



THE NEW SILK ROAD INITIATIVES IN CENTRAL ASIA

VLADIMIR FEDORENKO

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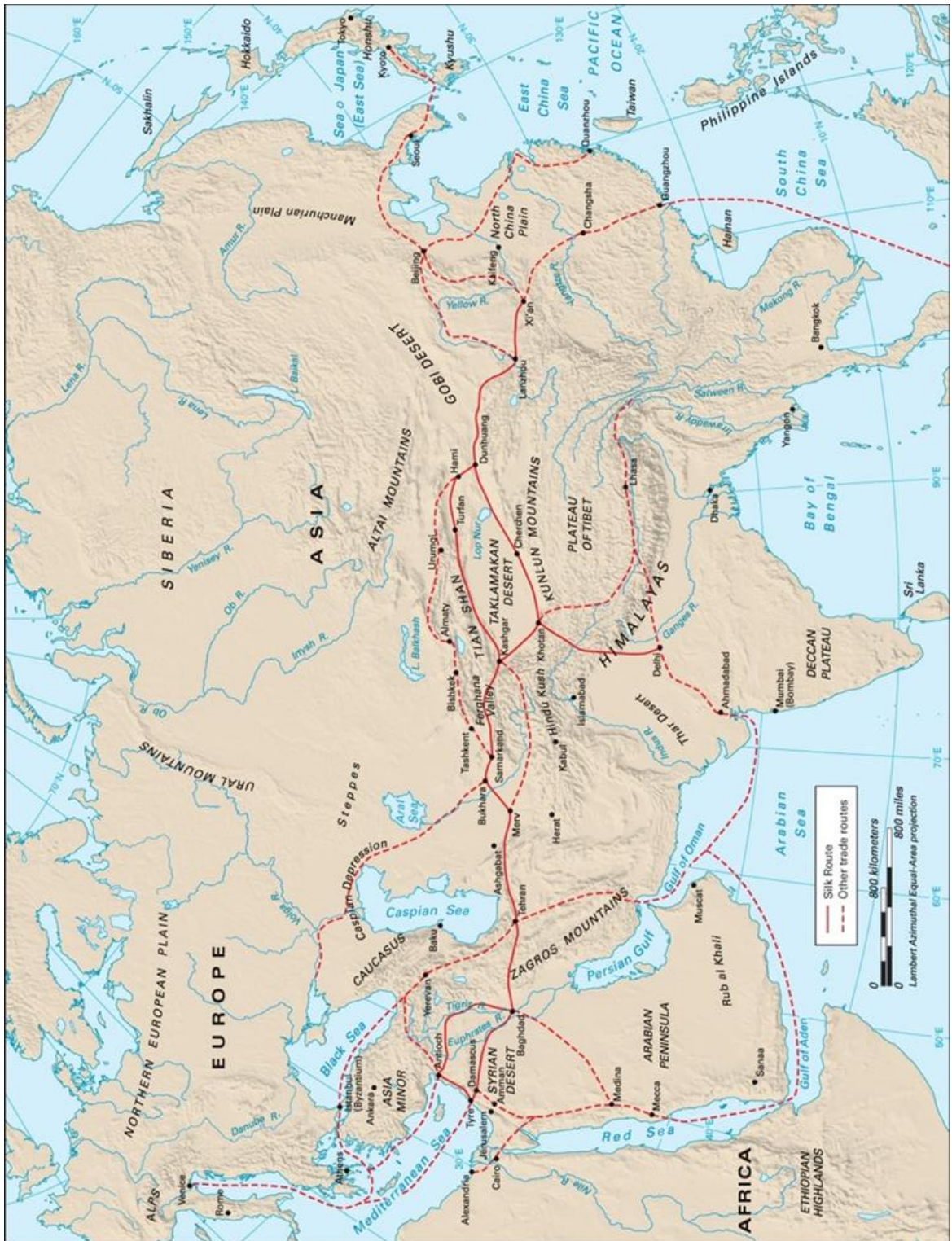
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Summary

With the announcement of the “New Silk Road” strategy, the United States drew global attention to the various ongoing initiatives aiming to promote trade, economic cooperation and development in Central Asia and in other countries located on the path of the ancient Silk Road. Such a shift in US policy in the Central Asia region from a security-oriented approach to the new trade-driven and economy-oriented approach can become a turning point that empowers other ongoing national and international initiatives, such as those launched by Turkey, China, Kazakhstan, and Turkmenistan, as well as Customs Union, TRACECA, CAREC, SPECA, and INOGATE, among others.

The ancient Silk Road emerged as a natural outcome of large- and small-scale market conditions, supply and demand, and the needs of people who resided along the Silk Road, rather than as a planned project by a certain political authority. The current situation in the region with various unfolding new Silk Road initiatives not only resembles the historical prerequisites, but looks even more promising. New Silk Road projects are instrumental in laying the foundation for regional cooperation, creating political flexibility, improving economic growth, offering trade diversifications, investing in transportation, and in mining and energy sectors. All of these represent a historically unprecedented chance for the Central Asian republics to become important players in the world economy. Besides, for many countries located on the path of the ancient Silk Road, particularly the landlocked Central Asian states, international trade is the only option to sustain economic growth and development. The New Silk Road initiatives—large- and small-scale, bilateral and multilateral, governmental and private—indicate a positive climate for building a new trade and exchange system that could bring prosperity to Central Asian states much like the historic Silk Road.

This paper aims to elaborate on various new Silk Road initiatives, their feasibility, their interactions with one other, and on their possible influences on the Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.



The Silk Road in the Middle Ages

Silk Roads – Old and New

In June of 2011 Secretary of State Hilary Clinton announced that in the post-2014 period, after withdrawing military forces from Afghanistan, the United States is going to maintain its interest in Central Asia by launching a “New Silk Road” initiative that aims to improve stability by facilitating and enhancing regional cooperation in trade, energy, and transportation. The US initiative drew a lot of interest, though it is not the only one capitalizing on the renaissance of the ancient Silk Road. There are other ongoing international initiatives and projects such as those launched by Turkey, China, Kazakhstan, and Turkmenistan, in addition to the Customs Union, TRACECA, CAREC, SPECA, and INOGATE.

For many centuries the historic Silk Road was the most important land route connecting Europe and Asia. Consisting of many different routes and stretching out over a vast geography, the Silk Road was a unique path that not only became a source of prosperity and trade relationships, but also promoted exchange of knowledge and experience as well as cultural interaction among different communities. Land routes, unlike maritime routes, compelled caravans to interact with other communities

The New Silk Road projects are instrumental in laying the foundation for regional cooperation; creating political flexibility; improving economic growth; offering trade diversifications; and investing in transportation, mining and energy sectors.

and different cultures on the way to their final destination. As a result of a trade-driven interaction, even the smallest villages were exposed not only to the products of advanced civilizations, but also to the exchange of ideas, knowledge, experience and beliefs.

The significance of the historic Silk Road lies in its unique nature – no authority or government could ever claim a monopoly on creation and control of the Silk Road. There was not a blueprint of the Silk Road for a very simple reason – the Silk Road was so big and complex that its economic strength and capabilities were unmatched by even its contemporary authorities. The Silk Road emerged as a result of the multifaceted agglomeration

of various demands, with supplies and expectations emanating from various sources ranging from the mighty empires to the smallest towns and villages. The Silk Road gradually lost its value and importance in the modern period due to developments in maritime transportation and political circumstances in the region.

Central Asia for many centuries was a vital hub linking regional and international communities via the historic Silk Road. Nowadays, for many countries located on the ancient Silk Road, particularly landlocked Central Asia, an historic Silk Road-like trade system appears to be the only alternative for their growth and development. Developing industries demand new markets; technological innovations facilitate international cooperation; better transportation and logistics increase trade efficiency; and growing energy demands require international cooperation. The New Silk Road projects are instrumental in laying the foundation for regional cooperation; creating political flexibility; improving economic growth; offering trade diversifications; and investing in transportation, mining and energy sectors. All of these represent a historically unprecedented chance for the Central Asian republics to become important players in the world economy. Consequently, there are many large- and small-scale, bilateral and multilateral projects aimed to reconstruct and revive a trade and exchange system similar to the ancient Silk Road.

The United States' "New Silk Road" Strategy

The US *New Silk Road Strategy* aims to advance liberalization of trade, foster economic cooperation, increase trade volume, and establish people-to-people connections between and within South and Central Asia. The initiative came to life in 2011 in India when US Secretary of State Hillary Clinton called for the revitalization of the ancient Silk Road: “[Let's build] an international web and network of economic and transit connections. That means building more rail lines, highways, [and] energy infrastructure, like the proposed pipeline to run from Turkmenistan through Afghanistan through Pakistan into India (TAPI). It means upgrading the facilities at border crossings. And it certainly means removing the bureaucratic barriers and other impediments to the free flow of goods and people.”¹

Similar to the Northern Distribution Network (NDN), which consists of a series of commercially-based logistic arrangements connecting Baltic and Caspian ports with Afghanistan via Russia, Central Asia, and the Caucasus,² the New Silk Road initiative is focused on Afghanistan as a main hub for economic integration and transportation. It is expected

¹ Hillary Clinton, “Progress Noted, but Questions Remain Over ‘New Silk Road’ Initiative,” *U.S. Department of State*, July 2011, available at <http://www.state.gov/secretary/rm/2011/07/168840.htm> [accessed on February 2013].

² “Northern Distribution Network,” Center for Strategic & International Studies, available at <http://csis.org/program/northern-distribution-network-ndn> [accessed in March of 2013].

that the Silk Road initiative would help to provide the much-needed support to Afghanistan after US troops will leave the region in 2014. The main vision of the US New Silk Road initiative states that, “if Afghanistan is firmly embedded in the economic life of the region, it will be better able to attract new investments, benefit from its resource potential, provide increasing economic opportunities and hope for its people.”³

Another important objective of the New Silk Road initiative is to provide economic boost for Afghanistan’s neighbors, including Central Asian republics. Although possessing great economic potential and vast natural resources, Central Asia remains one of the least integrated regions in the global economy. The ‘New Silk Road’ can promote

The United States aims to assist Central Asian republics on many fronts, including “addressing transnational threats, building the infrastructure and connectivity necessary for regional economic development and cooperation, and providing space for civil society groups, rule of law and human rights concerns”

economic growth throughout the region as well as integration into the world economy by introducing modernized infrastructure and effective cross-border trade.

Clearly the United States’ interests in Central Asia are not only limited to promoting economic growth in the region. The United States aims to assist Central Asian republics on many fronts, including “addressing transnational threats, building the infrastructure and connectivity necessary for regional economic development and cooperation, and providing space for civil society groups, rule of law and human rights concerns”.⁴ In order to achieve these objectives, the United States plans to use “a combination of diplomatic engagement and bilateral and multilateral assistance”⁵. In fact, the United States has

already provided significant financial support to Central Asian states. Between 2010 and 2012, the United States provided about \$520 million in security assistance to Central Asia, mostly to build law enforcement agencies to address important threats like terrorism and narcotics trafficking. From 2010 to 2012, the United States provided over \$380

³ Robert Hormats, “*The United States’ “New Silk Road” Strategy: What is it? Where is it Headed?*” September 2011, available at <http://www.state.gov/e/rls/rmk/2011/174800.htm> [accessed on March 2013].

⁴ Remarks by Lynne Tracy, the Deputy Assistant Secretary for South and Central Asian Affairs, Panel on European and American Policy Priorities in Central Asia, The George Washington University, Washington DC, April 16, 2013.

⁵ Ibid

million in development assistance. Overall since 1992, it has provided almost \$3.9 billion to support the transition to free markets and democracy, as well as reforms in the health and education sectors.⁶ More financial assistance is to flow to Central Asia with implementation of the New Silk Road initiative.

Many important steps toward the New Silk Road initiative have already been completed. At the Tokyo Symposium on Silk Road in 2012, Principal Deputy Assistant Secretary Geoffrey Pyatt said, “The New Silk Road is already being built. Electricity from Uzbekistan and Turkmenistan is powering small businesses and government buildings in Afghanistan; rail connections are being built between Kazakhstan, Turkmenistan and Afghanistan and a new rail line from the Uzbek border to Mazar-e-Sharif has been completed; Turkmen, Pakistani, and Indian officials have finalized a pricing agreement for the TAPI gas pipeline.”⁷ Overall, the US Government identifies about 40 infrastructure projects that it considers important parts of the New Silk Road initiative.⁸



The TAPI (Turkmenistan-Afghanistan-Pakistan-India) pipeline is one of the important lynchpins of the New Silk Road strategy. Funded by the Asian Development Bank, the 1078-mile pipeline is expected to transport Caspian gas from Turkmenistan through Afghanistan and Pakistan into India⁹. The pipeline is planned to begin operating by 2017-2018.¹⁰ Another important project that is under way that fits the framework of the US New Silk Road strategy is CASA-1000, which aims to deliver hydropower from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan. In addition, a private Indian group of investors made a large deal with Afghanistan

⁶ Ibid

⁷ Geoffrey Pyatt, “Delivering on the New Silk Road,” *U.S. Department of State*, July 2012, available at <http://www.state.gov/p/sca/rls/rmks/2012/194735.htm>, [accessed on March 2013].

⁸ Joshua Kuchera, “A New Silk Road?” *The Diplomat*, November 2011, available at <http://thediplomat.com/2011/11/11/the-new-silk-road/> [accessed on March 2013].

⁹ Shine Jacob “TAPI pipeline to start commercial operation by 2017-18,” *Business Standard*, available at http://www.business-standard.com/article/economy-policy/tapi-pipeline-to-start-commercial-operation-by-2017-18-113022300169_1.html [accessed on March 2013].

¹⁰ Ibid.

regarding the mining of 1.8 billion tons of high-quality iron ore.¹¹ Also, a Chinese company established partnership with Afghanistan's *Aynak* copper mine reserves. In 2012 the government of Afghanistan issued four tenders in copper and gold, providing additional opportunities for different groups to invest in the New Silk Road.

Besides developing capital-intensive projects such as pipelines and railroads, simplification of border crossing procedures has been gradually implemented. For example, a Border Management Staff College opened in Dushanbe, Tajikistan,¹² and a Customs Training Facility was established in Bishkek, Kyrgyzstan.¹³ These facilities aim to strengthen technical and personal connections between Afghanistan and Central Asian states – which will help New Silk Road to function more efficiently.

Secretary of State Hillary Clinton and Assistant Secretary for South and Central Asian Affairs Robert Blake made a number of bilateral meetings with the leaders of the Central Asian republics to discuss the New Silk Road initiative. However, beyond some general statements, there is no detailed information regarding the issues that have been discussed. Taking into account the weak regional cooperation and enduring competition among the Central Asian states, conducting bilateral meetings in private, from the standpoint of neighboring states, produces doubt on the New Silk Road strategy and deteriorates trust among governments in the region. The US negotiations with Central Asian republics regarding military bases in the region were also done behind closed doors. And since the US involvement in the region has shifted from a focus on security to trade and development engagement, these meetings should have been held in a more transparent fashion. Furthermore, since the initiative concerns the whole region, they should instead be held within multilateral schemes in order to be more effective.

US officials portray the Northern Distribution Network (NDN), an alternative route transporting American supplies to US military forces via Central Asia, the Caucasus and Russia, as empirical evidence for opportunities and benefits that the New Silk Road could bring to the region. However, there are contrary observations that claim that NDN failed to be a good example in that sense. For instance, freelance

¹¹ Geoffrey Pyatt, "Delivering on the New Silk Road," *U.S. Department of State*, July 2012, available at <http://www.state.gov/p/sca/rls/rmks/2012/194735.htm>, [accessed on March 2013].

¹² Ambassador Ian Kelly, "Statement on Afghanistan," *UN Mission to the Organization for Security and Cooperation in Europe*, May 2012, available at http://osce.usmission.gov/may_9_12_afghanistan.html [accessed on May 2012].

¹³ "About OSCE Border Management Staff College", *OSCE*, available at <http://www.osce.org/tajikistan/bmsc> [accessed on March 2013]

reporter Graham Lee in his research on the NDN found that 93 percent of the money allocated to Central Asia was going directly to local governments without having any impact on the life standards of the general population. He also found that NDN did not make any contribution to improve regional cooperation among Central Asian states.¹⁴

While Lee's findings indicate important problems in regional cooperation among Central Asian states, the main outcomes and lessons of the NDN contribution did not receive proper attention. First of all, NDN was not exactly a 'trade route' since both supply and demand of military equipment was created predominantly by a single party. In other words, both the buyer and the seller were the United States, whether it was buying or just transporting necessary equipment to its own military forces. In this type of trade relationship, local competition

What NDN has proved is that if a proper opportunity for trade and cooperation presents itself, Central Asian republics are technically and logistically ready and eager to welcome investment.

among interested states is expected in order to provide services to the third party. Consequently, from this perspective NDN cannot be used as a litmus test to indicate the need and desire for cooperation among Central Asian states. Therefore, instead of searching for past empirical evidence vis-à-vis regional cooperation, it is more important and constructive to focus on future implications and potential benefits of the NDN. In fact, the legacy of NDN should not be undervalued with all of its direct and indirect investments in building infrastructure such as stations, airports, railroads, border control points,

roads and personnel education. Consequently, what NDN has proved is that if a proper opportunity for trade and cooperation presents itself, Central Asian republics are technically and logistically ready and eager to welcome investment.

The New Silk Road strategy also bears a political dimension such as promoting democratic norms, values and human rights. For obvious political reasons, Iran, despite its location, convenient trade routes and influence in the region, is completely left outside of the New Silk Road.

¹⁴ Graham Lee, "The New Silk Road and the Northern Distribution Network: A Golden Road to Central Asian Trade Reform?" *Central Eurasia Project for Open Society Foundation*, October 2012, available at <http://www.opensocietyfoundations.org/sites/default/files/new-silk-road-northern-distribution-network-20121019.pdf> [accessed in March 2013]

The United States lies in distance to the region and does not have a significant direct economic benefit from trade relationships with Silk Road countries. Thus, the US New Silk Road strategy could be perceived as an attempt to create political leverage on Central Asian states to counter Russia's Eurasian Union. On the other hand, remote promotion of the New Silk Road could also be seen as an indication of willingness to facilitate development processes in Central Asian states. Accordingly, the general perception by Central Asian States of the US New Silk Road strategy has been predominantly a positive one.

Turkey's "Silk Road Project"

Initiated in 2008 by the Ministry of Customs and Trade of Turkey, Turkey's "Silk Road Project" aims to provide simplification and unification of customs formalities and to reconstruct the historical Silk Road as a link between European and Asian markets. Turkey's Silk Road Initiative is an important contribution to the Silk Road renaissance, primarily focusing on transportation, security, logistics and custom procedures at borders.

According to the Turkish Minister of Customs and Trade Hayati Yazici, the Silk Road will become one of the most important economic routes of the global economy, transporting large amounts of goods from Central Asia to Europe and vice versa. Yazici said, "The trade volume of the Silk Road countries has quadrupled in the last decade and there is a noticeable shift in the growth of these countries in contrast to Europe and other regions".¹⁵ This brings great potential for Silk Road countries to achieve economic growth. The Turkish vision of the Silk Road is to "revive the Silk Road via an extensive railway network, transportation lines, customs gates, energy corridors and natural gas pipelines, making this area a major player in the world economy."¹⁶ Countries that are incorporated into the Silk Road Project are Azerbaijan, Georgia, India, Iraq, Iran, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, Syria, Tajikistan, Uzbekistan, Afghanistan, China and South Korea.

Turkey's Silk Road initiative was launched in 2008 at the "International Forum on the Role of Customs Administration on Facilitating and Promoting Trade among Silk Road Countries" in Antalya, Turkey. The Antalya forum focused on the simplification of border crossing procedures among Silk Road countries. Seventeen Silk Road countries

¹⁵ Abdullah Bozkurt, "Turkish minister says reviving Silk Road trade route remains Turkey's goal," *Today's Zaman*, December 2012, available at http://www.todayszaman.com/newsDetail_getNewsById.action?newsId=299947 [accessed in April 2013].

¹⁶ *Ibid.*

and several international organizations participated the forum, such as World Customs Administration (WCO), United Nations Economic Commission for Europe (UNECE), European Organization for Forwarding and Logistics (CLECAT) and International Road Transport Union (IRU).¹⁷

The Forum produced the *Antalya Declaration* in which concrete steps regarding simplification of border crossing procedures and trade facilitation were outlined. The most important agreements outlined in the declaration were as follows: achieving more transparent and streamlined customs formalities; strengthening collective and individual initiatives under the revitalization concept; improving customs-business partnership; making joint efforts to suppress illegal activities, terrorism and human trafficking; and supporting both regional and global trade facilitation efforts.¹⁸

Turkey's Silk Road Initiative is an important contribution to the Silk Road renaissance, primarily focusing on transportation, security, logistics and custom procedures at borders.

The next forum held in Baku, Azerbaijan, in 2009, produced the *Caravanserai Project*, which focused on increasing the efficiency of the Silk Road routes and particularly the border crossing points (BCP). The project takes its name from ancient "caravanserai" – roadside inns where caravans riding on the Silk Road did not only rest and recover to continue their journey, but also met with other people, exchanged ideas and built new business relationships. Caravanserais were supporting the flow of commerce and information along the Silk Road. In the modern Silk Road initiative, BCPs

have similar roles and functions to those of historic caravanserais. In the next forum held in Tehran in 2010, an agreement was made to revive the Silk Road through rail service on the major part of the Silk Road and the launching of Economic Cooperation Organization (ECO) Silk Road Truck Caravan.¹⁹

¹⁷ "Information Note on Silk Road Customs Cooperation Initiative," *Republic of Turkey Ministry of Customs and Trade*, February 2012, available at

<http://eski.gumruk.gov.tr/ENG/EU/Pages/SilkRoad.aspx> [accessed in April 2013]

¹⁸ "Antalya Declaration," *Republic of Turkey Ministry of Customs and Trade*, 2008, available at

<http://eski.gumruk.gov.tr/ENG/EU/Documents/AntalyaDeclarationandAnnexEN.pdf> [accessed in April 2013]

¹⁹ "Tehran Declaration," *Republic of Turkey Ministry of Customs and Trade*, 2010, available at

The forum held in Batumi, Georgia, in 2011 appreciated “Transport Corridor Europe-Caucasus-Asia (TRACECA) for its support on the establishment of the Permanent Secretariat as the administrative body in charge of the implementation and follow-up of the decisions of the Forum.”²⁰ Taking into account the fact that not all of the Silk Road countries are the members of TRACECA, the forum called its members to consider the Memorandum of Understanding (MOU) proposed by TRACECA. To note, TRACECA is an international transport program involving the European Union and 14 Member States of the Eastern European, Caucasian and Central Asian region.²¹ The Experts Meeting of

the Silk Road Customs Initiative was held in Ankara, Turkey, in 2012, and was joined by customs administrations from Azerbaijan, Georgia, Iran, Kyrgyzstan and Turkey.

The widespread sympathy of Turks toward Central Asian peoples reflects a longstanding history of kinship. Turkey has often stressed the importance of its historic, ethnic, linguistic and cultural ties with Central Asia and in many cases these ties helped advance significant multilateral projects between Turkey and Central Asian republics.

There are many other important initiatives that the official Turkish project established indirectly. For example, the Turkish International Cooperation and Development Agency (TIKA) is a governmental institution established in 1992 to promote social and economic development by providing financial and technical support particularly to the Central Asian region.²² With 30 partner countries, and 33 Program Coordination Offices, TIKA aims to contribute to poverty eradication and sustainable development in partner countries. Another important organization is the Confederation of Businessmen’s and Industrialists of Turkey (TUSKON), a nongovernmental institution founded in

2005 that organizes many activities such as the “Foreign Trade Bridges,”

<http://eski.gumruk.gov.tr/ENG/EU/Documents/3rd%20SR%20Tehran%20Declaration%202010.pdf> [accessed in April 2013].

²⁰ “Batumi Declaration,” *Republic of Turkey Ministry of Customs and Trade*, 2011, available at <http://eski.gumruk.gov.tr/ENG/EU/Documents/BATUMI%20DECLARATION.doc> [accessed in April 2013].

²¹ “Welcome to TRACECA”, *TRACECA*, available at <http://www.traceca-org.org/en/traceca/> [accessed in April 2013].

²² “Türk İşbirliği ve Koordinasyon Ajansı Başkanlığı,” [*Turkish International Cooperation and Development Agency*], available at <http://www.tika.gov.tr/tika-hakkinda/1> [accessed in April 2013].

which brings various Central Asian businessmen together to promote trade and facilitate international cooperation.

The widespread sympathy of Turks toward Central Asian peoples reflects a longstanding history of kinship. Turkey has often stressed the importance of its historic, ethnic, linguistic and cultural ties with Central Asia and in many cases these ties helped advance significant multilateral projects between Turkey and Central Asian republics. There are many Turkish schools, universities and dialogue centers that offer not only high-quality education and cultural interaction, but also facilitates the establishment and conduct of new business relations.

In comparison to the US New Silk Road initiative, the Turkish version has a more clear and inclusive structure. In terms of the working structure, the Turkish initiative has a collective and transparent system that has been functioning successfully since 2008. It also represents a broad geography including a majority of the states located on the ancient Silk Road. Another distinctive factor is that while the US initiative is bypassing Iran, the Turkish initiative sees Iran as a partner and a member state of the program. On the other hand, the Turkish initiative is confined to the acceleration and standardization of customs procedures, and border-crossing facilitation.

The Chinese Silk Road Initiative

Chinese approach to Central Asia is based on advancing China's own economic and business interests. China sees Central Asia as an important region that will help promote its own economic growth via trade routes that satisfy the Chinese demand for hydrocarbon resources. China gladly makes generous investments in the Central Asian infrastructure if it finds that these investments will benefit the Chinese economy.

The Chinese attempt to revive the Silk Road is not as well publicized as the United States' or Turkish initiatives; however, there have been many significant investments in road and railway constructions, as well as in the energy sector. During a trade expo held in Urumqi in the fall of 2012, Chinese Premier Wen Jiabao proclaimed that, "the ancient Silk Road regained its past vigor and vitality."²³ Judging by numerous railroad networks being constructed with great speed by China in almost every part of Eurasian region, Jiabao's assertion may be true. The Chinese

²³ Robert Olsen, R. (2012) "Arabia-Asia: China Builds New Silk Road, But Is The Middle East Ready?" *Forbes*, October 2012, available at <http://www.forbes.com/sites/robertolsen/2012/10/21/arabia-asia-china-builds-new-silk-road-but-is-the-middle-east-ready/> [accessed in April 2013].

government envisages the creation of a new railroad, motorway and sea networks to distribute their products across Europe, Eurasia and Middle East. China has been involved in construction of numerous railroads on the Eurasian continent. For example, China and Turkey agreed to build a roughly 7000-kilometer rail route connecting the largest cities of Turkey. The construction is well underway and is expected to be completed by 2023.²⁴

China has been pursuing great interest in developing multilateral partnerships with Central Asian countries in many areas, including energy, trade and transportation routes. One of the most important energy deals between Central Asia and China is the 1100-mile gas pipeline that transports Turkmen gas to China via Uzbekistan and Kazakhstan.²⁵ The Central Asia-China gas pipeline began operating in 2009 and aimed to reach its full annual capacity of 40 billion cubic

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meters of gas by this year.²⁶ Another important energy project is the Kazakhstan-China oil pipeline, which is China's first direct import pipeline, pumping 14 million tons of oil per year.²⁷

In addition, China has provided Central Asian countries with generous loans. For example, in 2009, it provided about \$4 billion to Turkmenistan to develop its Yolotan-South Osman gas field. China also provided \$10 billion in loans to Kazakhstan in 2009, including a \$5 billion loan to KazMunaiGas, Kazakhstan's national oil and gas company.²⁸ Jeffrey Woodruff, a senior director at Fitch

Ratings, says that China's lending politics would reduce Central Asia's debt to Russian companies: "China wants the energy supplies, has a huge

²⁴ Ibid.

²⁵ "China president opens Turkmenistan gas pipeline," BBC News, December 2009, available at <http://news.bbc.co.uk/2/hi/asia-pacific/8411204.stm> [accessed in April 2013].

²⁶ China president opens Turkmenistan gas pipeline," BBC News, December 2009, available at <http://news.bbc.co.uk/2/hi/asia-pacific/8411204.stm> [accessed in April 2013].

²⁷ "Kazakhstan-China oil pipeline could start operating at its full capacity by 2014," *Energy Global*, September 2012, available at http://www.energyglobal.com/news/pipelines/articles/Kazakhstan_to_China_oil_pipeline_could_start_operating_at_its_full_capacity_by_2014.aspx [accessed in April 2013].

²⁸ Simon Pirani, "Central Asian Energy: the Turning Point," *Emerging Markets*, February 2010, available at <http://www.emergingmarkets.org/Article/2478245/CENTRAL-ASIAN-ENERGY-The-turning-point.html> [accessed in April 2013].

capital base to help to secure them, and may be able to offer better rates than western lenders for some time going forward”.²⁹

China has also made significant investment into Central Asian railroads. In February 2013 the Government of China approved the construction of a new two billion-dollar railroad from China to Kyrgyzstan and Uzbekistan.³⁰ China also plans to convert the track gauge size of Kyrgyzstan’s railways from Russian (1,520 mm) to international standards (1,435 mm) in order to make connections with China, Turkey and Iran faster and more convenient. Improved railroads would dramatically reduce logistical costs and time of transportation.

In summary, the relationships between China and Central Asian countries are developing very actively and productively. China is eager to advance mutually beneficial cooperation with and throughout Central Asia. Since China’s paramount goal is to secure and diversify ways of addressing its ever-growing needs for energy, the proximity and abundant resources of Central Asia makes the region a perfect business partner. In return, Central Asian hydrocarbon-rich states receive very much needed Chinese investments for exploitation of their natural resources. China is to triple the portion of natural gas in its energy mix by 2020, which will certainly have a positive impact on the relationship between China and Central Asia.³¹

China is very pragmatic and business-oriented in its Silk Road approach. China does not have any ideological or political agenda interweaved in its Silk Road investments and is quite cautious about maintaining its political neutrality in the region, including refraining from investing in disputed projects. For example, China announced that it will remain uninterested in investing in the construction of the Rogun Dam until Tajikistan and Uzbekistan resolve their disputes. On the other hand, having the third largest economy in the world and playing a leading role in the Shanghai Cooperation Organization (SCO), China yields considerable potential to change the dynamics in the region. Consequently, while Central Asian countries welcome Chinese investments and opportunities for business partnership, they do not want to be dependent predominantly on the Chinese partnership.

²⁹ Ibid.

³⁰ “Новые торговые пути Китая” [China’s new trade routes], *Economic Safety*, February 2013, available at <http://ekonbez.ru/news/cat/16745> [accessed in April 2013].

³¹ Aditya Malhotra, “Chinese Inroads into Central Asia: Focus on Oil and Gas,” *Journal of Energy Security*, November 2012, available at http://www.ensec.org/index.php?option=com_content&view=article&id=387:chinese-inroads-into-central-asia-focus-on-oil-and-gas&catid=130:issue-content&Itemid=405 [accessed in May 2013].

Russia's Vision of Eurasian Integration

Russia does not have an official Silk Road strategy. During the Soviet period, Central Asia, as well as other regions of the Soviet Union, received tremendous investments from Russia in various fields, such as industry, infrastructure, energy, and transportation, to keep the Soviet economy growing. The Soviet investments aimed to keep the peripheral Central Asian states interdependent yet directly linked to Moscow. Today, Central Asia, which is considered by Russia as 'near abroad', is still heavily dependent on infrastructure developed during the Soviet times. Therefore, the current Russian policy towards Central Asian states is not focused on new developments and investments in infrastructure; it is focused rather on securing the Soviet legacy and sustaining its engagement in the region in order to continue benefiting from its previous investments and from the region's vast resources by creating supranational structures.

The current Russian policy towards Central Asian states is not focused on new developments and investments in infrastructure; it is focused rather on securing the Soviet legacy and sustaining its engagement in the region in order to continue benefiting from its previous investments and from the region's vast resources by creating supranational structures.

The main project of the Russian Federation is the Eurasian Union – the economic and political alliance among the former Soviet republics of Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. An important step towards the formation of the Eurasian Union was the establishment of a Customs Union signed by three members – Russia, Kazakhstan, and Belarus. Kyrgyzstan is considering joining in 2015.³² While Tajikistan announced that it is going to consider joining the union, its accession process mainly depends on Kyrgyzstan's

membership due to its absence of a shared border with Kazakhstan.

Despite confirmed World Trade Organization (WTO) norms that are prioritized over Custom Union's regulations; the situation is expected to face many grey areas and conflicting international responsibilities when the Customs Union members enter the WTO. And since Kyrgyzstan and

³² "Kyrgyzstan To Join Russian-Led Customs Union, Ukraine To Observe," Radio Free Europe Radio Liberty, May 29, 2013, available at <http://www.rferl.org/content/kyrgyzstan-ukraine-russia-customs-union/25001114.html> [Accessed in July 2013]

Tajikistan are full-fledged members of the WTO, their membership to the Customs Union is expected to be more complicated. However, the most important question for all Central Asian governments to consider before joining the Customs Union is whether it will become a union that would facilitate and improve intra-union cooperation, or a protectionist union that complicates out-of-union trade and businesses relationships?

There are some political frictions between the United States' New Silk Road strategy and the Russian vision of regional integration. The United States views the Russian-led Customs Union as an attempt to 're-Sovietize' former Soviet states. Regarding the Customs Union, Hillary Clinton once said, "We know what the goal is and we are trying to figure out effective ways to slow down or prevent it."³³ In this sense, the New Silk Road strategy can be seen as a method to counter Russian influence on Central Asian countries. Marlene Laruelle, a regional expert, argues that "The underlying geo-economic rationales of these Roads are to exclude Moscow from new geopolitical configurations."³⁴ On the other hand, there are some elements in Silk Road projects that constitute mutual benefits for both parties. For instance, at the outset, Russia was openly opposed to CASA-1000 project, but later it changed its position and even started to invest in the project.

Russia also invests in various projects in Central Asia and takes parts in new multilateral initiatives. Russia is very interested in investing in energy related projects, such as hydroelectric projects in the up-stream countries of Tajikistan and Uzbekistan and the hydrocarbon resources of Uzbekistan and Kazakhstan. For example, Russia participated in the construction of Sangtuda 1 hydroelectric plant which produces about 10 percent of Tajikistan's electricity output. Russia also agreed to provide \$1.7 billion to help Kyrgyzstan build the 1,900-MW Karambata 1 hydroelectric project.³⁵ Interestingly, both projects were initiated during the Soviet times but experienced multiple delays due to the collapse of the Soviet Union.

³³ Charles Clover, "Clinton vows to thwart new Soviet Union", *Financial Times*, December 2012, available at <http://www.ft.com/cms/s/0/a5b15b14-3fcf-11e2-9f71-00144feabdc0.html#axzz2Sj9u6iYI> [accessed in May 2013].

³⁴ Marlene Laruelle and Sebastien Peyrouse, *Mapping Central Asia*, Ashgate-Surrey (2011), p. 11.

³⁵ "Russia to finance Kyrgyzstan's 1,900-MW Kambarata 1," *Hydro World*, September 2009, available at <http://www.hydroworld.com/articles/2009/02/russia-to-finance-kyrgyzstans-1900-mw-kambarata-1.html> [accessed in May 2013].

European New Silk Road Initiatives

Many transport links connecting Asia and Europe through Central Asia are currently under construction or are planned to be built in the near future. However, some of the projects in Central Asia were adversely affected by Europe's own economic struggles. Europe's main initiative is TRACECA (Transport Corridor Europe-Caucasus-Asia), an international transport initiative involving the European Union and 14 member states (Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkmenistan, Turkey, Ukraine and Uzbekistan). TRACECA aims to promote regional economy by providing reliable and efficient transport links between Europe and Asia.³⁶ TRACECA is focused on five main fields: marine transport, air routes, roads and rails, transport infrastructure and transport security. The European Commission initially financed TRACECA, but since 2009 it has

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been financed by the member states. The fact that member states decided to finance TRACECA is a very important indicator that demonstrates their commitment to establish and manage trading routes between Europe and Asia.

TRACECA program involves the *Silk Wind* initiative, which aims to construct new high-speed multimodal container transit routes between the countries of Europe, Caucasus and Central Asia, along with advanced technological implementations such as electronic exchange of information, simplification of border crossing procedures and reduction of transportation time.³⁷ The countries that participate in the project are Kazakhstan, Georgia, Turkey and Azerbaijan. The memorandum for the Silk Wind project was signed on November 2012 in Izmir, Turkey.³⁸ The initial objective of the Silk Wind project is to complete the construction of Baku-Tbilisi-Kars railway by 2014. The Silk Wind Project goes hand in hand with

³⁶ "Welcome to TRACECA", *TRACECA*, available at <http://www.traceca.org/en/traceca/> [accessed in April 2013].

³⁷ "Silk Wind project targets container train route linking Europe and Asia," *EU Neighborhood Info Center*, September 2012, available at http://www.enpi-info.eu/maineast.php?id=30126&id_type=1&lang_id=450 [accessed in May 2013].

³⁸ E. Kosolapova, "Azerbaijan, Georgia, Kazakhstan, Turkey sign memorandum on transport project," *Trend News Agency*, November 2012, available at <http://en.trend.az/capital/business/2093259.html> [accessed in May 2013].

Washington's New Silk Road initiative that aims to expand transit routes between Europe and Asia.³⁹

The Viking Railroad is a railway project supported by the EU that connects Scandinavia with China via Caucasus and Central Asia. It is an intermodal project that uses both railroad and maritime routes. The Viking Railroad was initiated in 2003, but gained momentum in 2007. On October 2011, Kazakhstan expressed interest to join the Viking project.⁴⁰ The Viking Railroad is expected to produce new economic opportunities and to advance political relations among participating states.

INOGATE is another important initiative that aims to build energy policy cooperation among the member countries (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkey, Turkmenistan, Ukraine, Uzbekistan, and Tajikistan). The INOGATE Project has four main objectives: to converge energy markets on the basis of the EU internal energy market by taking into account the peculiarities of participant countries; to advance energy security by addressing the topics of energy imports and exports, energy transit and demand; to support sustainable energy development including the development of energy efficiency and renewable energy; and to attract investors to energy projects within INOGATE. The projects that have been implemented within the framework of INOGATE include pre-investment project for the Trans-Caspian-Black Sea Gas Corridor and an energy saving initiative in Eastern European and Central Asian countries.⁴¹

Kazakhstan's Initiatives

Boasting a GDP of \$196.4 billion (2012) – more than all other Central Asian states combined, Kazakhstan is a regional dynamo with the largest and fast developing economy. For the last decade, economic growth in Kazakhstan has been one of the highest in the world. Political stability

³⁹ Richard Weitz, "Silk Wind Project in Central Asia and South Caucasus Gains Speed," *The Jamestown Foundation*, December 2012, available at [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=40217](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=40217) [accessed in May 2013].

⁴⁰ Nichlas Norling, "Viking Railroad Connects Scandinavia With South Caucasus, Central Asia, And China," *Central Asia Caucasus Institute*, November 2011, available at <http://www.cacianalyst.org/?q=node/5656/print> [accessed in May 2013].

⁴¹ "INOGATE Projects," *INOGATE*, available at http://www.inogate.org/index.php?option=com_inogate&view=projects&Itemid=75&language=en [accessed in May 2013].

and a strong economy created a favorable climate that has attracted over \$160 billion of foreign direct investments (FDI) since 1993.⁴²

Kazakhstan has abundant raw materials and natural resources. With 30 billion barrels of proven reserves, Kazakhstan is eleventh in the world in oil reserves and fourteenth in proved gas reserves with 2.407 trillion cubic meters. Kazakhstan has vast supplies of other minerals and metals, such as tungsten, barite, copper, uranium, gold, iron ore, and zinc. For instance, Kazakhstan owns 12 percent of world's uranium and produces 36.5 percent, which is the largest share of world's uranium

Joining the Customs Union enabled Kazakhstan to expand its market by \$153 million, benefit from non-tariff trade opportunities, and enjoy simplification of trans-border transportation and customs services. Also, by holding the southern border of the Customs Union to Central Asia, Kazakhstan has become a more important partner, connecting the rest of Central Asia to Russia.

supply.⁴³ In order to keep pace with its rapidly growing economy, Kazakhstan has to diversify its trade partners, increase the volume of ongoing businesses, and find new markets. Therefore, opportunities and alternatives provided by the new Silk Road initiatives serve the needs and goals of Kazakhstan.

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Kazakhstan is also looking for new ways of cooperation. For instance, the majority of cargo coming via NDN from Europe and the US to Afghanistan passes through the Caspian city of Aktau. Kazakh authorities have a vision of transforming Aktau into a regional transportation hub and a key location

⁴² "Foreign Direct Investments in Kazakhstan", *Invest in Kazakhstan*, available at <http://www.invest.gov.kz/?option=content§ion=4&itemid=75> [accessed in May 2013].

⁴³ World Uranium Mining Production 2012, *World Nuclear Association*, available at <http://www.world-nuclear.org/info/Nuclear-Fuel-Cycle/Mining-of-Uranium/World-Uranium-Mining-Production/#.UbrVgpyBWS0> [accessed in March 2013].

along the US-led New Silk Road.⁴⁴ Kazakhstan receives significant investments from China for extraction of natural resources and construction of roads and railways. Kazakhstan also cooperates closely with Turkey to improve transportation and custom services; it also receives significant investments from various private Turkish companies. All these various bilateral and multilateral engagements provide Kazakhstan with not only trade diversification and economic elasticity, but with also political flexibility. Political Advisor to Kazakh President Ermuhamet Ertysbaev during his visit to Washington, D.C., said, "In my perception, Silk Road is not looking at the historic past, but at creating new gigantic transportation routes which will help strengthen the sovereignty of Kazakhstan as well as other Central Asian states."⁴⁵

It is very important to highlight that Kazakhstan is eager to realize its national vision of the New Silk Road. At the 25th plenary session of the Presidential Council of Foreign Investors, President of Kazakhstan Nursultan Nazarbayev said, "Today I'd like to suggest that you all to start the project of the New Silk Road. Kazakhstan should revive its historic role and become a business transit hub for Central Asia. As the result of implementation of this project, by 2020 the volume of transit goods passing through Kazakhstan should double with further plans of achieving 50 million tons of cargo".⁴⁶

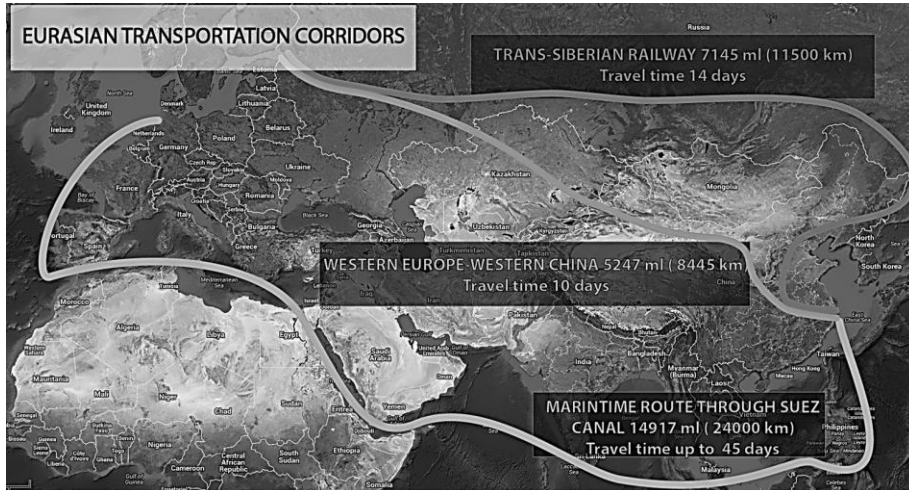
In September 2012, a roundtable under the title "Kazakhstan – New Silk Way – Bridge between Europe and Asia" was held in Almaty. The roundtable was dedicated to the regional transit potential and integration of Kazakhstan into the global transportation network. Participants to the roundtable included representatives from Belarus, Georgia, Hungary, Iran, China, Kyrgyzstan, Latvia, Lithuania, Republic of Korea, Russia, USA, Ukraine, Switzerland, as well as representatives from international organizations such as the OSCE, UNECE, the Eurasian Economic Commission, the IGC, TRACECA, and the Asian Development Bank. One of the key issues discussed during the roundtable was the recognition of the need for further development of infrastructure, simplification of border procedures and reduction of bureaucratic burdens. During the roundtable it was announced that Kazakhstan will

⁴⁴ Joshua Kucera, "Kazakhstan: Astana Touts Caspian Port as NDN Hub," *Eurasianet*, May 2012, available at <http://www.eurasianet.org/node/65417> [accessed in May 2013].

⁴⁵ "Новый Шелковый путь" [New Silk Road], *OMEGA*, June 2012, available at <http://omega.kz/node/4011> [accessed in May 2013].

⁴⁶ "Назарбаев предложил иностранным инвесторам проект "Новый Шелковый путь" [Nazarbayev offered foreign investors a project "New Silk Road"] *TengriNews*, May 2012, available at http://tengrinews.kz/kazakhstan_news/nazarbaev-predlozil-inostrannyim-investoram-proekt-novyyi-shelkovyyi-put-214503/ [accessed in May 2013].

improve its position in the World Bank LPI and incorporate the five key principles of World Bank LPI logistics (speed, service, safety, cost, stability) within the framework of the New Silk Road Initiative.⁴⁷



Another important multilateral project is the international transport corridor, “Western Europe-Western China”. The corridor will connect Europe to Asia through the Russian cities of Saint Petersburg, Moscow, Nizhny Novgorod, Kazan, and Orenburg, and the Kazakh cities of Aktobe, Kyzylorda, Shymkent, Taraz, Korday and Almaty. The corridor is expected to become one of the most technologically advanced trade routes with its high-quality road and roadside infrastructure and technological innovations such as access to internet, video surveillance and access to weather forecast throughout the route. The length of the road is expected to be around 5,247 miles (1387 miles will go through Russia, 1731 miles through Kazakhstan, and 2128 miles through China)⁴⁸. The World Bank provided a loan of \$2.125 billion for the construction of the project, which is the largest loan ever granted in the world. The project was approved on May 2012 and is expected to be completed by 2017.⁴⁹ The Western Europe-Western China transport corridor is expected to become the fastest Eurasian transport route, significantly reducing travel time. For example, while shipments from

⁴⁷ “Kazakhstan - The New Silk Way: a strategic vector of transport logistics in Kazakhstan,” *Kazakhstan Railroad*, September 2012, available at <http://www.railways.kz/en/node/3321> [accessed in May 2013].

⁴⁸ “Новый путь в Европу - от мечты к реальности” [New road to Europe – from dream to reality], *Europe-China Project*, available at <http://www.europe-china.kz/info/69> [accessed in May 2013].

⁴⁹ “East-West Roads Project (Almaty-Korgos Section): Western Europe - Western China International Transit Corridor (CAREC - 1b),” *The World Bank*, available at <http://www.worldbank.org/projects/P128050/east-west-roads-western-europe-western-china-international-transit-corridor-carec-1b?lang=en> [accessed in May 2013].

China to European markets take 14 days via the Trans-Siberian railway and 45 days through the Suez Canal, the Western Europe-Western China corridor would offer a faster route reaching Europe in 10 days (see map above).

Turkmenistan's Initiatives

Turkmenistan is another fast-growing economy in the post-Soviet region. The economic growth rate has been stable and firm averaging 5.5 percent from 1994 until 2012. From 2011 until 2012 the GDP grew by 11 percent.⁵⁰ The most important sector of the Turkmen economy is oil and natural gas, which accounts for more than 60 percent of the total GDP. Turkmenistan is sixth in the world in natural gas reserves and twentieth in gas production. Turkmenistan has proven natural gas reserves of approximately 265 trillion cubic feet and oil reserves of roughly 600 million barrels.⁵¹ Other valuable resources in Turkmenistan are sulfur (production - 9,000 tons per year) and salt (production - 215,000 tons per year).⁵² Another important sector of Turkmen economy is agriculture, which employs 50 percent of the labor force. Turkmenistan is the world's largest per capita producer of cotton and is among the top ten producers of cotton in the world.

Being rich in oil and natural gas resources, Turkmenistan hosts several important pipelines: the Central Asia-China Gas Pipeline that connects Turkmenistan-Uzbekistan-Kazakistan-China for 1,139 miles (1,833 km), the Dauletabad-Sarakhs-Khangiran pipeline that connects Turkmenistan and Iran for 113 miles (182 km); and the Korpeje-Kordkuy pipeline connecting Turkmenistan to Iran for 120 miles (200 km). Construction on the domestic East-West Pipeline, the length of which is 476 miles (766 km), started in 2010 and is expected to be completed by 2015. Additionally, there are two important proposed gas pipelines: the Trans-Caspian Gas Pipeline and the TAPI pipeline (Turkmenistan-Afghanistan-Pakistan-India).

The TAPI pipeline, which offers a potential transporting capacity of 33 billion cubic meters per year, is a very important project that will strengthen regional cooperation, economic growth and integration among the countries of the New Silk Road. The 1800-km pipeline is to

⁵⁰ Trading economies. Available at <http://www.tradingeconomics.com/turkmenistan/gdp-growth-annual> [accessed on May 2013].

⁵¹ Energy Information Administration. Turkmenistan. 2012. Available at <http://www.eia.gov/cabs/Turkmenistan/pdf.pdf> [accessed on May 2013].

⁵² U.S. Geological Survey. 2010 Minerals Yearbook - Turkmenistan. Available at <http://minerals.usgs.gov/minerals/pubs/country/2010/myb3-2010-tx.pdf> [accessed on May 2013].

deliver Turkmen natural gas to the energy-hungry market of India through Afghanistan and Pakistan. After two decades of negotiations, the TAPI project reached another milestone by being approved by the Asian Development Bank on May 22, 2012.⁵³ The next day on May 23, the Indian company GAIL and Pakistan's Inter State Gas System signed Gas Sales and Purchase Agreements with Turkmenistan, which expects to deliver 90 million cubic meters of natural gas daily. In addition, Afghanistan and Turkmenistan signed a Memorandum of Understanding about long-term gas cooperation.⁵⁴

Turkmenistan's main importers of natural gas are Russia, Iran and China.⁵⁵ With the help of the TAPI pipeline, Turkmenistan will gain access to another big market. Overall, the TAPI pipeline represents a win-win situation for each participant country. The cost of the pipeline is expected to be around \$7.6 billion⁵⁶. TAPI pipeline is supported and favored by US over its potential rival Iran-Pakistan Peace pipeline.⁵⁷

Since its independence, Turkmenistan has been constantly investing in railroad construction and modernization. In April 1992 Turkmenistan started construction of the Tejen-Sarabs-Mashhad railroad that was completed in May 1996.⁵⁸ Another important railroad is the Uzen-Gyzylgaya-Bereket-Etrek-Goran railroad, which will connect Kazakhstan, Turkmenistan and Iran. This railroad is going to be an important part in the "North-South" corridor and 600 km shorter than the current route.⁵⁹

In May 2013, Turkmenistan and Kazakhstan launched a new rail link connecting their oil and gas-rich regions. The 540-mile railroad links the city of Ozen in Kazakhstan with the city of Etrek in Turkmenistan via

⁵³ "44463-013: Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Project, Phase 3," *Asian Development Bank*, available at <http://www.adb.org/projects/44463-013/details> [accessed in May 2013].

⁵⁴ "Historic Agreements Bring Long-Awaited TAPI Pipeline Closer to Reality," *Asian Development Bank*, May 2012, available at <http://www.adb.org/news/historic-agreements-bring-long-awaited-tapi-pipeline-closer-reality> [accessed in May 2013].

⁵⁵ "New Gas Field Discovered in Turkmenistan," *RIA Novosti [RIA News]*, March 2012, available at <http://en.ria.ru/world/20120310/172072620.html> [accessed in May 2013].

⁵⁶ "Historic Agreements Bring Long-Awaited TAPI Pipeline Closer to Reality," *Asian Development Bank*, May 2012, available at <http://www.adb.org/news/historic-agreements-bring-long-awaited-tapi-pipeline-closer-reality> [accessed in May 2013].

⁵⁷ "Clinton praises TAPI pipeline," *UPI*, July 2011, available at http://www.upi.com/Business_News/Energy-Resources/2011/07/21/Clinton-praises-TAPI-pipeline/UPI-57781311247619/ [accessed in May 2013].

⁵⁸ "Вчера, сегодня и завтра туркменской стальной магистрали" [Yesterday, today, and tomorrow of the Turkmen railroad] *Evrasiya Vesti [Eurasia News]*, available at <http://www.eav.ru/publ1.php?publid=2010-04a15> [accessed in May 2013].

⁵⁹ "Стальная магистраль ведет к Дехистану" [Railroad leads to Dehistan], *Turkmenistan Zolotoy Vek [Turkmenistan Golden Century]*, February 2013, available at <http://turkmenistan.gov.tm/?id=3395> [accessed in May 2013].

Uzbekistan.⁶⁰ The railroad is planned to be connected to the Iranian rail network. According to President Nazarbayev of Kazakhstan, the railroad will provide 'competitive advantage' to both countries, "not only simplifying exports of goods but also attracting transit shipments."⁶¹

Tajikistan's Initiatives

After five years of a devastating civil war, Tajikistan is on the track of economic recovery. Despite the fact that Tajikistan has one of the lowest GDPs in the region (\$7.59 billion), it builds up its confidence and displays relative improvements in many fields. Tajikistan's GDP is constantly growing, 6.5% in 2010, 7.4% in 2011, and 7.5% in 2012.⁶² Tajikistan also became a full member of the World Trade Organization in March 2013. Tajikistan's membership to the WTO after 12 years of efforts and negotiations is an important indicator of its dedication to liberalize its trade regime and speed up its integration into the world economy⁶³. It will also have a positive impact on Tajikistan's projects related to the new Silk Road.

Tajikistan, being an up-stream country, is the richest state in Central Asia in terms of its potential to produce hydroelectricity. Electricity is a very valuable commodity to trade along the new Silk Road, especially considering the fact that nearby countries such as Afghanistan and Pakistan are in urgent need of energy. However, Tajikistan is in need of large investments in order to be able to fully capitalize its hydroelectric potential. Since its independence, Tajikistan has built two noticeable hydroelectric power plants - Sangtuda-1 and Sangtuda-2, with capacities of 670 MW and 220 MW respectively. Tajikistan is currently planning to construct the Rogun Dam, which is expected to be the world's tallest dam with the height of 335 meters.⁶⁴ If constructed, the Rogun Dam will not only provide significant relief to Tajikistan's energy related shortage, but will also provide opportunities to export electricity to the energy-hungry market of Afghanistan.

⁶⁰ Murat Sadykov, "Kazakhstan and Turkmenistan Launch Caspian Rail Link," Eurasianet, May 2013, available at <http://www.eurasianet.org/node/66970> [accessed in May 2013].

⁶¹ Ibid.

⁶² "Central Asia: Tajikistan," *The World Factbook*, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/ti.html> [accessed in May 2013].

⁶³ "Tajikistan to become 159th WTO member," *World Trade Organization*, January 2013, available at http://www.wto.org/english/news_e/news13_e/acc_tjk_31jan13_e.htm [accessed in May 2013].

⁶⁴ "Rogun Dam" *Structurae*, available at <http://en.structurae.de/structures/data/index.cfm?id=s0021056> [accessed in May 2013].

The US-financed Nizhniy Pyandzh Bridge connecting Tajikistan to Afghanistan was built in 2007 at a cost of \$28 million.⁶⁵ Another four bridges built by the Aga Khan Development Network (AKDN) are the Tajik–Afghan bridge at Tem-Demogan (2002), the Darwaz Bridge (aka Tajik–Afghan Friendship Bridge) (2004), the Ishkashim Bridge (2006), and the Vanj Bridge (2011). Ongoing construction of a fifth bridge that will connect the Shurobod District of Khatlon Region in Tajikistan with the Khohon Province of Afghanistan started in October 2011.⁶⁶ These bridges will have a tremendous impact on trade not only in these countries but also in the whole region. The construction of bridges is inevitably going to affect enhancement in other related infrastructure projects and facilities such as roads, border control units, gas stations, motels, etc.

The project CASA-1000, which aims to export electricity from Tajikistan and Kyrgyzstan to Afghanistan, India and Pakistan, is also under way. This project is widely supported by the United States as part of the New Silk Road strategy. The total cost of the project in Tajikistan is estimated to be around \$251 million.⁶⁷ Criticism has emerged regarding the participation of Tajikistan in this project for the fact that the country itself experiences electricity deficits, especially during winters. However, the CASA-1000 project focuses on transporting available summer electricity surplus from Tajikistan; thus it will not have a negative impact on winter electricity deficits. On the contrary, the revenues received from exports of summer surpluses can be used to alleviate problems with winter deficit. Another advantage of the project for the country is the creation of direct transmission links between Tajikistan and Kyrgyzstan, which would have a positive effect on the general transportation network in Central Asia.

Tajikistan shares a 749 mile (1206 km) long border with Afghanistan.⁶⁸ It is the longest post-Soviet border and it is poorly protected and used as major route to smuggle drugs to Europe. For the proper implementation of new Silk Road projects, it is necessary to improve the security of the border and to ensure smooth border crossing procedures. In 2011

⁶⁵ Farid Agakhanov, "The United States continues to provide assistance to Tajikistan in the security sphere," *Central Asia Online*, September 2008, available at http://centralasiaonline.com/en_GB/articles/caii/features/2008/09/17/feature-02 [accessed in May 2013].

⁶⁶ "Tajikistan, Afghanistan and AKDN Lay Foundation Stone for Fifth Bridge Between Countries," *Press Center*, October 2011, available at <http://www.akdn.org/Content/1091> [accessed in May 2013].

⁶⁷ "CASA-1000 Project," *CASA-1000*, available at http://www.casa-1000.org/1.%20Project_FAQs_ENG.pdf [accessed in May 2013].

⁶⁸ "Central Asia: Tajikistan," *The World Factbook*, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/ti.html> [accessed in May 2013].

Afghanistan, Tajikistan and Kyrgyzstan finalized the Cross-Border Transport Agreement (CBTA), implemented under the framework of the CAREC program. CBTA aims to simplify border crossing procedures and ease the flow of goods and people across the borders.⁶⁹

On March 20, 2013, the Tajik, Turkmen and Afghan presidents signed a memorandum of understanding for the construction of a new railway linking the three countries. The proposed railway, the length of which is expected to be 248.5 miles (400 km), is to connect the Afghan town of Akina-Andkhoy, the Turkmen town of Atamurat-Yamnazar and the Tajik town of Pyandzh. Construction of the railroad will begin in July 2013. Afghan President Hamid Karzai stated that this railroad will strengthen the economies and partnership of the three countries⁷⁰.

A trilateral trade and transit pact is expected to be signed between Tajikistan, Afghanistan and Pakistan within the framework of the Afghan-Pak trade transit agreement (APTTA), which would allow Afghanistan to trade its goods to India through Pakistan. The APTTA was signed in 2010; however, various bureaucratic obstacles slowed its implementation. At present, APTTA is being renegotiated in order to include Tajikistan as well as to incorporate more efficient measures to its implementation⁷¹. The trilateral pact would provide significant opportunities for Tajikistan to strengthen its economy by exporting its goods to India through Pakistan.

Kyrgyzstan's Initiatives

Kyrgyzstan is the first country in Central Asia to enter the World Trade Organization (December of 1998). In the 2000s, the economy of Kyrgyzstan started to grow steadily. But in 2005 the country experienced serious ethnic clashes and the overthrow of the Akaev government. Five years later the Bakiev administration experienced a similar destiny. At present, the political situation in Kyrgyzstan is relatively stable and economic indicators are climbing.

Kyrgyzstan has significant deposits of gold and rare metals; locally exploitable coal, oil, and natural gas; and vast deposits of nepheline,

⁶⁹ "Afghanistan Joins Tajikistan, Kyrgyz Republic Cross-Border Transport Accord," *Asia Development Bank*, August 2011, available at <http://www.adb.org/news/afghanistan-joins-tajikistan-kyrgyz-republic-cross-border-transport-accord> [accessed in May 2013].

⁷⁰ "Turkmen, Tajik, Afghan Presidents Sign Railroad Agreement," *Radio Free Europe/Radio Liberty*, March 2013, available at <http://www.rferl.org/content/afghan-tajik-turkmen-railroad/24934483.html> [accessed in May 2013].

⁷¹ Shahla Murtazaie, "Afghan-Pakistan-Tajik Transit Pact Planned," *Tolo News*, March 2013, available at <http://www.tolonews.com/en/afghanistan/9952-afghan-pakistan-tajik-transit-pact-planned> [accessed in May 2013].

mercury, bismuth, lead, and zinc. Kyrgyzstan is the third among CIS countries in gold production and second after Uzbekistan in CIS in coal reserves.⁷² Overall, the nation's leading exports are cotton, wool, meat, tobacco, metals (particularly gold, mercury, and uranium), natural gas, hydropower, and machinery.⁷³

The government of President Atambayev displayed great interest in the new Silk Road projects. Kyrgyzstan participated in the majority of international forums and symposiums on Silk Road initiatives. Kyrgyzstan is eager to get involved in global economic trade by expanding its trade routes and diversifying its trade partners. One of the most important strategic advantages of Kyrgyzstan is its rich hydropower resources. Hydropower along with oil and natural gas is one of the most valuable commodities demanded along the modern Silk Road. The neighbors of Kyrgyzstan - Afghanistan and Pakistan - suffer from a lack of energy. As part of the new Silk Road initiative supported by US and Russia, the above mentioned CASA-1000 project aims to transport available summer electricity surplus from Tajikistan and Kyrgyzstan to Afghanistan and then to Pakistan. CASA-1000 will cover almost a 1200 km-route.⁷⁴ CASA-1000 will also enable a trade of 1000-1300 MW of electricity between Central and South Asia, and, along with the TAPI pipeline, is the centerpiece of the US New Silk Road initiative ⁷⁵. CASA-1000 is supported by the World Bank, Islamic Development Bank, USAID, US Department of State, the Russian government and others.⁷⁶ The total cost of project is calculated to be about \$1 billion and in Kyrgyzstan alone the cost is going to be around \$196 million⁷⁷. When implemented, CASA-1000 will benefit all participating countries by enriching the economies of Kyrgyzstan and Tajikistan, fulfilling the electricity demands of Afghanistan and Pakistan and by creating numerous of jobs in all participating countries. In Kyrgyzstan alone, the

⁷² J. Nasibova, "Kyrgyzstan ranks third on gold mining in CIS," *TREND*, January 2013, available at <http://en.trend.az/regions/casia/kyrgyzstan/2114219.html> [accessed on May 2013].

⁷³ *The World Factbook*. Kyrgyzstan. Available at <https://www.cia.gov/library/publications/the-world-factbook/geos/kg.html> [accessed on May 2013].

⁷⁴ "CASA-1000 Project," *CASA-1000*, available at http://www.casa-1000.org/1.%20Project_FAQs_ENG.pdf [accessed in May 2013].

⁷⁵ Joshua Kucera, "SCO Hopping On New Silk Road?" *Eurasianet*, November 2011, available at <http://www.eurasianet.org/node/64482> [accessed in May 2013].

⁷⁶ "The smart use of mother nature is the objective of the CASA-1000 Project," *CASA-1000*, available at <http://casa-1000.org/page2.html#objective> [accessed in May 2013].

⁷⁷ "CASA-1000 Project, list of facts," *CASA-1000*, available at http://www.casa-1000.org/1.%20Project_FAQs_ENG.pdf [accessed in May 2013].

annual income from the project is anticipated to be around \$40-55 million.⁷⁸

Another important fact in the framework of the new Silk Road is Kyrgyzstan's partnership in trade with China. Being the immediate neighbor of China and a member of WTO since 1998, Kyrgyzstan is a gateway for China to Eurasia and then Europe.⁷⁹ China is eager to support Kyrgyzstan in construction of new international railways that will connect Asia to Europe. The construction of a new Uzbekistan-Kyrgyzstan-China railway is under way, and this project will be a significant part of the new Silk Road initiative.

Uzbekistan's Initiatives

Uzbekistan is the most populous country in Central Asia with 29.5 million people, which is almost equal to the population of the rest of the region combined.⁸⁰ Uzbekistan has significant hydrocarbon reserves. According to *Oil and Gas Journal* (OGJ) Uzbekistan had 171 discovered oil and natural gas fields and 594 million barrels of proven oil reserves in 2012. The Bukhara-Khiva region in southwestern Uzbekistan accounted for about 70% of the country's oil production.⁸¹ Uzbekistan is the world's seventh largest producer of gold, mining around 80 tons annually,⁸² and the third largest exporter of cotton.⁸³ The major trade partners of Uzbekistan are Russia, Turkey, China and Kazakhstan.⁸⁴

⁷⁸ "World Bank anticipates \$1B investment in CASA-1000" *Tajikistan Newswire*, December 2011, available at <http://www.universalnewswires.com/centralasia/tajikistan/viewstory.aspx?id=10964> [accessed in May 2013].

⁷⁹ Chris Rickleton, "Kyrgyzstan: China Seeks "Silk Road" on Rails," *Eurasianet*, available at <http://www.eurasianet.org/node/64438> [accessed in May 2013].

⁸⁰ "Государственный комитет Республики Узбекистан по статистике" [The State Committee of the Republic of Uzbekistan on Statistics], *The State Committee of the Republic of Uzbekistan on Statistics*, January 2012, available at <http://www.stat.uz/press/1/3399/> [accessed in March 2013].

⁸¹ "Uzbekistan," U.S. Energy Information Administration (EIA). Available at <http://www.eia.gov/countries/cab.cfm?fips=UZ> [accessed on May 2013].

⁸² "Uzbekistan is rich in natural resources," *Mining World*, available at <http://www.miningworld-centralasia.com/pages/uzbekistan.htm> [accessed in May 2013].

⁸³ "Cotton Fact Sheet – Uzbekistan," *International Cotton Advisory Committee*, available at http://www.icac.org/econ_stats/country_fact_sheets/fact_sheet_uzbekistan_2011.pdf [accessed in May 2013].

⁸⁴ "Central Asia: Uzbekistan," *The World Factbook*, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html> [accessed in May 2013].

Despite significant gas reserves – about 65 trillion cubic feet of proved natural gas reserves⁸⁵ - a lack of sufficient foreign investments and poor transportation infrastructure has prevented Uzbekistan from becoming a major natural gas exporter. Currently, there is an ongoing Kandym–Khausak–Shady–Kungrad Project aiming to develop gas fields in Uzbekistan signed between Russian Lukoil and Uzbekneftegaz in 2004. The project is sponsored by the Asian Development Bank, the Islamic Development Bank, Credit Agricole, BNP Paribas and the Korean Development Bank.⁸⁶ Uzbekistan has already developed some oil and gas pipelines. As of 2006, Uzbekistan had 868 km of oil pipelines and 9594 km of gas pipelines.⁸⁷ With more investments and efforts Uzbekistan might become an important gas exporter in the future.

Uzbekistan is actively developing existing railway projects and is working on ones. Uzbekistan borders Afghanistan, Kazakhstan, Kyrgyzstan, Turkmenistan and Tajikistan; therefore, it is an important link for most of the routes that connect Asia and Europe. Uzbekistan is part of the Trans-Caspian railroad, which was built during the Russian Empire along the ancient Silk Road. The railroad connects the Caspian Sea to Kazakhstan and Russia. A long segment of this railway passes through the Uzbek cities of Bukhara, Samarkand and Tashkent. The railway has already had a significant economic impact on the Uzbek economy, enabling the country to increase its amount of traded goods such as cotton.

In 2010, Uzbekistan constructed an important Hairatan–Mazar-i-Sharif railway that connects the city of Hairatan located on the Uzbek-Afghan border with the Afghan city of Mazar-i Sharif. The railway was built by Uzbekistan’s national railway company with funds coming mostly from the Asian Development Bank.⁸⁸ Recently, Uzbekistan Railways announced plans to extend the Hairatan-Mazar-i Sharif railway by 2015. The proposed 230 km-long track extension will connect Sher Khan Bandar – an Afghan-Tajik border point on the Panj River – to Mazar-i Sharif. The project is expected to be completed under the CAREC

⁸⁵ “Uzbekistan,” U.S. Energy Information Administration, January 2012, available at <http://www.railwaypro.com/wp/?p=10232> [accessed in May 2013].

⁸⁶ “Russia’s Lukoil Secures \$500 million Loan for Uzbek Gas Project,” *The Gazette of Central Asia*, March 2012, available at <http://www.satrapia.com/news/article/russias-lukoil-secures-500-million-loan-for-uzbek-gas-project/> [accessed in May 2013].

⁸⁷ Library of Congress – Federal Research Division. Country Profile: Uzbekistan. February 2007, available at <http://lcweb2.loc.gov/frd/cs/profiles/Uzbekistan.pdf> [Accessed in June 2013].

⁸⁸ Railway Technology. Hairatan-Uzbekistan Rail Project, Afghanistan. available at <http://www.railway-technology.com/projects/hairatanuzbekistanra/> [Accessed on June 2013].

program and will cost about \$450 million.⁸⁹ Uzbekistan sees Afghanistan as an important partner and is willing to develop mutually beneficial economic ties.

The Uzbekistan-Kyrgyzstan-China railway is an important new Silk Road initiative. The proposed railway is planned to go from Kashgar in Chinese Xinjiang through Kyrgyz Kara-Suu to Uzbek Andinjan and might even go as far as Europe via Turkey.⁹⁰ The railway will significantly help boost Uzbek economy by offering new trade partners.

The territory of modern Uzbekistan contained very important stops along the path of the ancient Silk Road. The Uzbek cities of Samarkand, Bukhara, Khiva, Tashkent, Termez and others were like blooming oases on the ancient Silk Road. Nowadays, these cities still attract thousands of visitors to their important historic landmarks left from Silk Road's times. The state-owned Uzbekistan Railways offers touristic packages to the ancient Silk Road cities of Bukhara and Samarkand that include railway ticket and city sightseeing tours.⁹¹ Tourism is an important sector that could revive Uzbekistan as an important link along the path of new Silk Road.

Other Multinational Initiatives

There are several other ongoing multinational projects worth highlighting. A multinational project such as CAREC (Central Asia Regional Economic Cooperation) signifies a joint endeavor for cooperation among the member countries: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, China, Tajikistan, Turkmenistan and Uzbekistan. Moreover, the CAREC program is supported by 6 multilateral partners, including the Asian Development Bank (ABD), European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), the Islamic Development Bank (IsDB), the United Nations Development Programme (UNDP) and the World Bank. This is a perfect example of multilateral

⁸⁹ Maksim Yeniseyev, "Uzbekistan to build Afghan railway", Central Asia Online, March 2013, available at http://centralasiaonline.com/en_GB/articles/caii/features/main/2013/03/20/feature-01 [Accessed in June 2013].

⁹⁰ Roman Muzalevsky, "China-Kyrgyzstan-Uzbekistan Railway Scheme: Fears, Hopes and Prospects," The Jamestown Foundation, May 2012, available at http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39434&cHash=ad869f4737329931af936bc9e651949b [accessed in May 2013].

⁹¹ Uzbekistan Railways, *Touristic Destinations*. Available at <http://www.uzrailpass.uz/pages/turisticheskie-marshruty.html>, [Accessed in June 2013].

investment in the Silk Road.⁹² These multilateral partners and member countries are working together to promote development, economic growth, poverty reduction and regional cooperation in the areas of trade, transportation and energy.

CAREC 2020 is a 10-year transportation priority projects in Uzbekistan, Tajikistan, Kazakhstan, Turkmenistan, Kyrgyzstan and Azerbaijan. The total cost of these projects is \$13 billion (Table 1). These investments aim to improve trade and increase competitiveness, expedite and decrease cost of shipping, and facilitate cross border transportations among CAREC countries.⁹³ Construction and improvements of roads, railways, airports, and other elements of the infrastructure will have long-lasting effects and benefits not only on export and import volumes, but also on transit transportation.

Country	Project Name	Cost (\$ million)	Planned Implementation Period
UZB	Modernization of lighting system in 'karshi' airport	2.0	n/a
UZB	Modernization of lighting system in 'Namangan' airport	1.81	n/a
UZB	Reconstruction and modernization of 'Navoi' passenger terminal	5.5	2011–2012
UZB	Reconstruction of landing strip and platform in 'Nukus' airport	7.7	2011
UZB	Reconstruction of landing strip in 'Andijan' airport	15.8	n/a
UZB	Construction of hangar for Boeing-787	40.0	2014–2015
UZB	Reconstruction of airport complex in 'Termez' airport	5.8	2014–2015
UZB	Acquisition and unification of Uzbekistan Airway aircrafts	814.6	2007–2016
UZB	Construction of centralized filling station in 'Navoi' airport	35.0	2013–2014
UZB	Reconstruction and Modernization of M39	167.2	2012–2015
UZB	Reconstruction P87 'Guzar-Chim Kukdala'	80.0	2011–2014
UZB	CAREC Regional Road Improvement (Phase 1)	600	ongoing to 2012
UZB	CAREC Regional Road Improvement (Phase 2)		2010–2015
UZB	CAREC Regional Road Improvement (Phase 3)		2012–2015
UZB	Acquisition of New Cargo and Passenger Locomotives	122.5	2009–2011/ 2013–2014
UZB	Electrification: Karshi-Termez Railway Section	388.0	2012–2017
UZB	Construction: Navoi-Uchkuduk-Sultanuzdag-Nukus Section	149.5	ongoing to 2012
	Construction: Double-track Electrified Yangier-Jizak Section	320.7	2009–2013
	Electrification Marokand-Karshi railway section	208.4	2011–2016
	Electrification Marokand-Navoi-Bukhara railway section	443.9	2014–2018
	Subtotal:	3,408.0	
TAJ	Road from Dushanbe-Tursunzade-Uzbekistan border (62km)	181.3	2012–2015
TAJ	Construction of the Vakhdat-Yavan Railway (40km)	180.0	2012–2015
TAJ	Construction of Ayni-Panjakent to Uzbekistan Border (114 km)	145.0	2012–2015
TAJ	Reconstruction of some sections of Dushanbe – Kurgan-Tyube-Dangara-Kulyab Road (243.3 km)	550.0	2012–2015
TAJ	Construction of Railway line of Kolkhozabad-Dusti-Nizhniy Pyandzh-Afghan border (50 km)	90.0	2012–2015
	Subtotal:	1,146.3	
TKM	Construction of Dashoguz-Shashenem-Gazojak Railway	454.0	2013–2015
TKM	Construction of Atamurat-Ymamnazar-Akina Railway	200.0	2012–2013
	Subtotal:	654.0	

⁹² "Regional Cooperation at Work in Central Asia", CAREC Program, , available at <http://www.carecprogram.org/index.php?page=carec-program> [accessed in May 2013].

⁹³ "Implementing CAREC 2020 Strategic Framework: The Wuhan Action Plan," *CAREC Program*, 2012, available at http://www.carecprogram.org/uploads/events/2012/11th-MC/001_107_201_The-Wuhan-Action-Plan.pdf [accessed in May 2013].

AZE	Construction of Baku International Sea Trade Port Complex (formerly AZE TA2: Feasibility Study for New Alyat Port)	50.0	2011–2013
AZE	Railway Trade and Transport Facilitation Project (certain part of Baku-Tbilisi-Kars railway project)	795.0	2011–2014
AZE	Hajygabul-Yevlakh (130 km) and Ganja-Qazakh Roads (additional 2 lanes) - 94 km	1,478.6	2012–2017
	Subtotal:	2,324.0	
KAZ	Shymkent-Tashkent (157 km)	378.0	2012–2015
KAZ	Construction of New Railway Line Zhezkazgan-Saksaulskaya	2,007.0	2012–2016
KAZ	Almaty- Khorgoz	1,068.0	2012–2015
KAZ	Astana-Karaganda Road Rehabilitation	904.0	2013–2015
KAZ	Almaty-Kapshagai Road Rehabilitation	434.0	2013–2015
	Subtotal:	4,791.0	
KGZ	Rehabilitation of Bishkek–Osh Road (Phase 4) (Bishkek-Karabalta) 127km	120.0	2011–2015
KGZ	Equipment Purchase for Wagon Repair/Maintenance Facility	4.0	2011–2012
KGZ	Reconstruction of Osh International Airport	105.0	2011–2014
KGZ	Balykchi – Chaldivar –Lugovaya Railroad Rehabilitation Project	65.6	2011–2015
KGZ	Electrification of Lugovaya–Bishkek (Alamedin) Railway	250.0	2011–2016
KGZ	Construction of Bazar-Korgon – Kyzyl-Unkur – Sargata road (bypassing the Bishkek – Osh road from km 325 to km 528) (80 km)	100.0	2012–2015
KGZ	Construction of the northern bypass road Bishkek – Kara-Balta (60km)	150.0	2014–2017
	Subtotal:	819.0	

*Table 1: Implementing CAREC 2020 Strategic Framework: The Wuhan Action Plan*⁹⁴

SPECA (Special Program for the Economies of Central Asia) is a United Nations program launched in 1998 to support regional cooperation among Central Asian countries so as to integrate them into the global economy more quickly and efficiently. SPECA also has multinational participants such as Azerbaijan, Afghanistan and five key Central Asian republics⁹⁵. SPECA is supported and sponsored by the United Nations Economic Commission for Europe (UNECE) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). The SPECA project has six Project Working Groups (PWG), which focus on specific areas such as transport, trade, water and energy, statistics, gender and economy and knowledge-based economy development. The PWG on transport focuses on developing the transit linkages between Europe and Central Asia, while PWG on water and energy aims to support rational and efficient water use in Central Asia. The PWG on trade works to introduce electronic data corridors based on UNECE norms in order to facilitate the accession of Central Asian countries to WTO.⁹⁶

Another important yet underdeveloped sector concerning all Central Asian states is tourism. With proper investments, tourism will have a significant impact on the economies of Central Asian republics. In many countries there are still many important ancient landmarks that represent the legacy of the Silk Road. These landmarks are significant

⁹⁴ "Implementing CAREC 2020 Strategic Framework: The Wuhan Action Plan," *CAREC Program*, 2012, available at http://www.carecprogram.org/uploads/events/2012/11th-MC/001_107_201_The-Wuhan-Action-Plan.pdf [accessed in May 2013].

⁹⁵ "Introduction to SPECA," *United Nations Economic Commission for Europe*, available at <http://www.unece.org/speca/about.html> [accessed in May 2013].

⁹⁶ "The UN Special Programme for the Economies of Central Asia (SPECA)," *United Nations Economic Commission for Europe*, available at <http://www.unece.org/fileadmin/DAM/SPECA/documents/gen/aboutsp.pdf> [accessed in May 2013].

tourist attractions for millions of interested travelers. According to UNWTO (World Tourism Organization) research, the Silk Road is discussed more than any other travel routes online.⁹⁷ UNWTO has recently developed the Silk Road Program that aims to maximize the benefits of tourism development for Silk Road countries by attracting foreign investment. It also aims to protect the cultural and historic heritage of Silk Road.⁹⁸

The Coming Silk Road Renaissance

Each of the new Silk Road initiatives described above has its own specific agenda, goals, and priorities. But all of them contribute, much like the ancient Silk Road, to a system of trade and cooperation that is reemerging in Central Asia. Various new Silk Road initiatives generally

While the governments are instrumental in laying the foundation for various new Silk Road initiatives, the most important contributions will come from private companies and small and medium enterprises.

support and complement each other. For example, there has been active cooperation between Turkey and China over their respective visions of new Silk Road initiatives. Historically, the Silk Road was the most important route connecting the Ottoman and Chinese Empires. In an effort to revive the vitality of the ancient Silk Road trade scheme, in the last two decades China has been actively cooperating with Turkey in many areas. Growing volume of trade relationships between Turkey and China will certainly require the use of transportation routes, logistic services and customs regulations that are likely to be provided by Central Asian states. With

the help of Turkish partners, China has been improving its motorway connections in the North West as well as expanding its air facilities in Urumqi. Another important route is the Western Route that is currently under construction but will link northwestern China and Europe via Turkey, passing through a number of corridors including Iran and Kazakhstan.⁹⁹

⁹⁷Building a Stronger Silk Road," World Tourism Organization, available at http://dtxqtq4w60xqpw.cloudfront.net/sites/all/files/pdf/recommendations_tour_operators_forum_2012_electronic_0.pdf [accessed in May 2013].

⁹⁸ "UNWTO Silk Road Programme", *World Tourism Organization*, available at <http://silkroad.unwto.org/> [accessed in May 2013].

⁹⁹ Patrick Byrne, "China and Turkey – Building a new Silk Road together," *China.org*, January 2012, available at http://www.china.org.cn/opinion/2012-01/04/content_24322020.htm [accessed in May 2012].

While the governments are instrumental in laying the foundation for various new Silk Road initiatives, the most important contributions will come from private companies and small and medium enterprises. Such initiatives consist of various short-term and long-term projects. Short-term projects such as airport renovation or partial maintenance of a railroad pleases constituencies, while long-term projects, such as TAPI, foster economic and political confidence, enabling authorities to successfully push the New Silk Road agenda forward.

There are many indicators that the new Silk Road initiatives have every reason to thrive. One factor is the Central Asian diaspora living abroad, who are ready to invest in their homeland markets once such an

If the new Silk Road initiatives create new jobs and provide opportunities to invest in small businesses, these hardworking people of the Central Asian countries will return to their homeland countries. The magnitude of their contribution to national economies in comparison to the current remittances will likely be much higher.

opportunity arises. Remittances that migrant workers send to the Central Asian countries are very significant. According to World Bank, for instance, Tajikistan received \$3 billion of remittances in 2011 (47% of the nominal GDP). Another champion of remittance inflow is the Kyrgyz Republic, receiving \$1.7 billion in 2011 (29% of the nominal GDP).¹⁰⁰ A considerable portion of these remittances is the money that is sent home by seasonal or temporary labor migrants to their families. Most of them do not have proper visa statuses, working permits or immigration documents and are not eloquent in local languages to find a high-paid job, so they have to work under difficult conditions and often receive minimal wage for their hard work. If the new Silk Road initiatives create new jobs and provide opportunities to invest in small

businesses, these hardworking people of the Central Asian countries will return to their homeland countries. The magnitude of their contribution to national economies in comparison to the current remittances will likely be much higher.

Another type of diaspora consists of well-educated and highly-skilled expatriates who have left their birthplaces for better economic

¹⁰⁰ "Migration & Remittances Data," *World Bank*, November 2010, available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html#Remittances> [accessed in May 2013].

opportunities. In their endeavor to start a new life, many of these workers received high quality education, proved themselves in various professional environments, learned new skills and languages and gained valuable expertise. If the new Silk Road Initiatives produce an economic shift and create a better investment climate, the expatriates who have significant experience, proper education, international connections and finances would surely be interested in investing their money and skills into their homeland. The fact that most of them are at least bi-lingual and often tri-lingual, well-educated and experienced, familiar with political and economic systems of their countries and host countries, and enjoy a reliable local network of relatives and friends, makes them well-prepared to establish successful new businesses.

There are, of course, some challenges ahead for the new Silk Road initiatives. Reluctance by the authorities of the region to change the status quo could be the main obstacle preventing their successful implementation. The practicality of some initiatives and projects are criticized because political leadership has not been overly enthusiastic in liberalizing their trade, empowering private sector or opening their economies. However, staying aloof and failing to seize opportunities presented by such initiatives will eventually jeopardize the status quo. Since all the countries in Central Asia are landlocked, without regional cooperation it is extremely difficult to achieve rapid economic growth. As the new Silk Road initiatives boost trade and development in the neighboring states, local businessmen will have to both voice their grievances and demand change, or relocate their businesses to other flourishing economies. Moreover, economic migration from isolated to more prosperous areas will further deteriorate the current situation. All of these and many others related factors will cause a relative deprivation, increase public discontent, and diminish the power of the political leadership.

To conclude, the Silk Road renaissance facilitated by the various new Silk Road initiatives has already begun. In order to achieve fast-growing economies and sustained development, Central Asian states have no other option other than participating in the new Silk Road initiatives since their landlocked economies compel them to cooperate with one another. Taking into consideration all of these initiatives, including their different goals and benefits; multitude of bilateral and multilateral government agreements; countless small and middle enterprise activities; growing economic indicators and significant infrastructural improvements; and still underdeveloped yet very promising sectors such as tourism, the future of Central Asia looks ever more promising.

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