Submitted by Robert Berke via OilPrice.com,

Part 1: The New Silk Road

Beginning with the marvelous tales of Marco Polo's travels across Eurasia to China, the Silk Road has never ceased to entrance the world. Now, the ancient cities of Samarkand, Baku, Tashkent, and Bukhara are once again firing the world's imagination.

China is building the world's greatest economic development and construction project ever undertaken: The New Silk Road. The project aims at no less than a revolutionary change in the economic map of the world. It is also seen by many as the first shot in a battle between east and west for dominance in Eurasia.

The ambitious vision is to resurrect the ancient Silk Road as a modern transit, trade, and economic corridor that runs from Shanghai to Berlin. The 'Road' will traverse China, Mongolia, Russia, Belarus, Poland, and Germany, extending more than 8,000 miles, creating an economic zone that extends over one third the circumference of the earth.

The plan envisions building high-speed railroads, roads and highways, energy transmission and distributions networks, and fiber optic networks. Cities and ports along the route will be targeted for economic development.

An equally essential part of the plan is a sea-based "Maritime Silk Road" (MSR) component, as ambitious as its land-based project, linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and the Indian Ocean.

When completed, like the ancient Silk Road, it will connect three continents: Asia, Europe, and Africa. The chain of infrastructure projects will create the world's largest economic corridor, covering a population of 4.4 billion and an economic output of $21 trillion.

Politics and Finance:

The idea for reviving the New Silk Road was first announced in 2013 by the Chinese President, Xi Jinping. As part of the financing of the plan, in 2014, the Chinese leader also announced the launch of an Asian International Infrastructure Bank (AIIB), providing seed funding for the project, with an initial Chinese contribution of $47 billion.

China has invited the international community of nations to take a major role as bank charter members and partners in the project. Members will be expected to contribute, with additional funding by international funds, including the World Bank, investments from private and public companies, and local governments.

Some 58 nations have signed on to become charter bank members, including most of Western Europe, along with many Silk Road and Asian countries. There are 12 NATO countries among AIIB´s founding member states (UK, France, Netherlands, Germany, Italy, Luxembourg, Denmark, Iceland, Spain, Portugal, Poland and Norway), along with three of the main US military allies in Asia (Australia, S. Korea and New Zealand).

After failed attempts by the US to persuade allies against joining the bank, the US reversed course, and now says that it has always supported the project, a disingenuous position considering the fact that US opposition was hardly a secret. The Wall Street Journal reported in November 2014 that "the U.S. has also lobbied hard against Chinese plans for a new infrastructure development bank…including during teleconferences of the Group of Seven major industrial powers.

The Huffington Post's Alastair Crooke had this to say on the matter: "For very different motives, the key pillars of the region (Iran, Turkey, Egypt and Pakistan) are re-orienting eastwards. It is not fully appreciated in the West how important China's "Belt and Road" initiative is to this move (and Russia, of course is fully integrated into the project). Regional states can see that China is very serious indeed about creating huge infrastructure projects from Asia to Europe. They can also see what occurred with the Asia Infrastructure Investment Bank (AIIB), as the world piled in (to America's very evident dismay). These states intend to be a part of it."

Buttressing this effort, China plans on injecting at least $62 billion into three banks to support the New Silk Road. The China Development Bank (CDB) will receive $32 billion, the Export Import Bank of China (EXIM) will take on $30 billion, and the Chinese government will also pump additional capital into the Agricultural Development Bank of China (ADBC).

The US: Unlikely Partner on the Silk Road:

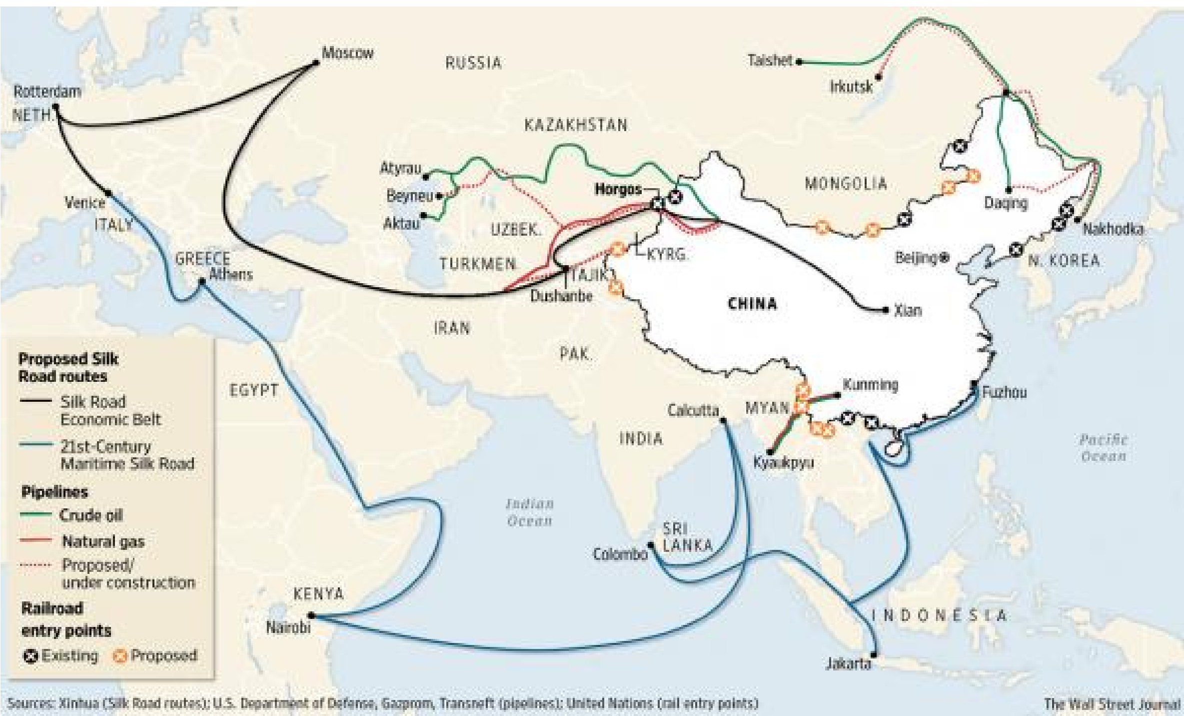
Will the US join the effort? If the new Trans-Pacific Partnership (that pointedly leaves out both Russia and China, two Pacific powers) is any indication, US participation seems unlikely and opposition all but certain.

But there's no good reason that America should sacrifice its own leadership role in the region to China. A project as vast and complicated as the Silk Road will need US technology, experience, and resources to lower risk, removing political barriers for other allied countries like Japan to join in, while maintaining US influence in Eurasia. The Silk Road could enhance US objectives, and US support could improve the outcome of the project.

An editorial in the Wall St. Journal argues that the US proposed trade agreement and China's sponsored Silk Road project are complimentary, with the trade agreement aimed at writing rules for international trade, while the Chinese aim at developing infrastructure is necessary for increased trade.

Initial Project:

A look at the first project, currently under development, provides a good example of how China plans to proceed.



The first major economic development project will take place in Pakistan, where the Chinese have been working for years, building and financing a strategic deepwater port at Gwadar, on the Arabian Sea, that will be managed by China as the long-term leaseholder.

Gwadar will become the launching point for the much delayed Iran-Pakistan natural gas pipeline, which will ultimately be extended to China, with the Persian section already built and the Pakistan-Chinese section largely financed and constructed by the Chinese.

The pipeline is also set to traverse the country, following the Karakoram Mountain Highway towards Tibet, and cross the Chinese western border to Xinjang. The highway will also be widened and modernized, and a railroad built, connecting the highway to Gwadar.

Originally, the plan was to extend the pipeline to India, with Qatar joining Iran as natural gas suppliers, forging what some considered a “peace pipeline” between India and Pakistan, but India withdrew, under pressure from the US along with its own concerns over having its energy supplies dependent upon its adversary, Pakistan.

India's Counter:

Not surprisingly, India, a US ally, countered China's initiative with one of its own, announcing a new agreement to build a port in Iran on the Arabian Sea, only a few hundred miles from Gwadar, bringing Iranian energy to India via Afghanistan, bypassing Pakistan.

Although it would offer an alternative to the Chinese-backed Gwadar initiative, the US warned India not to move ahead with the port project before a final nuclear agreement between Iran and the West is actually signed.

Both the Chinese and Indian projects are clearly in defiance of international sanctions on Iran, but both countries appear unconcerned. The Chinese could also be accused of a 'double dip' sanctions violation, given the immense and continuing trade deals it negotiated with Russia.

The rest of the business world is sure to follow, or risk losing out in what is certain to be a new "gold rush" towards Asia in a world still struggling with the lingering effects of the great recession. And New Delhi pointed out the harsh truth: American energy companies are also trying to negotiate deals with Iran. Following on the heels of the US visit, the German mission is due in Tehran soon, with the French beating everyone to the punch in an earlier visit.

What then of sanctions? Sanctions only work in a world united behind them. If a large part of the world chooses to ignore sanctions, they become unenforceable.

Conclusions:

China and much of the world is intent on developing the largest economic development project in history, one that could have dramatic ripple effects throughout the world economy.

The project is expected to take decades, with costs running into the hundreds of billions of dollars, if not trillions. What that will mean for the world economy and trade is almost inconceivable. Is it any wonder then, that the world's largest hedge funds, like Goldman Sachs and Blackstone, are rushing to market new multi-billion dollar international infrastructure investment funds?

No doubt a project as large and complex as this is likely to have failures, and is certain to face many western geopolitical obstructions. Assuredly, the "great game" will continue. Look no further than US President Barack Obama, who also senses the urgency. "If we don't write the rules, China will write the rules out in that region," he said in defense of the Trans-Pacific Partnership.

In a world where economic growth is tepid, with Europe still struggling with the aftermath of the global recession, along with China's growth slowdown, where else could a project that promises so much opportunity be found?

It's a good bet that giant iron mining companies like Vale, that have seen their business fall to a thirteen-year low, are currently busy figuring how much steel goes into construction of a new, high speed 8,000 mile railroad. If the project is successful, it could very well spark a boom across the entire depressed international mining, commodities, and construction sectors.

Consider how many jobs could be created in a decades-long construction project that spans a huge region of the world. In practically every sector, the prospects are enormous for a revival of trade and commerce.

The ancient Silk Road increased trade across the known world, but the Road also offered far more than trade. One of its least anticipated benefits was the widespread exchange of knowledge, learning, discovery, and culture.

Beyond the riches of silks, spices, and jewelry, it could be argued that the most important thing that Marco Polo brought back from China was a famous nautical and world map that was the basis for one of the most famous maps published in Europe, one that helped spark the Age of Discovery. Christopher Columbus was guided by that map and was known to have a well-annotated copy of Marco Polo's travel tales with him on his voyage of discovery of a new route to India.

For the world at large, its decisions about the Road are nothing less than momentous. The massive project holds the potential for a new renaissance in commerce, industry, discovery, thought, invention, and culture that could well rival the original Silk Road. It is also becoming clearer by the day that geopolitical conflicts over the project could lead to a new cold war between East and West for dominance in Eurasia.

The outcome is far from certain.

Coming soon, Part 2: Cold War or Competition on the New Silk Road.

Submitted by Robert Berke via OilPrice.com,

Part 2: Cold War or Competition on the New Silk Road.

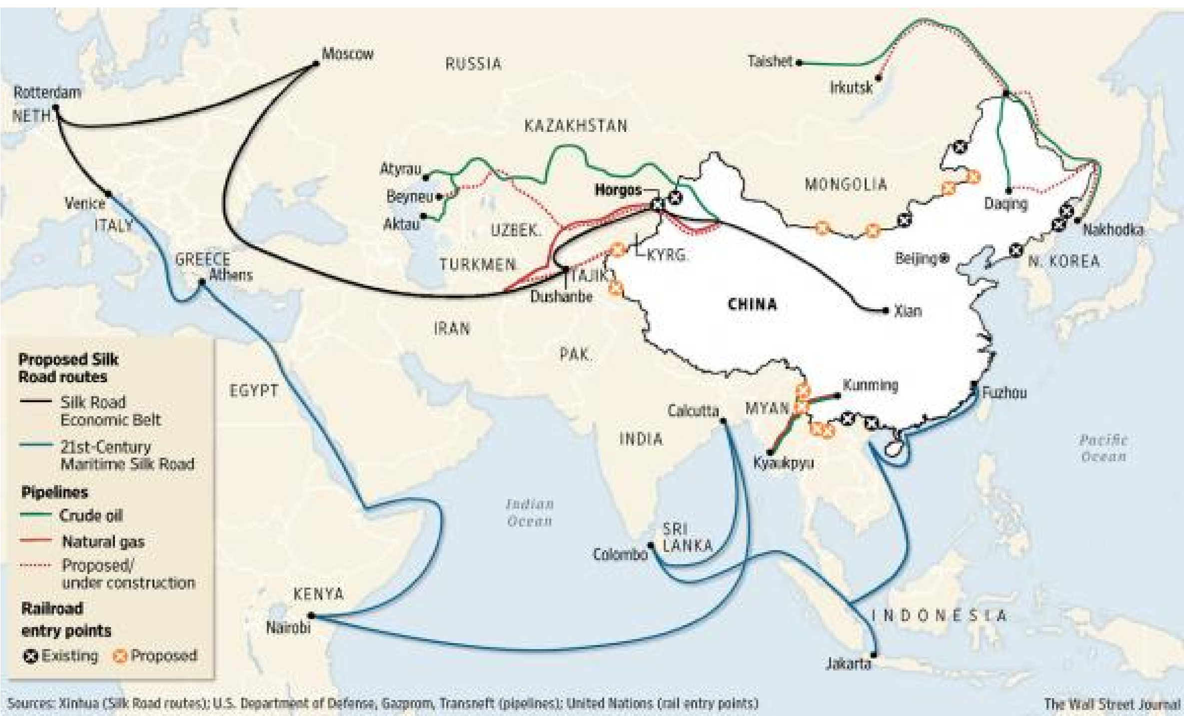
Note:
In Part 1 of "The New Silk Road," we examined the China's plan for rebuilding the Silk Road, stretching from Europe to Asia.

*In Part 2, we look at currently proposed projects, and **geopolitical rivalries that could stall and hamper progress.***

Silk Road Projects:

It is important to understand that the new "Road' is not a formal plan in any sense but merely a broad outline of goals, a work in progress, being filled in, opportunistically, with projects as they are developed, and as negotiations with target countries allow. The Road is also not a 'start-up' from scratch, but builds upon and extends a number of projects that have been ongoing with China's partners.

The Iran-Pakistan-China project (described in Part 1) is one of the few that provides more details, but it is still very much in the planning stage. The second proposed project, only recently made public, focuses on Russia. China is also proposing a partnership with India for its third project.



The Pakistan program is an important economic development project that ties in with the Road as one of the connecting dots along the way, while the proposed program for Russian could become the nexus for the entire Road project, and the proposed India project could become the crucial piece in tying it all together.

Russia and China, the Emerging Partnership:

What makes Russia important enough to include in the plan? A better question might be: how is it possible to leave out Russia, the largest country in Eurasia, from a plan to build across the entire region?

In a recent meeting in Moscow, celebrating the 70th anniversary of the allied victory in World War II – which saw Indian, Chinese, and Russia troops parading in Red Square – China and Russia signed multiple agreements to tie development of the Chinese sponsored Silk Road to the Russian sponsored Eurasian Economic Union (EAEU).

The EAEU plan is a Kremlin-sponsored trade union between Russian, Kazakhstan, Kyrgyzstan, Belarus and Armenia, that has been pilloried in the western press as part of Russia's supposed underlying agenda to re-establish the Soviet Union. With Russia's inclusion, the plan for the Silk Road will extend from Beijing to the border of Poland. The blossoming cooperation between Russia and China is not something to be ignored, according to former Indian diplomat M.K. Bhadrakumar:

> *"Clearly, the cold blast of western propaganda against the EAEU failed to impress China… China's integration with the EAEU means in effect that a real engine of growth is being hooked to the Russian project. In reality, China is the key to the future of the EAEU. Significantly, Xi has combined his visit to Moscow with a tour of Belarus and Kazakhstan, the two other founder members of the EAEU….This is vital for the implementation of the Silk Routes via Russia and Central Asia."*

The Chinese/Russian agreements cover eight specific projects, starting with the development of a high speed railway that will connect Moscow and Kazan (Tatarstan Republic), and will be extended to China, connecting the two countries via Kazakhstan. China's Railway Group has won a contract for $390 million to build the road, with China contributing an initial $5.8 billion toward total estimated costs of $21.4 billion. Eventually, the planners hope to link this project to Russia's planned high speed railway to Europe.

Also, China's Jilii province has offered to build a cross-border high speed railway link between the two countries connecting with Russia's major Pacific port city, Vladivostok. In addition, the two nations are expanding their energy partnership through a variety of projects. As Oilprice reported in a May 12 article, "the Russian hydropower company RusHydro and China Three Gorges Corp. have signed a deal to cooperate on a 320-megawatt hydroelectric power project in Russia's Far East…near the border between China and Russia." As described, this is the largest dam project in China or Russia, already under construction, and is expected to generate 1.6 trillion watts of electrical energy per year, with an estimated cost of around $400 billion.

China has also proposed developing an economic corridor between Russia, Mongolia, and China, a plan likely to include the EAEU member states, the initial step in development of one of the major components of the Silk Road, the Eurasia Economic Corridor, a preferential trade zone stretching across the region.

Several smaller joint project deals were also signed, including establishing a $2 billion agriculture financing fund.

Geopolitics on the Silk Road:

Until very recently, it was widely assumed that the US would lead its western allies in a campaign against the Russian/Chinese deal to develop the Silk Road, but events have been reversing with remarkable speed.

With Obama desperately trying to keep the wars in Yemen, Syria, and Iraq from metastasizing across the region, Obama's Middle East policy is at a crossroads, with none of the big issues likely to be resolved before his term ends. Clearly, the US President wants to concentrate on Asia and reduce the US presence in the Mid-East, a region that has bedeviled every President for more than a generation.

The Deal to Get Out:

In the midst of all this, and after more than a two year absence from Russia, Kerry and his entourage requested an immediate urgent meeting with Putin and Lavrov that was granted by the Kremlin.

There is widespread speculation over what might have taken place in the Kremlin meeting on May 8th. Yet, the fact that the meeting took place at all may be more important than any agreements reached, because it clearly shows some form of thaw in a relationship that's in process.

The rumor out of Russia is that Kerry requested Putin's help in resolving the ME conflicts and closing the nuclear deal with Iran, with the Russian President agreeing. The quid pro quo for Russia was the US lowering tensions in Ukraine. The issue of Crimea was apparently not even raised, while the visit ended with Kerry's unprecedented warning to Kiev to abide by the Minsk 2 agreement for a truce in Ukraine's eastern provinces.

Much of the news media is speculating that the US is starting to remove the 'crime scene tape' around the

Kremlin. Whether this is really a US offer of an olive branch to Russia is still pretty much guesswork, and even if it were, how far the US is willing to go in accommodating the Kremlin is largely unknown. Stratfor, the popular internet intelligence newsletter, speculates that the US is willing to start easing sanctions on Russia.

Israel and the Gulf Kingdoms:

For the Israelis, any easing of tensions with Iran and Russia is very bad news. In the Middle East, Israel is the canary in the coal mine, and is always among the first to discern the faintest signs of political unrest in its region.

There's no denying the significance of Israel's reaction to the US/Iran nuclear deal and US coordination with Iran and Russia in Syria and Iraq. Israel placed all of its chips on its ability to stop the deals, and lost badly, while perhaps severely damaging its relationship with it largest ally, the US.

Now, the howls of protest and betrayal pour out of every media source in the country, and Israel is not the only one. Saudi Arabia also feels left out in the cold with the Iran deal.

Proposed Partnership with China and India:

If it were possible to put politics aside, there's no question that China's single best partner for the Road would be its giant neighbor India, bringing together the two most important markets for traders on the original ancient Silk Road. As the Associated Press reported on May 14, 2015:

> *"Both countries are members of the BRICS grouping of emerging economies, which is now establishing a formal lending arm, the New Development Bank, to be based in China's financial hub of Shanghai and headed by a senior Indian banker. India was also a founding member of the embryonic China-backed Asian Infrastructure Investment Bank.*

The cooperation between China and India is only growing, and their needs appear to be compatible, as the AP goes on to note:

> *China is looking to India as a market for its increasingly high-tech goods, from high-speed trains to nuclear power plants, while India is keen to attract Chinese investment in manufacturing and infrastructure. With a slowing economy, excess production capacity and nearly $4 trillion in foreign currency reserves, China is ready to satisfy India's estimated $1 trillion in demand for infrastructure projects such as airports, roads, ports and railways."*

If India chooses to partner with China in the Silk Road, it could keep China building for the rest of the century, in a project that would combine the world's most populous nations, with more than 2.6 billion people. With Russia already a partner, and Iran waiting in the wings to join, the project could add almost another quarter of a billion people, with a combined total of over one third the global population. A better fit would be hard to find.

But there is no shortage of historical baggage between China and India, ranging from a half century of unresolved border disputes; China's growing relationship with Pakistan, India's longtime adversary; and India's close relationship with the US and Japan, both opposed to China's claims in the South China Sea.

In a recent meeting in Beijing, China and India signed agreements for $22 billion in development projects, disappointing to many observers when compared to the $47 billion committed to the China/Pakistan deal. A former Indian diplomat, Bhadrakumar, argues, "that strategic distrust cannot be wished away," and "...that India is not ready to replace the west as its development partner."

It seems like the US influence with India has at least slowed prospects of recruiting India as a major Silk Road partner. Yet, the results are not so simple to predict since so many countries involved are dependent upon trade with China to the tune of hundreds of billions of dollars annually, and are also active trading partners with both Russia and Iran.

Even in the cold war, India became adept in its studied policy of co-existence with the Soviet Union and the US, which allowed India to play both sides. For pragmatic India, the choice of development partners may depend on the simple formula of 'following the money', given the fact that China is one of the few countries in the world with sufficient resources to finance the rebuilding of India's infrastructure.

The rush of western allies, including India, to join China's sponsored Asian Infrastructure Bank speaks clearly to the fact that western business is eager to take part in the Road projects. There are probably few banks in the world that would hesitate to finance major components of the project. However, whether the recent sea change in the US/Russian dynamic is a prelude for US support of the Silk Road project remains an open question.

Coming in June, Part 3: Prospects for Success and What it Means for Investors.

Submitted by Robert Berke via OilPrice.com,

Part 3: Challenges, Rivalries, Prospects for Success, and Investment Implications.

In Part 1 of "The New Silk Road," we examined the China's plan for rebuilding the silk road, stretching from Europe to Asia.

In Part 2, we looked at currently proposed projects, and what could stall and hamper progress.

*In Part 3, we examine **the geopolitical rivalries, prospects for success, and investment implications**.*

Progress on the Silk Road

If the rush by nations to join the Chinese sponsored Asian International Infrastructure Bank (AIIB) is any indication, the world is becoming ever more engaged with China's New Silk Road.

To westerners used to lengthy, multi-decade delays in giant government projects, progress on the Silk Road project is taking place at an astonishing pace. Hardly a day goes by without an announcement of some new project that is set to soon break ground.

On May 7th, President Xi met with his counterpart in Kazakhstan, to sign major agreements to develop high speed rail lines between Kazakhstan, Russia, and ultimately China. The China side of the rail line to Kazakhstan is already completed.

Following hot upon that deal, the next day, on Moscow's Victory Day Celebration, the Chinese President Xi met with President Putin in closed door meetings, where hundred billion dollar deals were sealed in just a few hours, including the high-speed train from Moscow to Beijing.

On May 13th, China Railway Group won a $390 million contract to build the railroad, along with two Russian railway companies, with regional development plans set to take place in 2015.

On May 10th, Xi's three day visit to Belarus culminated in another major agreement, with Belarus becoming a new partner in the high speed rail extension. It almost seems as if the Chinese President Xi has multi-billion deals falling out of his pocket everywhere he goes, and he goes everywhere.

Geopolitics

There are many who say that the New Silk Road is the first shot in a competition for dominance in Eurasia. Others claim the start of a new cold war. George Soros is among those who go even further with alarming claims of an imminent nuclear war between the US and China. Why the sudden alarms for an obscure area of the world? Here's an indication of the global significance some experts have traditionally claimed for the region.

"If China succeeds in linking its rising industries to the vast natural resources of the Eurasian heartland, then quite possibly, as Sir Halford Mackinder predicted... in1904, 'the empire of the world would be in sight," wrote Alfred W. McCoy, a history professor at University of Wisconsin-Madison, on June 8.

Although no one has a crystal ball in matters of war and peace, history clearly shows that since the onset of the cold war, the great powers have become adept at avoiding direct conflict with each other.

US Secretary of State John Kerry met Putin in May, and the message was not about the end of strife between their two countries, but the need to avoid mistakes that could lead to direct conflict. The only agreement announced at the meeting, was the establishment of early warning systems and a hot line, as the first steps in avoiding accident that could lead to further conflict. In that sense, better and earlier communications, keeps people from getting jumpy and pushing the wrong buttons.

As to the Asian pivot, it's expected that the US will also push for early warning and improved communication systems with China, for the same reason, to avoid accidental conflicts emerging into something more serious.

No doubt, the bellicose rhetoric from both sides will continue, partly as the regular saber rattling we've all become accustomed to and partly for home consumption (see recent example below).

"There should be no mistake: The United States will fly, sail, and operate wherever international law allows, as we do all around the world," US Secretary of Defense Ash Carter said in response to China's recent arms buildup in the South China Sea. He also added that the United States intended to remain "the principal security power in the Asia-Pacific for decades to come."

Without mentioning China, Carter also makes his view clear that the US takes a dim view of Beijing's strategy in the region, and his statement was intended to make clear that the US has no intention of backing down.

"We already see countries in the region trying to carve up these markets…forging many separate trade agreements in recent years, some based on pressure and special arrangements…. Agreements that…..leave us on the sidelines. That risks America's access to these growing markets. We must all decide if we are going to let that happen. If we're going to help boost our exports and our economy…and cement our influence and leadership in the fastest-growing region in the world; or if, instead, we're going to take ourselves out of the game," Carter said in a speech to the McCain Institute at Arizona State University in April.

It is not impossible but far from likely that the US and EU would level war or sanctions against one of their largest trading partners, upon whom, much of their economies depend.

Iran is good indicator of the response to new Eurasian opportunities, where global business is lining up, eagerly awaiting the easing of sanctions in order to jump in. A similar response is likely to take place on a much larger scale with the launching of the Silk Road, where the global business community is eager to join.

It's important to note that it won't just be Europe and America competing in the race, but so too will emerging new and very wealthy competitors from Asia and the Middle East. It's hardly a coincidence that the Kuwaiti Sovereign Funds, one of the biggest in the world, has opened offices in Beijing a few years ago, with an eye on financing energy deals. Others from the global oil clan will not be far behind.

Reportedly, China has held open an invitation to the US to join its sponsored Asian Bank, as a founding and governing board member. China also hold open an invitation to Japan to become a founding member. But the US has not been so welcoming. The US sponsored Trans Pacific Partnership pointedly leaves out China and Russia. In response to questions about future membership, an unnamed US State Dept.

representative reportedly responded: “Anyone but China.”

“The United States …has mixed feelings toward China's rising international status. It remains ambivalent concerning China-proposed initiatives such as the land and maritime Silk Road Initiatives and the Asian Infrastructure Investment Bank. …however, … there is a wide belief among the American think tanks that no convincing reasons exist for the United States not to support or participate in these initiatives,” wrote Fu Ying, China’s Vice Minister for Foreign Affairs, on June 9.

There is no legal barrier to America becoming a major governing partner with China in Eurasian trade, while also continuing to oppose China's recent aggressiveness. Despite the rising tensions, the US remains one of China's largest trading partners. As a governing partner in the Asian Infrastructure Investment Bank, the US would enhance its leadership in the region, enable western business to take advantage of newly offered opportunities, while helping to underwrite Eurasia's much needed development. It would also avoid the embarrassment of western business rushing to join the project, as seems likely, despite their government's disapproval. The sticking point, as Secretary Carter made clear, is who will lead.

Yet, as we learned from the Godfather, it might be wise to: "Keep your friends close; keep your enemies even closer."

Project Feasibility

Any large, complex economic development project like the ‘Road’ comes with a high degree of risk and delays associated with projects that cross multiple international boundaries, face a myriad of conflicting laws and regulations, and are based upon long term payoffs in a highly uncertain future.

Like many economic development projects, the underlying assumption is that the project will result in increasing demand. But China’s new empty cities are a testament to the idea that “if you build it, they might not come.”

No doubt, development financing is needed in Eurasia. A new high speed rail system across the region will likely help boost European trade with Eurasia and the Far East. It’s also likely that a number of cities and regions along the route will see growing economic activities. But what will succeed is far from certain.

Investment Implications

The backbone of the system will be an interconnected network of high speed railways set to open up the territories to transport, migration, agriculture, commerce, and industries.

As the American west was opened to development by new railway systems built through sparsely populated regions, one of the first industries to benefit was mining that spawned the famous gold rush fever. This time around the rush will likely be led by global mining giants in search of much more than gold and precious metals.

In terms of energy, Eurasia is home to many large oil and gas producers, including Russia, Iran, Azerbaijan, Kazakhstan, and Turkmenistan. Our top prospect here would be global engineering giant, Schlumberger (NYSE: SLB), which recently acquired the largest drilling and exploration company in the region.

The area is also home to huge mineral reserves, including precious and industrial metals, uranium, and coal. An example is Mongolia with its recent discoveries of some of the world's largest copper and coal mines. Global mining giants are likely to be big winners, like BHP Billiton (NYSE: BHP) and Rio Tinto (NYSE: RIO).

For a number of reasons, I strongly favor the builders and suppliers, the pick and shovel approach to investments, as far less risky than the long term and more speculative bets on economic growth prospects. From that perspective, that Russian/Chinese agreement offers evidence of some of the best investment prospects, for both short and long term returns.

The agreement for the Russian/Chinese high speed railway between the two countries calls for China to supply the project with: 20 percent of financing, and 60 percent of engineers, labor, technical assistance, and equipment. The first contract agreed to involved China's government-controlled China National Railway Ltd, a $360 million contract to develop the railway between Moscow and Kazan, with plans to extend to Beijing.

China, the world's leading developer of high speed train networks, recently announced the merger of its two largest train builders, China CNR Corp. and CSR Corp., intended to boost exports of rail technology. Following the announcement of the merger, the companies' stock rose by twenty percent before trading was halted. The newly formed company (CRRC Corporation Ltd), with a market cap of $26 billion, will be listed on the Shanghai exchange in place of CNR and CSR, that will both be delisted.

CSR recently announced a bid for Canada's Bombardier Co. (TSE: BBD.B), one of the world's leading manufacturer of high speed locomotives, trains, and airplanes. At around $5+ per, share, the newly listed company, CRRC, with a market cap of $25 billion, is a top prospect.

For years, the Kremlin has been lobbying Europe about a planned economic corridor that would extend from Vladivostok to Berlin, and with that plan now incorporated as part of the Silk Road project, Russian Railways becomes another hot prospect.

Other top prospects include Siemens (FRA:SIE), Germany' giant manufacturer of automated switching systems, an essential component in high speed rail systems, and already a partner with Russian railways.

Conclusion

As to the importance of Asian trade to the US, we'll leave the last words to Secretary Carter. In his speech at the McCain Institute, he laid out the administration's official policy.

...(The) " Asia-Pacific...is the defining region for our nation's future"... "Half of humanity will live there by 2050" and that "more than half of the global middle class and its accompanying consumption will come from that region."...."There are already more than 525 million middle class consumers in Asia, and we expect there to be 3.2 billion in the region by 2030...President Obama and I want to ensure that... businesses can successfully compete for all these potential customers. ....Over the next century, no region will matter more... for American prosperity."