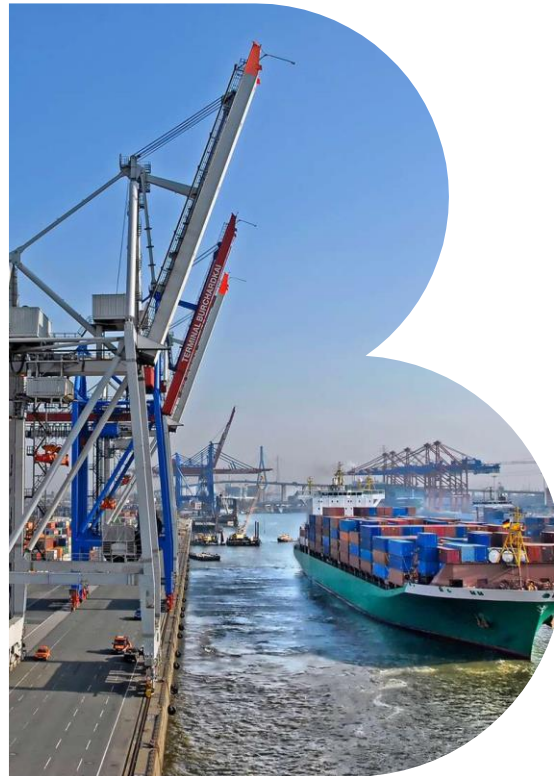


# Trade developments in the Caspian region and the pivotal role of Kazakhstan in improving trade routes between Europe and Asia

Caspian Ports & Shipping  
2019 conference



Aktau, April 14, 2019

# Agenda



Introduction to Roland Berger



Global maritime trends



Regional trade trends



BRI development in Central Asia



Implications

## A. Introduction to Roland Berger



# Roland Berger is the only global tier-1 strategy consulting firm with European roots

## Roland Berger offices

Founded in Germany in **1967**, we have a strong **international footprint** and **50 offices** in **34 countries**. With around **2,400 employees**, the company generates revenues of **EUR 600 m**



# We have deep experience and expertise in supporting maritime development around the world

## Roland Berger maritime clients




Non-exhaustive clients

### Ports



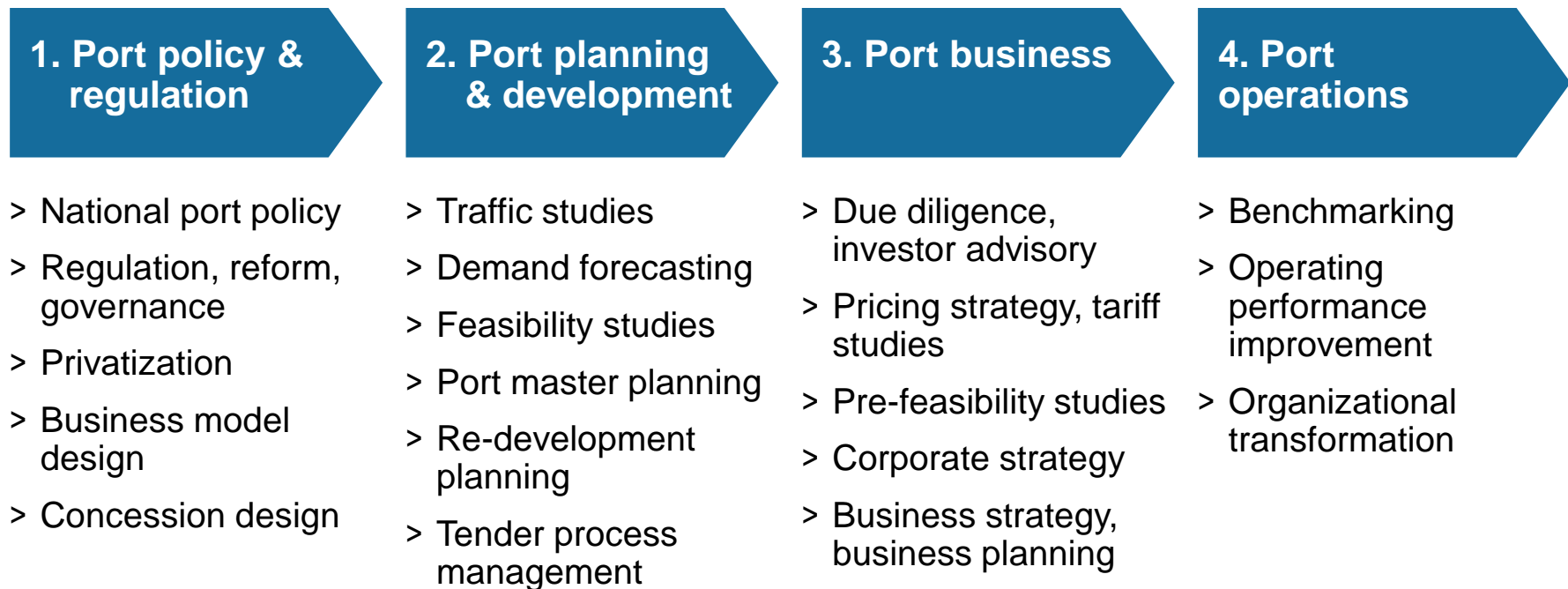
### Shipping



-  We are proud to be a top 5 player in the global strategy market
-  We have deep global port planning and development experience
-  We have a Global Ports and Shipping Practice

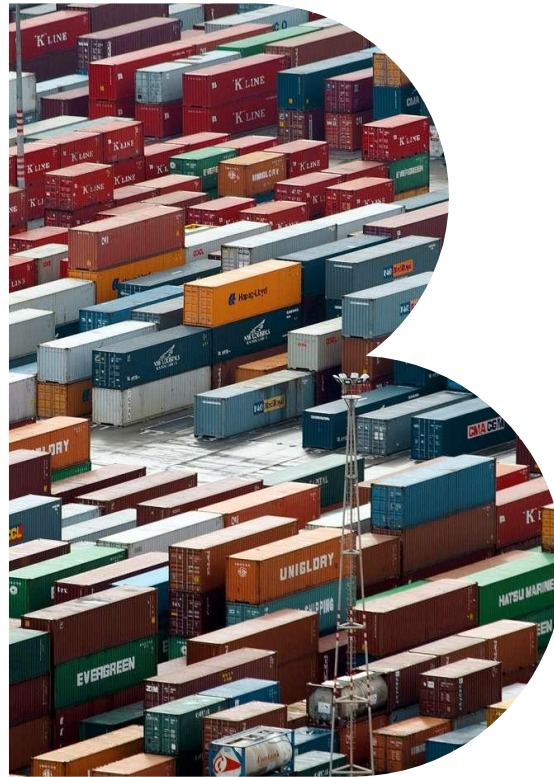
# We offer integrated approach and specialized services across the ports value chain

## Roland Berger service offering



**For each assignment, we put together a dedicated and highly experienced team. We use specialized legal, financial, engineering and port planning partners where relevant**

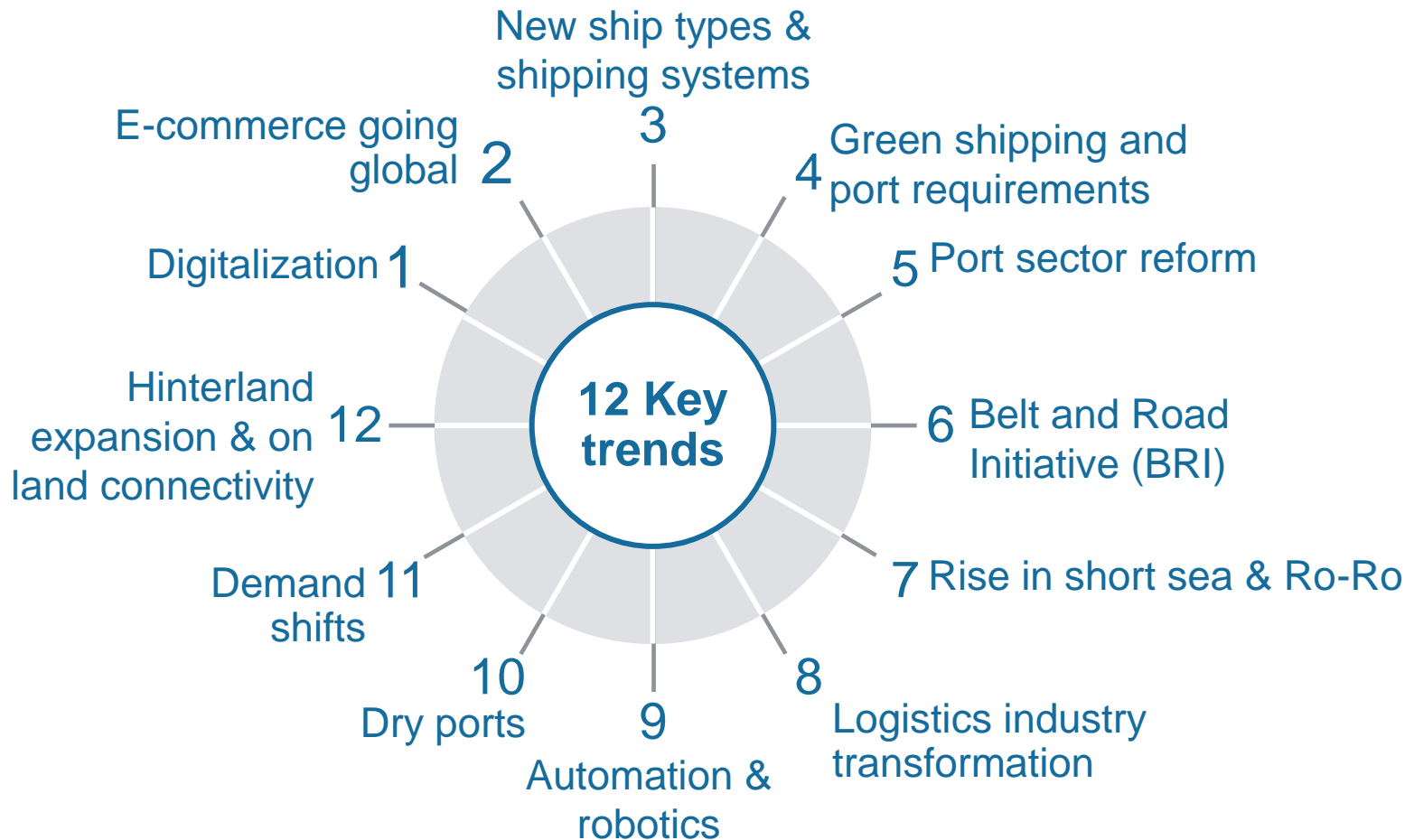
## B. Global maritime trends



# 12 trends are most relevant and are expected to irrevocably impact the maritime industry today

Mega-trends/ challenges for the maritime industry

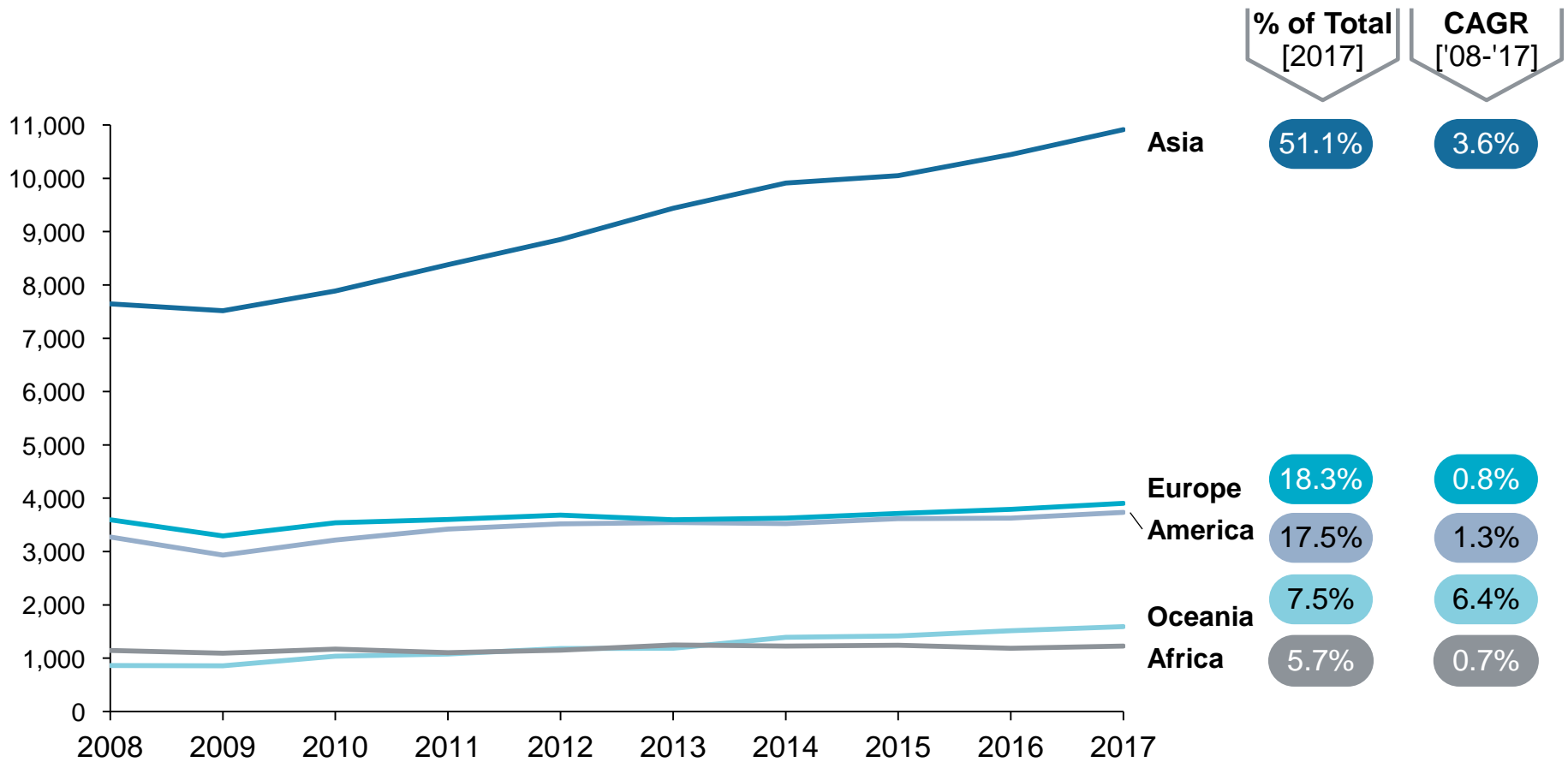
Trends are not exhaustive





# Today, global maritime trade growth is mainly driven by Asia due to high growth rate and volume

Global maritime trade [2008-2017, MT m]

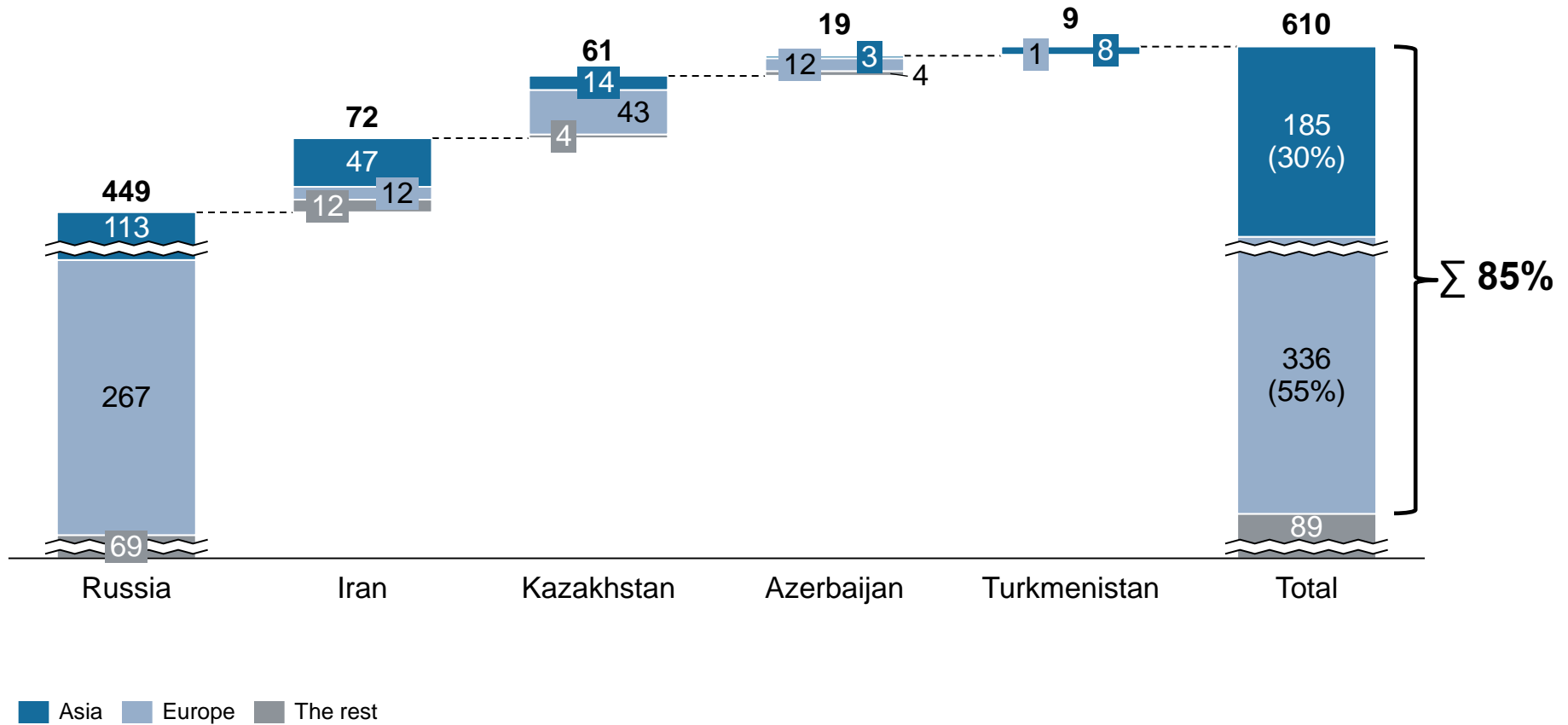


## C. Regional trade trends



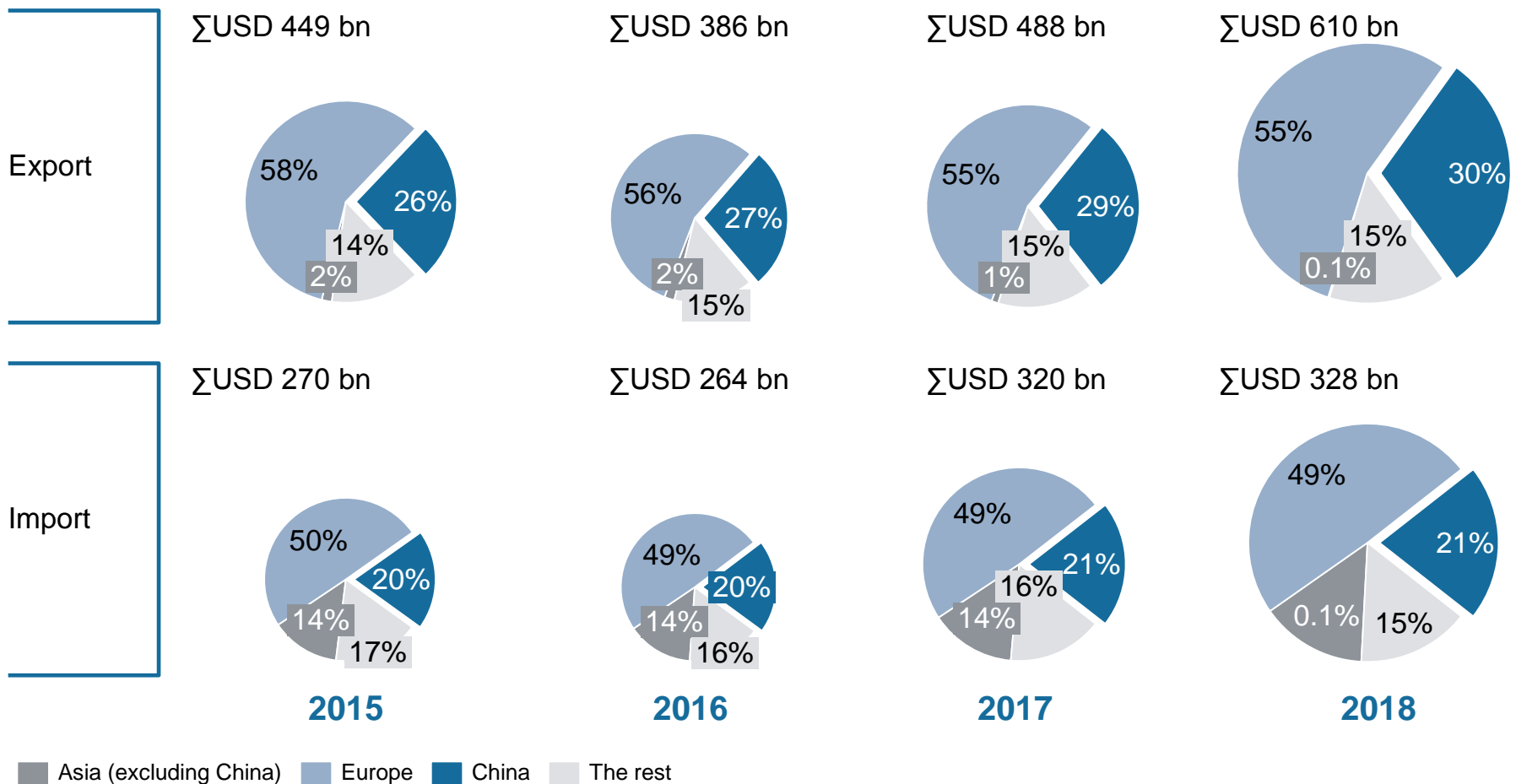
# Asia and Europe are key export markets for Caspian sea countries, accounting for 85% of total exports

Caspian sea countries' exports by continents [USD, bn, 2018]



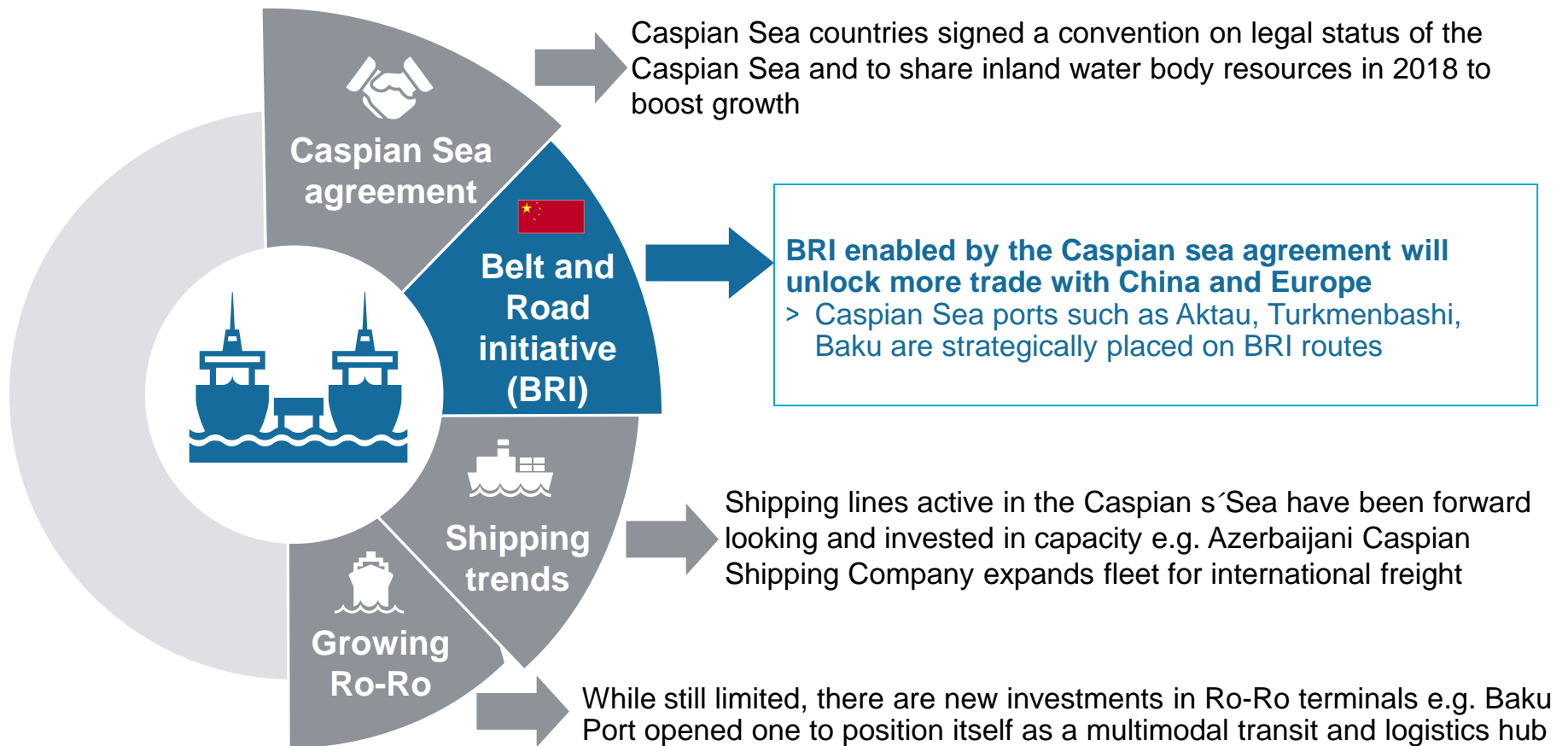
# Trade to Asia is mainly driven by China, which has been the largest export and import market

Caspian sea countries' top 5 export countries [USD, bn]



# Amongst others, the BRI trend, that is driven by China, is expected to boost trade activity for the Caspian Sea

## Recent trends and developments in ports of Caspian Sea



## D. BRI development in Central Asia



# China has ambitious plans for its Belt and Road Initiative (BRI) and is learning from setbacks of early BRI projects

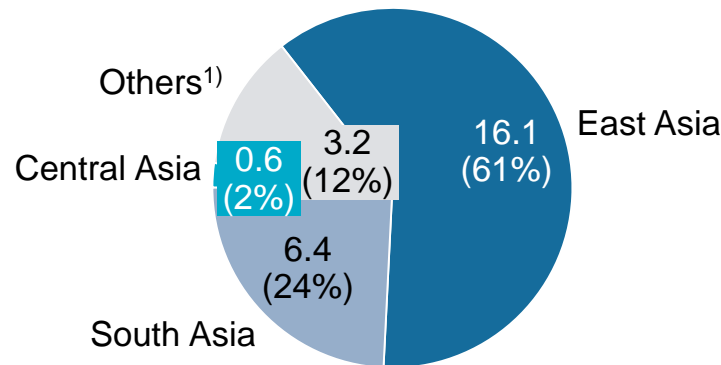
## Introduction of Belt and Road Initiative (BRI)

### China BRI Vision

“To construct a **unified large market** and **make full use of both international and domestic markets**, through **cultural exchange and integration**, to enhance **mutual understanding and trust of member nations**, ending up in an innovative pattern with **capital inflows, talent pool, and technology database**”  
 – Chinese govt.

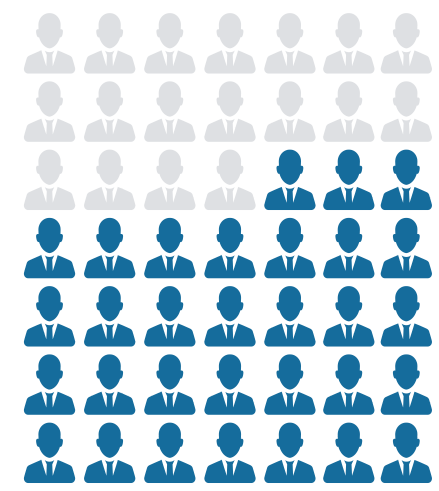
### Key figures of Belt and Road Initiative

Infrastructure needs by region [USD tr, 2016-2030]



East Asia, South Asia and Central Asia expected to account for majority of BRI investments

**62%** of world's population



**USD 4 to 8 trillion** in total projected investment

1) Mainly Southeast Asia

# BRI is planned to have 3 stages – all are relevant to the development of the Caspian Sea economic community

## Phases of BRI



- > The initial phase focuses on infrastructure development
- > ~>85% of infrastructure needed focuses on power and transportation projects

- > Leverage of infrastructure base to increase commodity supply for China as well as industrial parks to boost manufacturing capabilities for China

- > Increase trade integration across BRI countries with opening up of markets for exports and imports
- > Chinese investments/ firms are generally welcome in Central Asia boosting trade integration



# BRI infrastructure is expected to pass through Central Asia with 4 relevant routes that would improve transit

## BRI potential in Caspian sea countries

### Belt and Road Initiative Trans-Eurasian corridors



1) International North-South Transport Corridor

#### Northern Eurasian Corridor

- > Reduces cargo between Europe and Asia by 10–15 days but expected to be logistically challenging

#### Central Eurasian Corridor

- > Very promising as transit cargo turnover in Russia and Kazakhstan growing at double digits

#### Trans-Asian Corridor and Western Leg of International North-South Corridor

- > Significantly links Iran and Turkmenistan to China – High use if trade with China significantly increases

## E. Implications



# BRI has several implications for Caspian ports, ranging from containerization and more non-liquid bulk cargo

## BRI potential implications

Non-exhaustive



### Positive signs for Caspian Sea ports

- > With economic growth, Caspian Sea agreement and BRI trend, overall economic growth story is likely to be positive, driving higher port demand but investments are needed
- > With BRI, Chinese industrial activity is expected to follow, driving economic growth



### Change in cargo, stimulated by economic growth, Caspian sea agreement and BRI

- > With higher transit volume and domestic consumption, cargo mix is expected to change
  - More non-oil goods passing through Caspian sea ports and land transit



### Careful risk assessment before taking on debt for BRI investments

- > While the prospect of investments is attractive, there has been a spate of cases where host countries have to transfer port assets to China due to inability to pay (e.g. transfer of Hambantota deep-water port in Sri Lanka to China in 2016)

# For example, BRI could increase demand for Aktau Port but understanding demand to guide investments is key

## Example of BRI implications for Aktau Port

### Aktau Port



> Well positioned as a connector from international waters to the Caspian region

### Mainly liquid bulk cargo focused...

> Oil is and was the main port's business (14 million tons of crude p.a.)

### ...with BRI as a key trend, active seeking of opportunities is crucial

- > Aktau port expects to process >1,500 containers from China in 2018/2019, but that is only ~3% of the port's turnover – More work is needed
- > However, there is a need to determine what to invest in prior to investing



### Some potential considerations on BRI

**1. Not all BRI developments may materialize as planned**

**2. Identifying the right ports and capacity to invest** based on BRI developments and changes in good demand e.g. higher containers  
 – Using changes in demand for products as a basis for investments

**3. Improving port services to better attract new business**

e.g. Aktau port faces competition by the rapidly modernizing Kuryk port, which lies ca. 70 km south and benefits from a slightly milder climate

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