Lazarski University

**The Impact of the Great Silk Road Revival on the Republic of Kazakhstan**

**By:** XXXXXX

**Student ID:** XXXX

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**Course Coordinator:** Michal Kuz

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**Introduction**

The Great Silk Road is a name given to a trade caravan network which connected Eastern and Western civilization (Eliseeff, 2001). The Road takes its roots from II century BC and functioned till XVI century. During all these years, countries and civilization were able to share its culture. Indeed, silk became spread with a help of the Road. This is where the name of the trade network derived from. Furthermore, the Great Silk Road had a significant impact on the development of Chinese, Indian, Central Asian countries. It was a mean of religions transmission: Christianity and Buddhism (Bentley, 1993; Bowman, 2000). So, the role of the Great Silk Road for various aspects is priceless for the ancient civilizations, which still exist.

The Silk Road declined in XVI century because of some historical facts which hindered the development of trade relations along the route (e.g. the fall of the Mongol Empire, European mercantilism) (Liu, 2010). Four centuries later, supporting China the USSR started its intention to revive the route. Building the new railways which connected West and East incentivized development of trade relationships again (Heywood, 1999). And the ideas of the Great Silk Road revival are still being considered and gradually executed. Mostly, China is the initiator of this process (Fairbank, 2006), but the current thesis is concerned with Kazakhstani position in the New Silk Road. Kazakhstan is the case study of the paper due to its convenient geographical position (it lies between Russian Federation and China). Moreover, its logistics and transportation (including roads, services, costs) still have many issues to be considered and developed; meanwhile, Chinese level of logistics services can be a very good example how to do it properly.

The subject of the paper is important and deals with topical issues. The primary value of the research is that the process of the revival is still being proceeded and its results can be predicted but there is also a possibility of unpredictable outcomes. It is crucial to decide whether the investments and efforts are worth the future development of trade relationships. The paper attempt to analyze the role of the Silk Road in the modern economy of countries basing on actual databases, interviews of the industry’s representatives, the level and prices for new services provided by logistics companies. More detailed description of the research’s approaches is available in the ‘Methodology’ section.

The thesis aims to prove the importance of the Great Silk Road for the Republic of Kazakhstan. Therefore, in order to structure the paper and the achievement of the aim, the paper examines particular questions: **why the idea of the Silk Road revival occurred, what is the ideal layout of the route, and how the Road will change the international position of Kazakhstan. Finding the answers for all of these questions will help to achieve the primary aim of the thesis and know whether the revival of the Great Silk Road will have a positive impact on logistics in the Republic of Kazakhstan.**

**The paper suggests that** the revival of the Great Silk Road will improve Kazakhstan’s position among the world by virtue of the raising of logistics, transport, and trade performance. It is the hypothesis of the thesis.

**Literature review**

The current thesis studies the influence of the Great Silk Road on the level of logistics in Kazakhstan. There is not a great amount of literature on the topic of the research due to a relatively young term of the word ‘logistics’. Additionally to that, the current thesis requires background on historical review. That is why the literature selection was classified into two main categories. The first one includes the history of the Great Silk Road. The second set which is much bigger is dedicated to logistics in the present times.

Starting the thesis, it is important to know the history of the Great Silk Road. The reasons of its basing, the aims, the routes, and its legacy from the past are crucial for the coming future. Moreover, the history of the Kazakh part of the Silk Road and other Central Asian countries, including Chinese, can differ; that is why both of them should be learnt in order not to miss some important issues. Making a historical review, the biggest part of literature is books. There are many of them that reveal the history of the Great Silk Road from different aspects, such as the infrastructure along the route or the development of culture and languages. However, there are some books that consist of all aspects mentioned before.

Foremost, *Treasures of the Great Silk Road* by Edgar Knobloch (2013) should be pointed out since the author included the various aspects of the Road. Moreover, Edgar Knobloch studies the Great Silk Road from different countries’ sides such as China, Afghanistan, Central Asia (Kazakhstan, Kyrgyzstan, Turkmenistan, Khorezm). In the book the author describes the route of the Great Silk Road, provides a map, shows the way it connected nomad tribes and Chinese, and stresses the consequences which came with the usage of the Road (Knobloch, 2013, p.146).

The next book which deserves attention is *The Silk Road: two thousand years in the heart of Asia* written by Frances Wood (2002). The Silk Road is seen as a method of balance in the book (Wood, 2002, p.50). The author perceives the Road as a mean to avoid frontier wars by trading and sharing cultures. Despite the conventional concept of the Silk Road collapse in XVI century, Frances Wood stresses the existence of trade relationships between Russia and China in 1661-1722 years (Wood, 2002, p.147). This assertion explains the fact the concept of the Great Silk Road was being used even after the official failure.

When it comes to the history of the Great Silk Road on the territory of modern Kazakhstan and its value for the state, the article written by Marvin Nowicki ‘*Kazakhstan’s nonprofit sector at a crossroad on the Great Silk Road*’ (2000) seems to be a good source which explains the consequences of the Road in the Middle ages for today’s economy of the country. As well as Frances Wood (Wood, 2002, p.147), Nowicki do not consider the XVI century to be the year of the Great Silk Road’s ending. The author of the article concentrates its attention on the development of political and economic relationships between Kazakhstan and other countries which were situated along the Road, specially Russia, even after the official collapse (XVI century) (Nowicki, 2000, pp. 218-219).

The second and more important set of literature is dedicated to logistics and trade relationships. This set includes books and journal articles as well. Moreover, the interviews of politicians and economists of the countries will be used as a source. Due to the fact the revival of the Silk Road concerns several countries, such as China, Azerbaijan, Russian Federation, Kazakhstan, etc.; it is crucial to study the level of transportation and logistics in general not only in one country, but in others as well. But mostly the current thesis pays its attention to Chinese-Kazakhstan relationships because the initiative to revive the Road comes significantly from Chinese party.

The first source is a journal article ‘*China’s two roads initiative: what it means for Southeast Asia’* by David Arase (2015). The main significance of his work is its relevance due to a recent time of publishing; moreover, all the information given is collected not a long time ago. In the article David Arase describes the present initiatives of China to revive the Great Silk Road in the 21st century. He writes about China’s economic potential and its aims to become the most powerful state in the whole world. He characterizes China’s relationships with other Asian countries, as well as European and even African and Indian. Indian-Chinese cooperation is described more detailed in the book written by Gupta, Pande, and Wang – ‘*Silk Road rediscovered: How Indian and Chinese companies are becoming globally stronger by winning in each others’ market’ (2014).* David Arase in his article claims that India did not sign the Great Silk Road cooperation endorsements with China (Arase, 2015, p.31); meanwhile, in Gupta, Pande, Wang’s book India is remarked as one of the main companions of China along the Silk Road (Gupta, Pande & Wang, 2014, p.3).

For the current thesis it is more important to study the relationships between Kazakhstan and other countries. One of the articles which based the theoretical part of the thesis is *‘Chinese Economic Presence in Kazakhstan’* written by Peyrousse (2008). This article describes the relationships between Kazakhstan and China mostly from economical point of view. The article includes information on history of the development of the two countries’ mutual relations and the situation between countries in 2008. Also, the article provides with numbers of sellings in last years: 95% of Kazakh aluminum was sold to China in 2004, which proves the importance of China as a trade partner for Kazakhstan. **In the article, trade between Kazakhstan and Xinjiang is called to be one of the best going trade zones (Pyrousse, 2008, p.39). Consequently, the two countries try to make the transport connection between these two zones better with a help of new railways.**

**Continuing the subject of rail and other ways in Kazakhstan and China as well, the book *‘Contemporary Logistics in China: An introduction’* (**Lee, Jiao & Wang, **2011) is a good theoretical base for understanding the logistics in China, its importance and value. According to the authors, the crisis of 2009 affected Chinese economy, but the government reacted to it immediately and now they look for new opportunities to grow (**Lee, Jiao & Wang, **2011, p. 213). The government tries to increase international logistics demand building long-term relationships with neighboring countries.**

**The problem was faced during making a literature review on the logistics in Kazakhstan – the data is not easy to find, since officials of the country are not welcome to share it publicly. For this reason, all the information available was used as a theoretical source, including interviews of such individuals as Ashimbayeva A.T., who was** a director of the Institute of the World Market in Almaty. She made a public assertion regarding problems of Kazkahstan’s economy. In her articles *‘Dostizheniya i problemy ekonomicheskih otnoshenii mezhdu Kitaem I Kazahstanom’* [Achievements and problems of economic relationships between China and Kazakhstan] (2006) and *‘Starye problemy novoi ekonomiki Kazahstana’*, [Old problems of Kazakhstan’s new economy] (2007) Asimbayeva Aliya affirmed that Kazkahstan had developed a strategy on the industrial development, which’s aim was to build a better economic system in the country with different means. And one of them was building new roads, connections with potential trade partners (Ashimbayeva, 2006, 2007).

**The most important literature source, which included theoretical issues as well as practical, is the book published not a long time ago – ‘***The Eurasian connection: supply-chain efficiency along the Modern Silk Route through Central Asia.’ (*Rastogi & Arvis, 2014). The book forms the basis for the current thesis since it provides a big set of data regarding the new Silk Road on the territory of the Central Asian countries. The book provides the analysis of costs for transport by rail and road (Rastogi & Arvis, 2014, p.107). One of the key statement of the book, which can base the thesis, is that Kazakhstan plays an important role as an intermediator of trade for China and Russia (Rastogi & Arvis, 2014, p. 98). Moreover, the provides a proof for the statement of the importance of the country in the form of tables, diagrams, etc. This theoretical information should be used in practice, so the country could unlock its potential.

**As it was mentioned above, it is not easy to find the literature basement for the topic, since the representatives of the country are not willing to share information publicly. For that reason, many books and articles studied concern Chinese economy and transportation, because it also includes data about Kazakhstan and other Central Asian countries.**

**Methodology Section**

**The aim of the paper is to prove the importance of the Silk Road revival for Kazakhstan by providing in-depth analysis of Kazakhstan’s logistics and trade relationships. There are several reasons why Kazakhstan was chosen as a case study of the thesis. Firstly, it is a country which connects on a map two economical giants – China and Russian Federation. The country plays an important role of a mediator. Secondly, due to the latest Kazakh tenge devaluation (it dropped 70% in 2015), there is an extreme need to make a recovery for the country’s economy (Kuandykova, 2015). So, now the relationships between China and Kazakhstan became stronger and China makes investments into the partnering country’s roads, railways, etc.; since Kazakhstan has a potential but is not able to unlock it in the current situation. Thirdly, referring to the history, Kazakhstani part of Asia was an essential member of the Great Silk Road from its very establishment in 114 BC and till the end of its functioning in approximately 1450 (**Forêt & Kaplony, 2008). Almost all of the trade routes from Asia to Europe went through the present-day Kazakhstan’s territory (Demir, 2010).

**The first research question concerns the reasons why the idea of the Silk Road revival occurred and why China is thought to be the most active initiator. Thus, the first part of the paper analyses the importance of the historical importance of the Great Silk Road and describes the process of the Silk Road revival in XXI century. Moreover, in order to find the reasons for Chinese and other countries’ willingness to the revive the Road, it is crucial to observe current situation in countries (political, economic), especially in Kazakhstan and China. In order to find an answer for the first research question, mostly secondary academic sources are used, such as statements of official people, interviews, conventions, meetings, agreements, international organizations regarding the Silk Road revival in the present times.**

**The second research question concentrates on the geographical layout of the new Silk Road. There is no existent map of actual roads and railways as it was in the ancient times. Due to this, it can be challenging to have a visual representation of new trade connections. But relying on pieces of news that concern new railways’ opening, it is possible to make a map of the Silk Road. Moreover, studying actual trade relationships of Kazakhstan with other countries in annual reports, it is possible to find out the most appropriate route. Moreover, in order to study this question properly, the paper can refer to Logistics Performance Index (LPI). There is a thing that should be taken into account: the new Silk Road can skip Kazakhstan and connect some other regions of the world. Due to this fact, it is crucial to study other countries’ official sources, such as academic journals, speeches of political representatives.**

**Thirdly, the paper should help to reveal how the revival of the Silk Road will help the country to improve its performance in the logistic sphere and to widen its trade relationships with other Asian countries as well as some European states. In order to answer this question, both theoretical, such as books on logistics, economy, and even history; and practical sources will be studied. Moreover, in order to answer this question, interviews will be prepared which include questions about opinion on the importance of Silk Road for Kazakhstan. These questions will be addressed to workers of logistic companies in Kazakhstan. Their opinions are not the basement for the research question’s answering, but it will help to form the overall view on it. Furthermore, this research question also includes sub-question: how the revival of the Great Silk Road will affect the prices for logistics services, such as cargo transportation and other. The answer for this is also expected to be gained from the interviews. This research question is crucial for the whole paper. Not answering this question will make the achievement of the aim impossible.**

**Finally, the current thesis measures and highlights the requirements for the country to become the crucial member of the Silk Road union. The paper takes into consideration whether the country is well prepared for such a responsibility. It assesses the level of transportation and roads in the country. The book ‘***The Eurasian connection: supply-chain efficiency along the Modern Silk Route through Central Asia.’* written by duet of authors Rastogi & Arvis (2014) makes a basement to address this question. It provides the data about the current situation in the country. Additionally to that book, some media sources are analyzed since they react immediately to new roads, railways, international connections that appear in the countries.

These research questions lead to the formation of the hypothesis of the current thesis. The hypothesis of the paper is that the revival of the Great Silk Road will improve Kazakhstan’s position among the world by virtue of the raise of logistics, transport, and trade performance.

**Expected results**

**This thesis aims at proving the importance of the Silk Road revival for Kazakhstan by providing in-depth analysis of Kazakhstan’s logistics and trade relationships. The essential expected result of the paper is to show that all the efforts and investments regarding the Great Silk Road revival are not in vain. It is a long and costly process, but in the future the new Road is supposed to bring more outputs than inputs. The paper attempts to reflect actual outputs and predict future ones, and on a basis of these predictions the thesis assumes whether Kazakhstan’s trade relationships with other countries will become stronger and how the Road can help logistics companies to serve in the future. In other words, the thesis sets to discover that well-established transport routes and roads are one of the key factors of settled international trade relationships, no matter what country is a case study.**

Secondly, it is expected that the thesis attempts to reflect the level of logistics in Kazakhstan before the implementation of the Great Silk Road and during the first steps of its revival. For now, it is only an assumption that Kazakhstan should improve its transportation service, roads, performance. But the thesis will provide an accurate analysis of the level of logistics in the country. On the basis of the analysis, it will become possible to find out the quality of which segment of logistics (e.g. whether it is transport modes, roads, or human resources) should be improved so the country could become a valuable member of the Silk Road.

Thirdly, it is expected that this paper attempts to explain the whole concept of international cooperation with a help of developing transportation and trade zones. The paper makes a link between the revival of the Great Silk Road and the growth of countries’ economy. It provides an explanation of the willingness of countries to revive it despite high costs and efforts.

However, there is a possibility that all of these expected results are not achieved. The primary reason for such an occasion is that the idea of the Silk Road’s revival is relatively young and fresh and the idea of its implementation and development is still are being discussed by member countries. Due to this, some information provided in the most of the literature sources are subjects to change. Even though the expected results are not achieved, the current thesis still has a value for the subject of logistics in Kazakhstan and in the world in general since it provides a detailed analysis of transportation problems in the country. Moreover, the paper can be a good literature source and a basement for other theses with new hypotheses.

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