Central Asia and ASEAN: Perspectives for Interaction in Implementing the Belt and Road Initiative

Usen Suleimen

One of the trends in modern international relations is the rapid shift from the political strata to more economic dimensions. This is evident in the actions of world powers in their race for economic development through the improvement of integration processes, creation of regional trade and economic platforms as well as trade routes. In this regard, the shift by developing countries towards realising the goals of the Fourth Industrial Revolution can be characterised as a process dictated by the order of the day.

Currently, more than 90 per cent of the freight traffic between Asia and Europe is via maritime routes. However, in the medium term, a certain share of this impressive volume of goods will be transported via land routes. This will increase the transit and transport potential of Central Asia, particularly Kazakhstan, which could play a significant role in this new scenario. Moreover, given the modern geopolitical realities, Central Asia could become an important transit corridor between Europe and China.

1 This paper is an adaptation of the address delivered at the Ambassadors’ Lecture organised by the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS) on 17 May 2018.

2 HE Dr Usen Suleimen is Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to Singapore. He can be contacted at u.suleimenov@mfa.kz. The author bears full responsibility for the facts cited and opinions expressed in this paper.
The initiative to create the “Silk Road Economic Belt” was announced by China’s President Xi Jinping in September 2013 during his visit to Astana. A month later, during a visit to Jakarta, the Chinese leader invited the members of the Association of Southeast Asian Nations (ASEAN) to consider joining “the 21st Century Maritime Silk Road”. Soon after, both initiatives were combined to form the “One Belt, One Road” initiative and it was later renamed the “Belt and Road Initiative” (BRI).

The announcement of the BRI clearly signalled that Kazakhstan had an important role to play in the implementation of this mega-project. It was timely as one of Kazakhstan’s strategic objectives was to transform itself into a modern transport and logistics hub connecting Europe and Asia.

In fact, Kazakhstan President Nursultan Nazarbayev’s “Nurly Zhol Programme“³ is similar to the BRI as it also places emphasis on the development of transport and logistics infrastructure in Kazakhstan. Its synergy with the BRI now has the potential to boost Kazakhstan’s economic and infrastructural development. Knowing this possibility, President Nazarbayev, while initiating the Nurly Zhol Programme, focused on increasing investments in transport and infrastructure projects in Kazakhstan. This would gel nicely with China’s plans to revitalise its economic activities and finance transport infrastructure along the entire BRI route.

The transformation of Kazakhstan into a regional transit hub offers significant opportunities for countries in Central Asia to be linked with the major trade hubs in Eurasia such as Rotterdam, Singapore, Shanghai and Hong Kong. Moreover, this will allow new trade routes to be developed, including to Southeast Asia.

In recent years, Uzbekistan’s adoption of a more open economic policy has strengthened integration and improved competitiveness and unity in the Central Asian region. Kazakhstan is already considered an active player in the region. A cohesive and strong Central Asia is

beneficial for the economic powerhouses in Europe and Asia, and it makes the region attractive to investors and competitive in implementing the BRI.

Central Asia has a crucial role to play in the realisation of the land aspect of the BRI, while Southeast Asia is important for the development of the maritime part. Interaction between the regions was at a low level for a long time. However, now, with the implementation of the BRI and due to the Fourth Industrial Revolution, both regions have significant opportunities to interact with each other.

The active involvement of the Central Asian countries in the realisation of the BRI offers promising opportunities for them to establish cooperation with the ASEAN group – cumulatively the sixth largest economy in the world with a total gross domestic product (GDP) of US$2.4 trillion (S$3.22 trillion). ASEAN, as a grouping, is expected to expand and become the world’s fourth largest economy by 2050.

The countries of ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – have differing economic indicators and levels of development. For example, the GDP of Indonesia, ASEAN’s largest economy in 2017, amounted to more than US$1 trillion (S$1.34 trillion) whereas the smaller economies of Myanmar, Cambodia, Laos and Brunei are significantly behind at US$70 billion (S$93.9 billion), US$24 billion (S$32.2 billion), US$18 billion (S$24.1 billion) and US$14 billion (S$18.8 billion) respectively.

Similar differences are also evident among the countries of Central Asia. An example of this is the disparate growth between Kazakhstan and Tajikistan. In this context, enhanced regional integration in Central Asia will contribute to the further development of the advanced countries in the region and those that are lagging behind.

While similarities exist between the two regions, the main reason for low trade and economic interaction between Central Asia and Southeast Asia is the geographical distance between them. The main trade partners of the ASEAN nations are in the Asia-Pacific region. Traditionally, the United States and China have been the major players that have a direct influence in the region, with Washington having a direct security presence in the region. Beijing’s growing trade and economic role in Southeast Asia is partly due to its geographical
proximity to the ASEAN countries and the similarity of cultures in the majority of East Asian nations.

Closer ties between Central Asia and Southeast Asia and between the two regions and China are likely to be forged with the realisation of the BRI.

Compared to the other nations in Central Asia, Kazakhstan has a key role to play in the region as it has a more developed economy and infrastructure such as the Khorgos transport and logistics hub on the border with China, the Western China-Western Europe international highway and the Aktau seaport. Kazakhstan has already created the necessary infrastructure conditions to firmly link the trade routes of Asia and Europe through Central Asia. Using these advantages, Kazakhstan is able to liaise between the other states of the region and the nations of Southeast Asia.

Singapore, being a key maritime hub and an economic leader in ASEAN, views the BRI as an additional corridor to expand export networks and access new markets. Given Singapore’s developed infrastructure, it can contribute to the three key areas within the Kazakhstan segment of the BRI – infrastructure, transport and financial services.

Singapore has excelled in providing urban solutions services in city planning as well as developing industrial parks and Smart City systems which can be useful in the construction of Nurkent city, located in the economic cooperation zone between Kazakhstan and China. In the sectors of transport and logistics too, there are great opportunities for Singapore companies to transport freight by rail and sea, and in providing services such as project evaluation and financing. In terms of providing financial services, there are opportunities for interaction within the framework of the Astana International Financial Centre, which is positioned as a financial centre within the BRI framework.

Under the Nurly Zhol Programme, Kazakhstan is expected to increase the volume of transit freight traffic to two million containers by 2020, increase export of food products by 40 per cent by 2021 and more than double its non-oil exports by 2025. The synergy of the Nurly Zhol Programme and the BRI may ensure the interconnection of transport and logistics systems in Central Asia with China and the ASEAN-member countries, thereby contributing to the formation of a new architecture of transcontinental corridors.
In particular, the Kazakh logistics terminal in Lianyungang, China, offers huge opportunities for trade and economic cooperation between exporters of the two regions. Through this terminal, it will be possible to deliver goods by sea in both directions. This port, which is among the 25 largest ports in the world, has an important geostrategic importance for Kazakhstan and is an advantage for the whole of Central Asia. For example, the usual delivery of goods by sea from Singapore to Lianyungang takes between 12 and 14 days and then by rail to Western Europe via Kazakhstan between 14 and 18 days. This route is, at least, twice as fast as the transportation of goods across the Indian Ocean. In the mid-term, the port of Lianyungang may become an important connecting hub in terms of consolidating cargo flows from China and Southeast Asia to the Central Asian countries and further to the markets of the Caucasus, Turkey and Europe.

The transportation of goods via the Khorgos-Lianyungang land route and then by sea to the ASEAN countries is convenient in terms of saving money and time. It is an advantage when transporting foodstuff and other perishable goods from Central Asia to the markets of Southeast Asia.

Earlier, the ASEAN countries could export goods to the Central Asian markets only through the Iranian port of Bandar Abbas. Now, with the creation of the Khorgos transport-logistic hub in Kazakhstan as well as the Lianyungang cargo terminal, new opportunities arise for the activation of trade and expansion of route networks, which, of course, will positively impact developments in the whole of Central Asia.

Another promising opportunity to link Central Asia with ASEAN can be seen through the perspective of the Greater Eurasia concept, which implies the connectivity of the economic spaces of the European Union (EU) and the Eurasian Economic Union. In this context, as part of the BRI, President Nazarbayev’s idea to expand borders of the Greater Eurasia towards the east, including the ASEAN-member countries, is far-sighted as it can provide the potential for the development of the entire Eurasian continent.

Furthermore, it is important to implement a number of concrete steps suggested by President Nazarbayev during his participation in the Belt and Road Forum for International Cooperation held in Beijing in May 2017. In particular, he noted the importance of facilitating commodity flows by improving the level of service and removing administrative
barriers; the development of agricultural cooperation with a view to ensuring food security of the countries along the Silk Road Economic Belt, which, undoubtedly can strengthen interaction between the regions; strengthening cooperation in the sphere of innovation and scientific and technological growth, as well as joint financing of projects, establishment of research and development centres, and transfer of technologies, developing innovative companies and venture funds.

In order to enhance trade in the near future, it is necessary to expand routes in the central and south-eastern regions of China and open additional cargo terminals, for example, in Chongqing, Guangzhou and Hong Kong. Alternative routes will bring the Central Asian and ASEAN-member countries closer to one another.

Despite China trading goods with the countries of the EU, freight trains on the way back from Europe to China are not fully loaded. This low load may allow Central Asian exporters to additionally load them up and, thereby, reduce the cost of transporting their goods to the countries of Southeast Asia. Similar opportunities may arise for importers from the ASEAN-member countries which could use the BRI route.

In conclusion, with the sufficient increase in the transport and logistics potential of Kazakhstan, as well as further facilitation of regional integration in Central Asia, it can be assumed that, in the medium-term, the countries of Central Asia will not only be able to enhance mutual cooperation with the fast-growing ASEAN market, but also be able to integrate into the global international trade network.

. . . . .