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Central Asia: The New Silk Road Initiative's Questionable Economic Rationality

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Abstract

This paper explores how the New Silk Road Initiative, which is presented as a concept founded on economic rationality, tends to offer an ideological perspective on transport and trade for the Central Asian region. The New Silk Road Initiative advocates for more transport infrastructure in Central Asia without tackling the most significant barriers to trade: production patterns, widespread corruption, and poor management practices at borders.

Keywords: Silk Roads, Central Asia, transport economics, ideology, landlocked, border management.

Prior to the dissolution of the USSR, the vast majority of economic flows involving that country were among its constituent republics. This was particularly true for Central Asia, whose economic ties were overwhelmingly with the Russian Republic. After independence the five states of post-Soviet Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) tried to compensate for the rupture of basic economic relations by diversifying their economic partners. However, trade flows toward the south (Afghanistan, India, and Pakistan) remain minimal, and those to the west (Turkey) and southwest (Iran) are modest (Peyrouse 2010; Laruelle and Peyrouse 2012b). They lag far behind Russia, which has continued its political and economic dominance in the region, but also and above all, behind trade with China, whose role has become very significant.

The redirection of economic flows has raised several political issues for the states of post-Soviet Central Asia as they increase Russia's and China's influence over the entire region, with significant variations depending on countries. The importance of trade with China raises questions about the political and economic autonomy of states such as Turkmenistan, Kyrgyzstan, and Tajikistan. For example, what would happen to Turkmenistan's economy if

Beijing decided to suspend its imports from the country for political reasons, as China is Turkmenistan's main export client?

Then there are the economic issues, since Russia and China's overwhelming commercial domination continues to hinder any prospects for the large-scale development of commercial relations with Turkey and Iran. Lower-priced Chinese products quickly came to supplant many of the goods produced in other states. This commercial reality reduces the prospects for developing trade relations with the South; i.e., with India and Pakistan via Afghanistan.

Lastly, there are the geopolitical issues, which confine Central Asia within Russia's sphere of influence, making the states further dependent on their Chinese neighbor and removing them even more from Western influence.

In this context, the United States has decided to address these concerns through a new project called the New Silk Road Initiative.¹ It seeks to promote 1) greater regional connectivity through improved trade and transit routes by improving the "hardware" of reliable roads, railways, bridges, and border crossing facilities; 2) the development of regional energy markets by supporting the Central Asia-South Asia regional electricity grid (CASA-1000), energy transmission lines, hydropower plants, and reforms in Afghanistan; 3) strengthened customs and border operations harmonizing national customs systems, bringing states into multilateral trade institutions, and getting neighbors to work together to break down institutional and bureaucratic barriers to trade; and, 4) deeper people-to-people and business relationships by supporting training programs for students in business, and organizing meetings, and conferences to help these countries' businessmen reach trade agreements (State Department 2015). The initiative aims to further economic development and bolster peace and stability in a volatile region. It seeks the growth and diversification of economic flows between Central Asia and South Asia, since this is crucial to any improvement in the balance of political forces in the region.

For Washington, the New Silk Road Initiative is part of a two-part logic: 1) to develop Afghanistan's economy through the improvement of infrastructure, integrating "...the country further into the region by resuming traditional trading routes and reconstructing significant infrastructure links broken by decades of conflict" (State Department 2015), and by extension, 2) to develop regional commerce and therefore the economies of neighboring countries, those of Central Asia on the one hand, and of Pakistan and India on the other. However, as Alexander Cooley explains, the initiative "geopoliticizes" what should be a standard trade policy. The policy is designed to deliberately exclude Russia, Iran, and China." (as quoted in Marat 2014). With time, these projects are supposed to create intercontinental corridors and provide landlocked states with access to sea ports. In this regard, Secretary of State Hillary Clinton explained, "Let's work together to create a new Silk Road... an international web and network of economic and transit connections. That means building more rail lines, highways, energy infrastructure." (Clinton 2011). Researchers have remained content to relay this discourse, in particular S. Frederick Starr who, under the auspices of the Central Asia and Caucasus Institute, authored several documents and gave interviews asserting the pertinence of the New Silk Road Initiative (Starr and Kuchins 2010; Yuldasheva and Shurkudoza 2011; Starr 2011): "One of the most promising ways forward for the US and NATO in Afghanistan is to focus on removing the impediments to continental transport and trade across Afghanistan's territory... Absent is the overall prioritization, coordination, and risk management that will enable Afghanistan to emerge as a natural hub and transit point for

roads, railroads, pipelines, and electric lines. The US and its coalition partners can provide these missing ingredients.” (Starr and Kuchins 2010)

Beyond the political and geopolitical stakes raised and discussed in Marlene Laruelle's article in this issue, this paper will address several economic questions that the New Silk Road Initiative raises. The first part will focus on potential trade exchanges between South Asia and Central Asia with regard to their Russian and Chinese partners' dominance, and on Ankara and Tehran's aspirations to develop a trade policy that does not necessarily involve Afghanistan or its two southern neighbors, India and Pakistan. The second part will discuss the relevance of the development criteria on which this project relies; namely, a reduction of distance and of time, and ask whether these criteria respond to the economic exigencies for developing trade flows based on developed infrastructure. We will demonstrate that the initiative fails to consider many other key elements; in particular those of security, cost, and good governance, considerably weakening its very foundations.

Between Established Commercial Flows and Rival Projects: The Prospects of the New Silk Road Initiative in Central Asia

Regional trade dominated by Russia and China

Trade route projects in Central Asia must take into account a context in which Russia and China largely dominate trade flows. This raises the question of the West's capacity to redirect trade flows and how much interest the states of the region have in cooperating with the West to do so. Moreover it is rather unlikely that Russia and China will abandon certain economic prerogatives in which they have invested, both politically and economically, for more than ten years.

Today, economic connections rank as one of most important drivers of Russian influence in Central Asia. Moscow regained an important, although no longer monopolistic, economic position in Central Asia at the beginning of the 2000s (Perovic 2005). Russian-Central Asian trade tripled between 2003 and 2007, rising from US\$7 billion to \$21 billion (Paramonov and Stokov 2007, 3-4). In 2014, trade flows stood at almost US\$22 billion, positioning Russia as the region's third-largest trading partner behind China and the European Union. Despite the predominance of energy, Russia's trade with Central Asia involves other important sectors of cooperation; uranium, electricity, construction, telecommunications, transport and railways, banks, the military-industrial complex, and certain agribusiness sectors. Russia remains a dominant economic actor in mineral resources, which are important for the heavy industry sector, and in infrastructure – the old Soviet specializations – but is a relatively limited and uncompetitive actor in terms of small and mid-size companies and new technologies.

Since 2010, the Russia-Belarus-Kazakhstan Customs Union has enabled Russia to develop trade with its two partners and maintain common strategies in terms of trade with non-member states. The three member states removed their customs borders in July 2011, created a common market of 170 million people in January 2012 and renamed it the Eurasian Economic Union in January 2015. The political message of regional integration is clear: the Kremlin is openly mulling the idea of creating a few joint, supranational mechanisms in specific areas – mainly the economic and financial domains, and potentially the strategic sector – that would guarantee an integrative dynamic between Russia and some of its Community of Independent States (CIS) closest strategic and economic neighbors; Kazakhstan, Belarus, Kyrgyzstan, and possibly Tajikistan (Laruelle 2011).

A second consideration is that every program to develop trade routes necessitates an assessment of the role and growing influence of Beijing in local economies and regional trade. In the first half of the 2000s, China moved forcefully to establish itself in the Central Asian market, mainly in hydrocarbons, extractive industries, infrastructure, and communications. Between 2002 and 2003, trade between Central Asia and China increased about 300%, from about US\$1 billion per year to more than US\$3 billion. An increase of 150% followed between 2004 and 2006, with trade reaching more than US\$10 billion according to Central Asian figures (Raballand and Andr sy 2007), or US\$13 billion, according to Chinese figures (Raballand and Kaminski 2007, 129-134). In 2008, before the global economic downturn, trade between China and Central Asia exceeded US\$25 billion (European Commission Statistics 2009). Since then, China has clearly gained the upper hand, with US\$45 billion for Beijing compared to about US\$30 billion for Moscow in 2014 (See table 1). In a few years, China has succeeded in improving its reputation with soft-power diplomacy and drastically changed the economic and strategic status quo in Central Asia. China positions itself as the second-most influential external actor in the region behind Russia, but surpasses Moscow in economic terms.

Chinese influence profoundly changed the region's economy (Laruelle and Peyrouse 2012a). As in the other parts of the world where Beijing is establishing itself, its strategy pursues many objectives, which the Chinese authorities see as intrinsically related. First, China consolidates its geopolitical influence in Central Asia by creating economically based good neighborly relations that work to diffuse potential tensions. Secondly, it contributes to regional development in order to avoid political and social destabilization, which could have domestic consequences in its Xinjiang region and slow down Chinese economic growth. Relations between Central Asia and China have indeed been concerned with managing the difficult Uyghur question. In 1991, the sudden appearance on the international stage of five new states reinforced Chinese concerns about the claims of Uyghurs, who appear much like the "sixth people of Central Asia," still waiting for independence. Lastly, the Central Asian states provide new markets for Chinese products; markets that could open up to the whole of Russia, Iran, and Turkey. For landlocked Central Asia, the Chinese economic engine brings with it the prospect of new trans-Eurasian corridors and is thus seen as a unique historical opportunity. These elements are part of the Chinese New Silk Road Economic Belt; an attempt to create a vast loop on three continents that Chinese leader Xi Jinping unveiled in September 2013. It includes countries situated on the original Silk Roads through Central Asia, West Asia, the Middle East, and Europe. It calls for the integration of the region into a cohesive economic area through building infrastructure and increasing trade.

The Central Asian states and China have every interest in developing their mutual relations, as their economies are more complementary than in direct competition with one another. China has the capacity to export consumer products to Central Asia at low prices, which suits the low purchasing power of the local populations, whereas Russian, Turkish, and Iranian (not to mention Western) products remain too expensive. China is also able to provide technological goods to the middle and upper classes, whose consumption patterns are constantly rising, in particular in Kazakhstan. Between 80% and 90% of Chinese exports to Central Asia consist of mainly finished goods such as consumer products, machinery, processed foodstuffs, textiles, shoes, electronic goods, pharmaceutical products, and automobile parts. On the other side, about three-quarters of Central Asian exports to China consist of raw materials, crude oil, natural gas, and ferrous and nonferrous metals (Myant and Drahoukoupil 2009).

Faced with the overwhelming economic domination of Russia and China in the region, the two partners that were meant to take on a major role in terms of political and economic influence, namely Turkey and Iran, were largely eclipsed.

The secondary, but not insignificant, roles of Iran and Turkey

Turkey's involvement in Central Asia has little bearing on Turkish global trade. Today Moscow ranks as Ankara's second-largest trading partner after the EU, receiving almost 9% of Turkish trade with a value of US\$27 billion in 2014, while Kazakhstan, makes up just over 1% of Turkish trade (European Commission Statistics 2014). Turkey is Central Asia's fifth-largest trading partner; however, it is only truly important to Turkmenistan. Moreover, Turkey only represents 5% of the global Central Asian trade. Although it has built itself a reputation as an efficient and rapid partner in commercial matters, today Turkish companies have but a few secure commercial niches; namely, those in construction, textiles, and foodstuffs.

Geographical distance is an essential obstacle to economic development in Central Asia. Road and railway infrastructure remains insufficient and customs border-crossing via Iran slows down flows considerably due to complex clearance formalities and corruption. Therefore more than one-third of trade flows between Turkey and Kyrgyzstan pass through Russia and Kazakhstan instead of through southern routes (Corporate Technologies Center 2008, 12). The transit of hydrocarbons and electricity between Central Asia and Turkey is hampered by geopolitical uncertainties, especially Iran's involvement. Turkey's geostrategic position and relations with Central Asia will evolve in the years to come depending on many factors: the difficult partnership with the European Union and the rise of Euro-skepticism among Turkish elites; growing tensions with NATO since the war in Iraq and the Arab Spring; Kurdish autonomy in northern Iraq; cooler relations with Israel; a distinct geopolitical rapprochement with Putin's Russia (Torbakov 2008); and its attraction to the prospects the Chinese market brings.

Despite Iran's geographical contiguity with Central Asia via Turkmenistan, economic exchanges are still limited and unsteady. In 2011, Tehran represented less than 2% of all Central Asian foreign trade, with a value of US\$1.4 billion, and less than 1% in 2010, with a value of a little bit more than US\$1 billion. Regionally, Kazakhstan generally dominates trade with Iran, followed closely by Turkmenistan. Iran ranks as Turkmenistan's sixth-largest trade partner and Tajikistan's seventh, but is much less important for other Central Asian countries. With the exception of Turkmen and Tajik exports, Iran represents only between 0.3% and 6.7% of the region's imports or exports.

However, trade flows between Iran and Central Asia are likely to increase. Although the Iranian products that have been entering the Central Asian markets since the beginning of the 1990s are unable to stave off Chinese competition and will disappear, new sectors of cooperation are developing in hydroelectricity, minerals, the industrial processing of agriculture and textiles, and automobile production. Iran's geographical position gives it real value in the eyes of the Central Asian states, which are always interested in finding ways to gain access to southern seas and the Mediterranean Basin (via the Red Sea and the Strait of Hormuz).

The New Silk Road Initiative must therefore be slotted into a trade context where there is dominance from the activities of China, Russia, and the EU, in addition to the ambitions of two other regional actors, Turkey and Iran. Faced with this established concentration of commercial flows to and from Central Asia, the New Silk Road Initiative envisages making

Kabul, the current missing link between north and south Asia, the heart of its development strategy by "reestablishing Afghanistan's traditional role as a *hub of transport* and trade linking Europe and the Middle East with the Indian sub-continent and all South and Southeast Asia. It seeks to remove existing impediments to long-distance road and railroad transport and to the transmission of hydrocarbon and hydroelectric energy within Afghanistan and across Afghanistan" (Starr and Kuchins 2010, 10).

Prospects and limits of trade exchanges between Central Asia and South Asia

According to Starr, in the short term the initiative aims to open up a few key road corridors in and out of Afghanistan: "Exporters of cotton from Central Asia would be sending hundreds of trucks to Gwadar, Karachi, Chahbahar, and Bandar Abbas [through Afghanistan]" (Quoted in R. Solash 2012).

Significant traffic growth would demonstrate the economic rationale of the New Silk Road Initiative; however, despite growth, data presented continue to remain low (Table 1). In 2011, for instance, Kabul accounted for less than 2.8% of total exports to the five Central Asian republics but imported more than 20% from the Central Asian republics (because of oil and gas imports from Uzbekistan, Turkmenistan, and Kazakhstan). In the region, resource-poor countries import oil and gas from resource-rich countries, whereas resource-poor countries export some agricultural products. Trade in semi-finished and intermediate products, which account for the bulk of world trade, is virtually non-existent.

In economic terms, Pakistan is a very remote actor in Central Asia, positioned sixteenth in terms of trade and with more modest ranks in terms of bilateral exchanges. The Pakistani economy, dominated by small private firms, is weak and lacks large companies that are able to carry out massive overseas investment policies. Pakistani businessmen are active mainly in the purchase of cotton, particularly in Uzbekistan, construction materials (cement), food imports, and agribusiness (sugar and flour factories), and they trade traditional products such as leather and jewelry (Saidov 2007). So far, major projects to link the two regions by transport (the Central-South Asia Transport and Trade Forum and the Karakoram Highway) have failed or had very little effect.

As for India, its economic presence in Central Asia is minimal. At about 0.25% of total Indian trade, Central Asia is insignificant and unlikely to exceed more than 1% irrespective of developments (Sachdeva 2011). In the opposite direction, Delhi represents only 0.4% of Central Asian trade, and ranks from the fourteenth to the twenty-first largest trading partner of each state.

The Indian economic presence and trade with Central Asia is hampered by several factors. To date Central Asian economies need what China's "world's workshop" has to offer; investment in transport infrastructure and energy production, as well as cheap goods that fit in with the low standard of living. With the exception of Kazakhstan, their interest in India as the "world's back office" is limited at present. Moreover, the majority of India's trade is conducted by sea; trade relations are developing primarily with South Asia, Europe, and the United States, particularly in the booming information technology sector. Poor relations with Pakistan and the closure of the border with China after the 1962 conflict have hampered continental trade, although Sino-Indian flows are now expanding (Huchet 2010). In the energy sector, India's needs are immense, but its entry into the Caspian Basin has so far been unsuccessful (Dash 2008). New Delhi has pinned all its hopes on two gas pipeline projects:

the Iran-Pakistan-India (IPI) and the Turkmenistan-Afghanistan-Pakistan-India (TAPI), but these have been slow to come online. Relations between India and Pakistan are still very tense (India withdrew from the IPI project in 2009 over pipe size, pricing, and security issues), and the security situation in Afghanistan and in Pakistan has deteriorated. Moreover, the operation of the deposits feeding TAPI will certainly require further time given the current state of the Turkmen gas industry. Lastly, prospects of TAPI's completion in the short term remain all the more subject to caution as its costs have been revised significantly upward and now could reach up to \$10 billion due to delays in implementation (Bhutta 2015).

The opportunities for Central Asia to trade with South Asia are therefore limited and do not correspond to the current main trends. The India-Europe corridor, for example, is a mainly sea-based route that would bypass Central Asia altogether.

Table 1. Central Asian states with Russia, China, EU, Turkey, Iran, India, and Pakistan (in million US dollars).

Country	Partner country	Concept	2014
Kazakhstan	Russia	Export	6,724,017,779
	Russia	Import	15,524,055,562.4
	China	Export	8,816,850,736.3
	China	Import	13,990,169,626
	EU	Export	6,724,017,779
	EU	Import	9,045,360,500
	Turkey	Export	1,123,879,560.9
	Turkey	Import	1,075,316,537.9
	Iran	Export	655,873,188.5
	Iran	Import	53,541,470.2
	India	Export	839,586,930
	India	Import	267,426,188.7
	Pakistan	Export	15,801,201.5
	Pakistan	Import	22,422,053.4
Kyrgyzstan	Russia	Export	67,127,372.7
	Russia	Import	1,917,544,389.2
	China	Export	41,816,853.6
	China	Import	5,769,524,057
	EU	Export	84,680,000
	EU	Import	545,917,240
	Turkey	Export	59,679,785.4
	Turkey	Import	463,850,766.5
	Iran	Export	15,420,062.2
	Iran	Import	12,695,071.9
	India	Export	444,378.1
	India	Import	39,720,714
	Pakistan	Export	1,348.7
	Pakistan	Import	2,132,295.8
Tajikistan	Russia	Export	33,883,656.3
	Russia	Import	980,046,162.7
	China	Export	43,354,591.8
	China	Import	2716,110,570.8
	EU	Export	63,858,090.9
	EU	Import	301,248,090
	Turkey	Export	146,315,679
	Turkey	Import	305,132,289

	Iran	Export	81,536,663.2
	Iran	Import	203,655,099
	India	Export	3,237,966.3
	India	Import	65,979,808.4
	Pakistan	Export	19,964,289.1
	Pakistan	Import	7,881,824
Turkmenistan	Russia	Export	82,664,933.6
	Russia	Import	1,271,529,666
	China	Export	8,651,052,997.2
	China	Import	1,049,130,293.2
	EU	Export	954,841,272.7
	EU	Import	1,499,728,780
	Turkey	Export	566,660,204.5
	Turkey	Import	2,454,776,133.7
	Iran	Export	228,661,167.5
	Iran	Import	336,529,880.3
	India	Export	14,101,570.9
	India	Import	110,598,975.3
	Pakistan	Export	3,786,610
	Pakistan	Import	1,020,899.5
Uzbekistan	Russia	Export	795,733,382.7
	Russia	Import	3,433,121,145.3
	China	Export	1,451,140,494.5
	China	Import	2,942,139,146.1
	EU	Export	180,196,181.8
	EU	Import	2,228,051,870
	Turkey	Export	709,733,258.1
	Turkey	Import	663,349,150.2
	Iran	Export	129,951,331.2
	Iran	Import	-
	India	Export	35,355,854.5
	India	Import	185,852,711
	Pakistan	Export	1,525,886.9
	Pakistan	Import	3,782,135.6

Source: Direction of Trade Statistics (DOTS).

The New Silk Road Initiative: Stakes and Limits Of Economic Rationality

Beyond the already existing economic flows, the US New Silk Road Initiative raises several questions concerning its economic rationale: What modes of evaluation have been used to assess the amount of goods transported to date? How has the potential for developing trade been calculated? And, how have the security risks and cost of transport been assessed? Many of these criteria have been, at least somewhat, overlooked.

So far trade growth between Central Asia and Afghanistan/South Asia is due to military equipment traffic, which cannot be compared to full commercial trade. To support the economic justification of the New Silk Road Initiative, data have been presented on the recent traffic flow increases along what is called the Northern Distribution Network (NDN) by NATO (Lee 2012). Such increases would justify the fact that traffic along the Silk Roads has already taken off and will peak in coming years. Interestingly, the data on the number of containers are presented, which looks as if the traffic number would be high. However, when “translated” to number of trucks crossing borders daily, the NDN does not yet appear to be

particularly successful. In 2012, almost 400 containers on average transited through the NDN according to the State Department, which would be equivalent to less than 30 trucks a day along the network (not even equivalent to a loaded train per day).² This figure is especially important because the rule of thumb to economically justify a road rehabilitation is more than 150 trucks a day; for instance, in landlocked regions in Sub-Saharan Africa (Beuran et al. 2015).

This is even more worrying since the current traffic of 30 trucks per day is mainly due to military use, not commercial use. NATO forces use this road/rail network to withdraw and supply equipment from and to Afghanistan. It is easy to assume that such convoys (mainly transported by rail) benefit from increased security. However, it is likely that for commercial goods, the same level of security would not probably be provided at such a high cost. Therefore, the current or even expected level of military traffic does not mean that commercial traffic will increase significantly.

A route on a map or road rehabilitation does not create traffic and trade automatically

Political statements on the Silk Roads emphasize the need to focus on rehabilitating road infrastructure. However, it is much easier to draw a corridor on a map than to actually record a trade increase on the ground. This is not specific to Central Asia, and it is much more complex, as any freight forwarder in the world can explain. In this regard, ignoring the “real world” leads to massive investments, which are most unlikely to bring trade and poverty reduction, which is the proclaimed objective.³

The concept of a New Silk Road Initiative suffers from a lack of knowledge of trade from a corporate perspective.⁴ Politicians and the military usually focus on infrastructure, whereas infrastructure is only one factor in the production function of a transporter and does not lead automatically to trade expansion. For an importer and exporter (or freight forwarder), route selection depends not only on infrastructure but ultimately on the price-reliability/cost ratio. This is usually dependent on how transport services are regulated, how large the market is, and how reliable border crossings are.

As in other parts of the world, road investments in Central Asia are based on two key hypothetical assumptions (Beuran, Gachassin, and Raballand 2015): 1) investments in roads always generate traffic; and 2) roads in good condition produce large economic benefits in any instance.

The unescapable underlying character of these assumptions biases the vision toward extremely large expected benefits leading to the idea that created benefits would largely compensate for road network expansion. However, road infrastructure costs are usually overlooked, and there is hardly any analysis of the fiscal sustainability of the projects.

The causal chain from improving road conditions to achieving poverty reduction and increase in trade is not straightforward. Several factors complicate the relationship between road conditions, vehicle operating costs (VOC), transport prices, and trade. First, vehicle operating costs are more reduced if the trucking fleet is new and when roads are in poor condition (compared to fair), which means that rehabilitating a road in fair condition will probably have less impact than rehabilitating a corridor in poor condition; a common practice in Central Asia for major road corridors. Second, reduced transport prices depend mainly on the market structure of the industry. Also, while the focus for decades has been on improving regional

integration to reduce transport prices through the signing of regional agreements and regional roads investments, without integration of trucking services, reduction of transport prices is not likely to be achieved. Non-tariff barriers continue to remain present for truckers outside their home countries in Central Asia. Finally, the impact on growth and poverty reduction depends on the share of transport costs and the role of transport constraints. If transport accounts for approximately 10% of input costs, reducing transport prices by 50% may not necessarily create a breakthrough in competitiveness of the products. It can be different if this ratio is close to 30% (which is more unlikely, especially for mining products, which are usually high value goods).

Lack of regional cooperation and governance issues

The Silk Road Initiative focuses on distance, and much less on reliability and predictability. Yet distance is an extremely poor proxy for a freight forwarder selecting a route. Among traders, transport reliability and predictability is much more crucial than distance. According to Arvis, Raballand, and Marteau (2007), “the magnitude of delays and unpredictability represents a cost that greatly outweighs in value the economies obtained by drastically reducing direct transport cost,” which means that financial costs linked to increased inventories are much more costly than savings of transport through reduced distance.

Although many articles have focused on the need to strengthen regional integration in Central Asia (see, for example, Bhattacharyay and De 2009), one could question why it has not yet happened in two decades. Indeed, Central Asia has been more characterized by disintegration than integration. Collins (2009) made a useful distinction between virtual and real integration and a link between poor success of regional integration and patrimonialism, and strived to explain why integration has not been strengthened despite numerous pleas from donors. The author explained that even though economic integration would bring more than security regionalism to local populations, economic regionalism involves economic liberalization that adversely affects the current leaders in the region; therefore, at best, “virtual” economic regionalism is sought.

On the contrary, in the case of security regionalism, some regional organizations progress because they bolster patrimonial regimes. Collins (2009) explained that “the Presidents (of Central Asia) have opposed economic regionalism that would threaten either their personal and family fortunes or their clients’ economic interests.... Committing to regionalism – without actually implementing the fundamental measures needed to make it effective – is one way to co-opt the private sector and garner at least temporary popular legitimacy without sacrificing significant control....” In this regard, Uzbekistan regularly increases transit fees, which obviously makes regional integration more difficult and the New Silk Road Initiative increasingly expensive. In January 2012, Uzbekistan raised transit fees for freight bound for Tajikistan by 32% (Lee 2012).

The New Silk Road Initiative also does not take into account poor governance practices among border agencies, which make the route economically problematic. Arvis, Raballand, and Marteau (2007) stated that in Central Asia, trucks could face a delay of up to three days at the Uzbek-Turkmenistan border. Delays were due to congestion created by haulers’ schedules, inadequate and uncoordinated working hours in various administrative offices, and/or slow processing and duplication of tasks between the two border countries.

Megoran, Raballand, and Bouyjou (2005) had found similar problems in the Fergana Valley. They documented that the decrease of regional trade was largely due to the unilateral introduction of a highly disruptive border and customs control policy in Uzbekistan, which dramatically increased transportation costs and precipitated a growth in smuggling in which some state officials themselves colluded.⁵

Over the years, it seems that many officials at borders (either customs, police, or even among local authorities) have a personal interest in having tight borders and are not in favor of regional integration. Therefore, one could really question why the New Silk Road Initiative would be economically viable, since border-crossings are numerous (at least in Turkmenistan, Uzbekistan, and Kazakhstan). This could be confirmed by the fact that the Organization for Security and Cooperation in Europe (OSCE) and the EU have advocated for the simplification of procedures at borders in Central Asia for several years with relatively limited impact on the ground.¹

Past experiments as lessons for the future?

The main regional organizations and international donors have already placed their bets on better transport to revive the local economies. Although all the regional organizations (or programs) to which the Central Asian states belong are in theory occupied with transport corridors, very few have obtained any tangible results. Moreover, as Johannes Linn (2008) states, the plurality of organizations, each with different members and their own underlying rationales, leads to a duplication of programs, leading to a certain number of problems.

The Western-backed Silk Roads narrative has several rival projects. Among them, the project for a southern corridor linking Istanbul to China via Iran, Turkmenistan, Uzbekistan, and Kyrgyzstan comes up regularly in the international arena, but it remains only an idea without implementation for want of political support and financiers. In 2002, a daily Almaty-Tashkent-Turkmenabat-Tehran railway link, in part financed by the Economic Cooperation Organization, was triumphantly opened and then suspended a few weeks later, as Uzbekistan refused to grant a regular time to trains transiting through its territory (Abazov 2005, Kazakhstan Ministry of Foreign Affairs 2009).

In contrast with other programs, the Central Asia Regional Economic Cooperation (CAREC) supports the whole set of possible projects – 60 in total. Most of these corridors have two or three routes in some places and are designed to combine a maximum of rail and road capacities (Asian Development Bank 2009). China is obviously the economic driver of these trans-Eurasian corridors. Through their contributions to the Asian Development Bank, the Chinese authorities participate in the CAREC projects, but they also develop specific regional and bilateral strategies with the Central Asian countries. Beijing promotes two international projects and one project with regional value. One international project is a “Western Europe-Western China” corridor from China’s production sites on the maritime coast to Russia and Europe, with Kazakhstan as a main transit country (Mintranskom Kazakhstan 2011). The other international project is a corridor that heads toward Afghanistan and then the Gulf countries, and it will complete Chinese approaches already underway in Pakistan with the Karakoram Highway and the Gwadar port (Weitz 2010, 10-14). It includes Tajikistan, as well as, Kyrgyzstan, to a lesser degree, as transit countries between Xinjiang and Afghanistan.

¹ Border Management Programme in Central Asia (BOMCA). Accessed June 1, 2015. www.bomca.eu

The New Silk Road Initiative is therefore confronted with several competing projects, several of which have already failed and show the difficulty of carrying out regional initiatives. Policymakers and academics behind the concept of the Silk Roads focus on the need to build more infrastructure (roads and rail) with the underlying assumption that it is because of poor road (or rail) quality that trade and transport do not flourish. This is not specific to Central Asia nor to local politicians and academics. For several decades and due to important vested interests, transport economics have been neglected in favor of transport engineering.

"Distance as an essential criterion": A historical-economic misinterpretation?

Past corridor experiments and economic analysis both show that distance is a bad proxy for transport costs, since border-crossings are a significant source of delays and unpredictability and explain why, despite much longer transport routes, maritime trade is much cheaper than continental transport.

One of the economic justifications of the New Silk Road Initiative derives from the strategic position held by Afghanistan and Central Asia in the times of the old Silk Roads. This was true until the sixteenth century, when trade began to develop in a cheaper regime under the leadership of the Dutch East India Company. Caravan trade started to decline, which led to the economic decline of the whole region. As stated simply by the historian Godinho (2000), "the caravel [a small sailing ship] killed the caravan."

Ever since the seas were mastered in the sixteenth century, continental routes have lost their appeal. Maritime transport currently accounts for more than three-quarters of global traffic. In a little less than one-half century, or since 1950, maritime trade has multiplied seven fold and now represents three-quarters of the volume and two-thirds of the value of world trade (Gauchon 2008, 502). Since the invention of containers, the increase in ship transport capacity has considerably lowered the costs, and the world fleet continues to adapt quickly to the growing demands of international transport, such as with specialized ships for agricultural and truck farming. In addition, deregulation at a global scale has lowered transport costs, such that more ships than ever before are registered in developing countries, where imposed constraints on taxation, security, and recruitment are not as strict. The cost of maritime transport represents much less than 5% of the value of the transported goods for wholesale products such as oil or metals (Korinek and Sourdin 2009, 2). In cost terms, distances have been abolished and space has become fluid. This increasing maritimization of the global economy, in particular in the Pacific region, is therefore not to the advantage of Central Asia.

Today more than 95% of the commodities circulating between Asia and Europe take maritime routes, leaving about 2%-3% of the trade to the continental corridors, or 10 million TEU (foot equivalent units, or 17 million containers) in 2007 (Emerson and Vinokurov 2009, 5). It is highly unlikely that these trends can be altered. Mode of transport competitiveness is usually estimated on the basis of three criteria: time, level of service, and price. Maritime transport offers many advantages. The level of service is superior since it makes it possible to avoid the innumerable hazards linked to border crossings and the endemic corruption in transit countries. Even if the system had only minimal dysfunctionality, it is more complex to dissociate the procedures of customs formalities, border crossings, and final customs clearance in continental trade than it is to carry out these operations simultaneously in the ports for maritime trade (Arvis, Raballand, and Marteau 2007). Transport time may be longer as compared to a continental route, but it can be guaranteed, which is not the case for road or rail transport. Therefore, it can be presumed that this time factor will improve, but prices and

services will never be competitive compared to maritime transport. It is therefore very unlikely that an importer or exporter will use the Central Asian corridors, which are more expensive and riskier to import or export their goods from and to Asia.

Conclusion: A Way Forward for Aid for Trade in Central Asia?

This article has attempted to put into perspective the underlying economic elements of the New Silk Road Initiative that its proponents have ignored. Central Asian space is occupied by other geopolitical actors whose ambitions and interests largely diverge from western ambitions. If the State Department claims that this project does not rival existing ones, in particular the Chinese Silk Roads, then neither the great dominance of China and of Russia, nor the failure of regional projects attempted to date invite optimism.

Second, this project is based on principles that are largely contested by transport economists. The construction or rehabilitation of roads does not create traffic *per se*, nor does the increase of traffic to or from South Asia signify any potential for long-term trade. Indeed studies tend to point to the contrary. Estimates of current traffic, carried out in the optimal conditions of the Northern Distribution Network, which was made up mostly of military equipment, do not meet the necessary conditions for the construction of communications networks in landlocked areas, such as those defined by several World Bank studies conducted in other regions of the world. Distance is secondary to transport security, which is by no means assured given the potential and real political instability in Afghanistan and Central Asia, and the massive corruption and embezzlement risks that loom over the transport of goods with each border crossing.

This article seeks to promote a discussion about the discrepancy between the New Silk Road Initiative and the economic criteria that each regional infrastructure project must meet. It nonetheless does not call into question the construction of communications paths between Central Asia and Afghanistan since, as has been the case in Tajikistan, they can present important opportunities in terms of development at the local level. Many regions situated within each republic or straddling different states (on the condition that relations between their respective governments improve) could possibly benefit from better road and railway links. But it is precisely by engaging in more measured, less costly projects that are less likely to be beset by corruption from the local authorities, that the West and the United States will effectively be able to contribute to the development of these states.

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¹In 1993, the European Union set up the Transport Corridor Europe-Caucasus-Asia (TRACECA), a program that aims to open up Central Asia and the Caucasus by the creation of a vast transport and communication corridor along an east-west axis. Twenty years after launching, TRACECA has failed to redirect trade flows. The conflicts that shook the Caucasus in the 1990s and the suspicions harbored by Central Asian states against one another have drastically impeded the integration of national transport networks.

² It is expected that traffic along the NDN should double at maximum; i.e. 60 trucks per day.

³ This was somehow the approach taken by the TRACECA project (<http://www.traceca-org.org/en/traceca>). Despite massive investments in transport infrastructure, TRACECA routes face large obstacles to become viable economic routes.

⁴ Lee (2012) is one of the few, to our knowledge, to try to take into account this dimension in his paper.

⁵The article also explained that border control policies also had a theatrical function related to the performance of national identity and the perpetuation of the incumbent regime. Lee (2012) explained that "border officials in other highly corrupt countries, generally, find it easier simply to withhold permission to enter or exit until a bribe is paid (citing, for example, spurious documents that should have been obtained before arrival at the border). Quoting a local NGO, he adds that "the introduction of new document, cargo, and human scanning technologies at the borders are intended to speed the crossing process, but it seems that many officials view these innovations as a threat to their official and unofficial livelihoods. The machines are often sabotaged so as to keep the evaluation process subjective and thereby allow officials to retain a capacity for exploitation, or the machines are co-opted for exploitation".