Studiów Wschodnich no. 72*, 1–100.

⁵² Burhanov, A., Chen, Y. (2016). Kazakh Perspective on China, the Chinese, and Chinese Migration. *Ethnic and Racial Studies Review*, 39 (12), 2129–2148.

Kazakhstan is China's nearest partner in Asia. Social, monetary, political and military ties with China are solid. The West has little impact, and it is fundamentally intrigued by Kazakhstan's oil and uranium.

Officially, Kazakhstan directs a "multi-vector" international strategy dependent on great relations with every one of these players, and attempts to adjust and make up for its relations with either. This also includes the impact of cooperation and competition among Central Asian states. The government of Kazakhstan highly appreciated China's efforts to establish Kazakhstan as a regional transit center, as they are in line with its own national development strategies⁵³. Kazakhstan has largely supported the BRI project on its territory. However, perceptions of China and its activities in Kazakhstan are different. While the elite was able to get material support, the population is skeptical about China. For countries outside Central Asia, a review of Kazakhstan's experience can provide insight into the BRI, the challenges and opportunities offered by China as it moves along an upward trajectory, and their interaction with local politics and the geopolitical interests of other powers⁵⁴. The Kazakh case shows that the demonstration of the BRI and its potential success are as much a reflection of the political structure of the host country as of China⁵⁵.

For China, all things considered, the usage of the objectives of the BRI would be good with the support of Kazakhstan, in the event that it were not for the selection of critical costs, dangers and sidesteps. China's exercises in Kazakhstan are for the most part determined by three inside thought processes: vitality security, enhancement of exchange courses, and inner turn of events and steadiness. These intentions depend on the principal geo-monetary rationale of the BRI: the solidness and security that China is attempting to set up in its neighborhood can be accomplished by interceding financial turn of events⁵⁶.

⁵³ Islamjanova, A., Iddrisu, I., Suy, R., Bekbauova, D., Suleiman, A.S. (2017). The Impact of Silk Road Economic Belt on Economic Development of the Republic of Kazakhstan: The Case of Khorgos City, 32-44.

⁵⁴ Bagitzhanova, Z., Jumadilova, G., & Chaukerova, A. (2018). China's "One Belt One Road" initiative, KAZGUU, 4 (12), 198-205.

⁵⁵ Bitabarova, A.G. (2018). Unpacking Sino-Central Asian engagement along the New Silk Road: a case study of Kazakhstan. *Journal of Contemporary East Asia Studies*, 7 (2), 149-173, DOI: 10.1080/24761028.2018.1553226.

⁵⁶ Bizhanova, M. (2018). *Can the Silk Road Revive Agriculture? Kazakhstan's Challenges in Attaining Economic Diversification*. Washington, DC: The George Washington University, *China's Belt and Road Initiative and its Impact in Central Asia*, edited by M. Laruelle, 51-66.

China is attempting to expand its vitality sources. A large portion of its oil originates from conceivably precarious nations in Africa and the Middle East and arrives at China through the Strait of Malacca and waters commanded by the US and its partners⁵⁷. Therefore, ensuring land supplies from Central Asia became one of the priorities in the 2000s. Kazakhstan is a key link in this effort as a supplier, especially of oil and uranium⁶².

Communications and infrastructure links are a central aspect of the BRI. A more efficient road and rail transport infrastructure in Kazakhstan allows Chinese goods to enter destination markets. Although rail rather than sea transport is more expensive, it halves the transport time between China and Western Europe. Going west also allows China to develop its mostly forgotten backcountry, including Xinjiang province⁵⁸. Chinese authorities have described the Uighurs, a local Muslim minority, as a destabilizing force that cultivates extremist sentiments. China is seeking to “pacify” Xinjiang by investing in it, installing a comprehensive surveillance system there, and sending up to a million Muslims, including many ethnic Kazakhs, to so-called “re-education camps”. Therefore, good relations with China’s largest Western neighbor, Kazakhstan, are also crucial for protecting China’s domestic interests⁵⁹.

As a result, China has invested significant amounts in Kazakhstan, and at an accelerated pace since the announcement of the BRI. In 2009, China provided a loan of ten billion dollars in exchange for a stake in the oil and gas sector⁶⁰. The Khorgos container hub on the border, a China-Kazakhstan joint venture, and the flagship BRI, was the main element that allowed Kazakhstan to become the transit center of the BRI between East and West⁶¹. Currently, Kazakhstan processes 70% of goods that pass overland between China and the EU⁶².

⁵⁷ Wubbeke, J., Meissner, M., Zenglein, M.J., Ives, J., Conrad, B. (2018). Made in China 2025: The Making of a High-Tech Superpower and Consequences for Industrial Countries. *MERCIS Paper on China*, 3 (12), 215.

⁵⁸ Sadovskaya, E.Y. (2017). Chinese Migration to Kazakhstan: a Silk Road for Cooperation or a Thorny Road of Prejudice? *China and Eurasia Forum Quarterly*, 5 (4), 147-170.

⁵⁹ Kassenova, N. (2017). China’s Silk Road and Kazakhstan’s Bright Path: Linking Dreams of Prosperity. *Asia Policy* 24, 110-116. doi:10.1353/asp.2017.0028.

⁶⁰ Nowicki, M.E. (2020). Kazakhstan’s Nonprofit Sector at a Crossroad on the Great Silk Road. *International Journal of Voluntary and Nonprofit Organizations* 11, 217–235.

⁶¹ Sullivan, C.J. (2018). Kazakhstan at a Crossroads. *Asia Policy* 25(2), 121-136. doi:10.1353/asp.2018.0028.

⁶² Sultangalieva, G., Werth, P.W. (2015). The Place of Kazakhstan in the Study of Central Asia. *Kritika: Explorations in Russian and Eurasian History* 16(2), 345-358. doi:10.1353/kri.2015.0024.

Outsourcing Chinese production capacity is another element of the BRI. In 2016, China and Kazakhstan agreed to transfer 51 plants in industries such as steel, mechanical or chemical industry to Kazakhstan for a total of more than \$ 25 billion. To date, only a few of them have actually been transported. Many experts are concerned that many of these projects may not meet environmental standards and domestic market demand in Kazakhstan⁶³.

Finally, the BRI also has a social dimension in Kazakhstan. China gives out scholarships generously. Currently, there are almost 18,000 Kazakhs studying in China, and five Confucius institutes are operating in China, which are educational institutions that promote Chinese culture and language in Kazakhstan⁶⁴.

⁶³ Xingang, W., Wentao, Z., Yulong, Y. (2017). Ideology, Global Strategy, and Development of the Islamic State and its Influence on China's "One Belt, One Road" Initiative. *Journal of Global South Studies* 34(2), 139-155.
doi:10.1353/gss.2017.0016

⁶⁴ Sternberg, T., Ahearn, A., McConnell, F. (2017). Central Asian 'Characteristics' on China's New Silk Road: The Role of Landscape and the Politics of Infrastructure. *Land*, 6, 55.

Data analysis

We analyzed the situation and position of Kazakhstan in relation to the BRI, past events and future prospects. Based on the analysis, we were able to collect extensive information, which will be presented below.

It ought to be noticed that the principle leitmotif of the rise of the BRI is to animate China's inside monetary turn of events, specifically, to beat existing inconsistencies and contrasts in the pace of regional turn of events, and to invigorate another cutting edge nature of the nation's turn of events. By what method will these present issues influence the substance and pace of respective participation among China and Kazakhstan inside the structure of the BRI?

While dissecting all the materials, it is accepted that the disposal of irregular characteristics in China's inner turn of events and its progress to a subjectively new innovative way will positively affect the two-sided relations among Kazakhstan and China, since through the "Domino effect" it will change the current method of conventional respective monetary "niches". In particular, this will affect the transition to a new level of post-industrial economy. Obviously, if we want to create a post-modern "Belt and Road", we need to design a high-tech "Belt and Road" focused on the needs of the future, not today. For example, this applies to economic relations: center – periphery, raw materials – production⁶⁰. Previously, as you know, the process of economic and technological development went from West to East. Moreover, the East was seen as a recipient of innovation. Now the situation is changing. Kazakhstan and China need to catch this trend, becoming a space for creation, production of innovations, otherwise the countries will be doomed to eternal lag. It seems to us that relation between Kazakhstan and China within the framework of the initiative should be intonationally ahead, not catching up. We are talking about the possibilities of creating mutually complementary economic high-tech clusters of the future. Then the BRI will be as relevant as it is today. When we talk about the transport and logistics hub of the BRI, we must include future transport and multi-modal complexes that will be adaptive to the reality of the future. This is what the First President of Kazakhstan, Nursultan Nazarbayev, reflects in his famous "100 steps". The continuity of these tasks for the new President

K.Zh. Tokayev is obvious, because it reflects the objective needs of economic development⁶². Among the priorities of Kazakhstan that may be relevant for application in the BRI, we highlight the following priorities which were officially included in “100 steps” governmental program:

- Attracting at least ten TNCs to the processing sector in order to create export products and enter the world markets of Kazakhstan. Informing international business about new opportunities at international economic forums.
- Creation of joint ventures in priority sectors of the economy with “anchor investors” – international strategic partners.
- Attracting strategic (anchor) investors with successful experience in creating tourism clusters.
- Attracting strategic (anchor) investors to create a single operator for the maintenance and development of road transport infrastructure.
- Attracting strategic investors to energy conservation through the internationally recognized mechanism of energy service contracts⁶¹.
- Attracting strategic investors for the development of milk production and dairy products.
- Attracting strategic investors for the development of meat production and processing. The main task is to develop the raw material base and export processed products.
- Development of two innovation clusters as the basis for the formation of a knowledge-based economy. The Astana Business Campus of Nazarbayev University houses research centers and laboratories for conducting joint research projects and development work, as well as their further commercialization. To implement specific production projects, the Park of Innovative Technologies will attract local and foreign high-tech companies.
- Development of the Law “On commercialization of the results of scientific and (or) scientific and technical activities”, which contains mechanisms for financing the implementation of innovations in production. Reorientation of the structure of scientific

grants and programs to the needs of the state program of industrial and innovative development⁶³.

- Integration of Kazakhstan into international transport and communication flows. Launch of the project to create a multi-modal transport corridor “Eurasian transcontinental corridor”, which will allow the smooth transit of goods from Asia to Europe. The transport corridor will run: the first direction – through the territory of Kazakhstan, the Russian Federation and further to Europe. The second direction is through the territory of Kazakhstan from Khorgos to the port of Aktau, then along the Caspian sea to Azerbaijan, and then through Georgia. Involvement of the Asian infrastructure investment Bank, established at the end of 2014, in the project in the future.
- Creation of an international aviation hub. A new international airport that meets international standards will be built near Almaty with the involvement of a strategic investor⁶⁵.

These priorities can become a focus for attracting the attention of foreign investors and companies from more than 150 countries participating in the BRI. For Kazakhstan, this is a large window of opportunity that can bring Kazakhstan to the top 30 advanced countries in the world. Thus, for the Republic of Kazakhstan, the BRI becomes a model for entering the advanced global economic space, and cooperation with the countries of the BRI is an urgent need that has a specific content and direction.

In the context of the implementation of the BRI, it is advisable to focus on Chinese investments in Kazakhstan and how the implementation of this project has affected the volume of investment flows from China. The analysis of these flows, both in absolute terms and their specific weight, as well as the dynamics of the volume of accumulated investments, allows us to conclude that the role of China in the investment field of Kazakhstan is decreasing (table 1). The volume of gross inflow of Chinese direct investment to Kazakhstan during the implementation of the initiative is decreasing, which also leads to a decrease in the share of China in foreign investment in Kazakhstan, both in terms of direct and all

investments in general. If in the year of the announcement of the “Silk Road Economic Belt” project, the share of China in the gross inflow of FDI to Kazakhstan was 9.3%, and then by the end of 2018, it decreased to 4.8%⁵⁶⁻⁵⁹. The share of China in the total volume of accumulated foreign investment of all types has also decreased in recent years.

Table 1

*Dynamics and role of investments from China in Kazakhstan*⁶⁵

	2014	2015	2016	2017	2018	2019
Gross FDI inflows from China	2 246,0	1 807,5	833,9	975,2	1 082,5	1 489,4
Gross FDI inflows to Kazakhstan	24 098	23 809	15 368	21 367	20 960	24 276
China's share, %	9,3	7,6	5,4	4,6	5,2	6,1
Accumulated investments of all types from China	20101	18659	15103	15153	15841	15212
Accumulated foreign investments in Kazakhstan of all types, total	209098	213869	198453	218217	227392	219237
China's share, %	9,6	8,7	7,6	6,9	7,0	6,9

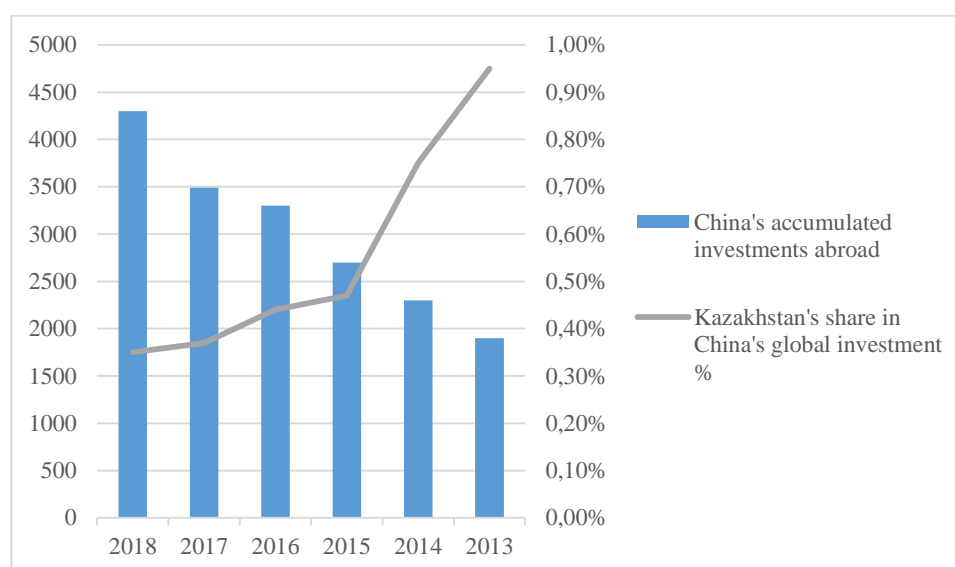
It should be noted that the decline in the volume of accumulated investment from China, recorded by Kazakhstan statistics, occurs against the background of a rapid increase in Chinese investment on a global scale. Over the same period from 2013 to 2018, which is covered in table 2 in relation to Kazakhstan, the volume of accumulated investments of all types from the PRC in the world increased by 1.8 times – from \$2106 to \$4156 billion (fig. 3). Intensive growth of Chinese investments in the world, along with a decrease in their volume in Kazakhstan, led to a decrease in the share of Kazakhstan in the portfolio of Chinese global investments from 0.95% in 2013 to 0.37% in 2017, that is, by 2.6 times⁶⁶.

Figure 3

⁶⁵ O'Neill, D. C. (2019). Risky Business: The Political Economy of Chinese Investment in Kazakhstan. *Journal of Eurasian Studies*, 5(2), 145–156.

⁶⁶ O'Neill, D. C. (2019). Risky Business: The Political Economy of Chinese Investment in Kazakhstan. *Journal of Eurasian Studies*, 5(2), 145–156.

Accumulated investments of all types of PRC abroad (excluding reserve assets), billion dollars, and the share of Kazakhstan in them⁶⁷



It should also be noted that moderate inflows of Chinese investment in Kazakhstan in the period of implementation of the BRI is on the verge of advancing their growth in the “countries along the BRI: at the end of 2018, the growth of direct investment from China to these countries amounted to 8.9%, while the growth of Chinese investments abroad in general, 4.2%. That is, China is much more actively investing in countries covered by the BRI project⁶⁸. However, according to the Kazakhstan statistics, in Kazakhstan, this trend is reversed.

Table 2

Foreign direct investment from Kazakhstan to China⁶⁹, according to Chinese and Kazakh statistics⁷⁰.

	2013	2014	2015	2016	2017
FDI in China, according to China	3.6	36.6	9.5	2.8	5.6
FDI in China total	117586	119562	126266	126001	131035
Share of Kazakhstan, according to China data, %	0,0031	0,0306	0,0075	0,0022	0,0043
FDI in China, according to Kazakhstan	47.3	76.4	61.0	58.2	38.6
The share of Kazakhstan in accordance with the data of Kazakhstan, %	0.040	0.064	0.048	0.046	0.029

⁶⁷ O'Neill, D. C. (2019). Risky Business: The Political Economy of Chinese Investment in Kazakhstan. *Journal of Eurasian Studies*, 5(2), 145–156.

⁶⁸ Ионова Е.П. (2019). Транзитный потенциал Казахстана. *Россия и новые государства Евразии*, 1, 68-73.

⁶⁹ Kazakhstan's data is based on the indicator of gross outflow of FDI, while Chinese data is based on the indicator of Foreign Direct Investment Actually Utilized by Countries or Regions.

⁷⁰ Compiled from data from the following sources: China Statistical Yearbook 2015; China Statistical Yearbook 2016; China Statistical Yearbook 2017; China Statistical Yearbook 2018. National Bureau of Statistics of China.

Considering the problems of Chinese investments in Kazakhstan, we cannot but note a significant discrepancy in the estimates of their volume. Kazakhstan's data, given in accordance with the statistics of the National Bank, gives the value of accumulated investments of all types (that is, including loans) at the level of about \$15-16 billion for the past few years. The Chinese side, represented by a variety of sources – from representatives of the press and business to top officials of the state – announce the volume of investments and loans at the level of \$40-50 billion, and, as a rule, linking their growth with the implementation of the BRI and Kazakhstan's participation in it. At the end of 2018, it was reported in the Chinese press that various Chinese organizations had expanded lending to more than \$40 billion for Kazakhstan, making China the largest lender of Kazakhstan in terms of commercial loans⁷¹.

The three-fold discrepancy between Kazakh and Chinese estimates of investment volumes from China may have several explanations. The most obvious is that the Chinese side does not publish the actual amount of funds received in Kazakhstan, but the figures appearing in signed agreements and memoranda that are calculated for a multi-year period, while the statistics of the National Bank record the actual amount of funds received. Another explanation may be that Chinese representatives voice the volume of actually Chinese funds, even if they have passed through other jurisdictions and therefore, formally, are reflected in Kazakhstan's statistics as having the origin of a different country (for example, the Netherlands or other territories, through whose subsidiaries some Chinese firms operate in Kazakhstan).

As it was found out by analyzing the sources, one of the examples of involvement of foreign partners in the process of economic modernization is the jointly developed and adopted industrial cooperation program, which includes 51 projects with a total investment portfolio of \$27.7 billion. Now, about 10% of this amount has been mastered in Kazakhstan and about 8 enterprises are operating⁷². The rest are at the stage of feasibility study and passing documents in the responsible state

⁷¹ Gross outflow of direct investment abroad from Kazakhstan direct investors by country. The statistics of direct investment, direction of investment. National Bank of the Republic of Kazakhstan, official Internet resource

⁷² Sternberg, T., Ahearn, A., McConnell, F. (2017). Central Asian 'Characteristics' on China's New Silk Road: The Role of Landscape and the Politics of Infrastructure. *Land*, 6, 55

bodies of Kazakhstan. In this regard, there is a problem of complex procedures for bureaucratic approval and selection of projects, while the business community itself finds its own opportunities to establish international cooperation with Chinese partners and find a scheme for financing projects. In this regard, it will be appropriate to make adjustments to the process of industrial cooperation, giving more freedom for business structures themselves to organize current business processes, and this program of industrial cooperation should be considered as a “framework interstate agreement” that orients the activities of businessmen. An important guideline for cooperation between the two countries should be the market guidelines of “supply and demand”, and not the plans of state bureaucratic structures that constrain entrepreneurial initiative. We think that the economic approach that currently prevails at the interstate level does not sufficiently reveal the current potential available in our countries and needs to be revised, for example, the relations between the “raw material economy” and the “manufacturing economy”. Kazakhstan can actually switch to a joint post-industrial economy. Today, the main emphasis of cooperation should be placed not only on the manufacturing industry in Kazakhstan, but also on advanced post-industrial high-tech areas.

While analyzing the ecological side, it can be noted that another relevant prospect for the development of bilateral cooperation in the BRI may be the joint production of environmentally friendly food, since food security is an actual trend for the XXI century. At the same time, this work can involve the entire region of Central Asia, which has good traditions and opportunities for developing the agricultural sector. Big Data and the “digital economy” for Kazakhstan and China is both an opportunity and a challenge⁶⁹ It is important to deliberately examine the experience of China, thinking about the conceivable outcomes of its coordination in the Central Asian area, and in Kazakhstan specifically. An integrated database for logistics is possible, in terms of tracking cargo from loading to loading. In Kazakhstan, the task of digitalization of the economy is now being set. The trade process between countries and transit trade can be fully automated. Spreading the experience of “Ali Baba” and “Amazon” may be interesting for overcoming today’s problems of bilateral and multilateral trade within the framework of the BRI.

Among the hazardous issues that recently brought up specific issues and potential dangers as far as executing the BRI was the issue of political travel in Kazakhstan and the coherence of the nation's remote financial arrangement. In any case, the arranged occasions of March 19, 2019, related with the takeoff of the First President of the Republic of Kazakhstan from the post of President of the country indicated a helpful methodology, which is trailed by the nation's initiative. On the off chance that we follow the sequence of occasions after this "milestone" occasion, it merits recollecting that following the declaration of this choice, the First President met with Chinese Ambassador Zhang Xiao and got a greeting from President XI Jinping to take an interest in the opening of the subsequent Belt and Road Forum in Beijing on April 26. At that point on March 20, 2019, the new President of Kazakhstan was initiated, at which, as indicated by the Constitution of the Republic of Kazakhstan, the speaker of the Senate of the Parliament of Kazakhstan Kassym-Jomart Tokayev was selected. Therefore, Tokayev, in the status of President of the Republic of Kazakhstan, made two visits that describe the primary needs of the Republic of Kazakhstan from his perspective – to the Russian Federation and Uzbekistan. Nonetheless, this did not mean putting down the centrality of the Chinese vector of Kazakhstan's international strategy. This was affirmed by the way that on April 3, 2019, it was reported that N.A. Nazarbayev got to work as the First President – Leader of the Nation, and as indicated by the law "On the security Council of the Republic of Kazakhstan" forever is going by the established body, consolidating it with the places of administrator of the gathering "Nur Otan", the President of the Assembly of individuals of Kazakhstan, Chairman of the executives leading body of national government assistance subsidize "Samruk Kazyna". The last position was dictated by the declaration of the President of RoK from December 27, 2018 №816 about alteration of the presidential pronouncement of 6 December 2010 №1116 On the administration leading group of national government assistance support "Samruk Kazyna". This means that the First President of Kazakhstan retains virtually all the threads of control of the transition period: political, security, public relations, and financial control. Thus, both domestic and foreign policy of Kazakhstan retains its continuity and guarantees of inviolability of the obligations assumed.

Model description

Based on our analysis we assume several developments regarding Kazakhstan participation in BRI. One of the main drivers of the development of the economy of Kazakhstan within BRI is the increase in transit flow through Kazakhstan. The Government of Kazakhstan has the same vision and it confirmed its intentions to develop land and air transit in “100 steps”. Railway transit tariffs are approved by the International Railway Freight Communications⁷³, all payments are made in foreign currency (approved in Swiss francs, but at the beginning of the year they fix the franc to the US dollar and carry out operations in dollars for convenience). Tariffs are 4 times higher than domestic ones⁷⁴, and pegging to the currency eliminates devaluation risks.

In 2011, the share of railway transportation from China to Europe from the total flow was about 0.65%, while sea transportation was above 90%. This was due to the fact that the sea transportation tariff is 3 times lower and the carrying capacity is 5 times higher than that of terrestrial species. Given the ever-decreasing oil price, it is impossible to compete in this aspect, so rail carriers have found their competitive advantage - speed. Today, a container train from the eastern ports of China reaches the northern ports of Germany in 12-15 days, while a seagoing ship will sail only after 60 days.

To reach such deadlines, four interested countries were required to participate at once. In 2013, Russia, Kazakhstan and Belarus created “United Transport and Logistics Company”⁷⁵, the purpose of which is to provide services and develop transit flows through the participating countries. In order for a train to travel from China to Europe, it travels about 11 thousand km., changes its wheelset twice (in Dostyk/Altynkol and Brest: a narrow gauge of 1435 mm is used in China and Europe, while a track of 1520 mm in the post-Soviet space) . Governments and UTLC have put a lot of effort into automating the process and arriving at current delivery times. China, in turn, provided subsidies for its own shippers⁷⁶, which is why it motivated them to switch from shipping to rail.

⁷³ http://en.osjd.org/doco/public/en?STRUCTURE_ID=5068&layer_id=6073&refererLayerId=6076&refererPageId=5065&id=67

⁷⁴ <https://strategy2050.kz/ru/news/senat-odobril-zakonoproekt-po-voprosam-zhd-transporta/>

⁷⁵ <https://www.utlc.com/en/>

⁷⁶ <https://www.mdpi.com/2071-1050/12/5/2083/pdf>

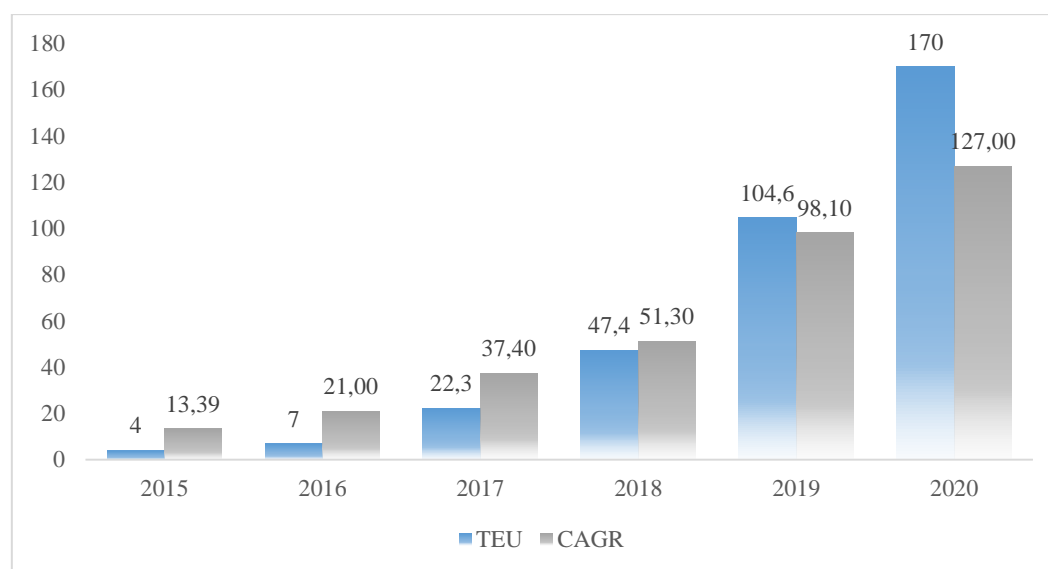
Subsidy of China railway (CR) Express routes.

Routes	Distance (km)	Freight Rate (USD/FEU)	Subsidy (USD/FEU)	Proportion
Chongqing–Duisburg (Germany)	11,179	10,200	6400	62.7%
Zhengzhou–Hamburg (Germany)	10,214	9500	7400	77.9%
Wuhan–Pardubice (Czech)	10,100	11,000	5600	50.9%
Chengdu–Lodz (Poland)	9826	10,600	7000	66.0%

Thanks to this, transit traffic increased (fig. 4)⁷⁷

Figure 4

Transit container traffic Asia-EU-Asia via Kazakhstan, thousand TEU



Note. CAGR – Compound annual growth rate.

As part of the development of the transit potential, Kazakhstan, represented by KTZ and Samruk-Kazyna, also invested in the construction of the Shalkar-Beineu railway, the expansion of Aktau and Kuryk ports capabilities, and the purchase of shares in the port of Lianyungang. At the same time, the share of rail transportation does not exceed 2% of China's total imports, respectively, UTLC have huge development opportunities. Despite the good work done, it is necessary to continue and improve the work of finding shippers.

An additional threat is the fact that China's subsidies are officially in force until the end of the year, at the end of which the subsidies must be reapproved.⁷⁸

⁷⁷ www.taldau.stat.gov.kz

Another factor of containment of transit is the low share of back loading - most of the goods from Europe to China are also transported by sea vessels, respectively, it is necessary to carry out work on the search for shippers. Today, the share of reverse loading is 50%⁷⁹, respectively, the cost of transporting the second half of empty containers lies with the shippers of China. If you find the right number of shippers from Europe, expenses in the future can become a source for further tariff reduction or increase the profitability of carriers. The reverse load does not have to repeat the route, it can be divided into sections of the Europe-country of UTLC, the country of UTLC - China. However, a detailed analysis of the routes reveals the following problem of transit growth - a low level of containerization, which greatly reduces the type of cargo suitable for transportation.

There is a shortage on the market of the latest fitting platforms - wagons for transporting containers. The route China - Europe - China usually travels 80-foot platforms, while the share of such platforms in the KTZ fleet is only 17%⁸⁰, most of which are old-fashioned 40- and 60-foot platforms. It is problematic to purchase new cars, since Kazakhstan does not have corresponding plants, and Russian plants are engaged in production for Russian Railways. At the same time, the price of one platform is growing by an average of 10% due to high demand, today the cost is about 23 million tenge per unit⁸¹. In this situation, commercial logistics companies fulfill with the market, which also see the potential for transit development. These companies buy small lots of wagons that Russian plants can accept and buy or rent platforms in other countries, such as Latvia, Lithuania, Tajikistan, etc.

Each of the development strategies of Russian Railways, KTZ and UTLC forecast a further increase in transit flows from China to Europe. China plans to increase capacity and continue to support the railway direction towards Europe. All this provides an excellent opportunity for Kazakhstan to improve the economy and strengthen relations with the cooperating countries.

⁷⁸ <https://www.mdpi.com/2071-1050/12/5/2083/pdf>

⁷⁹ <https://www.utlc.com/events/dlya-konteynerov-nashli-obratnuyu-zagruzku-v-evrope/>

⁸⁰ Author's calculations

⁸¹ Author's data

Presentation of the main results and tests

By specifically the implementation of the BRI by Kazakhstan and China, it should be understood that due to geographical factors, trade with China is possible only in a few specific areas. The largest and most famous of these sections is the Dostyk border crossing. Road and railway lines pass through this border crossing, creating a transport cluster in a very narrow place.

Priority option for development is to increase the transit flow of goods through Kazakhstan. After analyzing the situation, we can understand that the first step in the internationalization and expansion of transport flow was the construction of the Western Europe – Western China road corridor. Part of this corridor runs from the ICBC “Khorghos” in the East to Shymkent in the South and naturally forms one of the future parts of the BRI. Then the highway goes north and connects to the road network of the Russian Federation via Kyzylorda and Aktobe. As part of the revival of the Silk Road, it is planned to form the southern direction of the transport network – from Shymkent through Uzbekistan and Turkmenistan to Iran and Turkey.

Usually, infrastructure projects are strategic and are built using debt financing, such as loans raised from the Asian Development Bank. Thus, infrastructure projects themselves are promising objects of foreign investment for Kazakhstan. This is especially true of the famous Chinese high-speed railways. In particular, the project of the Almaty – Nur-Sultan high-speed branch line has long been discussed, which could become part of a more global project of the Beijing – Moscow high-speed highway.

It is no secret that the length of such roads in China itself is greater than in all other countries. Consequently, FDI in public-private partnerships for the development and expansion of the railway network of the Republic of Kazakhstan will certainly find support as a promising breakthrough project. The natural extension of infrastructure PPP is FDI in the construction and road industry, but here investors may face overinvestment, as happened in China. Therefore, it is most promising to create this production with an eye not only on Kazakhstan, but also on the whole of Central Asia.

According to the results of the analysis, it is clear that the South Kazakhstan region is potentially a very large chemical and metallurgical cluster. Chemical industry, non-ferrous metallurgy and oil

processing have been developing in this region for many decades. PetroKazakhstan oil products, “Yuzhpolymetal”, “Himpharm”, “Shymkent Cement” and others, represent chemical industry enterprises. Access to high-speed transport routes and sales markets will increase the competitiveness and investment attractiveness of traditional industries. The textile industry is of great importance for the region, where Chinese manufacturers have proven their competence over the years. Many large companies also represent the food industry. The average growth rate of agricultural production in 2010-2018 was 5.7%. The average increase in industrial output over the same period was 5.24%, where the growth in mining enterprises was 9.35%, and in the manufacturing industry – 3.52%⁸².

Zhambyl region also has a rich industrial potential, which can be expanded by simplifying and speeding up access to new markets. The region is rich in chemical raw materials and non-ferrous metals, which together with the production potential of the South Kazakhstan region allows to form production with high benefit within Kazakhstan. The region has a significant potential for agro-industrial industry, which provides about 20% of the gross regional product. Average growth rate of agricultural production in the region in 2010-2018 it was 3.3%, and industrial production – 6.7%. Mining industries grew at an average growth rate of 15.7%, while manufacturing industries grew at a rate of 6.1%⁸³.

Almaty region together with the city of Almaty generate the largest consumer demand in the entire Republic. According to the volume of agricultural production, Almaty and Almaty region are in second place in the Republic in January-September 2016, second only to South Kazakhstan. In previous years, the region has always been in the first place in terms of production of agro-industrial complex. Therefore, the average growth rate of agricultural production in Almaty region was 2.96% in 2010-2018. In terms of industrial production, the Almaty region and the city of Almaty grew at a rate of 5.34% and 6.68%, respectively⁸². The average growth rate of the manufacturing industry over the same

⁸² Gross outflow of direct investment abroad from Kazakhstan direct investors by country. The statistics of direct investment, direction of investment. National Bank of the Republic of Kazakhstan, official Internet resource.

⁸³ China Statistical Yearbook 2015; China Statistical Yearbook 2016; China Statistical Yearbook 2017; China Statistical Yearbook 2018. National Bureau of Statistics of China

period was 5.7% for the Almaty region and 6.4% for Almaty. The volume of production in the mining industry of Almaty region averaged 9.4%⁸².

As part of the Trans-Kazakhstan railway corridor, it is planned to expand the communication routes passing through the central regions of Kazakhstan.

Thus, in the context of industrial and agricultural production, the regions that will be covered by the southern branch of the BRI show high growth rates in recent years.

Speeding up the transportation of products will only increase the investment attractiveness of the regions and ensure higher rates of economic growth.

In the context of national programs, the South Kazakhstan region and Almaty are considered as two promising agglomerations that will act as recipients of public investment in industry and infrastructure and the main beneficiaries of the economic benefits from the integration of the BRI and the EEU.

One of the most promising objects for attracting investment from China within the framework of the BRI is the special economic zone “Khorghos – Eastern gate”. The Special economic zone (SEZ) is a complex of three parts:

1. dry port that allows to quickly reload goods from the railway of the PRC standard to the Kazakhstan standard;
2. logistics zone, represented by a variety of wholesale warehouses and storage bases, with a total area of up to 50 thousand square meters;
3. production area where light and food industry enterprises will be located, or assembly of machinery and equipment.

SEZ participants are offered wide tax benefits and preferences, such as a zero rate of a corporate income tax, property tax and a value-added tax, exemption from lease payments and a free customs zone, a single service scheme through one window, and other things. The SEZ regime will be in effect until 2035.

The free customs zone allows to circumvent customs duties imposed on objects of foreign economic activity within the framework of the EEU. The fact that the zone is located on the border with the PRC and is in contact with a similar project on the part of the PRC, allows to benefit from the possibility of free movement of employees between the two zones, bypassing customs control.

After the implementation of planned infrastructure projects, manufactured or imported products can be sent north along the Turkestan-Siberian highway, North-West up to the Baltic Sea along the Western Europe – Western China highway, South-West through other Central Asian countries towards Iran and Turkey, and south through Kyrgyzstan and Kashgar towards Pakistan.

In addition to the “Khorgos – Eastern gate” SEZ, there are several other special economic zones on the territory of Kazakhstan, in potentially attractive regions. A similar project in the Western part of Kazakhstan is the SEZ

“Aktau seaport”, which allows using the transit potential of Kazakhstan for transshipment, processing, production and export of goods from Kazakhstan to other countries. The SEZ regime in the Aktau seaport will be in effect until 2028.

Other potentially attractive special economic zones are: “Astana – New city” (Astana, until 2027), “Information Technology Park” (Almaty region, until 2028), “National Industrial Petrochemical Park” (Atyrau region, until 2032), “Taraz Chemical Park” (Zhambyl region, until 2037), as well as “Burabay” (ends in 2017), “Pavlodar”, “Saryarka” (until 2036) and “Ontustik” (until 2030) in Akmola, Pavlodar, Karaganda and South Kazakhstan regions. Thus, with the expansion of Kazakhstan’s transit potential, each SEZ will become a regional point of growth, as well as a point of growth for the entire Republic. However, the key element on which the success of all other enterprises will depend is the Khorgos – Eastern gate SEZ, since its successful operation will ensure the transit potential of the entire Republic.

Finally, one of the most pressing problems of today is the search for ways to effectively interface in the triangle “BRI – EEU – Nurly Zhol”. Unfortunately, the progress of this process is very difficult,

although the areas of cooperation and prospects are obvious. The interests of the BRI, the EEU, and Kazakhstan is responsible:

- building and modernization of old roads and railways on the Russian territory, on the territory of Kazakhstan and on the territories of other states that are members of the EEU;
- investment and banking cooperation and increasing the volume of mutual trade in national currencies with the possible prospect of creating a new financial architecture in the Eurasian space;
- expanding cooperation in the oil and gas sector, including by building joint ventures and participation of Chinese companies in exploration and production of hydrocarbons at the fields of Russia and Kazakhstan;
- cooperation in the agricultural sector, including the creation of joint ventures in the agro-industrial complex;
- major water and environmental projects that are needed both in China and in Russia and the Central Asian region;
- joint projects related to food security.

Areas of interest overlap:

- China recognizes the EEU and is ready to cooperate with this structure as a whole, not just with individual member countries;
- the EEU member states are interested in Chinese investments and guarantees of access to the funds of the AIIB and the Silk Road Fund in order to modernize the infrastructure of their economies;
- the possibility of a “division of labor” between Moscow and Beijing in Central Asia. China, with its strong financial potential and significant demand for raw materials, will be the main driver of economic development in the region, while Moscow remains the dominant guarantor of security here;

- joint opposition to the growing influence of the West (primarily the United States) in Central Asia. Russia, Kazakhstan and China have common ground in their assessment of the new architecture of global and regional security. By combining their efforts, they can contribute to the formation of a new international political and economic order, not only at the regional level (the Asia-Pacific region and Eurasia), but also at the global level.

Areas of interest conflict:

- the prospect of China creating a free trade zone in Central Asia;
- the absence, with rare exceptions, of a specific content of the BRI;
- China's removal of excess production capacity to the territory of the EEU member states;
- the credit risk of the dependence of regional states from China;
- the risk of increasing migration flows from China with the start of major projects;
- conflict of interest over access of Chinese and Russian companies to the hydrocarbon resources of Central Asia, especially in the context of influencing pricing policy;
- the prospect of the final displacement of the Russia from the position of the leading trading partner of the Central Asian states.

Taking into account the above, the main question in Kazakh-Chinese relations can be formulated as follows: what can Kazakhstan expect from China, and how great is the danger of Chinese expansion in the near future? It is not possible to answer this question unequivocally. Much will depend on the dynamics of China's development and its ability to solve emerging problems. There is no doubt that there will be such problems, and it would not be entirely legitimate to overestimate the success of China without paying attention to the complex of its economic, social, national, political and ideological problems. It will be even less useful (especially for China's neighboring states) if the situation in China sharply escalates. A strong China is a challenge, but a weak, disintegrating, unmanageable China is a threat whose scale cannot be overestimated.

Concluding remarks

The Chinese concept of BRI, covering most of the countries of Asia, Europe and Africa along the great Silk Road, is a new initiative of China's domestic and foreign policy. The idea accommodates extending political rapprochement among China and different nations of the world, advancing monetary coordination in the territorial field, and serves to fortify compassionate contacts between various nations, eventually to shape another model of collaboration of the world economy. Support in the Chinese BRI of Kazakhstan, which has become a roundabout neighbor of China, brings new possibilities and difficulties for the developing of complete relations between China and Kazakhstan.

The conducted research allows us to draw the following conclusions:

Initially, the Chinese BRI set forward by the fifth era of the Chinese authority in 2013, is the biggest undertaking of China's outside financial strategy. The BRI, in light of the authentic reason of the Great Silk Road, is viewed as reproducing the Great Silk Road, intended to at the same time proceed with its esteem and enhance its most up to date hugeness in the 21st century.

BRI keeps pace with the trends of the times, taking into account the current situation around the world. After the global financial crisis of 2008, the situation in modern Eurasia has changed. In East Asia, economies are booming in the south kept pace, in Central Asia lags behind the west's economic situation remains difficult. Europe is one of the most economically developed regions of the world, but under the negative impact of the crisis, the growth rate of the economy is slowing down. At the same time, the goal of the BRI is precisely to unlock the potential for economic growth in Eurasia through comprehensive cooperation and realize the overall gains against the backdrop of global globalization.

The Chinese initiative defines a key objective to reestablish the residential economy, satisfying the requirement for improvement of China itself. China's economy has encountered over 30 years of quick turn of events and has entered another period: the development rate is declining, the creation structure should be updated, and the improvement model should be changed. To defeat the root issues, China should keep on being open in its collaboration with the nations of the world, making together the BRI. The Chinese BRI is a worldwide stage open to financial turn of events and lenient for any nation

and association. The execution of the joint creation through collaboration in five need zones of interchanges will add to the ascent of China's economy, fortify broad contacts between nations along the Silk Road, advance territorial reconciliation, and invigorate generally worldwide thriving.

Secondly, determining the place of Kazakhstan in BRI is important for the Chinese-Kazakh cooperation within the project. Kazakhstan is located in the heart of Asia. In ancient times, Kazakhstan was an important participant along the Great Silk Road, exerting an indirect influence on its development. The important place of Kazakhstan in the BRI is explained primarily by historical and geographical objective factors. In this regard, Kazakhstan is undoubtedly a necessary player in the implementation of the creation of the BRI.

The important geographical position of Kazakhstan guarantees the construction of the Chinese project from the point of view of regional security. Kazakhstan's accession to the Chinese initiative corresponds to Kazakhstan's strategic interests in the Eurasian space. The role of Kazakhstan in the Eurasian geopolitics and the decisive guardian of regional security show the interests of Kazakhstan in the region, especially reflects its irreplaceable role in the creation of BRI. According to the results, it can be concluded that without the support of Kazakhstan, BRI will not only be difficult to achieve the expected result, but in principle it will be impossible to fully realize its potential.

When implementing BRI, it is necessary to take into account the factor of Kazakhstan and look for points of contact with its strategy in Central Asia as well as in Eurasia.

Third, with the practical promotion of the implementation of BRI, in which the cooperation of Kazakhstan and China has reached a new stage in the new century. The practical steps of bilateral cooperation are implemented based on five priorities, including political communication, infrastructure connectivity, unhindered trade exchange, financing and cultural exchange. Currently, Kazakhstan and China are actively expanding bilateral cooperation within the framework of the BRI, in particular, in the transport and infrastructure, energy and investment spheres. Constant and close ties, mutual trust, and the highest level achieved in history support the successful cooperation between China and Kazakhstan within the framework of the BRI. Transport and infrastructure communication creates significant

opportunities for China-Kazakhstan cooperation in order to achieve both interests. The creation of a favorable basic infrastructure will be effective for transportation between China and Kazakhstan and will guarantee the development of trade and economic relations between both countries; moreover, it will modernize Kazakhstan's transport routes with the help of Chinese investment in particular. The BRI represents much more chances, which expand the breadth and depth of cooperation between China and Kazakhstan, so it is reflected that the new Silk Road meets the interests of Kazakhstan and China. In the future, their common interests have led to the deepening of further cooperation in the framework of the mega-project Belt and Road.

In the end, it should be noted that the BRI is a path leading to mutual benefit and mutual gain. Kazakhstan is an integral participant in the joint creation of the BRI. Kazakhstan's participation in the implementation of BRI promises significant economic dividends to the country, ensuring interests and increasing influence in the Eurasian space. The implementation of BRI will certainly lead to the strengthening of strategic cooperation between China and Kazakhstan, will promote deeper economic cooperation, stimulate cultural exchange, and strengthen the friendship of peoples. At the same time, the expansion of mutually beneficial comprehensive cooperation between Kazakhstan and China in the course of promoting the BRI will lead to the implementation of economic progress of the countries, strengthening the influence of the two countries on the Eurasian continent, ensuring the security and stability of countries and the region, as well as promoting economic integration in the Eurasian space as a whole. Considering all this, we can make an optimistic forecast that a new type of Kazakh-Chinese comprehensive cooperation will be implemented within the framework of BRI.

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