ONE BELT ONE ROAD INITIATIVE AND GEORGIA

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Introduction

Relations in the field of economy or any other fields between large and small countries is a rather difficult phenomenon as, given their differing sizes, a question is immediately asked about whether or not it is at all possible for these countries to be equal partners in a geopolitical or geo-economic sense. Studying the economic implications of the size of a country is one of the important directions of modern economic science.\(^1\) On the other hand, small countries face numerous challenges which, if ignored, might lead them to fatal mistakes.\(^2\)

The economic (and not so economic) relations of the small country of Georgia with its large northern neighbor, Russia, turned out to be quite difficult and have created numerous complications.\(^3\)

At the same time, Georgia’s economic relations with another large economic area, the European Union (EU), give a reason for hope.\(^4\)

Hence, small Georgia has both hopeful as well as negative experiences when it comes to its economic relations with large economic areas.

Georgia’s economic relations with China have been especially activated in the past couple of years. This includes both direct trade relations between the two countries as well as Chinese direct investments in the Georgian economy.\(^5\)

It should be pointed out that critical opinions have recently been heard about the economic growth of China\(^6\) as it is considered that it takes place mostly at the expense of the growth of corporate debt.\(^7\) Despite this, China’s interest to expand its international economic outreach is quite clear and that includes Georgia as well. This naturally begs the question about why China is interested in developing economic cooperation with a geographically remote Georgia, despite the difficult geopolitical situation in the Central Caucasus\(^8\) (also more recently complemented with the negative factors originating from the Middle East\(^9\)).

One Belt One Road Initiative and the Silk Road Transport Corridor

Answering this question is not at all difficult based upon new global projects put forward by Beijing, including the Silk Road Economic Belt and the 21\(^{st}\) Century Maritime Silk Road, both of which together create a One
Belt One Road (OBOR) initiative.\textsuperscript{10} It is certainly noteworthy that this global initiative includes the Asia-Pacific, Europe, Central Asia, South Asia, South-East Asia, West Asia and Africa.

The Silk Road Economic Belt (SREB), which was a global project from the very beginning, provided for several economic corridors such as the New Eurasian Land Bridge, the China-Mongolia-Russia Economic Corridor, the Central Asia-West Asia Economic Corridor, the Indo-China Peninsula Economic Corridor, the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor\textsuperscript{11} among which the economic corridor crossing the Caucasus was not clearly outlined; however, this definitely did not prevent Chinese companies from conducting economic activities in the Caucasus.\textsuperscript{12} It should be pointed out that the Georgian corridor (as well as that of Azerbaijan) is located in the Central Asia-West Asia Economic Corridor.\textsuperscript{13}

Georgia, together with its neighbor and strategic ally, Azerbaijan, has been considered in the context of the historical Great Silk Road\textsuperscript{14} right from the beginning of the 1990s.\textsuperscript{15} The practical implications of this idea have been the TRACECA\textsuperscript{16} project initiated by the EU in 1993, the INOGATE\textsuperscript{17} project starting in 1996 and somewhat later was supported by the Silk Road Strategy Act adopted by the United States Congress in 1999.\textsuperscript{18} In fact, practically all projects\textsuperscript{19} envisaged in terms of the Silk Road transport corridor are functioning successfully today. One of the flaws of these projects can be considered to be the fact that they were designed to create both transport as well as energy corridors to connect Europe through the Caucasus to Central Asia;\textsuperscript{20} however, they did not envisage extending the corridors all the way to China.

The inclusion of Azerbaijan and Georgia (as the Caucasian Tandem\textsuperscript{21}) in the SREB project is facilitated by the already implemented Silk Road Transport Corridor (SRTC) project, an important part of which is Baku-Tbilisi-Kars railway, connecting not only Azerbaijan, Georgia and Turkey with a railroad but also connecting East and West, in general, through the Caucasus. The aforementioned railroad, as an important part of the Iron Silk Road project, is a logical piece of the OBOR initiative.\textsuperscript{22}

If we compare the SRTC or TRACECA and the SREB’s Central Asia-West Asia Economic Corridor projects, the clear similarities are limited to a regional context only (the main countries of the Silk Road). The differences, on the other hand, lie in at least two things: first of all, the first project was initiated
by the West (more specifically, the EU) while the second one originated in the East (more specifically, in China) and second of all (which, we believe is very important) the first project is clearly and primarily a transport project while the second one is much more complex as it is economic (which means that apart from transport it also includes other economic fields). It should be pointed out that the idea about the transport corridor for Georgia would, in the future, turn into a complex economic project as it would facilitate the development of different parts of the economy as was voiced back in 2002.23

It can be baldly asserted that the OBOR initiative will fundamentally alter the main directions of the world’s economic development as the role of the East, namely China, is being brought to the forefront.24

One Belt One Road Initiative, Russia and Eurasianism

According to the assessments of most analysts, one of the main threats to the successful functioning of the SREB (more specifically, the Central Asia-West Asia Economic Corridor), crossing Georgia and Azerbaijan, is Russia.25 This should not be surprising, especially if you take into account that, on the one hand, the Central Asia-West Asia Economic Corridor does not cross Russia and could be considered as a competitor (or, according to a heavier assessment, an alternative) economic corridor26 to the New Eurasian Land Bridge27 which does in fact cross Russia while, on the other hand, Moscow wants not only to retain but also expand its influence in the post-Soviet area in general and in Central Asia and the Central Caucasus,28 in particular. This is exactly why from the very beginning Moscow was not interested in the development of the SRTC crossing Central Caucasus independently from Russia.29 Today, the situation is further complicated by the fact that Russia’s participation in the OBOR initiative can be described as extremely modest.30

In order to balance the OBOR initiative, Moscow put forward a Greater Eurasian Partnership (GEP) initiative which is a large-scale vision of the Russian-Kazakh initiative started in 2015, the Eurasian Economic Union (EAEU),31 and it aims at encompassing Russia, China, India, Iran, Turkey and other countries, confronting US hegemony and Atlanticism in general.32 At first glance, the GEP has formally similar scopes, objectives and priorities with the OBOR initiative;33 however, for the government of the Russian Federation, the GEP is not just a large-scale economic cooperation project
but rather it has quite a large geopolitical significance as well.\textsuperscript{34} Taking into account that Russia is an economically weak (but at the same time militarily strong) country for China,\textsuperscript{35} it is practically impossible for Russia to balance China.\textsuperscript{36}

It is a fact that even Chinese specialists admit that Eurasianism and its theoretical and ideological views\textsuperscript{37} have an important role in Russian policy\textsuperscript{38} in light of which the opinion that the GEP does not have a motivation to “dilute” the OBOR initiative must be considered quite naïve, postulating the supposedly Russian perception that Eurasia is limited to the post-Soviet area only.\textsuperscript{39} For one thing, there is a large number of noteworthy studies regarding Moscow’s large-scale geopolitical ambitions based on Eurasianism\textsuperscript{40} (which in certain cases take on an aggressive nature as well as was the case for Georgia and Ukraine) and it has already also become clear that Moscow spares no effort in making sure that China, India, Iran and Pakistan join the EAEU.\textsuperscript{41}

In addition, it should also be pointed out that Eurasianism has a more ideological character for Moscow and it has not much in common with the EAEU.\textsuperscript{42}

Further, the very real possibility of the growth of China’s role in Eurasia based on the SREB initiative\textsuperscript{43} has also put forward a new vision for the theoretical construction of Chinese Eurasianism\textsuperscript{44} which begs further specialized study.\textsuperscript{45} At this stage, it can be said that in the view of certain analysts, China’s leadership is taking steps more-or-less in accordance with the widely acclaimed Heartland theory\textsuperscript{46} of a famous British geographer, Halford Mackinder, and it is possible that a “benevolent China-centrist economic integration zone” will be created in Eurasia.\textsuperscript{47}

It is also noteworthy that the leadership of Russia and China signed a joint statement about cooperation between the EAEU and the SREB in May 2015\textsuperscript{48} while reaffirming their statement about a solid partnership and cooperation between the EAEU and the OBOR initiative in June 2016.\textsuperscript{49} Despite this, it has still not been possible to sign agreements on future trade and economic cooperation between China and the EAEU.\textsuperscript{50} Two main reasons can be identified for this: for one thing, the Russian model of economic modernization (which relies mostly on the principles of consumer economics\textsuperscript{51}) has turned out to be utterly useless as compared to the Chinese model (which is based upon the prioritization of innovation
development) which is exactly why Russia significantly lags behind China in terms of economic and technological development, creating impediments for Moscow in establishing more-or-less equality-based economic relations with Beijing. The second reason is that the EAEU is not fully established institutionally.

**Harmonization of the Economic Corridors: From Alternatives to Complementarity**

According to the views of some experts, China’s economic cooperation with the Central Asian countries and the membership of Kazakhstan and Kyrgyzstan in the Moscow-created EAEU as well as a clear geopolitical approximation between Russia and China in recent years (especially in the energy sector) creates the probability that the EAEU and the SREB could move to a potential merger or cooperation.

Of course, cooperation to a certain extent between the EAEU and the SREB is entirely conceivable; however, in order to assess whether or not a merger between these two organizations is at all possible, we will need to compare the formational economic principles of the EAEU and the SREB.

At the current stage, economic development is not the major concern for Moscow; rather, what is more important is increasing its geopolitical influence for which Russia uses an economic mechanism through which it voluntarily gives its revenues from the exports of energy resources to the members states of the EAEU. This is the reason why Moscow has perceived the creation of the SREB as a creation of a rival project to the EAEU which aims to replace Moscow’s influence on the Asian countries with Beijing’s influence.

Actually, the SREB project is perceived entirely differently. More specifically, two factors have a major influence on its potential success: for one thing, this project does not impose any prior limitations, methods or norms to the entities participating in it by which it provides a great deal of flexibility for bilateral and multilateral economic cooperation between these entities. The second factor is that, for now, there is no evidence to suggest that Beijing is interested in wielding any sort of strategic, political or economic influence over the countries participating in the project.

We have a clear incompatibility between the economic designs of the EAEU and the SREB, first because of excessively different institutional designs
(the EAEU is “regional and protectionist” while the SREB is “extra-regional and inclusive”); second, it is important for Moscow to have geopolitical influence over the member states of the EAEU and it is ready to willfully take economic losses for this while for Beijing, SREB participants are considered to be partners with economic interests.

Hence, the good prospects of the SREB, crossing the Central Caucasus, are underlined by the fact that China does not yet consider this region to be the sphere of any of its influence and, as it would seem, it has no specific plans for gaining dominance in the region. This is especially important for the functioning and subsequent development of the Central Asia-West Asia Economic Corridor.

Given all of this, for developing the importance of the OBOR initiative in Beijing’s relations with Moscow, it could be instrumental for China to refuse implementing the paradigms of the predominant and confrontational alternative economic corridors. Instead of this, it would be more beneficial to move to the paradigm of the compatibility of economic corridors which would facilitate the harmonization of these corridors and their harmonic development. This is exactly why the GEC and OBOR initiatives must be seen as complementary to one another.

Given the increased risks of terrorism and other industrial disasters in the contemporary world, it is important to have complementary transport and energy corridors which should ensure the maximum continuity of transport flows. The increased risks of technological catastrophes, transportation disasters, damaged pipelines or other man-made disasters underline the importance of the development of transport or economic corridors which can ensure that they can substitute one another in critical situations.

Therefore, the possibility of the complementarity and harmonization of the economic corridors must be based upon an approach which envisages inspecting the routes for transporting Asian energy resources to Europe, not according to their alternativeness but rather in the context of their complementarity.

It should be pointed out that transferring to the paradigm of the complementarity of the economic corridors will ultimately ensure the implementation of the OBOR initiative in the context of a win-win cooperation relationship which is vital for the ultimate success of this initiative. The official statements of both Beijing and Moscow that the EAEU
and the OBOR are complementary and not competitive must be considered as hopeful as they did not go unnoticed by the expert community.  

Georgia as the Silk Road Economic Belt Hub

The fact that the institution of a free trade regime between China and the EU is under active discussion is very important for Georgia. 66 In this regard, the SREB creates a new stage in the economic cooperation between China and the EU. 67

China and Georgia are members of the World Trade Organization. The fact that a free trade agreement has been signed between the two countries 68 is very important in terms of the development of trade relations. Georgia also has the Deep and Comprehensive Free Trade Area (DCFTA) agreement with the European Union 69 as well as a free trade agreement with the European Free Trade Association (EFTA). 70 Hence, the expansion of trade between the EU and China will enable Georgia to become a logistical hub, connecting China with Europe (for which the Baku-Tbilisi-Kars railway and the implementation of the Anaklia Black Sea Deep Water Port project will have vital importance) 71 and increase the level of its security at the same time. 72

Of further note is that due to the transportation of Caspian oil and gas to Turkey, Georgia already plays the role of an energy resources transportation hub. 73 If we also take into account that Azerbaijan has managed to gain the image of a regional transport hub, too, 74 we can say that these two countries (Georgia and Azerbaijan) combined create a Central Caucasus transportation and energy hub. 75

For Georgia, the SREB project creates an opportunity to transform its role as an energy resources transportation hub to a regional economic hub in general. In this regard, it should be underlined that with the DCFTA agreement signed between the EU and Georgia, products exported from Georgia to the EU must be produced in Georgia. 76 This, therefore, makes Georgia attractive to all countries without free trade agreements with the EU to invest in Georgia and export the production manufactured here to the EU market. This includes China as well which is already investing in Georgia. 77
Consequently, Georgia can actually become an economic hub in the region which would be in full accordance with the content of the Central Asia-West Asia Economic Corridor project crossing Georgia.

**Conclusion**

The new global projects put forward by China such as the SREB and the 21st Century Maritime Silk Road, which combined make up the OBOR initiative, create new opportunities for developing the world economy.

Georgia finds its place in one of the corridors, the Central Asia-West Asia Economic Corridor of the SREC project which creates principally new ways for the development of its economy.

Georgia, together with neighboring Azerbaijan, has been actively participating in the creation and development of the SRTC. This corridor is already successfully operating.

It can be said that the SREB is the further development of the SRTC as the transport corridor is being transformed into a much more complex economic corridor.

According to the assessments of most analysts, one of the main threats to the successful functioning of the Central Asia-West Asia Economic Corridor is the Russian Federation and this is no surprise as Russia was also against the creation of the SRTC back in the day.

In order to balance the OBOR initiative, Moscow put forward the GEC initiative which is a large-scale version of the EAEU.

For the Russian leadership, the theoretical views of Eurasianism have an important ideological role which is exactly why the notion that the purpose of the GEC initiative is not to weaken the OBOR initiative is incorrect.

It should also be noted that the very real possibility of the growth of China’s role in Eurasia based on the SREB initiative has also put forward a new vision for the theoretical construction of Chinese Eurasianism which begs further specialized study.

Despite the fact that cooperation between the EAEU and the SREB is indeed possible, their merger, which some analysts believe can happen, is practically impossible. The main reason for this is the incompatibility between the economic models of the EAEU and the SREB. For Moscow,
it is important to have geopolitical influence on the member states of the EAEU and it is ready to take economic losses to ensure this while Beijing considers SREB participants to be partners with economic interests.

For developing the importance of the OBOR initiative in Beijing’s relations with Moscow, it could be instrumental for China to refuse implementing the paradigms of the predominant and confrontational alternative economic corridors. Instead of this, it would be more beneficial to move to the paradigm of the compatibility of economic corridors which would facilitate the harmonization of these corridors and their harmonic development.

Georgia can play the role of an economic hub in the SREB project as it already has free trade agreements in place with both the EU as well as China.

References


8. The Caucasus consists of three sub-regions one of which, the Northern Caucasus, is a part of Russia with the Southern Caucasus belonging to Turkey and Iran, and Georgia, Armenia and Azerbaijan being the Central Caucasus (Eldar Ismailov and Vladimer Papava (2008). “A New Concept for the Caucasus.” *Southeast European and Black Sea Studies*, 8(3): 283–298).


15. For example, Farda Asadov (2000). “Oil Caravans of the 21st Century on the Great Silk Road: What the Future has in Store for Azerbaijan and Kazakhstan.” *Central Asia and


34. Ibid., p. 57.

35. Ibid.

36. Ibid., pp. 58-61.


39. Ibid., p. 59.


45. It should be noted that seeing Central Eurasia in the imperial context is very interesting for scholars not only from the historical standpoint but from the contemporary standpoint as well (for example, Christopher I. Beckwith (2009). *Empires of the Silk Road: A History of Central Eurasia from the Bronze Age to the present.* Princeton: Princeton University Press, pp. 302-319).


65. For example, Joseph Larsen (2017). Georgia-China Relations: The Geopolitics of the Belt and Road, p. 19.


