



THE BELT AND ROAD INITIATIVE IN KAZAKHSTAN:

Does the geopolitics of China's outward investments
put the brakes on decarbonisation?

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EXECUTIVE SUMMARY

ANALYSIS

China's Belt and Road Initiative (BRI) is a prime example of how decarbonisation processes interact with geopolitical dynamics. The successful implementation of the Paris Agreement depends on the emissions trajectories of the BRI partner countries and the infrastructure choices they make today. China's support to energy, transportation and industrial projects might influence some of these choices, and these investments often underpin the geopolitical aspirations of China and its partners. Therefore, the BRI clearly stands at a juncture between geopolitics and decarbonisation. The initiative is broad in approach, reflecting China's global ambition, rather than a portfolio of projects that all share certain characteristics. China and its partner countries' motivations are manifold. The specific projects and geopolitical context vary across the different target countries and regions, and, therefore, so do their potential implications for climate action. This is why this report adopts a **case-study approach** and looks in detail at China-financed projects in Kazakhstan.

Kazakhstan is of interest as a case study for several reasons. Firstly, it has a key role in the BRI vision as a major transit country for at least two of the six economic corridors, and is therefore key to achieving many of the geopolitical aims of the BRI. Secondly, the broad portfolio of Sino-Kazakhstani projects provides for a differentiated picture of the links with decarbonisation. Thirdly, in Kazakhstan, China's overseas investments interact with a tension in national policies: the country is highly dependent on fossil fuels and heavy industries, but also has ambitious decarbonisation policies and overarching visions for economic transformation.

In Kazakhstan, BRI investments match up with host government's development priorities in energy, industry, transport, and agriculture sectors. The **majority of these investments support the present emission-intensive economic model** (e.g. in heavy industries, fossil fuels and transport infrastructure) **although there are some low-carbon initiatives** in the mix (mostly renewable energies). The projects related to extracting and transporting fossil fuels started before President Xi Jinping announced the BRI in 2014. However, the portfolio of projects that the two countries have strategically developed since then to strengthen industrial capacities also includes oil refineries. There would likely be more opportunities for low-carbon cooperation if the government of Kazakhstan actively pursued them. **With regard to geopolitics, the BRI in Kazakhstan is developing in a context that is relatively favourable to it.** The strategic interests of Kazakhstan and China are aligned to a high extent, and the partner countries have to date managed to strike a power balance with Russia. No major conflicts with other Central Asian states hinder progress.

The report finds **no specific Chinese geopolitical interests that would act as a significant brake on decarbonisation in Kazakhstan.** In a hypothetical situation without Chinese investment, Kazakhstan would likely still follow a high-emission path. As investments from China are not the biggest source of foreign direct investment and as **Kazakhstan's policies mostly support high-emission development**, the choice of high-emission infrastructure does not seem to be motivated primarily by the BRI. At the same time, several entry points for climate-compatible cooperation exist. If Kazakhstan began decisively implementing decarbonisation policies, the Sino-Kazakhstani partnership could potentially help pursue low-emission transitions as well as a joint geopolitical agenda. This would especially be contingent on finding low-emission connectivity solutions on the necessary scale, as this is a key common geopolitical interest. However, such options are currently absent from the policy discourse in Kazakhstan and from the bilateral project portfolio. Even though geopolitics does not emerge as a primary challenge for decarbonisation in this case study, other economic and political barriers to emission reduction are evident. Furthermore, the analysis outcome would likely be different in a case where the investment and geopolitical goals of Chinese actors are less aligned with national priorities. It is worthwhile assessing the extent to which geopolitical dynamics supports climate diplomacy in every specific case, as the next section clarifies.

POLICY IMPLICATIONS

The case of Kazakhstan shows that both **push and pull factors**, that is, China's goals and the decarbonisation context on the recipient side, are important. In our case study, these factors are fairly well balanced. However, this balance as well as the significance of geopolitical motives might be very different in other BRI target countries, leading to a different interaction of geopolitics and decarbonisation.

Concerns that the BRI is likely to lock-in high-carbon infrastructure and that its geopolitical ambitions stand in contradiction to its "greening" need to be contextualised. Generally, the high-carbon status quo in most economies makes it hard to assess the relative influence of BRI investments. Although in this case study geopolitical and slow decarbonisation dynamics reinforce each other, it is also possible that an accelerated decarbonisation pathway could align with the geopolitical goals of the BRI, though this assessment is of course rather speculative. With regard to policy entry points, many levers are therefore in the decarbonisation processes in the BRI target countries and China, and the role of geopolitics should not be overestimated prior to analysing each specific case. Furthermore, it points to the importance of considering how actors' geopolitical goals can be integrated into a decarbonisation agenda, rather than simply seeing them as a factor that can hinder decarbonisation.

The BRI is more than a credit line – it is a central instrument and agenda of Chinese economic diplomacy that aims to strengthen the country's position as a global power. Therefore, it cannot be understood entirely through an economic lens. Instead, analysts have to **disentangle the nexus of economy and geopolitics**. The BRI finance flows and the motives behind them, including possible blind spots, need to be analysed in each geographical context. We can expect "greening" the BRI to be a paramount task due to the economic incentive structures for investment and due to geopolitical dynamics. For this comprehensive endeavour, our analysis offered three major takeaways for European climate diplomacy.

- Greening **the BRI ("push")** and raising climate ambition in the BRI **target countries ("pull")** are both essential to achieving low-emission development. To grasp the push and pull factors fully, and to act on them effectively, we need to understand **their geopolitical dimension**, in interaction with the economic rationale.
 - **"Push"**: In Sino-European relations, geopolitical considerations need to be balanced with cooperation for a safe climate and safeguarding other global commons. Conversely, climate cooperation should keep track of the geopolitical context. Areas for specific engagement are green finance, sustainable connectivity and exploring the incentives the EU can mobilise through other important fields of engagement such as trade and investment relations.
 - **"Pull"**: European actors can support and enable climate action in countries such as Kazakhstan by continuing, ramping up and coordinating efforts in five areas of cooperation: climate and energy, development, trade and investment, science and education, and peace and security.
- Engaging with China and the BRI target countries will not only require cooperation on climate topics but a **comprehensive, cross-cutting approach to international relations and diplomacy** – both within an increasingly challenging geopolitical landscape. Protecting the global commons needs to be a compass, not an add-on for diplomacy in facing these geopolitical challenges.
- An accelerated **domestic transformation** in the EU and its Member States has the power to influence the structure of economic, financial and geopolitical incentives for fostering climate-compatible economies beyond European borders. Europe can demonstrate that low-emission development does not spell economic demise or a marginal position on international markets, but might lead the way to a future-proof, more equitable prosperity.

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