

REGIONAL POLICY

CAUCASIAN TANDEM AND
THE BELT AND ROAD INITIATIVE

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ABSTRACT

The paper discusses the issues of the joint role of Azerbaijan and Georgia, or the “Caucasian Tandem,” in Beijing’s Belt and Road Initiative global project. Proceeding from the Caucasian Tandem’s experience in establishing and operation of the Silk Road Transport Corridor, the chief challenges of the Silk Road Economic Belt implementation are examined.

In the context of the Russian geopolitical theory of Eurasianism and the historical

experience of overcoming the Moscow-driven challenges in establishing the Silk Road Transport Corridor, the article analyzes potential hindrances in implementing the segment of the Silk Road Economic Belt that should traverse the Central Caucasus.

Special emphasis is placed on the Russian project of the Greater Eurasian Partnership or Community, as a more broad-scale reinterpretation of the Eurasian Economic Union, which Moscow considers an alternative

to Beijing's Belt and Road Initiative project. A comparison of the major characteristics of Russia's and China's economic models allowed to determine that the Eurasian Economic Union, and all the more so the Greater Eurasian Partnership or Community, is unable to compete with the Belt and Road Initiative, although it can create certain geopolitical obstacles to its implementation.

The paper substantiates that in order to increase the efficiency of functioning of the Central Caucasian segment of the Silk Road Economic Belt, it is essential to transit from the alternative economic corridor paradigm (which is of a confrontational nature) to a paradigm of their mutual complementarity (which is of a healthy competitive nature). The mutual complementarity paradigm aims to harmonize the development of the corridors under consideration. Such an approach to economic corridors was once proposed to weaken the confrontational character of the transport and energy corridors traversing Russia and the Central Caucasus.

The Caucasian Tandem successfully plays the role of a transport and energy hub in the Silk Belt transport corridor system. The Belt and Road Initiative creates a potential opportunity for the transformation of this transport and energy hub into a more complex economic hub. It is in this context that the paper emphasizes the special role of Georgia, which will hold the primary burden in the creation of the trade and economic hub, since it is already involved in free trade relations with China, the European Union, and the European Free Trade Association. In order for these trading models to be utilized, the goods exported from Georgia to these regions have to be manufactured in Georgia, which increases its investment attractiveness.

Joint operation of the economic hub being created and the already functioning transport and energy hub in the Central Caucasus will establish great prospects for the Caucasian Tandem's economic development.

KEYWORDS: *Caucasian Tandem, Belt and Road Initiative, Silk Road Transport Corridor, Azerbaijan, Georgia, China, Russia, Eurasianism, transport and energy hub, economic hub.*

Introduction

The relations between large and small countries, including economic relations, constitute a rather complicated phenomenon.¹ Owing to the difference in their size, a question of how equal their partnership can be in the geopolitical and geo-economic context arises from the outset. For instance, for Georgia, which is a small country, the economic (and not exclusively economic) relations with its northern neighbor, Russia,² turned out to be rather complicated; meanwhile the economic relations with the European Union (EU), another large economic space, seem hopeful.³

¹ The study of the economic aspects of a country's size is one of the priority directions in contemporary economic science (see, for instance: A. Alesina, E. Spolaore, *The Size of Nations*, MIT Press, Cambridge, MA, 2003, 261 pp.).

² See: V. Papava, "Economic Component of the Russian-Georgian Conflict," *The Caucasus & Globalization*, Volume 6, Issue 1, 2012.

³ See: V. Papava, "A Eurasian or a European Future for Post-Soviet Georgia's Economic Development: Which is Better?" *Archives of Business Research*, Vol. 5, No. 1, 2017, available at [<http://scholarpublishing.org/index.php/ABR/article/view/2651/1554>], 25 March, 2018; A. Silagadze, T. Zubiashvili, "Parameters of the European Union and the Post-Soviet Georgia's Economy," *International Journal of Multidisciplinary Thought*, Vol. 5, No. 3, 2015.

Based upon the geopolitical and geo-economic characteristics of the Caucasus,⁴ in the process of establishing a transport corridor connecting Europe and Asia, two Caucasian states, namely, Azerbaijan and Georgia, have formed the so-called Caucasian Tandem.⁵ It is founded on the strategic and economic interests that these countries share, which made them join their efforts to implement large-scale transport and energy projects.⁶

In recent times, the trade and economic relations between China and Azerbaijan are acquiring increasingly greater significance.⁷ The same claim can be made about the relations between China and Georgia.⁸

It is a fact that China is resolutely expanding the international trade and economic relations with both Azerbaijan and Georgia. It is only natural that a question emerges—why is it that, despite the complicated geopolitical situation in the Central Caucasus,⁹ China is seeking to expand economic cooperation with Azerbaijan and Georgia, the two countries that are significantly geographically removed from it?

On the Compatibility of the Belt and Road Initiative and the Functioning Silk Road Transport Corridor Projects

The Silk Road Economic Belt (SREB) and the 21st-Century Maritime Silk Road (MSR) are Beijing's new global projects, which together comprise the Belt and Road Initiative (BRI).¹⁰

⁴ See, for instance: K.S. Gadzhiev, *Geopolitika Kavkaza*, Mezhdunarodnye otnosheniya, Moscow, 2003, p. 463; *Non-Traditional Security Threats and Regional Cooperation in the Southern Caucasus*, ed. by M. Aydin, IOS Press BV, Amsterdam, 2011, 264 pp.; S.E. Cornell, *Small Nations and Great Powers. A Study of Ethnopolitical Conflict in the Caucasus*, Curzon Press, Surrey, 2001, 480 pp.; E. Ismailov, V. Papava, *The Central Caucasus: Problems of Geopolitical Economy*, Nova Science Publishers, New York, 2008, 133 pp.; *The South Caucasus 2021: Oil, Democracy and Geopolitics*, ed. by F. Ismailzade, G.E. Howard, The Jamestown Foundation, Washington, DC, 2012, 354 pp.; E. Nuriyev, *The South Caucasus at the Crossroads: Conflicts, Caspian Oil and Great Power Politics*, LIT, Berlin, 2007, 370 pp.

⁵ See: V. Papava, "Formation and Development of the 'Caucasian Tandem'," *Azerbaijan Focus*, Vol. 1 (1), June-August 2009.

⁶ See: V. Papava, "On the Role of the 'Caucasian Tandem' in GUAM," *Central Asia and the Caucasus*, No. 3-4 (57-58), 2008.

⁷ See: G. Dadashova, "Azerbaijan and China: Greater Integration," *AzerNews*, 23 May, 2016, available at [<https://www.azernews.az/nation/97015.html>], 25 March, 2018; T. Karelidze, "Azerbaijan Opens Beijing Trade Office," *Emerging Europe*, 6 February, 2018, available at [<http://emerging-europe.com/in-brief/azerbaijan-opens-beijing-trade-office/>], 25 March, 2018; A. Valiyev, "China Targets Azerbaijan for Transportation Projects," *Caspian Policy Center*, 22 March, 2017, available at [<http://www.caspianpolicy.org/news/china-targets-azerbaijan-for-transportation-projects/>], 25 March, 2018.

⁸ See: V. Charaia, *Trade and Investments Relations between Georgia and China*, Expert Opinion 94, Georgian Foundation for Strategic and International Studies, Tbilisi, 2017, available at [<https://www.gfsis.org/files/library/opinion-papers/94-expert-opinion-eng.pdf>], 25 March, 2018; J. Larsen, *Georgia-China Relations: The Geopolitics of the Belt and Road*, Policy Paper, October, Georgian Institute of Politics, Tbilisi, 2017, pp. 5-10, available at [http://gip.ge/wp-content/uploads/2017/10/Chineti%20Saqtartvelo%20Eng_Ydit.pdf], 25 March, 2018; M. Zabakhidze, G. Bakradze, B. Kutelia, "Georgia and China: 'Carry away Small Stones to Move a Big Mountain'," *Economic Policy Research Center (EPRC)*, Issue No. 6, Tbilisi, 2017, pp. 13-16, available at [https://www.eprc.ge/admin/editor/uploads/files/China_A5_WEB2.pdf], 25 March, 2018.

⁹ According to the present authors, the Caucasus comprises three sub-regions: the Northern Caucasus is a part of Russia, the Southern Caucasus includes Turkey and Iran, while Azerbaijan, Armenia and Georgia constitute the Central Caucasus (see: E. Ismailov, V. Papava, "A New Concept for the Caucasus," *Southeast European and Black Sea Studies*, Vol. 8, No. 3, 2008).

¹⁰ See: G. Su, "The Belt and Road Initiative in Global Perspectives," *China International Studies*, No. 57, March/April, 2016.

Since the emergence of SREB project, the establishment of several economic corridors has been proposed (the New Eurasian Land Bridge, the China-Mongolia-Russia Economic Corridor, the Central Asia-Western Asia Economic Corridor, the Indochina Economic Corridor, the China-Pakistan Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor).¹¹

A segment of the Central Asia-Western Asia Economic Corridor traverses Azerbaijan and Georgia.¹² Apparently, it is the primary reason for the Chinese companies growing more active in the Caucasus.¹³

As early as the 1990s, Azerbaijan and Georgia were considered in the context of the Great Silk Road. This idea was implemented within the TRACECA project,¹⁴ initiated by the EU in 1993, and the INOGATE project¹⁵ that was launched in 1996 and subsequently supported by the U.S. Congress in the “Silk Road Strategy Act,” adopted in 1999.¹⁶ As of today, practically all of these projects¹⁷ are, as a whole, operational and gradually developing. However, these projects share a disadvantage—they begin in Europe and end in Central Asia, not reaching China.¹⁸

Azerbaijan and Georgia’s involvement in the Chinese SREB project was encouraged by the already functioning Silk Road Transport Corridor project. In addition, the already operational Baku-Tbilisi-Kars railway constitutes a new significant phase of this project’s development, since this road already links not only Azerbaijan, Georgia and Turkey, but also the totality of all the countries along the East-West line. This railway, as an important component of the Iron Silk Road, is a logical fit with the BRI.¹⁹

The comparison between the Silk Road Transport Corridor (or TRACECA) and the Central Asia-Western Asia Economic Corridor projects reveals that their apparent similarity is merely limited to their regional context. The principal difference between them is actually in the fact that the first project, which is initiated by the EU (“the West”) intends to restore the historic Great Silk Road and eventually tie these countries’ economies to the EU, while the second project, launched by China (“the East”), intends to establish trade and economic relations between the countries involved. Mean-

¹¹ G. Su, *op. cit.*, p. 17.

¹² See: M.P. van Dijk, P. Martens, *The Silk Road and Chinese Interests in Central Asia and the Caucasus: The Case of Georgia*, Working Paper No. 2016/12, August, Maastricht School of Management, Maastricht, 2016, p. 5, available at [<https://www.msm.nl/resources/uploads/2016/09/MSM-WP2016-12-1.pdf>], 25 March, 2018.

¹³ See: Y. Dong, “China’s Strategy in the Caucasus,” *Foreign Policy Research Institute*, 3 April, 2017, available at [<https://www.fpri.org/article/2017/04/chinas-strategy-caucasus/>], 25 March, 2018.

¹⁴ See: TRACECA, “History of TRACECA,” *TRACECA: Transport Corridor Europe, Caucasus, Asia*, 2009, available at [<http://www.traceca-org.org/en/traceca/history-of-traceca/>], 25 March, 2018.

¹⁵ See: INOGATE, “In Brief,” *INOGATE*, 2016, available at [<http://www.inogate.org/pages/1?lang=en>], 25 March, 2018.

¹⁶ See: Congress, “Silk Road Strategy Act of 1999,” *106th Congress*, 2 August, 1999, available at [<https://www.congress.gov/bill/106th-congress/house-bill/1152>], 25 March, 2018.

¹⁷ See, for instance: I. Aliev, *Kaspiiskaia neft Azerbaidzhana*, Izvestia, Moscow, 2003. C. 712; *Oil and Geopolitics of the Caspian Sea Region*, ed. by M.P. Croissant, B. Aras, Praeger, Westport, 1999, 328 pp.; *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. by S.F. Starr, S.E. Cornell, Uppsala University, Uppsala, 2005, 150 pp., available at [https://www.silkroadstudies.org/resources/pdf/Monographs/2005_01_MONO_Starr-Cornell_BTC-Pipeline.pdf], 25 March, 2018; T.R. Stauffer, “Caspian Fantasy: The Economics of Political Pipelines,” *The Brown Journal of World Affairs*, Vol. VII, No. 2, 2000; E. Shevardnadze, *Great Silk Route. TRACECA-PETra. Transport Corridor Europe-Caucasus-Asia. The Eurasian Common Market. Political and Economic Aspects*, Georgian Transport System, Tbilisi, 1999, 128 pp.

¹⁸ See: K. Gogolashvili, *New Silk Road: A Stage for EU and China to Cooperate*, Expert Opinion 86, Georgian Foundation for Strategic and International Studies, Tbilisi, 2017, available at [<https://www.gfsis.org/files/library/opinion-papers/86-expert-opinion-eng.pdf>], 25 March, 2018.

¹⁹ See: Ö.N. Ögütçü, “Baku-Tbilisi-Kars Railway and Regional Connectivity,” *Daily Sabah*, 20 February, 2017, available at [<https://www.dailysabah.com/op-ed/2017/02/20/baku-tbilisi-kars-railway-and-regional-connectivity>], 25 March, 2018.

while, the first project was primarily transport-related, while the second project was more multidimensional, involving trade and numerous economy spheres.²⁰

Overall, it should be mentioned that BRI essentially alters the structure of economic development in the world, since the role played by the East, particularly by China,²¹ comes to the fore as the point of origin. Thus, it can be noted that the BRI project intends to fundamentally change the global economic development architecture, where East will take over the key role instead of the West.

The Russian Factor and Eurasianism

Certain analysts point out that Russia may pose a potential threat to the efficient functioning of the Central Asia-Western Asia Economic Corridor, which traverses Azerbaijan and Georgia.²²

Two points have to be made in this regard.

- First of all, the Central Asia-Western Asia Economic Corridor does not traverse Russia, and may become a competitor (or, according to certain assessments, even an alternative to²³) the above-mentioned New Eurasian Land Bridge, which does run through Russia.²⁴
- Secondly, Moscow aims not merely to retain, but strengthen its influence in the post-Soviet space, specifically in the Central Asian and Caucasian states.²⁵

We have to point out that in the past Moscow has not been particularly keen on the establishment and development of the Silk Road Transport Corridor independently from Russia via the Central Caucasus.²⁶ The situation is currently aggravated by the fact that Russia's participation in the BRI may seem rather modest.²⁷

²⁰ Let us note that as early as 2002 it was stated that this transport corridor may become an integrated economic project for Georgia, since it could have promoted the development of various segments of its economy (see: V. Papava, "On the Special Features of Georgia's International Economic Function," *Central Asia and the Caucasus*, No. 2, 2002).

²¹ See: A. Bhardwaj, "Belt and Road Initiative: An Idea Whose Time has Come," *China International Studies*, No. 64, May/June, 2017; W. Jones, "The Belt and Road Initiative: Charting a New Trajectory for Mankind," *China International Studies*, No. 62, January/February, 2017; M. Fu, G. Xu, "New Silk Roads: Progress, Challenges and Countermeasures," *China International Studies*, No. 65, July/August, 2017; D. Mitrovic, "The Belt and Road: China's Ambitious Initiative," *China International Studies*, No. 59, July/August, 2016; M. Zabakhidze, G. Bakradze, B. Kutelia, op. cit., pp. 17-21.

²² See, for instance: E. Avdaliani, "One Belt, One Road: How Far Will China Go for Georgia?" *Georgia Today*, 19 June, 2017, available at [<http://georgiatoday.ge/news/6828/One-Belt%2C-One-Road%3A-How-Far-Will-China-Go-for-Georgia%3F>], 25 March, 2018; M.P. van Dijk, P. Martens, op. cit.; J. Larsen, op. cit., pp. 20-21; T. Rinna, "The South Caucasus and China's Rising Presence," *New Eastern Europe*, 3 December, 2015, available at [<http://neweasterneurope.eu/articles-and-commentary/1811-the-south-caucasus-and-china-s-rising-presence>], 25 March, 2018.

²³ See: "Policy Recommendations for the EU," in: *China's Belt and Road: A Game Changer?* ed. by A. Amighini, Italian Institute for International Political Studies (ISPI), Milano, 2017, p. 142, available at [http://www.ispionline.it/it/EBook/Rapporto_Cina_2017/China_Belt_Road_Game_Changer.pdf], 25 March, 2018.

²⁴ See: G. Debreczeni, *The New Eurasian Land Bridge: Opportunities for China, Europe, and Central Asia*, Johns Hopkins University School of Advanced International Studies, Washington, D.C., 2015, available at [http://publicspherejournal.com/wp-content/uploads/2016/02/02.eurasian_land_bridge.pdf], 25 March, 2018.

²⁵ See: M. Zabakhidze, G. Bakradze, B. Kutelia, op. cit., p. 9.

²⁶ See: J.H. Kalicki, "Caspian Energy at the Crossroads," *Foreign Affairs*, Vol. 80, No. 5, 2001; A.N. Pamir, "Is There a Future of the Eurasian Corridor?" *Insight Turkey*, Vol. 2, No. 3, 2000; J. Roberts, "Energy Reserves, Pipeline Routes and the Legal Regime in the Caspian Sea," in: *The Security of the Caspian Sea Region*, ed. by G. Chufrin, Oxford University Press, New York, 2001, pp. 33-68; A. Rondeli, "Pipelines and Security Dynamics in the Caucasus," *Insight Turkey*, Vol. 4, No. 1, 2002; S.F. Starr, S.E. Cornell, "The Politics of Pipelines: Bringing Caspian Energy to Markets," SAISPHERE, 2005.

²⁷ See: P. Baumgartner, "China's Massive 'One Road' Project Largely Bypasses Russia, but Moscow Still on Board," *Radio Free Europe/Radio Liberty*, 26 June, 2017, available at [<https://www.rferl.org/a/russia-china-one-belt-one-road-project-putin-xi/28579849.html>], 25 March, 2018.

In order to balance out the BRI, the concept of the Greater Eurasian Partnership or Community (GEP)²⁸ emerged in Russia in 2016. This concept is a more sweeping reinterpretation of the Eurasian Economic Union (EAEU),²⁹ a project launched by Russia and Kazakhstan a year earlier.

The concept of GEP also incorporates China, India, Iran, Turkey and other countries, and aims to counteract the hegemony of the U.S. and Atlanticism in general.³⁰ From a formal viewpoint, this concept is of the same scale and has the same goals and priorities as the BRI.³¹ Meanwhile, this concept has major geopolitical significance for Russia, far in excess of merely being a large-scale economic cooperation project.³²

Considering the fact that compared to China Russia is a country that is relatively weak from the economic viewpoint (but rather powerful from the military point of view),³³ Russia is practically unable to balance China out economically.³⁴

The main reason for the superiority of China's economy over Russia's is the fact that while the Russian economic model is based on exporting hydrocarbon resources and using the consumer model of economic development,³⁵ the Chinese model is truly aimed at innovative development.³⁶

As a rule, however, Chinese experts accept the fact that the Eurasianism³⁷ theory and its ideological convictions have a major influence on Russian politics in Eurasia,³⁸ and simultaneously think that the concept of GEP does not strive to weaken BRI, and that Russia only construes the post-Soviet space as Eurasia.³⁹

In our understanding, this point of view has a certain tinge of naiveté. There are several noteworthy research studies regarding Moscow's far-reaching geopolitical ambitions based on *Eurasianism* (which in certain cases, such as in Georgia and Ukraine, assume an aggressive character).⁴⁰

²⁸ S. Karaganov, "S Vostoka na Zapad, ili Bolshaia Evrazia. Rossia aktivno zakrepliaetsia na rastushchikh rynkakh Azii," *Rossiiskaia gazeta*, 24 October, 2016, available at [<https://rg.ru/2016/10/24/politolog-karaganov-povorot-rossii-k-rynkam-azii-uzhe-sostoialsia.html>], 25 March, 2018.

²⁹ See: L. Nurgaliyeva, "Kazakhstan's Economic Soft Balancing Policy vis-à-vis Russia: From the Eurasian Union to the Economic Cooperation with Turkey," *Journal of Eurasian Studies*, Vol. 7, No. 1, 2016.

³⁰ See: S. Karaganov, op. cit.

³¹ See: Z. Li, "The Greater Eurasian Partnership: Remodeling the Eurasian Order?" *China International Studies*, No. 63, March/April, 2017, p. 61.

³² *Ibid.*, p. 57.

³³ *Ibidem.*

³⁴ *Ibid.*, pp. 58-61.

³⁵ See: V. Papava, "Necroeconomics of Post-Soviet Post-Industrialism and the Model of Economic Development of Georgia and Russia," *Journal of Business and Economics*, Vol. 6, No. 5, 2015, available at [<http://www.academicstar.us/UploadFile/Picture/2015-7/20157313847837.pdf>], 25 March, 2018.

³⁶ See: The World Bank and Development Research Center for the State Council, the People's Republic of China, *China 2030: Building a Modern, Harmonious, and Creative Society*, The World Bank, Washington, D.C., 2013, pp. 34-38, available at [<http://documents.worldbank.org/curated/en/781101468239669951/pdf/762990PUB0china0Box374372B00PUBLIC0.pdf>], 25 March, 2018.

³⁷ See, for instance: A. Dugin, *Osnovy geopolitiki. Geopoliticheskoe budushchee Rossii*, Arktogeia, Moscow, 1997, p. 608; idem, *Evraziiskaia missia Nursultana Nazarbayeva*, Evrazia, St. Petersburg, 2004, p. 288; idem, *Osnovy Evraziistva*, ed. by A. Dugin, Arktogeia-Centr, Moscow, 2002, p. 800.

³⁸ See, for instance: Z. Li, op. cit., p. 47.

³⁹ *Ibid.*, p. 59.

⁴⁰ See, for instance: C. Clover, "Dreams of the Eurasian Heartland: The Reemergence of Geopolitics," *Foreign Affairs*, Vol. 78, No. 2, 1999; D. Kerr, "The New Eurasianism: The Rise of Geopolitics in Russia's Foreign Policy," *Europe-Asia Studies*, Vol. 47, No. 6, 1995; M. Laruelle, *Russian Eurasianism: An Ideology of Empire*, Woodrow Wilson Center Press, Washington, D.C., 2008; V. Papava, "The Eurasianism of Russian Anti-Westernism and the Concept of 'Central Caucasus-Asia'," *Russian Politics & Law*, Vol. 51, No. 6, 2013; P. Rangsimaporn, "Interpretations of Eurasianism: Justifying Russia's Role in East Asia," *Europe-Asia Studies*, Vol. 58, No. 3, 2006; D.V. Shlapentokh, "Eurasianism: Past and Present," *Communist and Post-Communist Studies*, Vol. 30, No. 2, 1997; A. Umland, "Pathological Tendencies in Russian 'Neo-Eurasianism': The Significance of the Rise of Aleksandr Dugin for the Interpretation of Public Life in Contemporary Russia," *Russian Politics & Law*, Vol. 47, No. 1, 2009.

Meanwhile, it is crucial to note that for Moscow Eurasianism holds a mostly ideological charge and there is little connecting it with the above-mentioned EAEU.⁴¹

Let us emphasize that the real opportunity to consolidate China's role in Eurasia based on the SREB project⁴² brings out the issue of creating a theoretical construction of the so-called Chinese Eurasianism⁴³ to the agenda, requiring independent research. It is essential to mention that it is precisely in this context that significant questions requiring urgent answers emerge.⁴⁴

According to certain analysts, the Chinese authorities are currently taking consistent steps premised on the internationally established Heartland Theory of the renowned British geographer Halford Mackinder,⁴⁵ and the creation of a "benevolent China-centric economically integrated zone"⁴⁶ in Eurasia is rather likely.

Meanwhile, we cannot forget the fact that this "benevolence" includes the penetration of Chinese migrants within the BRI-integrated states, which places new challenges before these countries.⁴⁷

We have to note that Russian and Chinese leaders have signed a highest-level joint declaration regarding the EAEU and SREB,⁴⁸ jointly declared close cooperation between EAEU and BRI.⁴⁹ However, the agreement between China and EAEU on trade and economic partnership has yet to be signed.⁵⁰

A more expansive format of dialog and cooperation between China and Russia is provided by BRICS, the international organization that unites Brazil, Russia, India, China and South Africa, and the Shanghai Cooperation Organization (SCO).

One has to agree with the Chinese experts who believe that the advance of BRICS and the BRI is closely connected, and that their coordinated actions must be focused on the development of infrastructure, which will facilitate cooperation between BRICS countries and states directly involved in BRI.⁵¹

⁴¹ See, for instance: M. Laruelle, "Eurasia, Eurasianism, Eurasian Union: Terminological Gaps and Overlaps," *PONARS Eurasia Policy Memo*, No. 366, July, 2015, available at [<http://www.ponarseurasia.org/memo/eurasia-eurasianism-eurasian-union-terminological-gaps-and-overlaps/>], 25 March, 2018; V. Papava, "Economic Models of Eurasianism and the Eurasian Union: Why the Future is Not Optimistic," *The Central Asia-Caucasus Analyst*, 29 October, 2015, available at [<http://caci-analyst.org/publications/analytical-articles/item/13296/>], 25 March, 2018.

⁴² See: M. Clarke, "Understanding China's Eurasian Pivot. The 'One Belt, One Road' Strategy Provides a Guide to the Future of China in Eurasia," *The Diplomat*, 10 September, 2015, available at [<http://thediplomat.com/2015/09/understanding-chinas-eurasian-pivot/>], 25 March, 2018; S. Yilmaz, C. Liu, "China's 'Belt and Road' Strategy in Eurasia and Euro-Atlanticism," *Europe-Asia Studies*, Vol. 70, No. 2, 2018.

⁴³ See: S. Yilmaz, C. Liu, "China's 'Belt and Road' Initiative and Its Implications for Euro-Atlanticism," *China Quarterly of International Studies*, Vol. 2, No. 3, 2016.

⁴⁴ See: A. Aubakirova, S. Umirzakov, N. Aitenov, "New Silk Road: Opportunities and Threats for Central Asia (A View from Kazakhstan)," *Central Asia and the Caucasus*, Volume 18, Issue 4, 2017, pp. 7-20.

⁴⁵ See: H.J. Mackinder, "The Geographical Pivot of History," *Geographical Journal*, Vol. XXIII, No. 4, 1904.

⁴⁶ A. Lukin, "Mackinder Revisited: Will China Establish Eurasian Empire 3.0? China has Emerged as a New Contender for Control Over Mackinder's 'Heartland'," *The Diplomat*, 7 February, 2015, available at [<http://thediplomat.com/2015/02/mackinder-revisited-will-china-establish-eurasian-empire-3-0/>], 25 March, 2018.

⁴⁷ See: S. Ryazantsev, R. Manshin, Z. Vazirov, M. Karimov, "China's Influence on the Social and Economic Development of the Central Asian States: Methods and Consequences," *Central Asia and the Caucasus*, Volume 19, Issue 1, 2018, pp. 18-25.

⁴⁸ See: Hong Kong Trade Development Council, "Joint Statement on Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects," *HKTDC Research*, 8 May, 2015, available at [<http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Joint-Statement-on-Cooperation-on-the-Construction-of-Joint-Eurasian-Economic-Union-and-the-Silk-Road-Projects/obor/en/1/1X000000/1X0A3ABV.htm>], 25 March, 2018.

⁴⁹ See: Xinhua, "China, Russia Pledge 'Unswerving' Partnership," *Xinhuanet*, 26 June, 2016, available at [http://news.xinhuanet.com/english/2016-06/26/c_135466130.htm], 25 March, 2018.

⁵⁰ See: M. Lagutina, "Improving Relations with Russia and Ukraine," in: *China's Belt and Road: a Game Changer?* p. 66.

⁵¹ See: X. Zhang, "BRICS and Belt and Road Initiative Develop in Coordination," *China Plus*, 5 September, 2017, available at [<http://chinaplus.cri.cn/news/china/9/20170905/23492.html>], 25 March, 2018.

If we take into account the fact that all SCO member states are committed to participating in BRI, it is only natural to assume that the SCO and the BRI possess all the conditions for close cooperation.⁵² In this regard, much depends on how constructively Beijing and Moscow are able to cooperate in implementation of the BRI.

From Alternativeness to Mutual Complementarity

According to certain experts, China's economic cooperation with the Central Asian states, and the simultaneous participation of Kazakhstan and Kyrgyzstan in the EAEU, as well as a certain rapprochement between China and Russia (particularly in the energy segment), are establishing the prerequisites to the unification of EAEU and SREB, or at least their close cooperation.⁵³

Certainly, cooperation between EAEU and SREB cannot be ruled out, although in order to determine the probability of their unification, the basic principle they were founded on need to be examined.

According to certain assessments, the key element for Moscow is not economic development (including within the EAEU), rather, it is the strengthening of its geopolitical influence in Eurasia.⁵⁴ It is for this purpose that economic mechanisms are used when Russia cedes the revenue received from the export of energy resources to EAEU member states of its own accord.⁵⁵ That is precisely why Moscow has approached the SREB project as a challenger of EAEU that aims to replace the Russian influence on Central Asian states with Chinese influence.⁵⁶

In reality, the SREB project is perceived by its participants entirely differently. In particular, there are two circumstances that significantly affect its potential success.

- First of all, this project does not set any priorities, restrictions or norms for the actors involved in it, which leaves these actors a significant freedom to implement bilateral or multilateral cooperation;
- secondly, up to this point there has been no evidence that exerting strategic, political or economic pressure on SREB member states is within the scope of Beijing's interests.⁵⁷

⁵² See: S.M. Saeed, "The Belt and Road, the Expansion of the Shanghai Cooperation Organization," *The Caspian Times*, 28 November, 2017, available at [<http://www.thecaspianimes.com/belt-road-expansion-shanghai-cooperation-organization/>], 25 March, 2018; M.A. Sivia, "Shanghai Cooperation Organization, Belt and Road Initiative and China-Pakistan Economic Corridor," *South Asia Journal*, 30 June, 2017, available at [<http://southasiajournal.net/shanghai-cooperation-organization-belt-and-road-initiative-and-china-pakistan-economic-corridor/>], 25 March, 2018; Xinhua, "Belt & Road Initiative Enhance Trade, Investment in SCO Countries: Chinese Minister of Commerce," *China Daily*, 10 June, 2017, available at [http://www.china-daily.com.cn/business/2017-06/10/content_29696156.htm], 25 March, 2018.

⁵³ See: F. Indeo, "A Comprehensive Strategy to Strengthen China's Relations with Central Asia," in: *China's Belt and Road: a Game Changer?* p. 38.

⁵⁴ See: H. Appel, V. Gel'man, "Revising Russia's Economic Model: The Shift from Development to Geopolitics," *PONARS Eurasia Policy Memo*, No. 397, November, 2015, available at [http://www.ponarseurasia.org/sites/default/files/policy-memos-pdf/Pepm397_Appel-Gelman_Nov2015.pdf], 25 March, 2018.

⁵⁵ See: A. Knobel, "Evraziiskii ekonomicheskii soiuz: perspektivy razvitiia i vozmozhnye prepiatstviia," *Voprosy ekonomiki*, 2015, No. 3, pp. 87-108.

⁵⁶ See: M. Lagutina, op. cit., pp. 60-61.

⁵⁷ See: R. Ghiasy, J. Zhou, *The Silk Road Economic Belt. Considering Security Implications and EU-China Cooperation Prospects*, Stockholm International Peace Research Institute, Solna (Sweden), 2017, p. IX, available at [<https://www.sipri.org/sites/default/files/The-Silk-Road-Economic-Belt.pdf>], 25 March, 2018.

It is apparent that the economic structures of EAEU and SREB are incompatible, not merely due to the differences in the institutional structure (EAEU is a regional organization, based on a protectionist policy, while SREB is an extra-regional and inclusive project⁵⁸). It is important for Moscow to have geopolitical influence over the EAEU members, even to its own economic disadvantage, while Beijing considers SREB member states committed partners.

Based on the above, the fact that China does not currently consider the countries of the Caucasian Tandem to be within its sphere of influence, and does not seemingly have any active plans to establish its influence there, testifies to the viability of the SREB that traverses these countries.⁵⁹

In accordance with the above, the rejection of the alternative economic corridor paradigm, which is of both dominant and confrontational nature, can play the role of an efficient BRI development tool for Beijing in its relations with Moscow. Instead, the transition to a paradigm of mutually complementary economic corridors may prove more constructive and will promote their harmonious development. This is precisely why GEP and BRI projects have to be considered mutually complementary.⁶⁰ It has to be noted that the Russian leadership supports the EAEU and BRI complementarity principle.⁶¹

In the modern world, as terrorist and man-made disaster threats are growing, the presence of mutually complementary transport and economic corridors, which should ensure a continuous transport flow, is gaining a huge significance. The need for such transport and economic corridors that can be interchangeable in a critical situation is brought to the agenda by the ever-increasing risks of man-made disasters, transport accidents, damage to pipelines or other disasters.

Thus, the complementarity of economic corridors and the possibility of their harmonization must be based on an approach that provides for the consideration of complementary, rather than alternative routes for energy resource delivery from Asia to Europe.⁶²

It must be noted that for the ultimate success of the BRI, a transition to the paradigm of mutually complementary economic corridors should eventually ensure the implementation of this initiative as a result of mutually rewarding cooperation.⁶³ In this context, the statements made by Beijing and Moscow must be considered encouraging, and they have not escaped the expert community attention.⁶⁴

Caucasian Tandem and the Regional Trade and Economic Hub

The search for the opportunities to establish a free trade regime between the EU and China has great significance for the Caucasian Tandem countries.⁶⁵ From this viewpoint, SREB is a new stage

⁵⁸ See: J. Larsen, op. cit., p. 19.

⁵⁹ See: T. Rinna, op. cit.

⁶⁰ See: Z. Li, op. cit., p. 62.

⁶¹ See: Y. Li, "BRICS' Synergy with Belt and Road Initiative," *Belt and Road Portal*, 7 September, 2017, available at [<https://eng.yidaiyilu.gov.cn/home/rolling/26990.htm>], 25 March, 2018.

⁶² See: V. Papava, M. Tokmazishvili, "Pipeline Harmonization Instead of Alternative Pipelines: Why the Pipeline 'Cold War' Needs to End," *Azerbaijan in the World. The Electronic Publication of Azerbaijan Diplomatic Academy*, Vol. 1, No. 10, 15 June, 2008, available at [http://biweekly.ada.edu.az/vol_1_no_10/Pipeline_harmonization_instead_of_alternative_pipelines.htm], 25 March, 2018; idem, "Russian Energy Politics and the EU: How to Change the Paradigm," *Caucasian Review of International Affairs*, Vol. 4, No. 2, 2010, available at [http://www.cria-online.org/Journal/11/Done_Russian_Energy_Politics_and_EU_How_to_Change_the_Paradigm_by_Vladimer_Papava_and_Michael_Tokmazishvili.pdf], 25 March, 2018.

⁶³ See: Z. Ruan, "Belt and Road Initiative: A New Frontier for Win-Win Cooperation," *China International Studies*, No. 65, July/August 2017.

⁶⁴ See, for instance: J. Larsen, op. cit., p. 19.

⁶⁵ See, for instance: J. Liu, "Walk the Talk on FTA Negotiations," *China Daily Europe*, 7 July, 2017, available at [http://europe.chinadaily.com.cn/epaper/2017-07/07/content_30026178.htm], 25 March, 2018; Z. Haver, "Rebalancing EU-China

in the development of economic cooperation between EU and China.⁶⁶ In this regard, the entire burden of the issue falls on Georgia for objective reasons.

First of all, let us mention that Georgia and China are members of the World Trade Organization. In addition, Georgia and China have signed a free trade agreement.⁶⁷ Since a free trade agreement between China and the EU has not been signed yet, the fact that Georgia has free trade agreements with the EU⁶⁸ and the European Free Trade Association (EFTA)⁶⁹ are just as important.

Despite the fact that Azerbaijan is not currently party to such agreements with either China or the EU, it can play a strategic (and not just geographic) role in the economic relations between China and the EU together with Georgia in the framework of the Caucasian Tandem. In particular, the expansion of trade between China and the EU will facilitate the evolution of the Caucasian Tandem as a logistics center linking China with the EU (the new Baku-Tbilisi-Kars railway and implementation of deep water port construction projects in Alat on Caspian Sea⁷⁰ and Anaklia on the Black Sea⁷¹). In turn, that will promote security in the Central Caucasus.⁷²

Notably, due to the transportation of Caspian oil and gas through their territories to Turkey, Azerbaijan and Georgia (along with Turkey) are already acting as a transport hub for energy resources.⁷³ Azerbaijan also fulfills the same function in the Central Caucasus on its own.⁷⁴ Hence, it can be established that the Caucasian Tandem functions as a transport and energy hub in the Central Caucasus.⁷⁵

Considering the fact that Georgia is already involved in free trade with both China and the EU, the SREB project establishes the premises for transforming Georgia from an energy resource transport hub into an economic hub. In this context, we have to emphasize that, according to the free trade agreement between Georgia and the EU, it is essential that the products supplied from Georgia to the EU market are produced in Georgia.⁷⁶ This makes Georgia economically advantageous for those countries that do not yet have a free trade regime with the EU, and which can invest in Georgia and

Relations: The Case for an EU-China FTA,” *Global Policy*, 9 February, 2017, available at [<http://www.globalpolicyjournal.com/blog/09/02/2017/rebalancing-eu-china-relations-case-eu-china-fta>], 25 March, 2018.

⁶⁶ See: K. Gogolashvili, op. cit.

⁶⁷ See: N. Zhong, J. Xu, “China, Georgia Sign FTA,” *The State Council the People’s Republic of China*, 15 May, 2017, available at [http://english.gov.cn/news/international_exchanges/2017/05/15/content_281475656216746.htm], 25 March, 2018.

⁶⁸ See: EC, “Georgia. Countries and Regions. Trade,” *European Commission*, 22 February, 2017, available at [<http://ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/>], 25 March, 2018.

⁶⁹ See: “Georgia Makes New European Free Trade Deal,” *Agenda.ge*, 6 June 2017, available at [<http://agenda.ge/news/59578/eng>], 25 March, 2018.

⁷⁰ See: P. Heydarov, T. Marsden, “Alat—the Missing Link Between Europe and Asia,” *Visions of Azerbaijan*, Autumn, 2016, available at [<http://www.visions.az/en/news/826/333f1152/>], 25 March, 2018.

⁷¹ See: J. Larsen, “Georgia: The Black Sea Hub for China’s ‘Belt and Road’. New Investments (Some not Even Involving China) Make Georgia an Attractive Link between Asia and Europe,” *The Diplomat*, 3 May, 2017, available at [<http://thediplomat.com/2017/05/georgia-the-black-sea-hub-for-chinas-belt-and-road/>], 25 March, 2018.

⁷² See: B. Ajeganov, “EU-China Trade to Bolster Security in the South Caucasus,” *The CACI Analyst*, 23 January, 2017, available at [<https://www.cacianalyst.org/publications/analytical-articles/item/13423-eu%E2%80%93china-trade-to-bolster-security-in-the-south-caucasus.html>], 25 March, 2018.

⁷³ See: R. Boucher, “Opening of Caspian Basin Pipeline,” *U.S. Department of State*, 25 May, 2005, available at [<https://2001-2009.state.gov/r/pa/prs/ps/2005/46745.htm>], 25 March, 2018.

⁷⁴ See: S. Escudero, “Visions of Baku. Future Hub of the Caspian,” *Azerbaijan International*, No. 9.3, 2001, available at [http://www.azer.com/aiweb/categories/magazine/93_folder/93_articles/93_stanley_escudero.html], 25 March, 2018; idem, “Hub for the 21st Century. Azerbaijan’s Future Role in the Caspian Basin,” *Azerbaijan International*, No. 10.2, 2002, available at [https://www.azer.com/aiweb/categories/magazine/ai102_folder/102_articles/102_caspian_hub_escudero.html], 25 March, 2018.

⁷⁵ See: E. Ismailov, V. Papava, *The Central Caucasus: Essays on Geopolitical Economy*, CA&CC Press, Stockholm, 2006, pp. 103-106.

⁷⁶ See: “Rules of Origin,” *Free Trade with the EU*, Ministry of Economy and Sustainable Development of Georgia, 2017, available at [<http://www.dcfta.gov.ge/en/dcfta-for-business/Rules-of-Origin->], 25 March, 2018.

deliver goods produced in Georgia to the EU market. This opportunity is already being taken advantage of by China, which has already begun actively investing in Georgian economy.⁷⁷

The possibility of turning Georgia into an economic hub, and the fact that it is already fulfilling the functions of a transport and energy hub jointly with Azerbaijan, creates new stimuli for the Caucasian Tandem's incremental economic development.

Conclusion

The place of the Caucasian Tandem in the SREB project (in the Central Asia-Western Asia Economic Corridor) creates entirely new opportunities for the economic development of Azerbaijan and Georgia.

Starting in the 1990s, Azerbaijan and Georgia are actively participating in the development of the Silk Road Transport Corridor, which is currently operational.

We can say that SREB is the next stage of development of the Silk Road Transport Corridor, as it gradually transforms into a more complex trade and economic corridor.

Certain analysts point to Russia as one of the factors threatening the intensification of operation of the Central Asia-West Asia Economic Corridor, which is not surprising, since Russia has resisted the creation of the Silk Road Transport Corridor as well.

Moscow has initiated the GEP project, which is a more sweeping reinterpretation of the EAEU, in order to restrain the development of the BRI.

Eurasianism theories have a significant ideological charge for Russian leaders, thus the opinion that the GEP project is not aimed at weakening BRI should be considered unfounded.

The issue of comprehending the new theoretical structure of Chinese Eurasianism, which deserves a separate study, has been brought to the agenda by the palpable chance of the BRI-based consolidation of China's position in Eurasia.

Despite the fact that the chance of interaction (and even cooperation) between EAEU and SREB should not be eliminated, their merger, the possibility of which is acknowledged by a number of experts, is impossible by definition. The main reason for that is the existing incompatibility between the economic models of EAEU and SREB—it is important for Moscow to have geopolitical influence over the EAEU member states even at the expense of its own economic interests, while Beijing considers SREB members economically committed partners.

Rejecting the paradigm of the alternative economic corridors that are of a confrontational nature may play the role of an efficient tool in the development of BRI for Beijing in its relationship with Moscow. If the paradigm of mutual complementarity replaces that of the alternative nature of economic corridors, their development may become more harmonious.

Georgia can potentially play the function of an economic hub in the SREB project, since it has already signed the free trade agreements with both the EU and China. This factor, in addition to the function of the economic and transport hub, which is in effect fulfilled by the Caucasian Tandem in the Central Caucasus, will promote the region's economic development.

⁷⁷ See: V. Charaia, op. cit.; M. Zabakhidze, G. Bakradze, B. Kutelia, op. cit., pp. 14-16.