



China-Kyrgyzstan-Uzbekistan Railway: Opportunities and Challenges for China

After 20 years of negotiations, the construction of the China-Kyrgyzstan-Uzbekistan (CKU) railway is hoped to finally begin next year. An online meeting took place between China, Kyrgyzstan, and Uzbekistan recently and, according to their announcement, feasibility studies will be finished this year. Kyrgyz President Sadyr Japarov said construction will begin in 2023.

Amid the Russia-Ukraine war, the CKU railway presents a number of strategic and economic opportunities for China, especially in the context of land-based trade relations with the European Union. In terms of strategic opportunities, it's not surprising, first, that the announcement came at a time of increased international sanctions on Russia. Since the war started, different international companies have decided to stop using Russian territory as a transit country, some in response to Russian aggression and others due to the deteriorating business environment in the country. The CKU railway gives China the chance to diversify its trade routes, reduce its dependence on Russian routes, and maintain sustainable rail trade with EU countries in the long term.

Second, the new route will create an opportunity for Beijing not just to reduce its dependency on Russian territory but also to decrease its reliance on Kazakhstan as a transit country. This factor is particularly important because recent domestic turmoil in Kazakhstan showed that reliance on any one country in Central Asia for railway trade may be risky. In this context, the CKU railway can help China diversify its rail routes and switch cargoes from one route to another during future crises.

Finally, in addition to diversifying the route, the new railway can contribute to Kyrgyzstan

and Uzbekistan's economies. They would not only enjoy transit fees but also the railway routes may create new jobs. New business opportunities in Kyrgyzstan and Uzbekistan are important for China because they help the two Central Asian countries, particularly Kyrgyzstan, maintain resilience and reduce the risk of civil unrest, and thus help China stabilize its Western borders.

The CKU railway also will generate economic opportunities for China. First, Beijing could send its products to both the Middle East and European markets via a new route. According to the plan, the CKU railway will be one of the shortest routes to send cargo to both regions as it will shorten the freight journey by 900 km and save seven or eight days in shipping time. Along with the Middle Corridor, the CKU railway can help increase the cargo capacity of Central Asian countries through East-West trade. In this context, China can keep its rail trade with the EU sustainable and offset its losses in the Northern Corridor passing through Russian territory.

Second, the CKU railway can also help Beijing realize its economic growth plan in the central and western regions of China. In particular, a new rail route can stimulate new business opportunities and develop the manufacturing industry. In addition, increased interaction with Central Asian countries can also help improve the overall economic situation in the central and western regions, which can reduce the risk of social instability.

Despite the different opportunities offered by the CKU railway, there are still political, financial and technical difficulties that may hinder the realization of the project. In terms of political issues, over the past two decades politicians from both government and opposition parties in Kyrgyzstan have questioned the economic benefits of the CKU railway. China and Uzbekistan, in particular, want to use the shortest route through Kyrgyzstan, without stops in major Kyrgyz settlements. However, Bishkek prefers to build a longer route through the

main population centers because it wants to promote a spillover effect, such as the creation of new employment opportunities and promoting the export of Kyrgyz products. The government's recent approval of a preliminary route of the Kyrgyz section of the CKU railway shows that they still support a route that goes through local trade hubs and main population centers. Debates over the route may slow or hinder realization of the project as they have in the past.

Moreover, public opinion can also affect the realization of the project. Increasing anti-China sentiment in Kyrgyzstan may increase pressure on the government. According to recent Central Asia Barometer (CAB) survey results, in Kyrgyzstan, just 19 percent of people strongly support Chinese investment in energy and infrastructure projects, while 31 percent strongly oppose Chinese investment. Furthermore, 66 percent of people are "very concerned" that Chinese projects will increase Kyrgyzstan's national debt to China. The CKU railway project may trigger greater anti-China sentiment and lead to new protests against the government, which can potentially hinder the completion of the railway project.

Second, despite Japarov's announcement that Russian President Vladimir Putin had agreed to the construction of the CKU railway, Russia's future position may affect the project. Moscow needs Beijing's help because of the Russia-Ukraine war, so acceptance may be a tactical move in the short run. However, after the war, Russia could change its position and try to block the project again. Because a new railway route may draw 10-15 percent of the cargo coming from the Kazakhstan-Russia border to the CKU railway instead, it may reduce the importance of Russia as a transit country in the China-EU railway trade, resulting in a loss of transit fees.

In addition to the political difficulties, financial and technical problems also play an important role. In terms of financial problems, there is uncertainty about the financing of



the railway. According to the Kyrgyzstan state railway company, the cost of the railway will be \$4.5 billion. Given past experiences, China prefers to share the burden with member states or international or regional organizations as it diversifies risks and prevents financial losses. In this context, Chinese Ambassador Jiang Yan's emphasis that the railway belongs to three countries and that they should work together shows that China does not intend to finance the project alone.

As to the point of technical problems, there is no common understanding regarding the gauge of the CKU railway for the Kyrgyz section. While China wants to use an international standard gauge, which is 1,435 mm, Kyrgyzstan prefers to use a wider gauge that dates to the Soviet period and is in use across much of Central Asia still. The final decision on the gauge will also affect the time cargo takes to arrive at its destination.

Despite different strategic and economic opportunities the CKU railway presents for China in the era of increasing unpredictability in the Northern Corridor, there are still challenges that may hinder the construction of the railway and damage railway trade between China and the EU in the short and medium terms. Technical and financial problems are particularly worrisome in the short term, with Russia's possibly changing position, and Kyrgyzstan's domestic politics as decisive factors affecting the medium term when it comes to the future of the CKU railway.

Original source:

https://thediplomat.com/2022/07/china-kyrgyzstan-uzbekistan-railway-opportunities-and-challenges-for-china/?fbclid=IwAR0zgVhyK_c5EpiCz10iefocvBYaAEOMhLNrHBsKumFlknpEndAa9kcOLw