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The Reincarnation of the Silk Road and the Influence of Transportation to Economic Development: The Case of Central Asia and Uzbekistan

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<p>After three decades of rapid economic growth, China is experiencing shortages of energy resources in domestic production. The initiative to revive The New Silk Road project is to secure access to cheap supplied sources from Central Asia. Although Central Asian countries understand the hazards of exploitation of natural resources, they are willing to receive investments from China that would, it is hoped, equalize their economy with the world market as the growth of those countries has been undeveloped for the last 25 years.</p> <p>Despite the wide range of development investments in Central Asia and Uzbekistan, this thesis research will focus on transportation infrastructures and cross border developments across the region by determining possible obstacles to and opportunities for realising the project in practice. The theoretical evidence will assist on assessment of those projects by providing real case examples.</p> <p>A fundamental overview of OBOR initiatives in this thesis research provides a clear understanding of the intentions behind the project while presenting the possibilities of gaining mutual economic advantages for both China and Central Asian regions.</p>	
Keywords:	OBOR, Central Asia, Uzbekistan, Transportation Infrastructure, Development

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List of abbreviations

ADB Asian Development Bank
AIIB Asian Infrastructure Investment Bank
ASEAN Association of Southeast Asian Nations
BRI Belt and Road Initiative
CA Central Asia
CAREC The Central Asia Regional Economic Cooperation
CBRC China Banking Regulatory Commission
CDA China Development Bank
CNPC China National Petroleum Corporation
EIBC Export-Import Bank of China
GDP Gross Domestic Product
IMF International Monetary Fund
NDB New Development Bank
NRDP National Road Development Program
NSR The New Silk Road
OBOR One Belt, One Road
RFF The Republican Road Fund
RMB Renminbi
SREB The Silk Road Economic Belt
SRF Silk Road Fund
US United States of America
WB World Bank
WGI The Worldwide Governance Indicators
WTO World Trade Organisation

1 Introduction

China has been transformed from an extremely poor economy in early 1950s into today's world economic giant. Economic reforms from centrally-planned to market-based economy produced rapid economic growth and societal development. In roughly two decades, the economic reforms have positively reflected on the gross domestic product (GDP) of China by placing it as the second largest economy in the world after the United States (US).

The rapid infrastructural development and surplus productive capacity have also impacted negatively on the economy of China. As part of its effort to rebalance, China announced to launch One Belt, One Road (OBOR) project, with initiatives that involve about 65 per cent of the world's population.

The coherence of OBOR project is intended to solve domestic economic issues as well as assisting the economic development of the countries involved. The distribution of financial funding for infrastructure developments and the spread of national currency renminbi (RMB) in transactional operations represent the expansion of Chinese power in developing countries by placing the China in a position of global leadership.

Already invested in volatile Central Asian (CA) countries, China is expecting to create a stable economy by constructing new roads, railroads, and gas, oil pipelines in territories with endowed natural resources. The practicality of the project enables China to attract Central Asian countries with these initiatives to develop their economies and at the same time realising for China imports of energy resources from those regions. The implications of transportation development initiatives in Uzbekistan include a potentially significant role in its economic development by reducing poverty in the country.

The development of transport infrastructure raises scepticism regarding the investments of China in practice reducing poverty levels in Central Asian countries. The realisation of the OBOR project implies a central focus on its own economic and financial needs, while the secondary issues of poverty reduction elsewhere might not exactly correspond with the initial plans of China. In addition, the initiated cross-border trade operations between

CA regions have also aroused concerns and challenges whether it improves the trade or deteriorates due the regional conflicts and low levels of economic development.

Although already well established, the OBOR plan remains unprecedented in many areas of development projects. However, the planned investments in immense transportation infrastructures have the potential to influence the economy of CA countries by developing mutual benefits within the project initiatives.

1.1 The objectives

The endeavours of China to globalize the OBOR project have significant implications for the economy of Central Asian countries and across the world. In this thesis, it is aimed to provide a fundamental overview of China's OBOR initiatives and strategies, focusing on Central Asian countries and particularly Uzbekistan. This thesis analyses the possible strategic outcomes of infrastructure investments for the economy by comparing these with economic transportation development theories. Possible outcomes will be assessed by taking account of the potential negative impacts and benefits of the funded projects. The objective of this research is to examine the intentions of China's OBOR initiatives with respect to both economic and political factors, and to provide better understanding of the project implications. Further research and analysis will attempt to identify the obstacles to the development of the economies affected, and the possibilities for these to be integrated into global economic circuits as a result of the investments in transportation developments.

1.2 Thesis Research

The main aim of the research is to analyse the process of OBOR development and its expansion across the world by identifying and measuring the investments in developing countries, intended to boost the economic growth of those countries. The first chapter serves as an introduction to the thesis research. Chapter 2 focuses on the economic development of China to the present day. Within the chapter, in sections (from 2.1 – 2.3) the OBOR project initiatives will be described and analysed by comparing them to aid programs for developing countries, while simultaneously facilitating China's goal of expanding use of its currency in transactional operations. The chapter provides a fundamental introduction to the implemented projects in Central Asia and the specific

country case of Uzbekistan. Chapter 3 will provide a theoretical assessment of transportation infrastructure development on poverty reduction by including the hindering factors which might obstruct its achievement. Finally, in chapter 4 the study will focus on China's potentially hidden plans behind the OBOR initiatives, and whether these correspond with the economic development goals of Central Asian countries.

This thesis attempts to provide an answer to the research question: What are the influences of transportation infrastructure on economic development, and what are the expected benefits for China and the CA countries from the One Belt, One Road initiative?

1.3 Methodology

The thesis methodology is conducted as an exploratory study based only on secondary research. Exploratory research is a suitable method of investigation as it aims to explore the research topic across various aspects and provide insights about the subject matter with respect to both the obstacles it faces and solutions to these. In the context of OBOR, the reason for China's expansion across the world, the investment initiatives and their influence on developing countries, with the possibility of improvements to the local economy, will be analysed. It is not aimed to provide a conclusive answer. Nevertheless, it should provide a deeper understanding of the One Belt, One Road initiative and associated issues.

The chosen methodology enables exploration of the research topic with wide range of causal factors and options for potential solutions to problems without reaching a definitive conclusion. As a result, this study could be used as a basis for other, more conclusive research studies.

2 China from developing to globally developed economy

China experienced rapid economic growth after the economic reforms beginning in 1978. In the early 1980s, by adopting market-oriented reforms in the economy, China focused on land privatization to attract more foreign investment and realise greater foreign trade in the economy development. (Liu 2016: 37). In the following decades, China created a new economic model, taking the examples of neighbouring countries Japan, Korea, and Taiwan and adjusting them to its own economic conditions. (Gabuev 2017). Furthermore, in the early 2000s, huge infrastructural developments in regions and the entry to various international organisations such as World Trade Organisation (WTO) were the moments of economic integration with the global economy. China became the largest trading country in the world (Liu 2016: 37).

In recent decades, starting from the economic reforms in 1978-2005, the gross domestic product (GDP) of China increased on average 9.6% per year (Holz 2008) and China is now considered to be the second largest economy in the world after the United States. According to a World Bank study, it could even overtake the US GDP. For example, in 2014, Europe was China's largest export market and China began investing in EU market at around \$9.8 billion (Liu 2016: 37).

The new, reformed model of China for its domestic development has significantly influenced its economic growth. However, the accelerated infrastructure development and industrial production have generated shortages of raw materials, energy, and a surplus of productive capacity in the country. The production imbalance has created economic instability and an increase of inequality in the domestic economy (Brookings 2017). The impact of such changes is reflected via the decrease of domestic growth. To stabilize the economy, the Chinese government implemented numerous strategic initiatives both for internal and external operations.

One of the most prominent solutions for the external initiatives is the "One Belt One Road" economic project to reduce financial instability, strengthen infrastructure and stabilize the raw materials capacity (Hancock 2017). The OBOR project realisation ultimately originated from China's domestic economic policies, but with geostrategic consequences. The plan is to reach Europe from China across the Central Asia territories. Simultaneously there is the maritime route, starting from China through Southeast Asia to South Asia, Africa (Dollar 2015). As OBOR began to improve the

domestic economy, additionally, China's interest was also to become the main global economic player involving the strategically important partner countries into the project, with the goal of reaching strategic parity with the US in Asia by reshaping its security environment to provide that economic growth will be stable (Brookings 2017).

2.1 One Belt, One Road

One Belt, One Road was named after the ancient Silk Road trade routes which were established in the beginning of 10 century A.D. At that time, Chinese domestics produced products; silk, tea, porcelain and other luxury goods transported via ancient trade routes connecting China to Central Asia, the Arab nation and Europe. The Silk Road was the main vehicle of development and cultural product expansion across the nations for several centuries (Jinchen 2016).

To revive the ancient Silk Road, the Chinese president Xi Jinping announced The New Silk Road (NSR) initiative project for the first time in Kazakhstan in 2013 (Junxian & Yan 2016: 105). In the proposal, as well as later in The State Authorized plan in 2015 (NDRC 2015), it is aimed to establish a modern railways, highways, pipelines and utility grids which will connect China with the rest of Central, West and South Asian countries, and Africa, with the delivery point to Europe (Figure 1). Established as the world's largest platform for the economic cooperation, China also plans to develop coordination, trade, and financial collaboration, as well as to expand social and cultural cooperation between the involved countries (NDRC 2015). "One Belt, One Road" is also recognised as the Belt and Road Initiative (BRI), the Silk Road Economic Belt (SREB), and the New Silk Road (NSR). Due to the numerous misinterpretations from the involved parties, it has been renamed to change the perception (Belt and Road 2017). In this paper, it will use the most common acronym, OBOR, to avoid the confusion.

The OBOR project is also intended to include the new 21st century Maritime Silk Road connecting China to Europe, the Persian Gulf, the Mediterranean and the Indian Ocean. The maritime project is focused on enhancing maritime cooperation with nine South East Asian states creating together the Association of Southeast Asian Nations for better future prospects (Figure 1) (ASEAN) (Jinchen 2016).

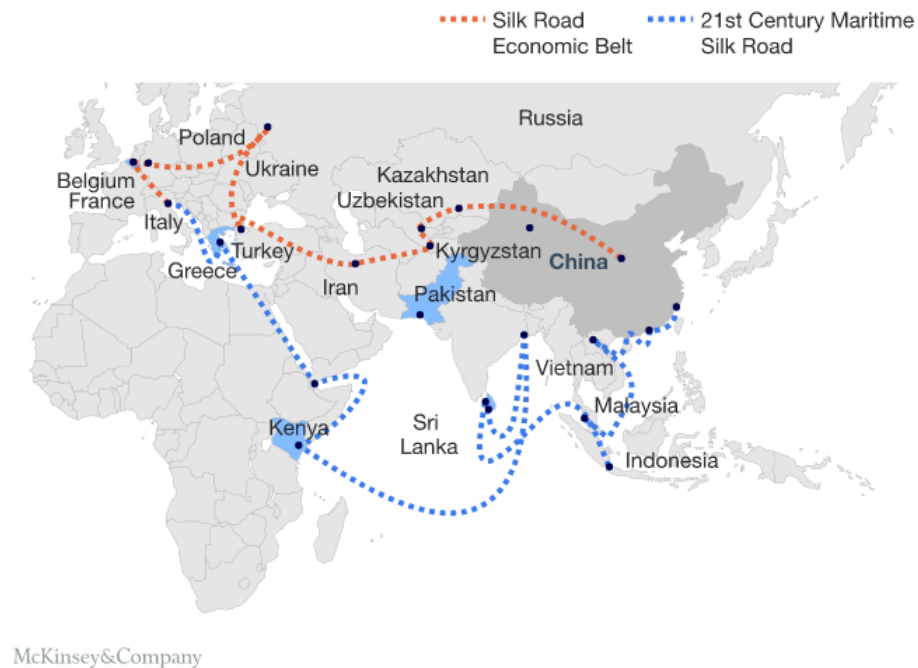


Figure 1 The map of the New Silk Road and Maritime Road (Jinshen 2016)

The map reveals the road journey starting from the east north of China regions through Central Asia, the Middle East and on to Europe, and the maritime route from China to Southeast Asia and then to Africa.

The projected outcomes of the project reveal mutual strategic benefits between the various parties. According to Sternberg, Ahearn & McConnell's recently published report (2017:3), the key factors of realising the project are as follows:

- Internationalisation of the Yuan
- Infrastructure development in Asia
- Reduction of overproduction, overcapacity, excess products
- Reduction of unskilled unemployment in China
- Improvement of regional transport skills
- Increased access to natural resources, oil, gas
- Increased Chinese soft power and good will
- Foreign policy initiative
- Sino-centric unipolar Asia
- Road to empire
- Benefits of development and prosperity
- Enhancement of Chinese social stability and security
- Central Asia as "key areas" for China's national energy security
- Integrate Eurasian continent by 2050

(Sternberg, Ahearn & McConnell 2017:3)

China focused on investing in all types of infrastructure developments; constructing oil and gas pipelines, extending new roads and railway projects, mining natural resources, and realising hydropower projects across the Central Asian regions. The rapid investment initiatives of China are discussed above (Chapter 2), and have resulted in shortages of energy and natural resources.

Therefore, before the official launch of the OBOR plan, China was already investing in the reconstruction of oil pipelines in Kazakhstan and gas pipelines in Turkmenistan, preventing the dependence on gas from Russia, whilst developing another pipeline that accelerated the flow of oil delivered from Russia to China. (Financial Times. 2016). The strategic plan of China on investing in infrastructures considers the exploitation of natural resources from the neighbouring CA regions where they are easily accessible and relatively cheap (Tang 2015). Additionally, the OBOR project considers the strategic implications for developing countries, economic integration, and connecting CA regions with the rest of world market (Sternberg et al. 2017:4).

2.1.1 China's Marshall Plan

Ambitiously, China plans to a global expansion by investing about \$1 trillion in infrastructure involving about 60 countries altogether. The funding is accumulated from China Development Bank (CDB), Export-Import Bank of China (EIBC), Silk Road Fund (SRF), Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB) and state owned commercial banks (Figure 2) (Wildau & Ma 2017). Massive investment initiatives promise economic prosperity, for both China and those countries receiving the investment. China's wealth and its surplus of steel, cement, and machinery will be shared with developing countries as it becomes more global in providing infrastructural development and economic growth (The New York Times. 2017).



Figure 2. Funding for OBOR projects by source. (Wildau & Ma 2017)

The OBOR initiative has been compared to the US Marshall Plan. At the end of World War II (WW II), the US was best equipped with industrial materials. Low domestic consumption in the US caused the economic growth to decrease. To avoid industrial overcapacity, the US began to transfer resources to Europe by aiming to rebuild destroyed cities. After five decades, the rapid growth of China brings similar experience of excess capacity, and resource and labour shortages, so it needs to export overseas to achieve economic stability in the country (The Diplomat 2016). Therefore, most Chinese media regard The New Silk Road as equivalent to the Marshall Plan, given the attention to providing economic prosperity for developing countries.

Several resources (Ling 2015) imply that due to the financial challenges and instability worldwide, the OBOR plan will increase the infrastructure investment in developing countries by building opportunities for these. By expanding the requirement orders in infrastructure will result on equal winning both for developing and developed countries. These investments will boost economic reconstruction and reduce the lingering impact of the financial crisis. As a result, developing countries can obtain better infrastructure development opportunities and economic growth. In the perfectly organized plan, it creates a global economic and strategic cooperation, where each involved country could

adopt its own financial policy and increase capacity in infrastructure to create satisfaction for both parties.

However, implementing huge projects like OBOR involves political and security issues between countries, potentially causing geopolitical conflicts. This is also the case in Central Asia where five former Soviet Union countries: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan grouped in one region. Even if those countries share a similar culture, religion, and language, it is crucial to consider also their economic, political and foreign policies. These five countries have challenges cooperating with each other over territorial conflicts¹, national identity and water disputes². For example, the governments of Kazakhstan and Uzbekistan included in their development strategies the priority focus on “national security” and “domestic political stability and the consolidation of society” (Hongzhou 2015). A strong national security orientation creates challenges for integration, especially with China’s OBOR initiatives to develop the infrastructural economy in Central Asian regions.

In recent years, billions of dollars invested in Central Asian development programs were concentrating more also on water deficiency issues. Already before OBOR, China started to consider the water crises issues between regions. Due to that, there are numerous investments in building water dam infrastructures to prevent water conflicts between CA regions in the future (Chugh 2017).

China’s strategic initiatives to involve the CA countries in its OBOR project is to receive in return a big part of the CA energy, oil, gas market as already a quarter of oil production from Kazakhstan is under the control of Chinese enterprises (see Appendix 2 (2)). These highly ambitious investments, and China’s control over the natural resources, have the potential to transform the CA economies in the future (The Diplomat 2016).

¹ The conflict between Uzbekistan, Tajikistan and Kyrgyzstan remains unresolved due to the controversial issues of claiming the piece of land Fergana Valley. In 2012-2013, on the border of Kyrgyz-Uzbek occurred 38 security incidents and 37 on the Kyrgyz-Tajik borders.

² Water management of both rivers Amu Darya and Sir Darya, of which 75 per cent of water is used for agricultural irrigation, creates competition between Uzbekistan, Tajikistan and Kyrgyzstan to reserve the water resources.

2.1.2 Free trade. Internationalism

The initiatives of China to develop the economy of CA by realising at the same time its domestic strategy plans correspond ideally the OBOR project as China's own Marshall Plan. Moreover, by investing in infrastructural projects in developing countries and realising the development processes, China will increase the use of its currency for transactional operations between the involved countries. The initiatives have already been implemented as the International Monetary Fund (IMF) recently added the Chinese renminbi (RMB) to the international currency basket. The inclusion of RMB is a potential opportunity for the integration of China into the global financial system, and the IMF's recognition of RMB expands both its role in trade and its international use globally (IMF 2016).

China's future plan for RMB is to build a strong currency during the OBOR financial transactions and investments in involved countries which, as a result, will create easier commodity trade between the regions by expanding use of the RMB currency across the world. (The Diplomat 2016).

As Jack Yang head of renminbi business at the economics and strategic planning department, Bank of China points out about the RMB currency:

"Renminbi needs an opportunity to internationalise, it cannot do that in the mature currency market where the dollar is the dominant currency...But it can create a market among developing countries along OBOR. Many of these countries need foreign investment, and renminbi can become the mainstream [currency] there."

(Sin 2017)

The initiatives of expanding the RMB currency has been already visible investments overseas of China, where, in 2015, OBOR related investments rose 36.7 per cent to \$13.7 billion. Consequently, financing for OBOR projects will be increasing yearly to sustain infrastructure developments and expand possibilities to implement financial transactions with the RMB. Thus, it will keep developing the RMB recognition globally by attracting slowly foreign investors (Financial Times. 2016).

Already the China Banking Regulatory Commission (CBRC), under the OBOR projects draw guidelines on economic and financial systems to countries as Mongolia, Russia,

Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan. In this operations, Mongolia has been the first initiated in RMB capital market (Hong 2015).

2.2 China in Central Asia

All geographically landlocked CA countries are endowed with natural resources (Figure 3) such as oil and gas, coal and mineral resources that China plans via OBOR initiatives to import for its domestic needs (Rastogi, Cordula, & Jean-François Arvis 2014: 19).

	Kazakhstan	Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan	Total	Share of Central Asia in World Reserves %
Oil, ^a billion barrels	30.000	0.040	0.012	0.600	0.594	31.246	2.37
Natural gas, ^a trillion cubic feet	100	—	—	100	65	265	4.28
Coal, ^b million short tons	34,502 ^d	895 ^e	—	—	3,307 ^f	38,704	4.16
Uranium, thousand tons U	817	—	—	—	111	928	17.00
Hydropower ^c , billion tons kilowatt-hours/year	317	99	27	15	2	460	—

Figure 3. Central Asian Energy resources. (CAREC 2010)

Today, China has become the leading economic partner in natural resource extraction projects with subsidized investments in infrastructure and relatively low interest loans. With this initiative, more than ten per cent of oil and gas exported from Central Asia goes to China (Figure 4). The relationship in trade between those countries is increasing whereby CA countries receive the advantages from these operations (Mariani 2013: 13).

Country	Trade Value (US\$1,000)	Export Value (China as the exporter) (US\$1,000)	Import Value (China as the importer) (US\$1,000)	Year on year of 2011 %		
				Trade Value	Export Value	Import Value
Kazakhstan	25,676,790	11,001,670	14,675,120	2.9	15.0	-4.7
Kyrgyzstan	5,162,470	5,073,510	88,960	3.7	4.0	-9.4
Tajikistan	1,856,700	1,747,870	10,883	-10.3	-12.5	50.7
Turkmenistan	10,372,710	1,699,330	8,673,380	89.4	116.7	84.8
Uzbekistan	2,874,680	1,783,050	1,091,630	32.7	31.2	35.2

Figure 4. China's trade data with Central Asia (2012) (Source: Mariani 2013:13)

However, the continuous intervention with CA countries might be challenging in political and economic terms, since the former Soviet Union countries are still ruled by authoritarian regimes with different political systems. For example, Tajikistan, Turkmenistan, and Uzbekistan countries are less liberal than Kyrgyzstan and Kazakhstan, which influences their mutual economic operations (Mazhikeyev, Edwards & Rizov. 2014).

Despite having no clear guidelines in infrastructure plans, China has already taken the initiative to develop the CA regions despite the fact of regional conflicts between countries as well as the presence of dominant economic force countries such as Russia and the US. Russian economic dominance in CA regions has been playing a significant role since their independence. Russia places its role as a politically dominant, supreme power in providing military presence, economic trade for export and import operations. Also culturally, language (Russian) and alphabet (Cyrillic vs. Latin) are key criteria with its former republics (Diener cited in Sternberg, T et al. 2017: 5). CA regions are still in economic trade connected with Russia (Figure 5). For example, Russia exports 90 per cent of petroleum products to Tajikistan, while Kyrgyzstan receives 92 per cent of fuel. At the same time, Russia imports from Uzbekistan natural gas whereas region with largest population in CA consumes produced natural gas internally. (Mitchell 2014).

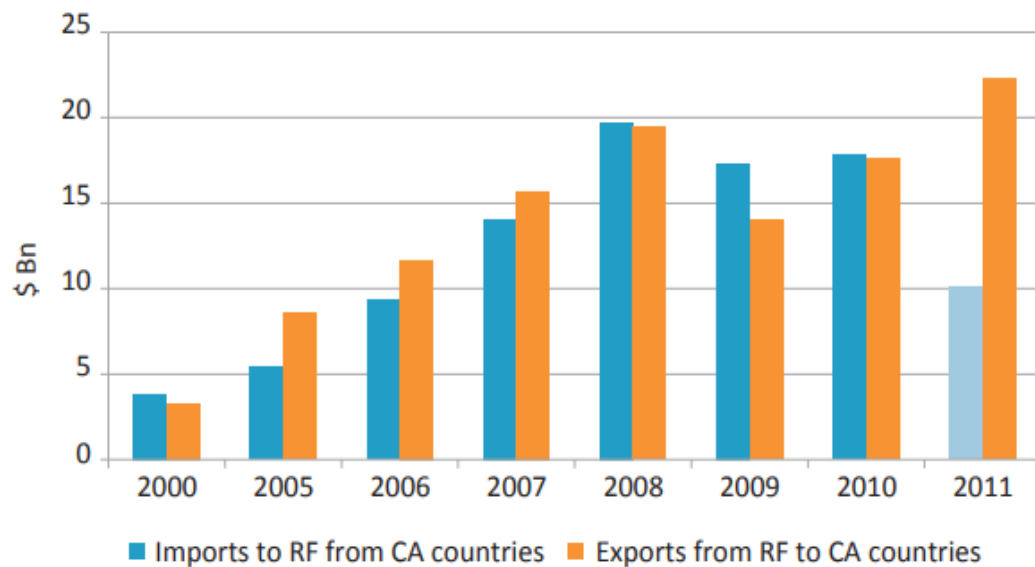


Figure 5. Trade between Russian Federation and Central Asia countries (2000-2011)
(Sinitsina 2012: 8)

Russia as a leader still has the economic influence in CA countries, thus, in economic opportunities, Russia considers China not objectively a competitor, especially for countries as Uzbekistan and Tajikistan where most of the population work in Russia (Vedomosti 2015).

However, China is seeking to develop the market of CA regions globally for its strategic plans without changing the political relationship with other countries. It can change the alignment of forces in the countries especially after the decline in commodity prices and the recession in Russia due to the EU sanctions (Vedomosti 2015).

In this context, a former chairman of Russian Railways, Vladimir Yakunin comments that:

“China is attempting to create a new type of development model, without shaking up the existing world power...China is very clear: it does not seek to replace the US as the only dominating power”

(Sin 2017)

The ambitious involvement of China in CA is based on its domestic strategy regarding economic needs and geopolitical expansions. This strategy includes massive financial support in all sectors of infrastructure development which will sustain the economic

growth of CA countries. Central Asia, after a long period of stagnation, needs investments to strengthen the economy. The economist of CA regions Agris Preymanis (UNIAN 2015) regarding this, points out that because it is less likely that Western or Russian capital will take the initiative to invest in the various sectors of development, China's contribution is very welcome.

In 2013, when the Chinese President Xi Jinping announced the OBOR project without including in its plans Russia as a strategic partner, Vladimir Putin considered China's Marshall Plan as a threat to take over control of the CA regions (Gabuev 2015). However, the plans of OBOR are driven by domestic economic concerns, and China is seeking partners to implement the project rather than take over control from existing political rulers. Therefore, in the following years of OBOR plan, China is actively beginning partnership with Russia with initiatives to preserve the latter's political and economic ambitions in countries where it has implemented projects.

China for CA countries will be a trading partner and investor in projects while Russia will remain its dominance in cultural and political operations. The governments of CA now can view Chinese investments as the last chance to stimulate the economy and preserve political stability (Vedomosti 2015.). OBOR offers economic opportunities as CA is currently in need after continuous economic recession and dependence on Russia. For instance, after the announcement of OBOR initiatives among the CA countries, Kazakhstan, Kyrgyzstan and Tajikistan revealed their domestic interest to develop economic growth (Hongzhou 2015: 6). However, the dependence of CA on Russia in political and economic policies will remain until those five countries will be united and open to trade, which China consequently, is aiming to achieve.

2.3 Country Case: Uzbekistan economy and OBOR initiatives

The former Soviet Republic of Uzbekistan has, for the last 25 years, been known as closed with the authoritarian political regime of former president Islam Karimov. The country's national economy and geopolitical policies was ruled with a high level of autonomy. (Diener 2015: 21). Following independence in 1991, the president aimed to increase its national identity in the Central Asian region, and with this focus, it emphasized the development of four areas: first, creation of single system of power based on institutions created by Islam Kasimov; second, design of a strong centralised

state in CA region; third, promote Uzbek nationalism; and fourth, control the spread of religious radicalism in the country.

The implementation these development goals produced an authoritarian regime with unlimited powers of the president (Melvin 2000: 31-32). The domestic regime was consolidated by suppressing individual independence and development opportunities. Since the political institutions were subordinated to Karimov, the country's development was slowly eradicated in internal as well as external political operations. This consequently has restricted entry of foreign aid institutions, NGOs and investors. Therefore, in the beginning, China's initiatives to enter Uzbekistan with political and economic strategies for mutual prosperity was challenging (Hongzhou 2015: 6), and the implemented projects were less than in other neighbouring countries.

As a political regime focused only on national security and identity, Uzbekistan participated in the formation in 2001 of a common connecting International organisation, the Shanghai Cooperation Organisation (SCO) for security and economic cooperation and accepting OBOR project initiatives from China. However, the visible changes and regional integrations began to strengthen after the election of new president Shavkat Mirziyoyev in December 2016 (CAAN 2017).

Uzbekistan has strong ambitions as a regional leader in Central Asia and includes the most diversified economy with 80% of mineral fertilizers, 94% of chemical fibres, 54% of natural gas, 59.2% of cement, and 65.5% of raw cotton (CAAN 2015). Mirziyoyev began to rethink the strategy of its position among the CA countries, especially with initiatives to revive the relationship with Kyrgyzstan and Tajikistan³. As between these two countries Uzbekistan had unsolved problems which required the attention to stabilize. For instance, after two months of presidency, Mirziyoyev resumed the interrupted flights in 1992 between Tashkent-Dushanbe by easing the visa regimes between two countries and discussed of the construction of the Roghun hydroelectric power station (CAAN 2017).

³ The relationship between Kyrgyzstan and Tajikistan had been deteriorating after gaining independence. The conflict with Kyrgyzstan arose due to the ethnic issues surrounding the large Uzbek population that resides in Kyrgyzstan, and its associated cultural and political status. While Uzbek-Tajik conflict arose due to the revival of the postponed Soviet-era hydropower dam in Tajikistan. The energy independence of Tajikistan would damage Uzbek cotton income by drying up the connected Amu Darya river.

In the new political reforms, Mirziyoyev's main policy is to avoid the Soviet-era political-economic model which was used by former president Karimov, and rather study the development models from the experiences of Russia, Kazakhstan, and South Korea. Adopting a more liberally oriented political position, Mirziyoyev is aiming to bring Westernized regime in the economy. However, it is challenging to implement the new Uzbek model while there is still existing rooted bureaucracy in the system (Bologov 2017).

As Mirziyoyev (Sattarov 2017) aims to create an Uzbek administration open for the accustomed public life, he is focused on enabling free criticism and discussions against the government regulations in the media although people are not experienced in the use of free speech and argument against the government. New reforms and administration rules remain still unclear without clear strategy goals for the further development of the country. However, Mirziyoyev's serious efforts to revive the economy from stagnation provides promising opportunities both for the internal growth and external operations where he has established better relationships with neighbouring CA countries and strengthened foreign investment opportunities (Sattarov 2017).

2.3.1 China's investments

Strategic interests of Uzbekistan to integrate with CA countries have many potential economic developments for the country, and consequently, it is possible for China to emphasize its economic influence in exporting products and importing gas and energy from Uzbekistan. Since 2002, Uzbekistan and China signed bilateral economic agreements that increased investments in machinery, oil, and building infrastructures. According to the Ministry of Commerce, China is Uzbekistan's the second largest trade partner and investor. (MCPRC 2016). Today, China, via OBOR initiatives, is integrated with Uzbekistan's plan for economic development. It is planned to invest in railroads, roads, tunnels, and other transportation projects (see Appendix 1). In this context, China and Uzbekistan foresee mutual benefits arising from strong future economic developments (Maitra 2017). In 2016, the value of projects for Uzbekistan reached \$6.83 million with an accumulative turnover of \$4.75 billion (Yu-Wen Chen & Günther 2016). Today in Uzbekistan the number of Chinese based capital enterprises is more than 600, where the majority of joint projects have been implemented (Maitra 2017). Apart from industrial related investments, the technological partnership began to produce the main

investment operations as well. Today, the Chinese Huawei telecommunication company is the largest telecom provider in the country (Yu-Wen Chen et al. 2016).

With ambitious plans to increase the economy in the country, already in 2015, the government of Uzbekistan announced a five-year plan to modernise its industries and develop new infrastructural projects in gas, petrochemical sectors, construct roads and airports, and build new railways (World Bank Group 2016). The following year, to enhance its economic cooperation with China, OBOR initiatives were signed to accelerate the infrastructure developments. Today, China has implemented a number of roads, railways and gas pipelines construction projects across the country (Reconnecting Asia 2017). And one of the strategically important fields of investment is in developing the country's natural gas reserves and gas transportation infrastructure (Maitra 2017). For instance, China National Petroleum Corporation (CNPC) is the Chinese biggest oil and gas producer has invested billions of dollars to import more than half of Turkmen, Uzbek and Kazakh gas supply to China. This recently finished project in gas pipeline infrastructure currently serves well by delivering gas from Turkmenistan passing by Uzbekistan where it supplies additional gas and delivers to China. (see Appendix 2) (Tang 2015: 7).

Another important Chinese OBOR initiative is the construction of a new Uzbekistan-Kyrgyzstan-China railway that has the potential to increase turnover for China in importing raw materials from both countries. In this case Sofia Pale (Pale 2015) explains clearly the importance of building the direct link:

China has plans to use the Kyrgyz rail links to import hydrocarbons from Uzbekistan and earth metals, iron, copper, and aluminium ores, coal and uranium from Kyrgyzstan.

The plan is certainly not complete connecting only two regions, rather the intention is to add strategically important countries for China's economic benefit.

Newly built railways create potential opportunity as it is planned to deliver the goods from China to CA countries crossing Uzbekistan and onward to Europe (Tang 2015: 6). This gives both China and Uzbekistan strategic economic growth and development. For instance, China and Uzbekistan have together developed an important rail link between Tashkent and the Ferghana Valley (a region in Uzbekistan) in which a newly built tunnel shortens the route without requiring any transit stopover to Tajikistan (Pale 2015).

Moreover, Uzbekistan in generating solar energies consider as the greatest among the CA countries. In 2013, Chinese Suntech Powers Holdings Co. Ltd and Uzbek state owned energy business Uzbekenergo formed a joint venture, where, the Chinese investment worth of \$10 million was facilitating on construction of solar panel manufacturing in the country (Khurramov 2015). The initiatives of building the solar panels were successful, and already these days it is calculated to manufacture around 50,000 of solar water heaters annually (Daly 2015).

China's investments in Uzbekistan's infrastructure development, especially in transportation, have an essential role in the economy. After the new elected president implemented new administrative reforms, China is able to align the relationship, and implement even more development projects in the country. This consequently brings for Uzbekistan a possibility to re-establish old roads and railways with new advanced technologies and the possibility to revive the stagnated economy. The development of transportation is the main focus area for Uzbekistan with the target goal to achieve it by 2020. Since 2016, Uzbekistan has accepted new proposed projects from China to connect with neighbouring countries and expand the economic trade between territories. Therefore, the following chapter will focus on the theoretical arguments of the influence of transportation economic development in developing countries, concentrating on Uzbekistan infrastructure development as the case study.

3 Transportation and the economic development

Uzbekistan is a landlocked country located in the heart of Central Asia. For the country, it is strategically significant to develop an efficient transport system which enables it to increase domestic growth and develop its trade with other CA countries, Russia, and the rest of Europe (ADB 2015). The Government of Uzbekistan's long-term vision for road development regards it as the opportunity for economic prosperity by expanding access to regional and world markets that will improve exports, increasing Logistics transit transportation and providing new opportunities for the population (Ozbekiston Temir Yollari 2016). With this initiative, in 2005, the government implemented a time-phased strategy plan: "On the programme of development and modernization of engineering and communication and road and transport infrastructure for 2015-2019" to improve the development of road and other transport in the country (ITE 2015).

In addition, Uzbekistan is a part of The Central Asia Regional Economic Cooperation (CAREC) Program. CAREC provides the opportunity to receive investments from multilateral donor institutions for the development of regional infrastructure and the connection between countries to reach the global market. The initiatives have the potential development of integration between China, Japan, Russia, India, and Pakistan countries. This is also an opportunity for Uzbekistan to receive financial aid to prosper the economy domestically (ADB 2012: 1-6).

Investing in transport infrastructure remains the most important area of development. It involves a significant contribution to production activities in developing countries (Setboonsarng 2006: 2-3). Several country examples and especially developing countries support the view that investment in transportation influences the improvements of rural areas by facilitating both growth and poverty reduction. However, the outcome is crucially dependent on the government policy provision regarding transportation development and measuring the impact with robust frameworks (Banister & Berechman 1999: 33). Without the industrialization strategy supported by the government, it is challenging especially for the developing countries to sustain balanced economic growth and reduce poverty. (Cypher & Dietz 2004: 252) Consequently, the result will most likely depend on the choice of policy priority: poverty reduction or economic growth. (Setboonsarng 2006).

In the case of Uzbekistan, at the national level, the government is committed to achieving infrastructure development by focusing on poverty reduction through economic growth (ADB 2011: 22).

3.1 Infrastructure and rural development

According to the World Bank collection (Tradingeconomics.com 2017), the villages and small towns that are remote from transportation and urban centres most likely will have poor household living experiences. In this case, Uzbekistan, with 63.64% of its population residing in rural areas, experiences extreme poverty risk of the population. (Tradingeconomics.com 2017) Agriculture remains the dominant sector and it contributes highly to GDP growth, although living standards have yet to improve significantly. Rural living standards are markedly different compared to those of urban areas. Poor employment conditions (lower wages) are matched by low fundamental provision of facilities such as electricity, water, and gas. The lack of access to basic needs constrains the rural area population from developing nonfarming livelihoods. This is further reinforced by limited management skills, inefficient marketing, logistics, and technology (see Appendix 3) (ADB n.d).

The relevance of rural area development, roads and transportation infrastructure and services is particularly acute in rural production and trade between regions, impacting the social and economic linkage between cities (Creightney 1993: 5). It implies also lower costs of production and marketing, where the delivery of products will be faster and more cost-effective (GIZ 2013: 18) For instance, purchasers can access easily producers via transportation links. Thus, it will also reduce farmer's production costs including time and energy. In addition, accessibility of transport provides a possibility for agriculture expansion in areas where the land has potential for cultivation thereby increasing the farmer's income growth and so facilitating the purchasing power of farmers. The availability of basic equipment needs for production improves the quality of cultivated crops. (GIZ 2013: 18) Development study research for India and Thailand revealed that rural transportation generates an income in the agriculture sector by developing continuously the nonfarm sector. This provides a series of opportunities for employment by increasing the wage of labour in rural villages. (Setboonsarng 2006).

The increase of income levels develops significantly the economic opportunities in rural areas, benefiting the rural households. It develops slowly the nonfarming livelihoods by

increasing the new business fields based on the demand of the rural population (GIZ 2013: 10). Moreover, it becomes financially affordable to use as well as to reach through the maintained rural roads established social services such as healthcare and education. This, as a result, leads to the improvement of maternal health outcomes, healthier rural communities, and increase of children's school attendance. (Starkey & Hine 2014: 17) For instance, World Bank financing of rural road development in Morocco was shown to have provided access for children to attend school more often than before, and at the same time, for teachers to commute from town to villages, which increased the enrolment rate (Gannon and Lui, 1997: 36).

The income growth leads to increased individual mobility and flexibility to reach without difficulty other regional cities based on personal needs. This also influences households' consumption behaviour by providing an opportunity to get access to wider choices in goods and services, which are reachable via transport services and fulfil the basic needs for living. In the long-run, it will essentially influence on housing and employment locations as well since these will be chosen based on individuals' optimal choices (Creightney 1993: 17). It consequently will have an impact on developing the agriculture trade between regions by developing new employment skills in various sectors of business, depending on rural household demand.

The process of growth influences the reorientation of the entire economic and social structure. According to the Lewis dual economic model. (Cypher and Dietz 2004: 253), it implies that during the economic growth, a country begins to experience a shift from predominantly agricultural level (primary) to higher industrial (secondary) productivity. A structural transformation occurs when the surplus of labour in rural areas migrates to urban regions where they become urban workers employed mainly in industry. In the case of Uzbekistan, it is already experiencing the transformation of labour from agriculture to industry and services (Cypher and Dietz 2004: 253).

In practice, there has occurred mass migration of labour to Tashkent (capital city of Uzbekistan) and a corresponding shortage of labour in rural regions. In rural areas the quality of living standards is low as are the facilities provided for education and health services. The population in the rural area receives relatively low income (compared to the capital city) which constrains the accumulation of savings and enhancement of household wealth. Therefore, due to the mass labour migration to Tashkent, rural areas are experiencing a lack of labour in agriculture, as are schools trained teachers and other

businesses. However, the provision of infrastructural projects around the regions provides employment opportunities in infrastructure services and generates income growth, which will influence future developments (Starkey et al. 2014: 14).

3.1.1 Non – equal benefits

While transportation serves the population needs regarding accessibility, improvement of agricultural production, commuter mobility between regions and provision of various social services, there is no doubt that from the revealed experiences, transportation developments could not entirely to provide all the benefits for the poor households. Gannon and Liu (1997) found that improved transportation in rural areas reduces poverty by lowering costs and increasing opportunities. However, there is no clear affirmation regarding the redistribution of welfare for the poor population. (Starkey et al. 2014: 11). This is clearly explained by an ADB research report: “in countries where the distribution of income and opportunities is skewed, in general, it is the non-poor who benefit more from investments.” (Setboonsarng 2006). Certainly, the poor have significant benefits from the investments in rural roads, especially over longer distances. However, households with greater access to capital and resources have more chances to benefit from the improved transport infrastructures. (Setboonsarng 2006).

The enhancement in rural productivity and changes in agriculture production means wealthier households tend to benefit more because they strengthen immediately land use via improved market access and other possibilities. Meanwhile poor households often need financial support to purchase relevant inputs to develop profitable business outputs. In most cases, these are unsuccessful anyway (Hasan Khan 2001). Without government assistance to poor households, it is challenging to benefit as much as a wealthy household who has an opportunity rise land values and increase income growth. In addition, well established transportation should increase the possibility to access social services, but the poor households have relatively low access to those services compared to the non-poor (Cook, 2005:18). Even if there are affordable transport services or provision of subsidies, it is most likely that poor households do not receive the full benefits of these opportunities.

In Asian countries, most of the poor are landless or unskilled households, and they are focused on receiving basic needs for subsistence. As the investment in transportation should increase poverty reduction and sustain households with unlimited resources,

however, the obstacles lie in the transportation policy and the goal of the investments which eventually poor households will have the advantage to reduce poverty (Hasan Khan 2001).

3.1.2 Clear planning on poverty reduction

In developing countries, the transport infrastructure is considered as the main development factor for poverty reduction. However, without clear policy design addressing the issue, usually, the benefits of transportation get distributed unequally by suppressing the poorest household's possibility of income growth. These types of unsuccessful transportation development projects include several factors that are usually excluded during the planning processes. There are many factors that have considerable influence on transport infrastructure's role in poverty reduction. These include governance, conflict between countries, population, density, resource endowments and climate. In addition, it is relatively rare that governments prepare separate policy documents for rural transport development. Such a plan is usually assessed within the general national transport policy documentations, without considering more detailed analysis (Hine 2014: 10). Generic assessment of rural development tends to prevent the poor population from accessing the opportunities provided by transportation (Hasan Khan 2001).

However, effective rural transport planning can be implemented by addressing the key constraints of poor households' development. It is relevant to explicitly identify the main impacts that poor households will be affected by during the infrastructure development. This could be implemented by initial poverty analyse assessments, where the results are included into developing project plans (Starkey et al. 2014: 20).

In addition, choice of investment in transport development requires targeting and prioritization of the specific direction of investment that has the most influence on poverty. By choosing only the targeted direction from the types of transport infrastructure, it will have more potential impact on development. Moreover, in "addressing the question of what to invest, it is essential also to consider asking where to invest" (Setboonsarng 2006). The above-mentioned experiments imply that the poorest households are in rural villages without access to basic transportation services, and by targeting these areas, it will influence the poverty reduction of poor households and their opportunities to grow (Hine 2014: 39).

Apart from the clear target and planning on poverty reduction, a range of policy documents will impact on rural road investment and maintenance planning. In developing countries, most transportation investments are received by a variety of financial institutions, and the management executed by local government or road authorities. Therefore, to avoid conflicting goals from the authorities, it is essential that the project planning is completed at the national level, where the documents will outline the key issues and the direction guidelines of improvements. On the national level, the responsibilities of local government for the sector will be higher. It should prioritize the key issues and apply these with appropriate regulatory principles, which, as a result, will be more likely to achieve the targeted objectives (Hine 2014: 39).

Uzbekistan, in this case, has for several years in a row received from financial institutions transportation infrastructure investments, with the possibility to improve the rural areas through the transportation services. For example, one of the donors (CAREC) has recently received a request from the government of Uzbekistan on continuing the assistance of transport infrastructure development, where The Republican Road Fund (RRF) is responsible for the financing, while the government prepared to accelerate the development plan of the National Road Development Program (NRDP) (ADB 2015). This project aims to accelerate economic growth through improvement of trade and traffic flows along the project roads. In the planning guidelines, the project is focused specifically on poverty reduction by reducing travel costs in rural areas, road accidents and providing employment opportunities in the short term during the construction of transportation. Based on the provided information, the project plan aims to achieve overall poverty reduction by providing greater transportation access in rural areas. Better transportation infrastructure will help to achieve stronger domestic growth and international trade. However, the clarity of project remains undefined on how it impacts the poorest households.

3.2 Cross Border Transportation Infrastructure

Earlier in section 2.3.2 was mentioned Uzbekistan's geography and the relevance of developing regional transportation with its neighbouring countries. The isolated location of Uzbekistan, preventing direct access to the sea, and challenges to reach international markets, have impacted economic growth. As Sachs, Mellinger, and Gallup (2001)

confirm, the poorest countries in the world are those landlocked with long distance from sea trade (Fujimura 2004: 5). Sea-borne trade costs less compared to other delivery transport systems and so is more advantageous. In this context, landlocked countries experience difficulties in trade as the distance creates challenges including crossing other international borders without the ability to regulate the transport processes. As a result, the processes of both export and import operations creates more costs, making it less competitive (UN 2003: 5).

In order to reduce trade costs, in both import and export operations, many developing and landlocked countries began to focus on the establishment of cross border regional transport infrastructures (Bhattacharyay 2010). In addition, regional trades between landlocked and neighbouring transit countries can bring compound benefits where the countries are committed to developing transit trades. Therefore, one early focus of the OBOR initiatives is to develop a regional relationship by providing constructed transport infrastructures. The development of cross-border transportation and associated regional agreements will have the potential to ease bottleneck issues. Countries lacking well-established roads and railways will benefit from the improved connectivity brought via transportation infrastructure by enhancing trade operations, expanding benefits and reducing the costs (see Appendix 4) (García-Herrero & Xu 2017). Uzbekistan has the potential to improve its transportation system both domestically and regionally by strengthening its exports to other country markets.

The opportunities of cross-border transportation in landlocked countries might lead to mutual regional benefits by increasing economic growth and the strength of relationships between countries, especially in the case of Uzbekistan. However, due to the undeveloped political and economic relationships between CA countries, the expansion of transport infrastructure tends to lead in the short run to challenges for country integration and the establishment of trust. Therefore, cross-border infrastructure initiatives are complex and risky operations than merely national ones. (Fujimura & Edmonds 2006). For example, the level of economic development in different countries can create difficulties in synchronizing the project plans where the political and economic conditions of those countries might operate in a different way. In addition, the economic structure of poor countries might cause these to gain less financial advantages from regional trade agreements. As a result, the benefits will be distributed unevenly as the less structurally compatible policies of poorer countries influence the economic outcomes (Fujimura & Edmonds 2006).

In the case of transit transport across regions, border crossings are often major constraints. In developing countries, the procedure of border crossing is complicated due to the absence of well-established country relationships. As a result, it requires more obligations by providing complicated non-standard documentation which consumes extra time on crossing the border. Bad organisational structure and unimproved working skills in the transport field increase the complexity of transport transit operations, so increasing the costs of trade. Usually, the information of these constraints, incurred costs and time spent in transit are not delivered to policymakers, even though their impact will continuously influence their economies (UN 2003: 6).

These issues can be solved by efficient national policy and analysis concentrating on possible difficulties during the transit transport. The economic collaboration of neighbouring countries in improving transit transport systems are necessary, and the commitment of developing transportation operations could be revealed by establishing a clear trade policy actions (UN 2003: 21).

3.2.1 Cross border experience in Central Asia

During the Soviet Union time, intra-regional trade was integrated between Central Asian countries. After the independence of the first two decades, these countries experienced difficulties in trade and production due to the hyperinflation of 1991–1996 which caused economic disparity and the development of political regimes and economic models. (Mazhikeyev, Edwards & Rizov 2014). As a result, border closures and territorial protection prevented free trade. With high levels of trade protection (especially Uzbekistan) in small trades, the countries faced difficulties in delays at border crossings where it is required to complete the process with unofficial payments to customs officials. High corruption at border crossings increased the costs of trade, preventing the development of regional and global trade and associated economic growth possibilities. (Grafe, Raiser & Sakatsume 2006) According to data from the WB Doing Business unit (Cooley 2016) it was revealed that Central Asia is considered one of the challenging and time-consuming trade regions in the world (Figure 5).

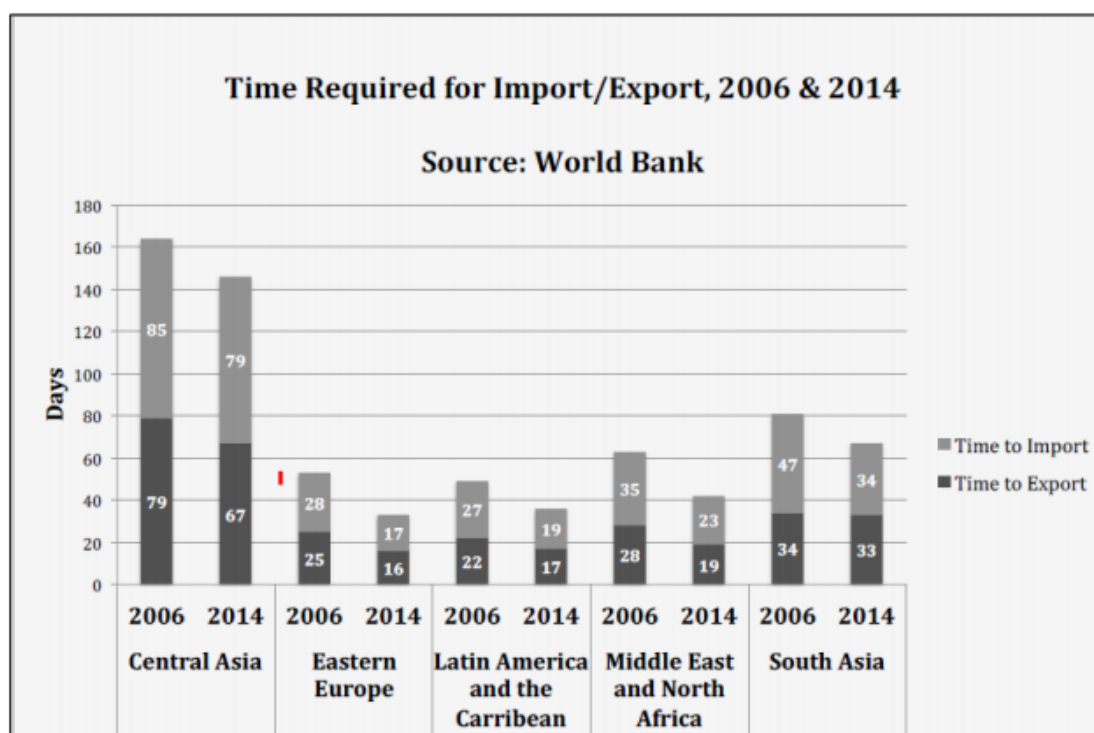


Figure 6. Required time for Import/Export trade across countries.
(Cooley 2016)

In addition, different trade policies have led to the exploitation of “potential arbitrage gains” (Grafe, et. Al. 2006) that resulted from various regulations, custom fees and tariffs. For instance, from the ADB analysis, (2006) Uzbekistan charged excise taxes on ice cream (200%), mineral water (100%), juices (70%), cheese and yoghurt (50%) and soap (20%) (ADB 2006: 27).

Economic trade performance in Central Asia significantly depends on the political regimes. For example, the regimes of Uzbekistan, Tajikistan and Turkmenistan viewed as “centralist with hard autocracy”, while Kyrgyzstan “dualist with electoral democracy” and Kazakhstan “populist with soft autocracy” (Mazhikeyev Edwards & Rizov 2014).

The study of price variations in Central Asia analysed by Grafe, Raiser & Sakatsume (2006) revealed that the trade barriers between borders have resulted on price dispersion and these effects are mostly evident in Uzbekistan, Kazakhstan and Kyrgyzstan. This variation of prices occurs due to the volatility in the bilateral nominal exchange rate in trade operation on borders (Grafe, Raiser & Sakatsume 2006).

Because of trade barriers, border crossings remain obstacles to free trade and market integration between the countries.

However, the trade performance of the region has since revealed improvements (Grafe, Raiser & Sakatsume 2006). In recent years CA countries have been more focused on improving economic performance and on easing policy restrictions governing trade between each other. The initiatives of New Silk Road project will further enhance these improvements via the development of new transport infrastructures (Karimov 2017). To realise these goals, there has been already focused effort on reestablishment of local highways and railroads, modernising the facility services in goods delivery and contributing on new logistics services (Rastogi, Cordula, & Jean-François Arvis 2014: 34).

4 Transport Infrastructure as a pretext for Soft Power

There is a widespread assumption that OBOR transport infrastructure investments will stimulate the economic development by providing political stability in CA countries. It is also expected that these will establish transport connections, transit products, and revive interaction (Sternberg, Ahearn, McConnell 2017). The recently reincarnated New Silk Road project reveals only the initiatives promising to impact on economic development with the strategic partnership of involved countries. Apart from the analysis of future changes in the so far published but otherwise unclear project plans, there is no explicit evidence of OBOR achievements with respect to country economic development (Morrison 2017).

There is no doubt that China with its economic power invests only to projects that are strategically important and profitable. Thus, it systematically attracts the CA countries to its economic strategies to diversify their opportunities for trading partners (Toktomushev 2016). However, CA regions with the current need of investments for the improvement of the economy are more eager to accept China's offer of strategic partnership. This is because countries have the potential to diversify their economy and trading partners following economic growth (Tang 2015: 16). For example, Uzbekistan with a new elected president is eager to accept new investments in infrastructure for its own strategic plans (Sayfullin 2017).

As earlier described (section 2.2), China's strategy in Central Asia is based on a strategic relationship that considers those countries as its natural resource reservoir and export partner. It affirms that China has no interest in political intervention on a cultural and military basis where it could provoke political conflict with dominant countries such as Russia.

However, big initiatives and investments are already revealing Chinese influence in CA via the building of new connecting railroad networks, and slowly adopting its soft power by spreading Chinese culture (Diener 2015: 382). Based on recent experiences in Central Asian countries, the cultural influence of China slowly expands by establishing Confucius Institutes to promote the Chinese language (Yu-Wen Chen et. al 2017). Another indicator of China's soft power is to spread opportunities for the number of students to attend universities in China as well government officials seconded for short term training. These initiatives have noticeably expanded, especially for Uzbekistan and

Kazakhstan due to their close relationship and historical interaction centuries ago (Tang 2015: 16).

Moreover, the increase of China's investments will have a greater chance to extend its influence via its own established enterprises in invested countries. Today, in Uzbekistan, several large industrial Chinese companies supply their own labour during the project implementations. In 2010, the number of Chinese migrants counted in total 80,000. The labours were working as merchants and labourers in bazaars, electricity substations and minings and on constructing railways and roads across the CA territories (Pannier 2017). A large number of workers from China have resulted in domestic complaints due to the rise of competition and job loss in industrial services. The continuous expansion of Chinese small and medium enterprises become concerning for a majority of CA countries. However, Uzbekistan, for instance, to prevent the working migration flow, established a visa regime while accepting the Chinese investments (Beshimov & Satke 2017).

Despite Chinese labour migration to Central Asia, OBOR initiatives – by developing the transport infrastructure in rural regions of countries – are helping to reduce poverty by stimulating economic growth and enhancing the quality of life. However, the focus on improving the relationships with bordering countries isolates concerns about poverty reduction, social development and livelihood opportunities (Sternberg, Ahearn, McConnell 2017). Thus, new high-speed trains and constructed road infrastructures have the possibility to “circumvent locals” (Sternberg 2017) by suppressing rural area developments and so lead the OBOR poverty reduction initiatives to failure.

In this case, domestic participation in the formulation of planned policy on national economic development is relevant for CA countries. For example, Uzbekistan, by accepting the cultural spread, labour migration and the strategic focus of China, is currently focused only on more opportunities for financial funding, consistent with its strategic goals concentrating on economic development. The continuous economic stagnation (even if official date claims the opposite), high poverty in rural areas and less employment opportunities in the countryside increases the focus of Uzbekistan on improvement of infrastructures and relationship improvements with neighbouring countries rather than on the expansion of soft power by Chinese officials (Sayfullin 2017).

In addition, highly ambitious initiatives related to OBOR might encounter corruption in CA countries, where it is considered as the most rooted and unavoidable problem. According to the report “The Worldwide Governance Indicators” (WGI) (World Bank 2017), CA countries are experiencing ingrained corruption and lack of rule of law and transparency, which negatively affects economic growth. In domestic operations, there are financial leakages with government intervention preventing the democratic development of the economy. The absence of independent judicial authorities increases the power of political corruption in decision making. In addition, corruption prevents the provision of citizens with a high quality of goods and social services such as in health care, education, reliable electricity supply, and transparent border control. Instead, these issues will threaten the security of citizens by hindering their social mobility and personal economic well-being. The existence of corruption and inefficient government control will prevent realisation of economic opportunities, especially for the larger, more populated CA countries. (Stronski & Rumer, 2017) This particularly could happen with Uzbekistan with its high population (30 million).

It is acknowledged that during the OBOR project implementations corruption will inevitably exist, resulting in the loss of investments and increase of project costs. However, Chinese officials have accounted for this before the project announcement, expecting a loss of their investments. The assessment for Central Asia is expected to be 30 per cent (Cooley 2017).

4.1 Mutual Benefits

Central Asia has been and will remain as a strategic territory for China in terms of energy, security, creating new markets, a source of raw materials and transit channel (Moeseenko 2017). China's domestic initiatives reinforce geopolitical influence in Central Asian territories. Provided economic opportunities also consolidates developing a strong regional relationship and encouraging stability by preventing potential tensions. The contribution to regional development will help to prevent political and social destabilization which occurred earlier between CA states (Peyrouse 2017).

CA states and China have mutual interests in developing the region's economy, as they substitute the economic needs for each other without competing in the market trade. For example, sourcing raw materials from CA are at the forefront of Chinese activity in Central Asia while at the same time for the Central Asian states it is an opportunity to

pursue large-scale projects (Peyrouse 2017). Despite the fact of this dynamic development of strong cooperation, a huge difference remains in the economic and demographic potential of both parties, which as a result facilitates the expansion of only one dominant party. This can be revealed in the annual trade turnover between China and the countries of Central Asia, where it reached almost \$47 billion while China's imports from the region were valued at only \$5 billion, and most of these are raw materials. Thus, the relationship of China with CA countries will, for the time being, remain with the strategy: infrastructure in exchange for raw materials (Moiseenko 2017).

Moreover, China, with the capacity to export the consumer goods to Central Asian countries, gains profit from expanding its markets, while distributed products with a low price suits the living standards of the local population adjusting to consumer lifestyles, whereas Western, Russian, Turkish imported products remain relatively expensive. It is particularly also reflected in the export of technological gadgets that allow low income households to take advantage of the low prices. Roughly 80-90 per cent of goods exports from China consist of finished and diversified products (Peyrouse 2017).

Central Asia will remain as a strategic region for China due to the mutual interest in economic development and related political operations. China will actively invest in projects of the raw material industries, the development of transport, oil and gas pipelines, and energy projects by supporting all with financial credits and political cooperation. These operations enable China to avoid shortages of raw materials and maximize the region's resources base for its own economic requirements. As a result of China's investments – distributed to only transportation and pipelines infrastructure projects – the economies of the CA countries will experience a certain skew in the direction of the commodity sector by supplying only raw materials to China. Alexey Moiseenko (Geopolitika 2017) in this situation suggests that Central Asian countries should adjust to the emerging market initiated from China and realise their interests by pursuing immediate benefits from the market change. And the expected consequences of sovereignty loss in economic and political regulations, CA countries should defend their national interest, where, as a result, the external threat coming from China will no longer be concerned (Moiseenko 2017).

For the last ten years, there have been several research studies regarding China's reincarnation of the New Silk Road initiatives and its investment in the development of transport infrastructure in Central Asian countries. Consequently, there are several

assumptions informing those investments with respect to the domestic interests and strategies of each party. However, whether it is considered a mythical reincarnation or not, there are already signs that the new infrastructure can deepen continental integration and improve the economy in Central Asian countries, which is a substantial need for their current economic development. These projects might lead to a reconfiguration of relations between stan⁴ states and provide an opportunity to easily change the routes of trading goods and transit stops.

In this context, Brzezinski comments that China meets the expectations of Central Asian countries, and they are the beneficiaries of Chinese projects, which also strengthens their sovereignty and makes it "permanent" (CAA Network 2017). Certainly, in a generic context, China pursues its own economic motives by investing in Central Asia's development. Meanwhile Central Asia is welcome to receive financial aid for reconstructing the transport infrastructures in regions with potential opportunity to prosper the economy. The strategic pursuit of cooperation includes hidden political and economic strategies for both China and Central Asia countries, which as a result delivers mutually beneficial economic developments (Mariani 2013: 9).

There are numerous economic interventions involved between both China and CA countries. Some research studies claim that China will remain as the main actor of economic development in the region (Kucera 2012), while others argue China's larger goal strategies in external operations were importing cheap natural resources and exporting surplus production materials across the regions. It is partially true that China, in order to secure its economy with sufficient energy sources, is intending to supply them from CA countries. These natural resource reserves in CA will deliver returns for China by reducing the costs of dependence on maritime routes.

However, the China – Central Asia relationship is not only conducted via the natural resource exploitation trade. Rather, China's stated goal is to create a stabilized and

⁴ The Persian suffix – "stan" meaning – "land of"

peaceful international environment across the region and for its economic development. By providing economic development, China is also focused on stabilizing the relationship of CA countries which are also relevant for the security of Chinese regions such as Xinjiang (Mariani 2013: 9).

5 Conclusion

The huge OBOR infrastructural project, with massive investments in affected countries, remains without clear guidelines and strategic goals. As the project covers a broad range of development initiatives, the conducted research analysis is explorative without clear prediction or precise influence on the economy of involved parties. Thus, the analyses of OBOR focusing on particular Central Asian areas and the influence of invested transportation to those countries will generate opportunity and demand for further research analysis. It remains to be seen what sort of results the recently implemented infrastructures will result in the Central Asian economy.

The development of transportation has the potential to influence the economy at the national level. However, the evidence provided above reveals that China's investments are focused on its domestic strategies without clear transportation investment guidelines for the regions. This consequently leaves the question unanswered due to a lack of concrete evidence – how the transportation impacts on the economy of CA countries, especially that of Uzbekistan. With limited sources about the OBOR project for Uzbekistan's economic development, the collected research analysis is generalized concentrating mainly on the Central Asia region as a whole. The result of analysis reveals that the OBOR project is launched relatively recently, and invested in infrastructure developments that require time to register their impacts on the economy.

There are multiple challenges in predicting clear results of OBOR projects, but due to the initiatives of Central Asian governments to receive investments that are financed at low interest rates, there is a shared recognition of mutual economic prosperity for both parties which emerge via continuous new project applications. This, as a result, will create potential economic opportunities for the countries by leaving unpredictable consequences of such initiatives.

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Appendix 1. Implemented Road and Railroad projects in Uzbekistan

Source: (Reconnecting Asia 2017)

Appendix 2. Central Asia Natural Gas and Oil reserves

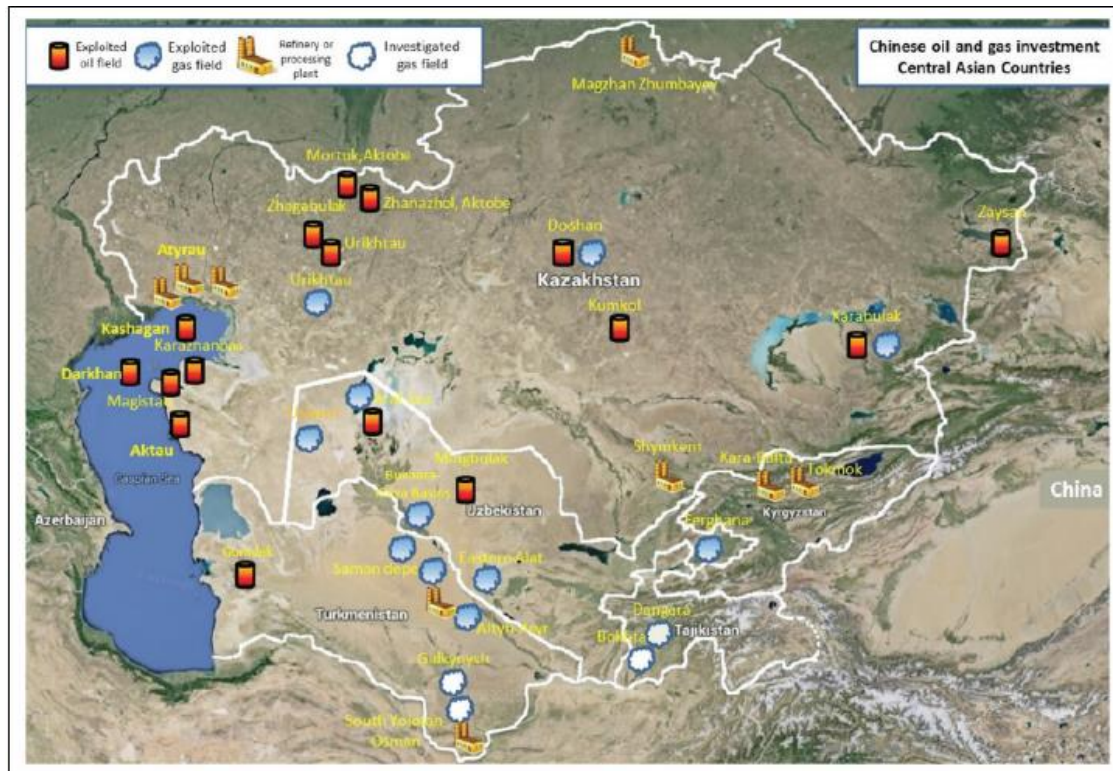
Central Asia endowed Oil and Gas resources

Country	Oil (billion barrels)	Gas (trillion cubic feet)	Oil Global Rank	Gas Global Rank
Kazakhstan	30	85	13	14
Turkmenistan	0.6	265	42	6
Uzbekistan	0.59	65	43	19
Kyrgyzstan	0.04	0.2	74	82
Tajikistan	0.01	0.2	80	82

The distribution of Natural Gas from Central Asia to China



Oil and Gas investment in Central Asia

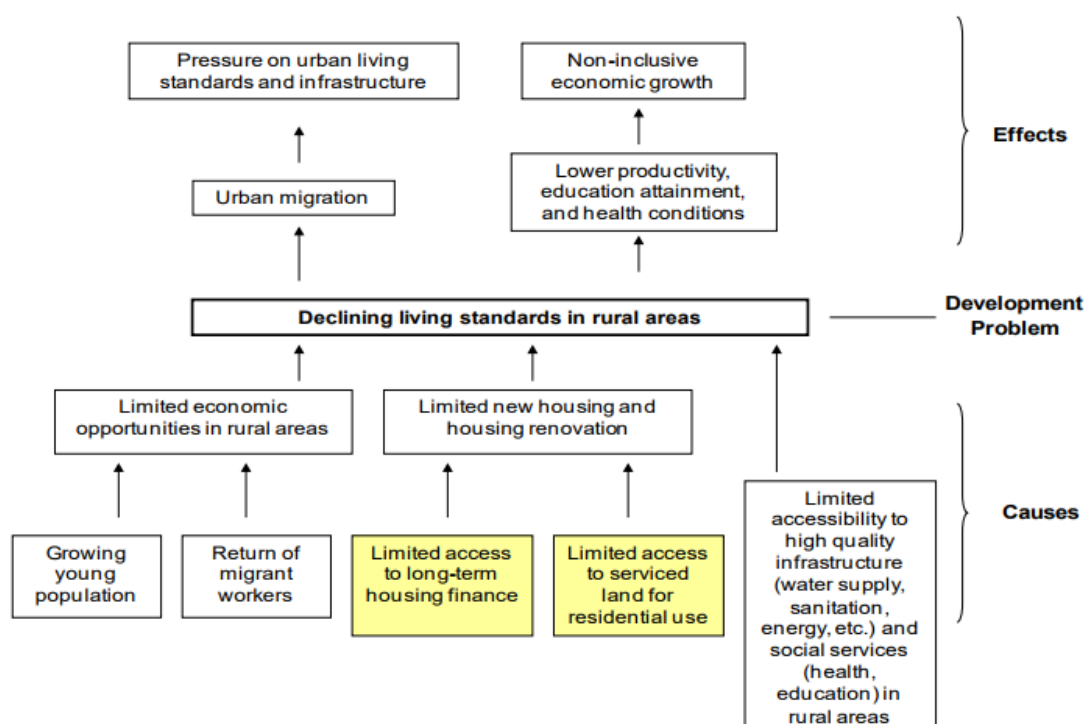


List of Chinese Energy Investments of China in Central Asian countries

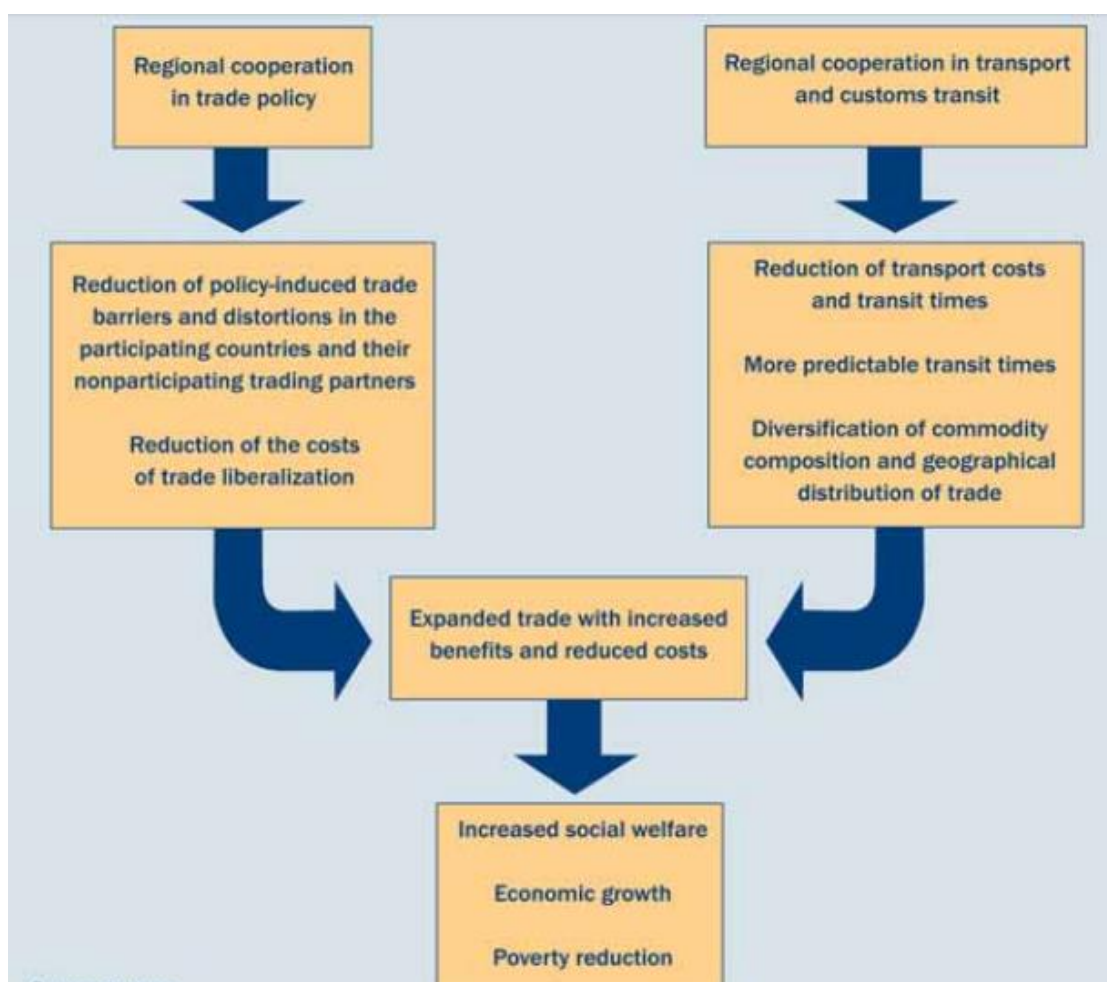
Kazakhstan	Kazakhstan-China Oil Pipeline: CNPC and Kazakhstan's largest state-owned oil company, KazMunaiGaz, built a \$3 billion, 3,000 km pipeline from the Caspian Sea to Xinjiang in 2006. It has a capacity of 400,000 bpd.
Turkmenistan	Central Asia-China Gas Pipeline: CNPC built a \$7.3 billion, 7,000 km natural gas pipeline beginning in Turkmenistan and passing through Uzbekistan and Kazakhstan en route to China. The first part of the pipeline was completed in 2009 and currently has a capacity of 30 bcu per year, with a projection for 80 bcu per year by 2020.
Uzbekistan	Central Asia-China Gas Pipeline: China first imported Uzbek natural gas in 2012.
Kyrgyzstan	Junda Oil Refinery: Zhongda China Petrol Company opened Kyrgyzstan's first oil refinery in 2013, drawing on oil imported from Chinese fields in Kazakhstan. It has a capacity of 12,000 bpd.
Tajikistan	Danghara Oil Refinery: In April 2014, a Chinese company agreed to invest upwards of \$500 million in an oil refinery with a total expected capacity of 24,000 bpd.

Source: (Tang 2015)

Appendix 3. Rural Area Problem Tree



Source: (ADB 2010)

Appendix 4. The flow of regional cooperation in landlocked countries

Source: (ADB 2006)