

The Eurasian Landbridge and China's Belt and Road Initiative



Richard Pomfret argues that the BRI could be a major step towards Eurasian integration and greatly improve rail's competitiveness relative to air for time-sensitive shipments

China's Belt and Road Initiative has the potential to extend the Eurasian Landbridge to include both the current China-Poland mainline to western Europe and a China-Istanbul mainline with spurs to the Middle East and North Africa. This column, the second in a two-part series, outlines the history of the initiative and argues that future construction on the network could be a major step towards Eurasian integration and greatly improve rail's competitiveness relative to air for time-sensitive shipments.

In September 2013 President Xi Jinping on a Central Asian tour announced the One Belt One Road initiative and pledged over \$50 billion in Chinese funding for infrastructure projects. The Asian Infrastructure Investment Bank (AIIB), mooted shortly after and officially opened in 2016, stood ready to provide funding. In May 2017, rebadged as the Belt and Road Initiative (BRI), the initiative was officially launched at the Belt and Road Forum for International Cooperation in Beijing, attended by representatives from more than 130 countries and 70 international organisations. At China's 19th National Congress in October 2017, the BRI was incorporated into the Chinese constitution, institutionalising its position as a foremost foreign policy goal of President Xi.

China's Belt and Road Initiative

The high profile given by China to the BRI and AIIB helped to publicise the option of overland rail service across Eurasia. However, the BRI did not create the China-Europe railway Landbridge; much was already happening and had been market-driven in both Europe and China. The most popular line, between Chongqing and Duisburg, has been in operation since 2011 and offers a daily service in 2018. On the Yiwu-Madrid route that is now a weekly service, the first train departed in 2014, but Yiwu business leaders were exploring Landbridge options in January 2013, before President Xi's announcement. By the time of the May 2017 Belt and Road Forum, China Railway Express, which coordinated all China Railways Corp's European services, showed connections from 27 Chinese cities to eleven European countries on its route map (Figure 1).

What can the BRI add to rail connections west from China across Eurasia? The BRI holds promise for extending the Eurasian Landbridge to include both the current China-Poland mainline to western Europe and a China-Istanbul mainline with spurs to the Middle East and North Africa. Indeed, Chinese maps published since President Xi's 2013 announcement highlight a route to Europe south of the Caspian Sea through Iran and Turkey (Figure 2).

As with the north of the Caspian Landbridge, the track for a south of the Caspian rail route already exists, including a recently opened rail tunnel under the Bosphorus. China's interest in the southern route was highlighted after the easing of UN sanctions on Iran in January 2016. One week later, President Xi visited Tehran. On 28 January the

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Figure 2. The New Silk Road railway

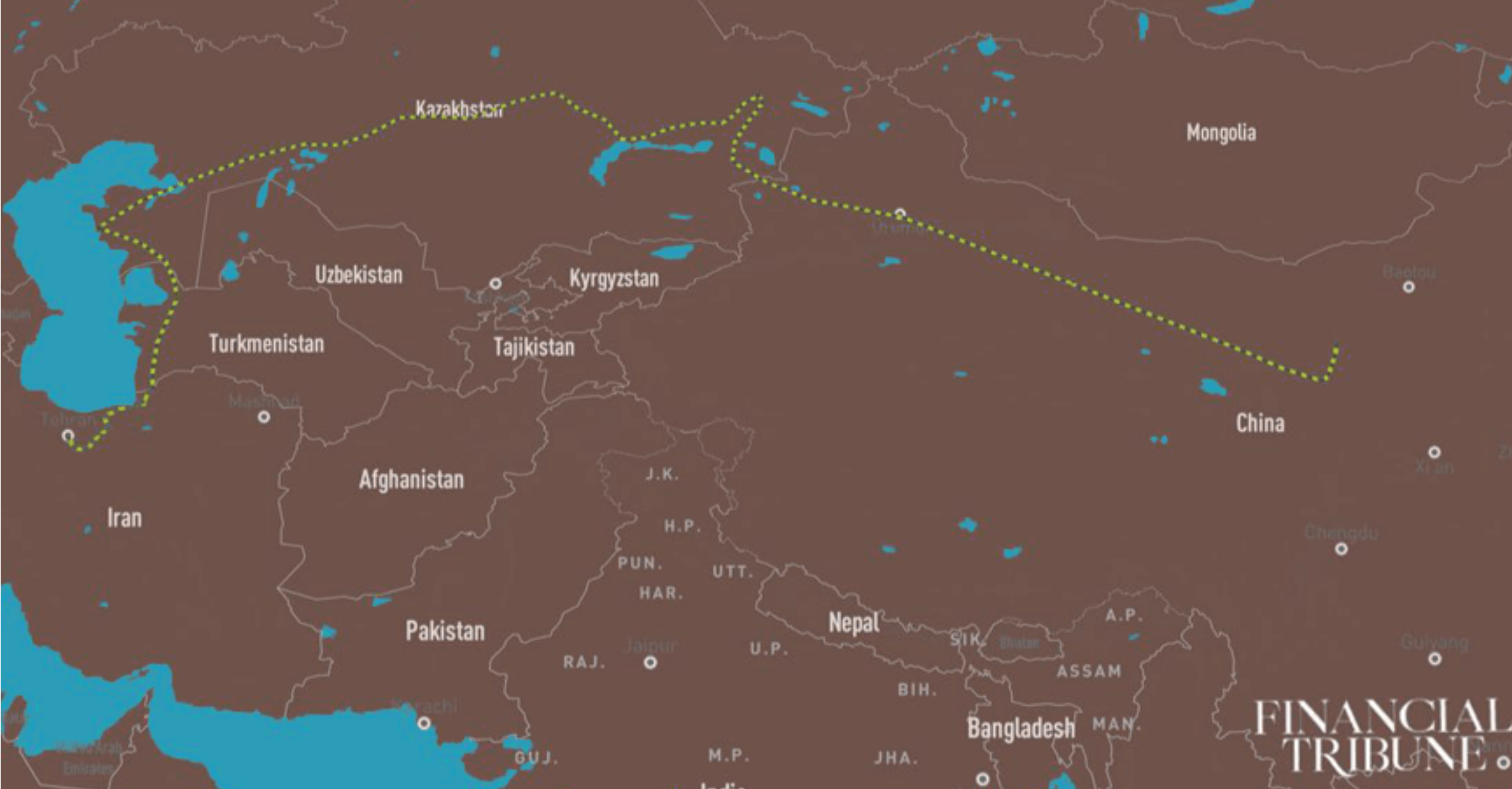
www.worldcommercereview.com



Source: Xinhua News Agency, May 2014

Figure 3. The first China-Iran train route, January-February 2016

www.worldcommercereview.com



Source: *FinancialTribune.com*

first train left Yiwu for Tehran with 32 containers. It took fourteen days due to a slightly circuitous route (Figure 3). In September 2017 the first train to Tehran departed from Yinchuan, capital of Ningxia Autonomous Region, and a twice-weekly schedule for 2018 was announced. The departure point in a Muslim area of China signalled the significance of the trans-Iranian route, not just as an alternative passage to Europe, but also as a potential gateway to the Middle East and North Africa.

Why did the first China-Iran train take a circuitous route via the Kazakhstan-Turkmenistan line along the Caspian coast, which had been opened in December 2014, rather than transiting Uzbekistan and Turkmenistan on a more direct line through Meshed in northern Iran? One consideration was that Uzbekistan under long-time President Karimov had a poor reputation as a transit country, imposing substantial delays both for border checks and along the way.

In September 2016 President Karimov died. His successor, President Mirziyoyev, immediately signalled greater openness to the world, including easing border-crossing restrictions. In 2017-18 negotiations advanced between China and the Kyrgyz Republic for construction of a railway line between Kashgar and Uzbekistan, the only dotted line on Figure 1 where the track does not yet exist.

The proposal is popular with China and Uzbekistan but controversial in the Kyrgyz Republic, which sees little benefit beyond limited transit fees and potential costs if the country has to take on debt to build the line. An independent report by Hurley *et al.* (2018) highlighted the potential for debt dependence in small countries along BRI routes, and listed the Kyrgyz Republic as one of the eight countries most at risk¹. These episodes illustrate the importance of a country's commitment to trade facilitation if it wants to be on a Landbridge route, and China's search for alternative routes, even in the face of strong opposition.

Why does the BRI involve multiple belts?

China's desire for multiple routes could come from two, not mutually exclusive, motives. Multiple routes are important because they enhance the range of transport options and reduce hold-up possibilities, which are always a danger along a single route passing through several countries. On the other hand, if the eventual intention is to cut transport times by constructing a high-speed rail line, China may be trialling the two options to determine the better security/cost trade-off.

Public investment can create alternative routes and could provide a high-speed option. Future prospects will be enhanced by investment in new or upgraded track, better rolling stock and other facilities. These are ways in which the BRI, backed by the AIIB's financial clout, could make a difference.

Investment plans such as the track connecting Kashgar to Andijan have a dual purpose for China. The connecting line will make a south of the Caspian route shorter, and also reduce the potential of Kazakhstan to demand higher transit fees. The BRI also envisages improved rail connectivity with Southeast Asia and with Pakistan. In sum, the BRI envisages a network with multiple, potentially competing (or substituting) routes.

If the intention is to cut transport times by constructing a high-speed China-Europe rail line, the cost is likely to make the two routes – north and south of the Caspian Sea – mutually exclusive as lines between China and Europe. In this scenario, China may be trialling the two options to determine the better security/cost trade-off. Although construction costs would be high, a two-day rail service between China and the EU would be a major step towards Eurasian integration and greatly improve rail's competitiveness relative to air for time-sensitive shipments.

Conclusions

The catalyst for the Landbridge rail services was car and electronics firms seeking to reduce their trade costs, evaluated in money, time and certainty, between German component suppliers and car assembly plants in China, and

between Apple, HP and Acer assemblers in China and consumers of their electronics products in the EU. Since 2011 the number of trips along the Landbridge has grown rapidly, with over 3,000 in 2017. These developments predated China's BRI, although the two are related and often conflated.

China's BRI is not just piggybacking on the Landbridge. The vision of the overland segment of the BRI has developed as a network of competing and complementary rail lines. The importance for China is reflected in embracement of the Landbridge plus exploration of alternative westward routes through Iran which may be reinforced by substantial investment in a shorter line from China to Uzbekistan. With a longer time-horizon, the Eurasian rail network could link Central Asia to the China-Pakistan Corridor and connect Southeast Asia to the Eurasian rail network. Commentators are right to see China's BRI as a long-term vision. That vision should not be confused with the existing Landbridge, which has been a bottom-up commercial story rather than a top-down political project. ■

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Endnotes

1. IMF Managing Director Christine Lagarde cited the study in a widely quoted speech in Beijing (featured, for example, on the front page of the *Financial Times*, 13 April 2018). Construction costs of the line will be high due to the mountainous terrain and will depend on the route; a commonly cited figure of \$6 billion is almost as large as the Kyrgyz Republic's annual GDP.

References

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Perspective", CGD Policy Paper 121, Center for Global Development, Washington DC.

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Editors' note: This column is based on a longer paper "The Eurasian Landbridge: The role of service providers in linking the regional value chains in East Asia and the European Union" presented at the ERIA services and GVC workshop on 2-3 March 2018 in Jakarta and circulated in the ERIA Discussion Paper Series as REITI Working Paper: ERIA-DP-FY2018-01. The paper draws on material in Chapter 11 of Pomfret (forthcoming).

Editors' note. This is a companion column to "The Eurasian Landbridge: linking regional value chains", available [here](#). This article was originally published on [VoxEU.org](#)