

China's great game - In Russia's backyard

By Jack Farchy

The handful of shiny new buildings sprouting out of a barren landscape of dusty steppe and rusting shipping containers is an incongruous sight. One of them, a sparkling tower of marble and glass, is empty aside from a duty-free shop on the ground floor. Next door, a shop sells Russian honey and Chinese ladies' shoes, displayed side by side.

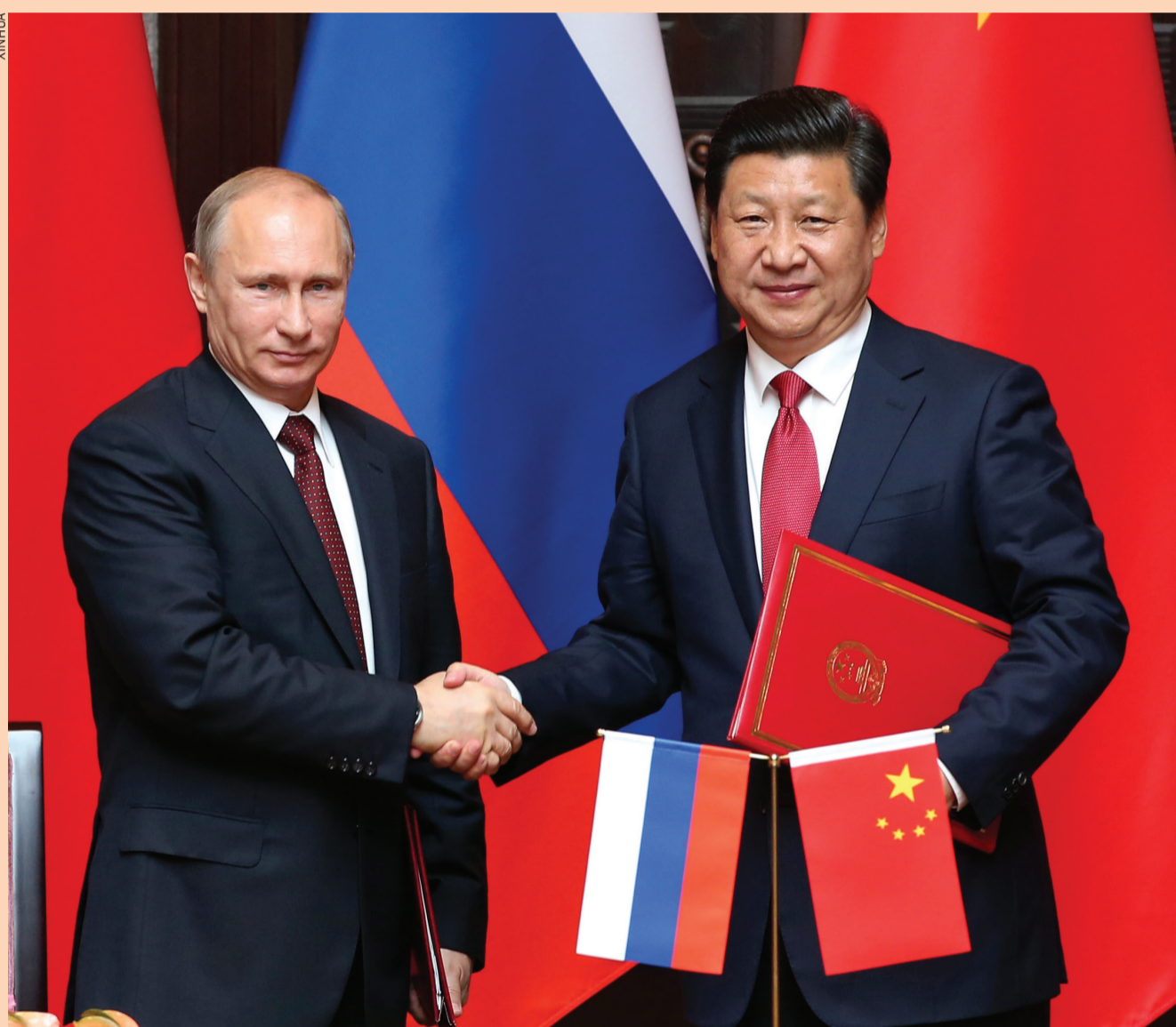
This is Khorgos, the dividing line between China and Kazakhstan. And while it may not look like much now, China has ambitions to transform this border point at what was once the edge of the Russian empire into a new gateway to the west.

"East meets west. It's here. This is the linking point," says Hicham Belmaachi, commercial director of a newly-built dry port at the border, designed to speed up the transit of Chinese goods via Xinjiang on their way to central Asia, Europe or the Middle East.

Khorgos is just one of a ribbon of projects across the region designed to help realize China's dreams of a new Silk Road - a plan backed by President Xi Jinping that would firmly stamp his country's authority and influence from Xi'an to Europe.

With promises of tens of billions of dollars in investment, the Chinese strategy, if realized, could reshape the former Soviet economies of central Asia, which have been battered by falling commodity prices and recession in Russia.

But increasing economic dependence on China at a time of uncertainty over the health of its economy is not universally popular in the central Asian states. And the launch of a regional integration drive has put Beijing on a collision course with Moscow, which has been lobbying countries to join its Eurasian Economic Union. It also raises the stakes for



Vladimir Putin and Xi Jinping

Beijing: as China invests more in this fragile region bordering Afghanistan, it is finding it harder to resist being drawn into political and military affairs.

region at the Royal United Services Institute. "I don't think they've given consideration to what that means in the longer term."

Two years ago, Mr Xi

"As I stand here and look back at that episode of history, I could almost hear the camel bells echoing in the mountains and see the wisp of smoke rising from the desert," the Chinese leader said. Describing Kazakhstan as a "magic land", he called for the creation of a new "economic belt" along the old trade routes. "The ancient Silk Road has gained fresh vitality," he said.

Others see parallels with a more recent period in history: the tussle for influence between the Russian and British empires in the 19th century. As China expands its influence in parts of the former Soviet Union, central Asia could become the focus of a new "Great Game" between Beijing, Moscow and possibly Iran, Turkey and western countries.

But as western interest in the region recedes with the military drawdown from Afghanistan, and Russia's ability to invest is curtailed by its own economic recession, the Great Game in the region may turn out to be one-sided. Over the past two decades China has quietly become the pre-eminent economic power in the region; now many central Asian governments greet the prospect of Chinese investment as their last chance to stave off a downturn that could threaten political stability.

Trade between China and the five post-Soviet central Asian states - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan - has risen from USD1.8bn in 2000 to \$50bn in 2013, according to IMF data, before dropping slightly amid the decline

in commodity prices. That means China has surpassed Russia in recent years to become the region's single largest trade partner.

"If you look at investment needs in the region, then Chinese participation is very important to say the least," says Agris Preimanis, central Asia economist at the European Bank for Reconstruction and Development, a major western investor in the region. "They are increasingly active in all sectors and you just cannot see western capital or Russian capital taking their place."

In Kazakhstan, Chinese companies own somewhere between one-fifth and one-quarter of the country's oil production - about the same proportion as the national oil company. In Turkmenistan, holder of the world's fourth-largest gas reserves, China has replaced Russia's Gazprom as the dominant buyer of Turkmen gas, accounting for 61 per cent of exports last year. Much of that shift is thanks to the Central Asia-China gas pipeline, opened in 2009, which provides the region's energy-rich economies with a major export route not controlled by Moscow. In the region's poorer countries, China has also become an economic power. Chinese companies have invested in oil refineries and cement plants in Kyrgyzstan and Tajikistan, and in roads and tunnels across the region.

Data on the scale of Chinese investment are sketchy, as much is done at a bilateral level between Chinese state banks, such as China Development Bank or China Eximbank, and central Asian governments or state companies.

But in one example, the Tajik deputy finance minister last year told the FT that Beijing would invest \$6bn in Tajikistan over the next three years - a figure equivalent to two-thirds of the country's annual gross domestic product.

This economic dominance means that often it seems

Many central Asian governments greet the prospect of Chinese investment as their last chance to stave off a downturn that could threaten political stability

"This is China's inadvertent empire. It's a part of the world where they are clearly becoming the most significant geopolitical player," says Raffaello Pantucci, a specialist on the

stood in Kazakhstan's futuristic capital of Astana and invoked the memory of Zhang Qian, the diplomat who helped open China's trade with the world in the 2nd century BC.



China's great game - In Russia's backyard (continued)

that China, not Russia, is now the most important patron of central Asian governments. After Kazakhstan allowed its currency to float freely in August, triggering an immediate devaluation of more than a fifth, its first priority was to reassure Beijing.

"Where is the first visit of the Kazakh president after this decision? Where was the first commitment that all the investments are in place? China," says Kairat Kelimbetov, the central bank governor.

When Tajikistan, the region's poorest country, was running low on central bank reserves this summer, it signed a swap agreement with the People's Bank of China worth Rmb3.2bn (\$500m).

It is not always smooth travelling on the new Silk Road. In a region that has traditionally felt greater cultural affinities with Russia and Turkey, politicians are frequently suspicious of China. A proposal for China to lease a large area of land for agriculture triggered rare public protests in Kazakhstan in 2010.

Dosym Satpayev, a Kazakh political scientist who heads the Almaty-based Risk Assessment Group, warns: "Any attempt by China to increase influence in Kazakhstan will awake more anti-China sentiment."

While many see the new Silk Road as more of a formalization of China's presence in the region than a specific plan, the fanfare surrounding it has raised hackles among those who see central Asia as part of Russia's "sphere of influence". Zhao Huasheng, director of the Centre for Russia and Central Asia studies at Fudan University, says that when the Silk Road strategy was announced, Russian officials saw it as a challenge



From left to right, Heads of the Supreme Eurasian Economic Council, Armenian President Serge Sarkisian, Belarus' President Alexander Lukashenko, Kazakh President Nursultan Nazarbayev, Russian President Vladimir Putin, Kyrgyz President Almazbek Atambayev, pose for a photo during a Commonwealth of Independent States, former Soviet republics, summit in Astana, Kazakhstan, Friday, Oct. 16

to Moscow's own regional integration project, the Eurasian Economic Union.

"China provided a lot of explanation," he says. "China sees the projects developing in parallel, in a co-operative way." In the past, Russia blocked attempts to increase the reach of another Chinese-led regional group, the Shanghai Cooperation Organization, which includes all the central Asian states apart from Turkmenistan.

Yet when Mr Xi visited Moscow in May, the two countries signed a declaration on co-operation between the Eurasian Eco-

nomc Union and the Silk Road project. Alexander Gabuev, senior associate at the Carnegie Moscow Center, a think-tank, says

Often it seems that China, not Russia, is now the most important patron of central Asian governments

the deal was the result of "painful internal discussions" in Moscow. Analysts say the unspoken agree-

ment between Moscow and Beijing appears to be that Russia will cede economic dominance in central Asia to China, but maintain its

military and security heft in the region.

"What the Kremlin is hoping for is a division of

labor between Moscow and Beijing in central Asia," says Mr Gabuev. "In this grand scheme, China will be the major driver for economic development, while Moscow will remain the dominant hard security provider."

But China may find it hard to stay out of security matters as its economic interests in the region increase. It has already started providing some military aid to Kyrgyzstan and Tajikistan. "Even though this is an economic project it could create political impact or influence," says Prof Zhao. "I think China

will get more involved in security in the region. But it doesn't mean China will be involved in that region militarily."

Liu Yazhou, a general in the People's Liberation Army, called central Asia "a rich piece of cake given to today's Chinese people by heaven" in a 2010 essay that became a kind of manifesto for China's expansionist policy in the region.

Analysts see two broad motivations behind the dramatic increase in Chinese investment in the region that started in the 1990s.

First, as China's commodity consumption skyrocketed, central Asia was a nearby source of oil, gas, uranium, copper and gold supplies. Second, Beijing wanted co-operation from the newly-independent states to keep its restive Xinjiang region in check. Xinjiang's native Uighurs have much in common with the cultures, languages and religion of central Asia, and there is a large Uighur minority in the region.

General Liu writes of the cultural affinities between Xinjiang and the peoples of central Asia, noting: "The advantageous factor is that they all derive great benefits from economic co-operation with China."

A new route to market

With the launch of the new Silk Road, analysts see a shift in investments towards infrastructure and other sectors. "If before Chinese investment was directed at the oil and gas sector, now it will be in infrastructure, industry, agriculture, tourism and other areas," says Ding Xiaoxing, director of central Asia studies at the China Institute for Contemporary International Relations, a government-linked think-tank.

At Khorgos, the Kazakh-Chinese border crossing, this shift is becoming reality. Rows of gleaming new railway tracks stretch into the distance, ready to handle ever-increasing volumes of Chinese cargo. Mr Belmaachi boasts that

his team can shift a trainload of cargo from a Chinese to a Kazakh train - the two countries' railways have different-sized gauges - in just 47 minutes.

The state railway company, Kazakhstan Temir Zholy (KTZ), has invested 245bn tenge (\$900m) to build the dry port, which started operations in August and launches officially today. China's Jiangsu province in September announced an agreement to invest \$600m over five years in logistics and industrial zones around Khorgos.

Darryl Hadaway, a former regional head of Deloitte who is starting a logistics business focused on Kazakhstan, says Khorgos can become a hub for

regional and international trade, serving the role that Atlanta does in the US.

Already, the number of containers travelling by train between China and Europe via Kazakhstan has increased 18 times between 2011 and 2014, and is on track to double again this year, according to KTZ. The route is attractive to electronics companies such as HP - which has helped to pioneer it - for whom the shorter transit time compared to shipping by sea is worth paying for. The journey from China to Europe takes 14-16 days, compared with a month or more by sea, although the cost of shipping one container is some \$9,000 compared with \$3,000 by sea.

KTZ is hoping to capture 6 per cent of the trade between China and Europe by 2020; currently 98 per cent goes by sea.

"Companies in Europe and China have never studied this option in detail. People were really busy shipping by sea and not focusing on this route," says Mr Belmaachi. "I really think this is the next big thing for the supply chain."

Increasing the number of trains plying the route may also help to open up new trade routes for perishable products, like fruit and vegetables, says Mr Hadaway. "There is a whole range of products coming out of Asia that have never been able to access this market."

By Tim Jones

Hope is a traffic jam as Detroit shakes off record bankruptcy

PROGRESS in Detroit is a bumper-to-bumper jumble of cars and buses inching through downtown. Ten months after emerging from a record USD18 billion municipal bankruptcy, Detroit is functioning in ways unseen for months and even years - street lights are on, parks get mowed, municipal debt is sold on the public market and the police are training civilians to manage traffic at clogged intersections.

"It's a madhouse," said Joshua Elling, a community development executive whose usual 20-minute commute can sometimes take an hour.

This is the contrast of the remade Detroit. A vibrant downtown attracts young people, and a new streetcar line and arena complex rejuvenate a city accustomed to resignation. Yet the vast expanse of residential streets, where four of 10 live in poverty, map the long-term challenge. Surrounding neighborhoods represent 95 percent of Detroit's land mass, roughly the size of Boston and Baltimore combined, and await revival amid 70,000 vacant buildings.

"Everybody likes a good comeback story, a good underdog story, and that's what Detroit is," said Luther Keith, executive director of Arise Detroit, a coalition of neighborhood groups headquartered on the sprawling east side. "Where it goes, I don't know."

The Census Bureau deems the city the nation's poorest. After losing more than half of its population and 90 percent of its manufacturing jobs since 1950, Detroit became the nation's first major city to file for bankruptcy protection, in July 2013. There is no template for a recovery of this magnitude. Despite indicators of increased housing sales, the city continues to lose population, dropping to 680,000 last year. The child poverty rate is 59 percent. For most of the city's 360 square kilometers little has changed.

Downtown Detroit, however, thrives. Quicken Loans Inc. and Blue Cross Blue Shield of



A pedestrian crosses an intersection in downtown Detroit

Michigan are responsible for more than 15,000 jobs there. In downtown and midtown, 77 restaurants have opened since 2013, a 26 percent increase, according to 7.2 SQ MI, a data project that tracks economic changes in the city. Over the same period, the number of retail establishments grew 13 percent, to 352.

Reminders of reality are never far away. A billboard promoting a homicide tip service features the picture of a man next to the inscription, "You know who killed me."

"People understand it took us 50 years to get to this point - you can't turn it around on a dime," said Jed Howbert, who directs the jobs and economic development team for Mayor Mike Duggan. "There's no hiding the fact that there are areas of the city that are so vacant that you're rebuilding a neighborhood from whole cloth."

Duggan's office has created

programs to stimulate economic growth, including zero-interest home improvement loans and workforce training. The city has demolished about 6,800 homes since May 2014 and is averaging about 100 tear-downs per week. The Detroit Public Lighting Authority said it plans to re-light all neighborhoods by year-end.

In its first return to the bond market since emerging from bankruptcy, the city sold \$245 million in debt in August to repay loans and support projects, including fire department upgrades.

Almost 100 new police cars were given to the city by corporate donors led by Roger Penske, the auto-racing magnate and chief executive officer of Penske Corp., a transportation services company in the suburb of Bloomfield Hills. Adding to anecdotal evidence that life in the city is improving, Detroit was surpassed by St. Louis as the nation's murder capital last year.

The top priority, Howbert said, is population growth. The white population in this 80 percent black city grew by almost 8,000 people last year, the biggest increase since 1950, according to a Detroit News analysis of Census data. While that influx helped slow the population decline, it underscored the reality that growth and opportunity are downtown, where many jobs require college educations and professional credentials that poor Detroiters lack.

For many longtime residents, downtown's success is a mirage and post-bankruptcy is a test of

patience.

"We're waiting for it to trickle down to us," said Vanessa Standifer, 61, a retired pharmacy technician who lives in northeast Detroit. "Mayors try to make a showplace of their downtowns so people will come and spend money, but they've got to realize there are everyday people in the neighborhoods."

For newcomers, Detroit represents opportunity as well as challenge. Victoria Olivier, deputy director of neighborhoods for Detroit Future City, a nonprofit organization that develops recovery strategies for the city, said she moved to Detroit from New Orleans because she "wanted to make a difference."

"Detroit draws a lot of people who want to be part of this story," said Olivier, 32. "This isn't a five-year turnaround - it's 50 years."

Michigan Governor Rick Snyder, a Republican who cleared the way for the bankruptcy filing, counseled patience.

"Services have improved," Snyder said in an interview. "I think you're going to see Detroit growing again. We still have

challenges, particularly in the neighborhoods, but the mayor and the city council are doing a good job of running the city."

Elling, the executive director of Jefferson East Inc., a nonprofit spearheading development on the east side, said the return of street lighting and improvements in bus service have been "incredibly important."

"Detroit's never going to be what it was, but as I look ahead 20 years, I'm hopeful," Elling said. "I see 15 to 20 neighborhoods doing pretty well."

Although Moody's Investors Service on July 30 upgraded Detroit's credit rating by one level to B2, five steps below investment grade, the city continues to be scarred by bankruptcy. For its bond sale, the city paid almost 2 percentage points more than top-rated debt.

Dennis Derby, an analyst and portfolio manager at Wells Fargo Asset Management, said investors want to see population growth and signs of sustainable recovery.

"It's downtown and midtown that look like they're showing revival, but we don't know yet if that will result in positive growth across the city," Derby said.

Others are doubtful that the downtown recovery can spread across such an expanse.

"The vast part of the city is still in the doldrums, and I don't see much chance of it coming out," said Peter Eisinger, a retired professor of public policy and urban affairs who has written extensively about Detroit.

Eisinger, who retired from the New School of Social Research in New York and formerly taught at Detroit's Wayne State University, said Detroit relies too much on financial support from investors and foundations.

"Private money coming into public functions is not sustainable, it's not predictable," Eisinger said. "The city remains insecure."

Detroit's revenue will be generally flat through the budget year 2023, according to city estimates.

For now, though, traffic continues to build downtown, and the police department has trained eight civilians, who wear light-blue uniforms and bright-green vests, to manage it. As many as 50 will eventually be hired for duty at about a dozen intersections, said Sergeant Michael Woody, a spokesman.

"We've got a lot of outsiders coming in to work, and we've got a need to handle all the congestion," Woody said. **Bloomberg**



Children play in the sand at "the beach" at Campus Martius park surrounded by the tall buildings of downtown Detroit

Detroit's never going to be what it was, but as I look ahead 20 years, I'm hopeful

ELLING

Last round of UN climate talks before Paris summit

By Karl Ritter

U.N. climate negotiators will meet today for their last session ahead of a major conference in Paris to hammer out the details of what's envisioned to become the most ambitious agreement ever to fight global warming.

Delegates at the weeklong talks in Bonn, Germany, are expected to start line-by-line editing a 20-page draft that still contains multiple options on how to reduce the greenhouse gas emissions that scientists say are warming the planet.

Some 150 countries — including top emitters China, the United States, the European Union and India — have already made voluntary pledges to cut or curb their emissions after 2020, when the deal is supposed to take effect.

But several analyses show those pledges won't be enough to



France's President Francois Hollande walks on the Solheimajokull glacier, where the ice has retreated by more than 1kmt, during a State visit in Iceland, Friday, Oct. 16

prevent levels of warming that many consider dangerous, so a key element of the Paris deal

would be a mechanism to raise those commitments over time. "We don't want to make a

picture, we want to make a movie," Netherlands climate envoy Michel Rentenaar said, insisting that the Paris agreement cannot freeze the current level of ambition on climate action.

The U.N. talks have made significant strides since a 2009 climate summit in Copenhagen failed to live up to expectations. For the first time all countries now agree they need to act against climate change, which scientists say is already transforming the planet through melting glaciers, rising sea levels, intensifying heat waves and warmer, more acidic oceans.

Though major sticking points remain, including how to spell out the different responsibilities of nations in various stages of development, rich and poor countries have moved closer in recent years.

"We have gone very far from

the Copenhagen atmosphere," said Pa Ousman Jarju, Gambia's environment minister.

As always in the U.N. talks, which are based on consensus, there's a risk that a handful of countries block progress, he said. It would be a major setback if some countries reject the draft in Bonn, leaving negotiators with little time to come up with a new one before Paris.

Several delegates said they didn't expect that to happen, though they couldn't rule it out.

One of the most contentious issues is money. Rich countries have promised to provide \$100 billion annually by 2020 to help poor countries reduce their emissions and deal with unavoidable impacts of climate change. But they are reluctant to make any commitments beyond that and say the most advanced developing nations should also chip in. AP

ASK THE VET

by Dr Ruan Du Toit Bester



TOXIC FOODS FOR YOUR AFRICAN GREY

IF you have a parrot you would know that they are such an important addition to our family life that it is only natural to want to include them at mealtime or when you eat something in front of them. This can be a lot of fun, messy and good for your bird's emotional health, but it is vital to know that there are some foods that are harmful and/or fatal to your bird. As bird owners, we need to know which foods are okay to share and which ones are hazardous to your African Grey or any other parrot.

Do NOT feed your parrot the following foods:

AVOCADO (toxic) - Keep all avocado products, including guacamole, away from your bird. The skin and pit of avocados have been known to cause cardiac distress and eventually heart failure in pet birds.

CHOCOLATE (toxic) - We all love chocolate but this is a definite treat NOT to share with your bird. They get what is known as "chocolate poisoning" which first will affect the bird's digestive system and cause vomiting and diarrhea. As the condition advances, their central nervous system is affected, causing seizures and eventually death.

TOMATO LEAVES, VINES, STEMS (toxic) - While it is perfectly fine to give your bird a tomato to eat, the stems, vines and leaves are highly toxic to them. Any time you give them a tomato, make sure it has been washed and sliced, with all green parts removed.

COFFEE / CAFFEINATED BEVERAGES - Coffee, soda, tea and other caffeinated beverages are extremely

hazardous to your bird's health. Caffeine causes cardiac malfunction in birds and is linked to increased heartbeat, arrhythmia, hyperactivity and cardiac arrest. Share some fruit or vegetable juice with your bird instead.

ALCOHOLIC BEVERAGES - Responsible and caring bird owners would never think of giving their bird an alcoholic beverage, but remember our birds do roam around our homes and have been known to help themselves to food and drink. Alcohol poisoning can be fatal as alcohol depresses the organ systems of birds. Keep all alcoholic beverages far away and out of reach of your bird.

DRIED BEANS (toxic) - Raw, dry beans can be extremely harmful to your bird. Uncooked beans contain hemagglutinin, a poison that is very toxic to birds. Make sure to thoroughly cook any beans before giving to your parrot.

PITS OR SEED OF MANY FRUITS - Many seeds and pits of fruits, such as apples, cherries, pears, peaches and apricots, contain trace amounts of Cyanide and should NOT be given to your bird. Share the fruit part but also be conscious that there may be pesticides on the fruit's skin. Thoroughly wash and core fruit before giving it to your bird.

RHUBARB - the leaves of the rhubarb are poisonous to birds. They contain high concentrations of oxalic acid which is an intestinal irritant. Large doses are fatal.

HIGH-FAT, FRIED, SALTY OR HIGH-SUGAR FOODS - These foods can cause multiple health problems in birds. Salty or high-sugar foods cause such problems as dehydration, excessive



thirst, kidney dysfunction and death. High fat in the bird's diet leads to obesity and may result in lipomas (fatty tumors), lipemia (fat in the blood), and hepatic lipidosis (fatty liver disease).

MUSHROOMS - A type of fungus, mushrooms have been known to cause digestive problems in birds. It has also been found that the caps and stems of some mushroom varieties can cause liver failure.

ONIONS - Limited amounts are generally regarded as acceptable; but excessive consumption of onions cause vomiting, diarrhea and other digestive problems in birds. It has also been found that prolonged exposure to onions can lead to a blood condition called hemolytic anemia. This condition is followed by respiratory distress and eventually death.

NUTMEG - This spice contains a narcotic called myristicin. While not usually a problem for humans as we only eat tiny quantities at a time, a bird that

consumes nutmeg suffers from dizziness, nausea, and vomiting.

PEANUTS - These nuts are often contaminated with aflatoxin, a fungal toxin. Aflatoxin is carcinogenic and causes liver damage in birds, squirrels, and no doubt other animals as well. Roasting the peanuts reduces aflatoxin but does not eliminate it entirely.

ANYTHING THAT YOU QUESTION OR ARE UNSURE OF - Use common sense, just don't feed it to your bird as it's not worth taking a chance on their health/life.

Hope this helps
Till next week
Dr Ruan

Ask the Vet:
Royal Veterinary Centre
Tel: +853 28501099, +853 28523678
Fax: +853 28508001
Email: info@rvcmacau.com