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Connectivity in Eurasia: Implications
for South Caucasus Region

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Connectivity in Eurasia: Implications for South Caucasus Region



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Editor's Note

The current issue of the *Caucasus International* (CI) journal entitled “*Connectivity in Eurasia: Implications for South Caucasus Region*” is dedicated to the transportation and transit routes in Eurasia, the new transport initiatives of the regional and small countries, and the repercussions of all these for the economic stability and security of the South Caucasus states. While analyzing the transportation routes, the authors also reflected their views on the utilization of these projects as soft power instruments over the bilateral relations of these countries with other international/regional actors.

The issue starts with the Colloquy with **Eugene Seah**, Chief Operating Officer of Baku International Sea Trade Port who articulated the achievements Azerbaijan hitherto made in transforming itself to transportation hub and the country’s prospective plans in this regard. The issue continues with twelve more articles. **Deqiang Ji** and **Xuezhi Du**’s joint piece “The Belt and Road Initiative and Its Implications for Communicating China–Europe Relations” presented the geopolitical dynamics that accompany the Belt and Road Initiative, as well as the theoretical framework for the complex communication relationship between China and the EU. **Ozgur Tufekci**’s “China’s Belt and Road Initiative: Rise of Chinese Eurasianism as a Eurasian Integration Strategy against Atlanticism?” examined whether the ‘Belt and Road Initiative’ represent a Eurasian integration strategy which is based on the ideology of Eurasianism against Atlanticism. **Ali Ihsan Kahraman**’s “Belt and Road Initiative: The Eurasian Cold War?” argued that BRI will lead to some indication of the emergence of a Cold War-like conflict in Eurasia, although the main promise of this initiative is to accelerate cooperation in this inter-regional area. **Gülşen Aydin** and **Müge Yüce**’s joint article “China’s Hard Power versus Soft Power in Central Asia: An Analysis of the

‘One Belt-One Road Initiative’ as a Soft Power Instrument” provided an analysis of the OBOR project from the perspective of discussions on soft power in International Relations. **Vasif Huseynov’s** “Use of Soft Power in Tandem with Economic Expansion: Examining the Case of Chinese Soft Power in South Caucasus” examined the use of soft power in China’s foreign policy concerning the South Caucasian countries that are involved in Beijing’s giant economic project called Belt and Road.

Michael Clarke and Matthew Sussex’s joint piece “The Belt and Road Initiative and the Future of Sino-Russian Relations in Central Asia” explored the certain dilemmas via the discussion of a number of possible future scenarios for Sino-Russian relations and their implications for regional order in Central Asia. **Mahir Humbatov’s** “A Hub of Hubs Initiative and Its Successful Implementation: The case of Azerbaijan” provided how Azerbaijan transformed and upgraded its transport infrastructures in accordance with the international standards that rendered the country an emerging hub in Eurasia. **Hamidreza Azizi’s** “Iran and the Eurasian Transport Initiatives: Short-term Challenges, Long-term Opportunities” studied the place of Iran in two important Eurasian transport initiatives, namely the Chinese-led Belt and Road Initiative and the International North–South Transport Corridor.

Hao Tian’s “Central Asia–China Pipeline Politics: Turkmenistan at a Crossroad” outlined Turkmenistan’s gas export policy to China and argued that despite Ashgabat’s attempts to diversify energy export, its current loan repayment arrangement with China and heavy export dependence on China have locked up the country. **Ilgar Gurbanov’s** “Caspian Convention and Perspective of Turkmenistan’s Gas Export to Europe” analyzed the prospects for the Trans-Caspian Gas Pipeline project,

principally by analysing the positions of the EU, Azerbaijan, Turkmenistan, and Russia in terms of dependent variables and independent variables. **Azad Garibov's** “Legal Status of the Caspian Sea is Finally Defined What is Next” assessed the negotiation process over the division of the Caspian Sea and the positions of each littoral state in it, identified the key milestones passed in this process.

Journal also presents one subject-matter and two off-topic commentaries. **Temuri Yakobashvili's** “Belt and Road Initiative: Implications for Georgia” argued that China's transport initiatives will create a sense of engagement with the global economy for the South Caucasus Region. **Aleksandre Kvakhadze's** “Georgia After the Presidential Elections” overviewed the pre-election campaign, the statistics, and future trends in Georgian domestic politics. **Gela Vasadze's** “Analysis of the Domestic Political Situation in Armenia” narrated the recent political developments in Armenia's domestic politics and the process of forming a new Armenian political elite.

The current issue also includes a comprehensive review of S. Frederick Starr & Svante E. Cornell's “The Long Game on the Silk Road: US and EU Strategy for Central Asia and the Caucasus” reviewed by **Polad Muradli**. The book features an overview of the 25 year-long policies of the US and the EU toward Central Asia and the Caucasus. Last, but not least, the CI journal presents readers with reviews of recently published books on the South Caucasus countries, Geopolitics and Security, Sovereignty, Nationalism, the EU's role in Central Asia, New World Order, Transformations in Eurasia, etc.

Finally, on behalf of the CI team, we hope this issue provides food for thought and contributes to and enriches the discussion.

Sincerely,

Javid Valiyev, Editor-in-Chief

Ilgar Gurbanov, Deputy Editor-in-Chief

Azerbaijan: A Linchpin for Eurasian Transportation and Transit Routes

Colloquy with Eugene Seah,
Chief Operating Officer of Baku
International Sea Trade Port



1) What was the reason behind selecting Alat region of Azerbaijan as a new location for the port?

Azerbaijan is located in the crossroads of international trade and is a potential hub for the international transportation routes, as well as region it is located. Its location, abundance of natural resources and dynamic new generation will help to realize hub vision. Strategic location and new infrastructure will allow Port of Baku to become a transit and logistics hub in Eurasia within One Belt, One Road project.

According to the order of the President of the Republic of Azerbaijan Mr. Ilham Aliyev on the “Construction of the New Baku International Sea Trade Port Complex” signed on 18 March of 2007, the design and, aftermath, the construction of the new port started 70 kilometers away from Baku in the Alat settlement. The construction of the Port of Baku complies with “Azerbaijan 2020: LOOK INTO THE FUTURE vision” concept for the country’s holistic development strategy. The new port will promote Azerbaijan as a hub destination between major markets such as China, Turkey, Iran and Russia and dramatically reduce product transit times. In total, cargo will be able to be transported from China to Europe, via the Port of Baku, in less than two weeks. This is the shortest and fastest trade route available today between China and Europe.

The main reason behind constructing the new port in Alat is its exceptional location. The new Baku International Sea Trade Port (Port of Baku) is situated 70 km south of Baku at the crossroads of two major transportation corridors, East-West and North-South, along the Central Corridor of the Modern Silk Road - One Belt, One Road initiative. This is the location where major railways and highway routes of Azerbaijan converge, what in turn increases the connectivity of the Port to the inland regions of the country and the region at large. There are three international rail routes into Azerbaijan, which all intersect in Alat:

- To the west, passing through Georgia to the shores of the Black Sea and Turkey through Baku-Tbilisi-Kars railway;
- To the northwest, passing through Baku to Russia;
- To the south and to the border area with Iran.

In addition, the proximity of Alat to the capital Baku, the main economic center of the country, also plays a crucial role. The fact that the majority of private companies and human resources

are concentrated in the capital, means that the new Port will yield significant benefits in terms of employment and expansion activities for entrepreneurs.

By taking into consideration these factors, we perceive Alat to be the most advantageous and convenient location for our new port for facilitating the implementation of the Port's grand hub vision – becoming a key hub in the regional and global supply chains.

2) What is the current situation in the port? Can you tell us about its infrastructure, potential, capacity etc.?

Port of Baku at Alat is being constructed over an area of 400 ha projected in two phases. The 1st development phase of Port of Baku which comprised the construction of 2 ferry berths, 2 Ro-Ro berths, 7 general cargo berths, and 1 service berth has been already finished. Additionally, the 1st phase involved railway lines, an operation building, customs holding area, an open storage yard, warehouses, a container yard, rail and road access to berths, Ro-Ro ramps, a heavy lift landing area and a truck amenities area. Overall, the initial phase was supposed to enhance throughput capacity of the Port to 15 million tons of cargo, including 100,000 TEU in containers.

First phase

Berth Type	Number of Berths	Total Throughput
Ferry Berth	2	6.2 mln tons
Ro-Ro Berth	2	1.8 mln tons
General Cargo Berth	7	7 mln tons
Service Berth	1	---

With the realization of the second development phase in the forthcoming years, the total throughput capacity of the Port of Baku will be increased to 25 million tons of general cargo, including the addition of 10 million tons of container berth capacity.

3) What is the role of the port in development of transportation and logistics potential and, in general, non-oil sector of Azerbaijan?

On May 18th, the Azerbaijani Parliament (Milli Majlis) passed “Law on Free Economic Zone of Alat”. This law is the most progressive legal framework in the support of global trade. The free zone will be located just outside the city in the rapidly

expanding Alat, which sits at the juncture of the main highways and railways connecting the capital with eastern Europe and China. Alat Free Economic Zone (AFEZ) is expected to play a crucial role in post-oil era dependency of Azerbaijan. The port will transform Azerbaijan into a major state-of-the-art transport hub and become an indispensable part of international supply chain. It will act as a major logistics hub in Central Eurasia, serving both European and Asian markets, as well as being part of an extensive international logistics network linking Europe and Asia. In particular, Port of Baku will trade and become the major centre for consolidation, concentration and distribution, providing a wide range of value-added services, tax and customs exemptions, One-Stop-Shop for the products, such as pharmaceuticals, fertilizers etc. in the region to the markets of the South Caucasus, Central Asia, Iran, southern Russia and Turkey. These, in turn, will contribute to the diversification of the economy of the country, which has been heavily dependent on the oil sector.

4) What can you tell us about the port's relations with ports of other Caspian littoral states?

As an international port that aims to become a regional transport and logistics hub for Eurasia, Port of Baku engages actively in cooperating with various international organizations and foreign port authorities, including the ports of littoral states. Port of Baku has signed Memorandums of Understanding with different port authorities, such as Aktau Port and Batumi Sea Port. On 24th of July 2015, the trilateral Memorandum of Understanding between Port of Baku, Batumi Sea Port and Aktau Port was signed, which aimed to implement the establishment of a Coordination Committee for Trans-Caspian International Transport Route (TCITR) and to attract additional freight flow through the Trans-Caspian Corridor.

The volume of passenger transportation in two directions (Turkmenistan and Kazakhstan) increased by 45.2 percent and reached 34,470 people for January-September 2018 period. On 7th of August, 2018, the President of the Republic of Azerbaijan Mr. Ilham Aliyev has signed an order for the construction of a new state-of-the-art passenger terminal on port's territory.

In addition, Baku has hosted several meetings and conferences for ports of littoral states. For instance, official delegation led by then Kazakh First Deputy Prime Minister Bakytzhan Sagintayev paid a visit to Baku, Azerbaijan on 16th February of 2016 with an aim to get acquainted with the Baku International Sea Trade Port's experience in its operations. Sagintayev suggested learning from the Baku International Sea Trade Port's experience in handling cargo that goes to Central Asia to eliminate delays in the port of Aktau.

To further develop the ties with major ports in the region and beyond, we hosted in Baku, May 2018, the International Association of Ports and Harbours' (IAPH) conference. The event brought together more than 400 representatives of international ports, business communities, shipping and logistics companies from over 65 countries including USA, China, India, Indonesia, Philippines, Japan, Germany, France, Spain were among many other states. Port of Baku was the first port in Central Eurasia to host the IAPH conference. The main theme of the conference was "Ports of Future: building hubs, accelerating connectivity" with focus on emerging transport corridors around the world that contribute to domestic economies in free trade zones and neighbouring countries. Among other subjects, mainstream trends such as "Smart Ports", "Green Ports" as well as marine tourism were discussed. This event enabled us to showcase our infrastructure facilities to create possibilities for trade along the Silk Road and Maritime Silk Road.

5) What possible impact do you think Caspian Convention on the legal status of the Caspian Sea could have on trade?

Compromises on the status of the Caspian Sea have been persisted for 20 years, and now the ambiguities have been resolved. As a result of the signing of the Caspian Convention, a solid legal foundation for various economic development projects in the Caspian region has been formed. This may in turn have a huge impact on the boost of trade in the Caspian Sea and hence, comply with Azerbaijan 2020: Look into the future vision set by President Ilham Aliyev.

The most crucial aspect behind the ratification of Caspian

Convention is that it determines the sovereign and exclusive rights of the littoral states to use the rich natural resources of the sea. As a result, the Convention promotes a safe environment for endurance of various projects held in the oil and gas industry, as well as other offshore activities.

The Convention also defines sea borders under the sovereignty and exclusive rights of the coastal states. This ensures freedom of navigation and security, which plays an exceptional role in the development of trade and the economic development of countries in the Caspian region.

6) What are the future plans and prospects?

Serving as a major intermodal distribution hub in the heart of Eurasia, the vision is to become the largest industrial and logistics zone in the Caspian region, to offer comprehensive services to its residents and international clients, and directly contribute to the sustainable growth of Azerbaijan's non-oil economy. In addition, the New Port at Alat is designed to achieve the status of Green Port by employing various efficient technologies to reduce its carbon footprint and will have a program to reduce waste from port operations through material reuse, recycling and composting. It will be designed to allow the management, treatment, and disposal of all wastes generated during the port's operations. In the long-term, a Green Port strategic plan will be developed to achieve continuous environmental, social and economic benefits through resource conservation, waste reduction and pollution prevention.

In addition, for the ongoing Phase One, the Government of Azerbaijan is financing the project. For future phases, the project may be funded through a public-private partnership (PPP) model adopted by the government through turning to the private sector as an alternative or additional source of funding. Utilizing the PPP model is a way of developing local port and logistics private sector capabilities through joint ventures with large international firms. This has a crucial impact on diversification of the economy and the boost in its competitiveness.

The Port of Baku operates a passenger terminal that offers its services to tourists and offshore oil platform workers. In addition to that, the Port is currently testing an online ticket-

selling application for the Baku – Aktau/Kuryk and Baku – Turkmenbashy routes.

The Port of Baku's development plans to include automation of services and operations to benefit its customers and employees. The Port Management Information System (PMIS) of the Port of Baku operations demonstrates the Port of Baku commitment to new era of growing importance of automation and advanced technologies in large infrastructure projects. These systems are an open electronic platform enabling intelligent and secure exchange of information between public and private stakeholders in order to improve the competitive position of the seaport communities. In other words, these systems will enable the Port to cut down the documentation time and track the operations productivity digitally and the customers can track their cargo online.

7) What is the role of Alat Port in One Belt One Road project?

The Alat Port plays a significant role in One Belt One Road project due to opportunities at stake. Due to its outstanding location, the new Port plays a decisive role in its long-term success. Located in the centre of the new Silk Route, with no land frontier with the countries in Central Asia, Azerbaijan will serve not only as a commercial bridge between the two continents but also as a major distribution hub in Eurasia within the “One Belt, One Road” project. It is expected to create ample opportunities for international cargo transportation industry and thus, facilitate the regional trade.

Azerbaijan was one of the first countries to support “One Belt, One Road” initiative put forward by Chinese President Xi Jinping in 2013. Numerous agreements regarding the development of comprehensive cooperation between the two countries have been signed so far. There is no doubt that “One Belt, One Road” initiative creates new development opportunities for Azerbaijan.

8) Can you tell us about the importance of the middle corridor between East and West?

The middle corridor aims to revive the ancient Silk Road and to create economic corridors between Turkey, China, Azerbaijan,

Georgia, Turkmenistan, Kazakhstan, Afghanistan, India and Pakistan. The revival of the corridor is most likely to benefit all the countries involved in the project in terms of international relations, trade and hence, financial gains. The launch of the railway opens up the way for expansion of trade ties in the region. Having a free trade zone located in Alat will increase the importance of the middle corridor.

Furthermore, as trade develops, we can even trade connectivity between the North South and Middle corridor as these corridors intersect in Alat where the new port and free zone is located. The Rasht-Astara railway is part of the North-South transport corridor, which is designed to connect Northern Europe with South-East Asia, including the unification of the railways of Azerbaijan, Iran and Russia. At the first stage, it is planned to transport six million tons of cargo per year along the "North-South" corridor, and later 15-20 million tons of cargo. The cargo will pass through the territory of India and further through the Persian Gulf, Iran, Azerbaijan, and Russia towards the Scandinavian states and Northern Europe in just 14 days.

9) Azerbaijani President Ilham Aliyev has paid an official visit to Turkmenistan on 22nd of November. How would that visit contribute to the overall trade between the two countries, and particularly, the transit through Port of Baku?

The Azerbaijani-Turkmen relations are developing in various spheres, and one of the most significant directions of this cooperation is the transport-transit sector. Indeed, the summit that took place in Ashgabat was devoted to the issues of cooperation of Azerbaijan and Turkmenistan in the field of transportation of goods with an aim of enhancing bilateral trade and economic relations.

In order to enhance the current relations, a number of agreements have been prepared for signing by the presidents and members of the governments of both countries. Among the documents signed afterwards, two documents relate to the operation of the new Port of Baku. Those include "The Agreement on Automated Exchange of Information" and "The Agreement on Increasing Trans-shipment" between the ports.

The bilateral relations between Azerbaijan and Turkmenistan have already been positioned at a good level. For instance, according to the official port statistics, in 2018 around 40000 passengers used the Port of Baku's services and most of these passengers arrived from Turkmenistan. Taking this into account, the Port of Baku now has developed an online ticket system that will alleviate further passenger transportation in general, and particularly from Turkmenistan. During the official visit to Turkmenistan, it was also agreed to simplify visa regime for truck drivers from Turkmenistan which will result in enduring increase in wheeled-cargo throughput. Also by the decree of the President Ilham Aliyev new passenger terminal will be built soon in the new Port making the conditions for passengers even more comfortable and pleasant.

The Belt and Road Initiative and Its Implications for Communicating China–Europe Relations

Degiang Ji* & Xuezhi Du**

In the past five years, the Belt and Road Initiative has become a buzzword in the Chinese government's policymaking in a wide range of arenas, including trans-border trade relationships, international diplomacy, national branding, and external communication, which, together, arguably define a China-initiated alternative path towards a new world order. As a communicative process, the BRI has been vigorously promoted by both the government and the state-owned media system to increase China's global reach. Given the geopolitical dynamics that accompany the Belt and Road, it is necessary to theoretically rethink the complex communication relationship between China and different regions. China–EU relations have been chosen for the discussion in this article because of the connections via both the old and new Silk Roads. Firstly, we briefly lay out a historical trajectory of the BRI and the new connotations that are officially encapsulated in this terminology. Secondly, we examine the geopolitical dynamics in which the BRI was proposed by the Chinese government as an active response towards the US' Asia-Pacific Rebalancing Strategy; meanwhile, the BRI also provides for mutual needs between China and Europe in terms of economic cooperation and mediated communication. Thirdly, Chinese and European media have a great potential to collaborate at multiple levels in order to both broaden organizational exchange and deepen mutual understanding.

Key Words: Belt and Road Initiative; China–Europe Relations; Asia-Pacific Rebalancing Strategy; Media Cooperation



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Introduction

In the fall of 2013, Chinese President Xi Jinping delivered consecutive speeches in Kazakhstan and Indonesia in which he proposed to jointly build the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road” in the 21st century. Subsequently, these two proposals were officially articulated together under the name of “The Belt and Road Initiative” (BRI) as a new proposal underpinning a China-driven world development agenda. Since then, The Belt and Road Initiative has been repeatedly referenced in President Xi’s speeches as a keyword to define China’s vision for a prosperous and shared future for the world. Meanwhile, due to its motivation to expand international connections, the Belt and Road Initiative has also become the focus of the Chinese government’s external communication and cooperation, which has connotations for both global and regional levels.

Historical inheritance and new connotations of the BRI

As creator, China has the initial power to define and interpret BRI, notwithstanding the orientation and diversity of its global perceptions. President Xi conceptualized it as “China’s proposal to participate in globally open cooperation, improve global economic governance system, promote global common development and prosperity, and drive the building of a community of shared future.”¹

By connecting BRI with the old Silk Road, the Chinese government attempted to recall those friendly memories of exchanges between China and foreign countries, especially with European countries.

On the one hand, we can observe the desire of the Chinese government to evoke historical linkages between ancient China and its trade partners in the naming of the initiative. By connecting BRI with the old Silk Road, the Chinese government attempted to recall those friendly memories of exchanges between China and foreign countries, especially with European countries. The Silk Road was first formulated in the Western Han Dynasty of China (202–8 bc). It has a history of more than 2,000 years and is an important passage from China to Europe. Since then, Sino-European exchanges alongside this trade route have been intermittent. By the time of the Tang Dynasty, the influence

¹ Chao, Z, Zhen, A. (2018) *Xi Jinping attended the fifth anniversary meeting of promoting ‘The Belt and Road Initiative’ and delivered a speech*, August 27, Available at: <https://www.yidaiyilu.gov.cn/xwzx/xgcdt/63963.htm> (Accessed: 27 October 2018).

of the Silk Road had reached its peak. It helped build close economic, cultural, and religious connections, and promoted the spread of technological innovations, particularly in agriculture, among China, Central Asia, and European countries. In the Ming and Qing Dynasties, the importance of the Silk Road was gradually declining because of both the development of maritime transportation technologies as an alternative gateway to global trade and, later, due to the “closed door” policy implemented by the arrogant imperial power of the Qing Dynasty.

In 2013, Chinese President Xi revisited the concept of the Silk Road and endowed it with new connotations in the New Epoch (*xin shi dai*) that is rhetorically central to Xi’s presidency and China’s transformative development since 2012. Xi pointed out that the ancient Silk Road stretched for thousands of miles and lasted for thousands of years, consolidating the spiritual aspects of the Silk Road that included peace and cooperation, openness and inclusiveness, mutual learning, mutual benefit, and win-win thinking. This is a precious legacy of human civilization.² Meanwhile, he emphasized that, under the international cooperation framework of “One Belt, One Road” (the former name of the BRI, still in use today), all parties should adhere to the principles of “mutual cooperation, co-construction and sharing, hand-in-hand to meet the challenges facing the world economy, create new opportunities for development, seek new development momentum, expand new development space, achieve complementary advantages, mutual benefit and win-win, and continue to move towards the building of a community of shared future.”³

On the other hand, the epochal background in which the BRI was proposed must also be taken into account. To some extent, the initiative could be regarded as an active response by the Chinese government towards the increasing pressure from the US’ “Pivot to Asia-Pacific” military strategy. Since the 2008 financial crisis, compared with economic fluctuations in Europe and the US, China, among many Asian countries, has maintained stable economic development with quite rapid economic growth. After the Cold War, the United States, which has always regarded China as a potential enemy, faced China’s rise and then proposed

² Xinhua Net (2017) Xi Jinping’s Keynote Speech at the Belt and Road Forum for International Cooperation. Available at: <https://www.yidaiyilu.gov.cn/xwzx/xgcdt/13208.htm> (Accessed: 14 October 2018).

³ *Ibid.*

an “Asia-Pacific rebalancing strategy” in order to curb China’s development and rebuild its global leadership. In November 2013, when referring to Asia, former US Secretary of State Hillary Clinton claimed that “the US is back to Asia.” She clearly stated that the United States will pay more attention to the Asia-Pacific region than in the past, particularly by increasing military investment. The future strategic focus of the United States will shift to Asia.

In this regard, Su Hao, professor with the Center for Strategic and Conflict Management Research of the China Foreign Affairs University, pointed out that the United States has bound its military allies and strategic partners with its own strategic interests, and therefore pushed them to the forefront in confronting American challengers. There are three benefits to the US from doing this: firstly, transforming the bilateral military alliance into a multilateral alliance network, thus strengthening a US-led security order; secondly, provoking China’s relations with neighboring countries, and delaying the process of regional integration in East Asia; and, thirdly, at the same time directly locking the space for China’s maritime power expansion while avoiding direct confrontation with China.⁴ In response, China proposed the “Belt and Road Initiative”, in which the “Silk Road Economic Belt” faces towards the West in order to strengthen cooperation and exchange among China, Central Asia, and Europe, while the “21st Century Maritime Silk Road” faces towards the South, aiming to strengthen China’s relations with Southeast Asia and South Asia, breaking through the diplomatic pressure exerted by the United States.

Therefore, European countries have played an important role in the route map of the “Belt and Road” drawn by the Chinese government. Two of the three major routes of the “Silk Road Economic Belt” are directed to Europe as the destination. One of the two major routes of the “21st Century Maritime Silk Road” will cross the South China Sea from China’s eastern coastal ports through the Straits of Malacca to the Indian Ocean, and extend to Europe. Moreover, based on data released by the Chinese government, five years after the proposal of the “Belt and Road Initiative,” the total trade volume between China and Europe has continued to grow. In 2008, China’s investment in

⁴ Hao, S. (2012) *Five questions for the US’Asia-Pacific rebalancing strategy: is the promise fulfilled?* Available at: http://www.xinhuanet.com/world/2012-06/06/c_123238380_4.htm (Accessed: 6 October 2018).

Europe was less than \$1 billion. In 2017, however, only nine years later, China's foreign direct investment in Europe had increased sharply, reaching \$42 billion, with a total investment of \$318 billion. As a barometer of Sino-European trade exchanges, the number of Sino-European cargo trains is also growing. As of August 27, 2018, the number of Sino-European trains had reached 10,000.⁵ In addition, the Sino-Kazakhstan international logistics cooperation project is progressing smoothly, and has become an important window for Kazakhstan to carry out trade and cross-border transportation cooperation. The construction of the China-Kazakh Horgos International Border Cooperation Center has also progressed steadily. The port of Piraeus operates smoothly and contributes to the mutual benefit and win-win situation between China and Greece.

Opportunities and challenges of the BRI

Given the complexities of international political and economic relations, the implementation of the BRI has encountered many challenges.

First of all, geopolitical influence is always at stake. The countries alongside both the “Belt” and the “Road” are not monolithic and homogenous, but demonstrate various, even conflicting, national interests and developmental goals. When BRI gradually enters these areas, it is inevitable for China to build direct dialogue with those traditional geopolitical orders. For example, will China’s cooperation with Central Asia be considered a challenge to Russia’s vested interest in this region? The extension of the Belt and Road Initiative towards South Asia will encounter both suspicions and challenges from India, China’s distant neighbor, without any doubt. These are all uncertainties that are incorporated into the practice of BRI.

The countries alongside both the “Belt” and the “Road” are not monolithic and homogenous, but demonstrate various, even conflicting, national interests and developmental goals.

Second, given the distinctiveness of China’s political system, there is still a long way for China to go in order to gain the trust of the mainstream media in the countries along the BRI. A two-fold story is central to the framing of China’s image. Over a long period of time, while the rise of the economic power is widely recognized with a generally positive tone, China’s political

⁵ Xinhua Net (2018) *The number of Sino-European cargo trains exceeded 10,000*. Available at: <https://www.yidaiyilu.gov.cn/xwzx/pdjdt/63765.htm> (Accessed: 27 October 2018).

system has been always under negative scrutiny. This puts a lot of pressure on how to tell the political story of the country that issued the “Belt and Road” invitation to an international audience, let alone the fact that China does not hold an advantage in international communication capacity in terms of media access and coverage. Furthermore, due to its intimate affiliation to the political system, China’s traditional media system, which is designated as a major carrier of China’s voice and storytelling towards global media and an international audience, has been caught in a series of critiques. However, it is worth mentioning that, in the past few years, private media – or, to be precise, internet companies – have been taking the lead in internationalizing China’s image. For example, WeChat succeed in penetrating into dozens of countries with different political and cultural systems by providing customized mobile online communication functions; meanwhile, TikTok, a mobile-based short-video application developed by a leading internet company ByteDance, ranked as the number one most downloaded application in Apple’s App Store in the first quarter of 2018. The influence of these new media platforms remains a phenomenon that is far from well-studied.

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So far, it is quite easy to observe that the BRI is to a large extent driven by economic collaboration, while the state is the major player. If we remove the rhetorical jacket of the BRI, the initiative is more like an economic cooperation project led and promoted by the state of China. Such cooperation is mainly in terms of infrastructure, transportation, trade, and financial relationships. Media reports surrounding the BRI also focus on cooperation on such projects. However, these reports have found difficulty in informing the people in countries alongside the routes of the projects, let alone engaging their recognition and participation. Although the Chinese government has emphasized the “people-to-people-bond” as a core element of the BRI, which stretches to many fields including culture, tourism, education, science, and technology, there are many difficulties in realizing this.

This is a challenge, but also an opportunity. We believe that the BRI is not a unilateral demand of China: around the world, international trade has been facing increasing pressure for protectionism while trade disputes have intensified, especially since Trump was elected as US President. Every country has its

own version of the BRI that fulfills its specific needs to develop in this new era, although their perspectives are different. Therefore, a consensus on the formation of BRI is possible – and necessary.

However, as mentioned previously, if BRI participation is limited to economic cooperation, with each country only conditionally and selectively participating in the BRI for immediate benefit, meanwhile ignoring cultural exchanges and connectivity, this cooperation will be unsustainable and ineffective. The Chinese government has a clear understanding of this situation. Therefore, they define the principle of the “Belt and Road Initiative” as “the principle of achieving shared growth through discussion and collaboration,”⁶ emphasizing the participation and cooperation of all countries alongside the “Belt and Road.”

Every country has its own version of the BRI that fulfills its specific needs to develop in this new era, although their perspectives are different.

From the Chinese side, we can see the efforts made by the Chinese government. In order to further promote the construction of the “Belt and Road,” the Chinese government has established a leading group to promote the construction of the “Belt and Road,” chaired by Han Zheng, member of the Standing Committee of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council. As of June 2018, meeting every six months, this group had held eight meetings to promote the construction of the “Belt and Road.” The agenda of each meeting includes both a summary of the first half of the year and planning for the second half. From May 14 to 15, 2017, the Chinese government held the first “Belt and Road” International Cooperation Summit Forum in Beijing. Participating in the Forum were 29 international heads of state or heads of government, and heads of three important international organizations including the UN Secretary-General and the head of the International Committee of the Red Cross.⁷

From the European side, after the 2008 financial crisis, many European countries fell into the mud of economic recession, the unemployment rate continued to rise, and social conflicts intensified. After the outbreak of the Arab Spring in 2010, a large number of refugees flooded into Europe, further stressing the

⁶ Jinping, X. (2017) *Opening up a new starting point for cooperation and seeking new development momentum*, Available at: <https://www.yidaiyilu.gov.cn/xwzx/xgcdt/13629.htm> (Accessed: 15 October 2018).

⁷ Belt and Road Forum for International Cooperation (2017) *Xi Jinping attended the opening ceremony of the Belt and Road Forum for International Cooperation and delivered a keynote speech*. Available at: <http://www.beltandroadforum.org/n100/2017/0514/c24-397.html> (Accessed: 14 October 2018).

social burden on European countries. How to seek a new impetus for economic development and solve the current pressing problems is something that many European countries need to consider. Should Europe pick up the “Olive Branch” sent by China through the BRI, and if so, how? How to match the BRI to the developmental goals of a European country’s economy and diplomacy, and not simply to be understood as wishful thinking on the part of China, is particularly important.

Communicating China-EU relations via media cooperation

We argue that media can play a key role in this process if some important principles, outlined below, can be incorporated. First, all countries’ media, including China’s, should be encouraged to rethink the framework of international coverage and how to practice professional journalism internationally. Chinese media should develop an intercultural capacity to build dialogical relationships with different voices in the world. Thinking about the audience and international/intercultural differences should be prioritized before presenting any story for international communication. Given the fact that the BRI is a globally collaborative initiative driven largely by economic motives, international reporting by Chinese media should not only propagate the initiative one-dimensionally, but also help the global audience to understand why the BRI matters for China first and for other countries as well. Furthermore, will the BRI generate any negative outcomes as possibly side effects of economic development, such as an environmental crisis or economic instability? It would be better if answers were communicated first in Chinese media, rather than media from other countries. For media and journalists in European countries, giving objective, neutral, and – mostly importantly – investigative reports on the BRI based on first-hand materials is expected. This requires media and journalists to rid themselves of the concept of the BRI as the “other” and turn to a BRI that belongs to the “self,” from the perspective of their own national needs and goals. Besides, a Cold War mindset and orientalist framework are insufficient to capture the dynamics of the ongoing encounter between China and Europe. A new dialogical relationship is expected to occur.

Second, both Chinese and European media should strengthen cooperation and intensify exchange of information, perspectives,

and people. As is universally understood, Europe and China are different from each other in terms of political systems, religions, cultural traditions, and many other aspects. Therefore, in the process of promoting the BRI, it is inevitable that cultural barriers will be encountered. At this moment, media from both sides should position themselves in the changing geopolitics and carry objective reports in order to help enhance cooperation and communication, and promote mutual understanding, instead of maliciously hyping related events and even inciting domestic nationalism in order to attract the attention of the audience, which can exaggerate small problems and intensify minor contradictions.

Third, Chinese media should also pay attention to the internal differences and regional diversities among European media in the process of seeking cooperation. Although there are many similarities among European countries in terms of geopolitics, they are certainly not homogeneous, nor is their diverse and regionally integrated media system. State media, public service media, and commercial media co-exist but with different gravity in different regions. As demonstrated by Daniel Hallin and Paolo Mancini⁸ in their seminal work, three models of media and politics are formulated, namely the liberal model, the democratic corporatist model, and the polarized pluralist model. Therefore, under the framework of the BRI, how to cooperate with different media systems in different European countries, and how to overcome the obstacles that may arise in cooperation, are also problems. It is argued that the Chinese media system is much more similar to the polarized pluralist model which prevails mostly in France and Mediterranean countries. Therefore, Chinese media may take advantage of this similarity to cooperate with media systems in those countries initially, and then find collaborators in other regions.

Fourth, for both Chinese and European media, attention should be paid not only to inter-governmental exchanges, but also to strengthening the link between the BRI and civil society. The BRI is not just a developmental agenda, a “game” between governments, but involves the participation of multiple actors including companies, social organizations, and individuals. The

Chinese media should also pay attention to the internal differences and regional diversities among European media in the process of seeking cooperation.

⁸ Hallin, D.C. & Paolo Mancini, P. (2004), *Comparing Media Systems: Three Models of Media and Politics*, Cambridge University Press, p. 11.

BRI is thus an opportunity for both government and civil society. In other words, the international or intercultural communication of the BRI between China and Europe is bifurcated. A multi-dimensional pattern of storytelling should be considered.

Last but not least, the media environment is constantly changing. We have entered into an era dominated by various forms of new media. Therefore, the media landscape of the “Belt and Road” is not just composed of legacy media such as newspapers, magazines, radio, and television. New media – incorporating fast-developing Internet and mobile phones – should occupy an

New media – incorporating fast-developing Internet and mobile phones – should occupy an important position in communicating the BRI between China and Europe.

important position in communicating the BRI between China and Europe. Compared with institutionalized legacy media, such new media can build a direct information flow and dialogical channels with the people, greatly mobilize enthusiasm among the audience, and enhance participation. Calling for people’s online participation, rather than the mere manufacture of stories by the government and its affiliated media, is arguably more important for a better mutual understanding, at least for China. Therefore, how to organically integrate the BRI into the new media agenda is the next step for the media to break through.

Conclusion

Although the Chinese government proposed the BRI, we believe that it can become a common ground between China and Europe in the quest for economic collaboration, cultural exchange, and shared prosperity for the future. In other words, Europe needs to find a new development impetus in the face of economic recession, the refugee crisis, and intensifying social unrest. Given the pressure caused by the US “Asia-Pacific Rebalancing Strategy,” China also needs to expand its global reach to potential partners, economically and geopolitically. Therefore, the BRI plays an important role in the future development of China-EU relations and the fulfillment of their respective needs. What needs to be pointed out is that China is expected to universalize the connotations of the BRI beyond an ego-centric mindset for shared understanding from different countries, while it will be necessary for European countries to localize the BRI and build connections with their own developmental agendas.

From the perspective of media cooperation, we explored the possibilities for achieving this goal and offered our recommendations. Firstly, media in China and Europe need to strengthen cooperation and communication to overcome the stereotyping caused by differences in political systems, cultural traditions, and communication systems. Secondly, media need to report the relevant news of the BRI objectively and fairly, and to shape the image of the BRI from a constructive perspective. Moreover, the BRI is not an inter-governmental game, but a more inclusive amalgam of enterprises, social organizations, and individuals. This should be the focus of media coverage in the future. Finally, not only traditional media, but also new media, for instance, mobile and social media, should be considered as important platforms to communicate the BRI globally, and as sites of new patterns of international cooperation and intercultural dialogue.

China's Belt and Road Initiative: Rise of Chinese Eurasianism as a Eurasian Integration Strategy against Atlanticism?

Dr. Ozgur Tufekci*

The geopolitical spaces of the ideology of Eurasianism, such as Central Asia, Southeast Asia, and Europe, form the main framework of the Belt and Road Initiative (BRI) as destinations for Chinese goods, services, and capital. For this reason, the BRI is, on the one hand, both a cause and effect of the political-economic interests of China; while, on the other hand, it provides a dynamic for the regional integration policies of the Chinese government. When Xi Jinping became China's new leader in 2012, he signalled that he would pursue a "pro-active" foreign policy course. Moreover, his foreign policy understanding has represented, to some extent, the end of the era of Deng Xiaoping's reactive "bide and hide" foreign policy strategy. Nevertheless, it remains necessary to deal with the issue of whether this pro-activeness will transform into a single robust foreign policy perspective that benefits from the ideologies of Eurasianism or Atlanticism. What is known about ideology-driven Atlanticism is that it has been prioritizing the securitization of Eurasia. However, it seems that China's development-oriented approach is more promising for those countries that are in need of reconstruction and development. If China could manage to remodel Atlanticism through an ideology of Eurasianism, the landmass would become a new and competitive ground where the new power can assert its own influence and create streamlined connectivity.

Key words: Eurasianism, China, One Belt One Road, Atlanticism, Central Asia



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Introduction

In Ancient Greece, the earth was divided into three separate pieces of land: Europe, Asia, and Africa. The boundaries were waterways. For instance, the Mediterranean Sea was the boundary between Africa and Europe, and the Nile was the boundary between Africa and Asia.¹ While the boundaries separating Africa from Europe and Asia were clear, there was no certain boundary between Europe and Asia. Whereas this is accepted as one of the geographical divisions of the world, others claim alternative ways of dividing the world. For instance, Herodotus defined Europe in another way. According to him, “Europe has no independent existence, since it is only a part of Eurasia, which has no real internal boundaries of its own.”² Having several perceptions of geographical divisions of the world has led to the production of many inclusions and exclusions in describing the placement of Europe and Asia in the modern world. One of the conclusions of such perceptions is the concept of Eurasianism.

Since it is a purely Russian-originated ideology, it cannot clearly be claimed that the incumbent Chinese government pursues a Eurasianist understanding and foreign policy. Nevertheless, there is a clear overlap between Xi’s proactive foreign policy course that is working to integrate the Eurasian landmass and the primary framework of Eurasianist understanding. That is why this article aims to answer the question, “Does the ‘Belt and Road Initiative (BRI)’ represent a Eurasian integration strategy which is based on the ideology of Eurasianism against Atlanticism since it comprises geographic locations, geopolitically significant for the ideology such as Central Asia, Southeast Asia, and Europe itself?” In so doing, it first delves into the characterization of Russian Eurasianism and then deals with the BRI and its implications for global geography, and thus lays out a better understanding of whether, and how, geography continues to shape geopolitics in the existing, globalized international system.

In this sense, this article aims to answer the question, “Does the ‘Belt and Road Initiative’ (BRI) represent a Eurasian integration strategy which is based on the ideology of Eurasianism against Atlanticism since it comprises geographic locations geopolitically

1 Bassin, M. (1991) ‘Russia between Europe and Asia: The Ideological Construction of Geographical Space’, *Slavic Review*, 50, pp. 1-17 (2).

2 Quoted in Frank, A. G. (1998) ReOrient: Global Economy in the Asian Age, Berkeley: University of California Press, p. 2.

significant for the ideology, such as Central Asia, Southeast Asia, and Europe itself?"

The Birth of Eurasianism and its Characterization

The term "Eurasia" literally means Europe plus Asia. As a geographical term, it was Alexander von Humboldt's contribution to the literature. Humboldt (1769–1859) was a German naturalist and explorer who explored much of Central and South America. Also, he travelled through Russia and Siberia as far east as the Altai Mountains and south to the Caspian Sea from 12 April to 28 December 1829.³ Whereas Humboldt's perspective was purely and simply geographical, the Russian Eurasianists approached the term from a different angle. According to them, the most crucial point was the territory of Russia. According to N. S. Trubetskoy, "[t]he territory of Russia ... constitutes a separate continent ..." ⁴ Moreover, this separate continent was a self-contained geographical entity whose boundaries coincided roughly with those of the Russian Empire in 1914.⁵ In this sense, Eurasianism has been regarded as a quasi-political and intellectual movement.⁶ By and large, this movement emphasized the uniqueness of Russian culture which was composed of a mix of Slavic and non-Slavic cultures and, according to them, Russia was a separate, third continent, neither Europe nor Asia.

This way of thinking is called Classical Eurasianism but, by the 1930s, the loss of all of its ideological forefathers and eminent figures caused this Eurasianism ideology to die down, until Lev N. Gumilev led a revival of similar ideas and a new kind of Eurasian ideology around the 1980s. Hence, this was the milestone that gave rise to this revised approach being named Neo-Eurasianism. Gumilev brought the Eurasianist ideas back into the light and prepared an intellectual background for them.

When it comes to the characterization of Classical Eurasianism,

³ For further information on Alexander von Humboldt, see Rupke, N. A. (2008) *Alexander Von Humboldt: A Metabiography*, Chicago: University of Chicago Press; Gaines, A. and Collins, M. (1990) *Alexander Von Humboldt: Colossus of Exploration*, New York: Chelsea House.

⁴ Quoted in Wiederkehr, S. (2007a) Forging a Concept: 'Eurasia' in Classical Eurasianism. Annual Soyuz Symposium at Princeton University, p.1.

⁵ Halperin, C. J (1982) George Vernadsky, Eurasianism, the Mongols, and Russia. *Slavic Review*, 41, 477-493 (481).

⁶ Shlapentokh, D. V. (1997) 'Eurasianism: Past and Present', *Communist and Post-Communist Studies*, 30, pp. 129-151 (129).

four main principles can be explored.⁷ The first was anti-Westernism. At that time, the West was perceived as Western Europe. In this context, the creators of Eurasianism eschewed Western civilization and sympathized with non-European cultures.⁸ As mentioned before, Eurasia was neither Europe nor Asia. It was a separate continent; however, the Eurasianists perceived themselves closer to Asia than Europe. On this point, Vladimir Bilenkin points out that “they described Western civilisation as a specific ethno-cultural phenomenon and, in fact, a dangerous aberration that relentlessly imposes its imperial domination over other ethnic groups by means of military, economic, and cultural aggression.”⁹ So, the

Although the Eurasianists aimed to become closer to Asia, their main goal was to establish a distinctive state that was different from both Europe and Asia.

Eurasianists who lived in Prague, Paris, and the Balkans anticipated putting an end to the cultural hegemony of the West and instead uplifting Eastern culture. Although the Eurasianists aimed to become closer to Asia, their main goal was to establish a distinctive state that was different from both Europe and Asia. Therefore, it would not be fair to say that it was a purely separatist movement. Contrary to the common understanding, it was not their aim to move Russia away from Europe and towards Asia.

The second principle was the uniqueness of Russia and Russian culture. As mentioned in the first principle, Eurasia was a separate continent and at the same time it was a unique culture. For the Eurasianists, the specification which made it unique was the Turanian effect. Contrary to Slavophiles, the Eurasianists advocated that Turanians had had a huge impact on the genesis of Russian culture.

The third principle was that Eurasianism was a “third way” between capitalism and socialism, liberalism and dictatorship.¹⁰ It was a

7 For further information on the characterization of Eurasianism, see Tufekci, O. (2017) *The Foreign Policy of Modern Turkey: Power and the Ideology of Eurasianism*, I. B.Tauris, Londra; Tufekci O., (2017) “Turkish Eurasianism: Roots and Discourses”, in *Eurasian Politics and Society: Issues and Challenges*, Tufekci O., Tabak H., Akilli E., Eds., Cambridge Scholars Publishing, Newcastle upon Tyne, pp.1-35; Tufekci O., (2014) “Ahmet Davutoglu’s Foreign Policy Understanding: A Blend of Westernist and Multiculturalist Eurasianism”, *The Arab World Geographer*, vol.17, no.3, pp.275-289; Tufekci O., (2012) “Another ‘The Last Eurasianist’: Davutoğlu’s Eurasianist Rhetoric”, *Caucasus International*, vol.2, no.3, pp.101-109.

8 Laruelle, M. (2008) *Russian Eurasianism: An Ideology of Empire*, Washington: Woodrow Wilson Centre Press, p. 26.

9 Bilenkin, V. (1995) ‘The Ideology of Russia’s Rulers in 1995’, *Monthly Review*, 47, pp. 24-37 (27).

10 Shlapentokh, D. V. (2005) ‘Russia’s Foreign Policy and Eurasianism’, available at <http://www.eurasianet.org/departments/insight/articles/eav080205a.shtml> (Accessed 26 October 2018).

theory to build a nation, so it had to be different from the existing movements at that time. It was a product of a normal process. Throughout history, a number of nationalists have put forward several theories to prevent the collapse of their countries or empires. For example, during the late 1800s and the early 1900s, ideologies such as Pan-Turkism, Pan-Turanianism, Pan-Ottomanism, and Pan-Islamism were produced by nationalists living in the Ottoman Empire to transform it into a long-lived empire. These kinds of Pan-isms were rejected definitely by the Eurasianists. From their perspective, “Eurasianism, rather than Pan-Slavism for Russians, Pan-Turanianism for Eurasian Turanians, or Pan-Islamism for Eurasian Moslems, should become predominant.”¹¹

In this sense, the founders totally rejected Western culture, thoughts, traditions, and currents to uphold Russian cultural distinctiveness.¹² Eurasianism was a kind of nationalist idea which rejected Bolshevism, Capitalism, Liberalism, Communism, etc. It was not an aberration, but was a kind of different way of thinking. In addition, in the early stages of the movement, the theoreticians perceived themselves as different from Bolsheviks, Marxists, and Communists, albeit Eurasianism had some similarities to these ideologies. For example, being an oriental-based ideology would be counted as the first similarity as these ideologies did not have any relationship with the West. Another similarity is that, on the one hand, Bolshevism and Eurasianism both rejected the entire culture of the pre-revolution period in Russia. On the other hand, Communism and Eurasianism were totally against the West. Furthermore, Laruelle clarifies these similarities as follows: “Eurasianism adopted Marxism’s dialectic approach, turning the idea of humanity evolving in stages against Communism; Russia would then go from Capitalism as a thesis and Communism as an antithesis to Eurasianism as their synthesis.”¹³

The fourth and last principle was that Eurasianism had an anti-monarchist vision. As mentioned in the third principle, its proponents were opposed to the monarchy which existed before the Revolution. For that reason, they were interested in a kind of

Eurasianism was a kind of nationalist idea which rejected Bolshevism, Capitalism, Liberalism, Communism, etc. It was not an aberration, but was a kind of different way of thinking.

11 Wiederkehr, S. (2007b) ‘Eurasianism as a reaction to Pan-Turkism’, in Russia between East and West: Scholarly Debates on Eurasianism, ed. by D. Shlapentokh Leiden: Brill, p. 52.

12 Laruelle, M. (2008) Russian Eurasianism: An Ideology of Empire, Washington: Woodrow Wilson Centre Press, p. 26.

13 Laruelle, M. (2008) Russian Eurasianism: An Ideology of Empire, Washington: Woodrow Wilson Centre Press, p. 28.

democracy and a kind of totalitarian system. On the one hand, they did not accept democracy because of its Western roots. They neither gave support to the totalitarian administration system because of the importance they attached to the Eurasian people.

In the light of this knowledge, it can be said that the ideologists of Eurasianism who experienced the collapse of the Ottoman and Habsburg Empires anticipated a kind of theory in order to prevent the collapse of the Russian Empire. Even if it did collapse, this theory was intended to build a new nation that covered all Eurasian people under a Eurasian state. This state would have a unique culture which reflected the characteristics of all Turanian races. Trubetskoy argued that “Russia’s existence as an empire was a thing of the past. The identifiably Russian element could no longer legitimately claim its traditional hegemonic position within the

larger geographical-political realm of Eurasia.”¹⁴

Neo-Eurasianism is a slightly differentiated version of Classical Eurasianism, popularized during the demise of the Soviet Union.

Neo-Eurasianism is a slightly differentiated version of Classical Eurasianism, popularized during the demise of the Soviet Union. It takes its inspiration from the Classical Eurasianists and assumes that Russia is culturally closer to Asia than to the West (in this version, the West symbolizes the USA). However, Neo-Eurasianism came to prominence due to its geopolitical approach rather than cultural perspective. Classical Eurasianists do not cite any founder of geopolitics (such as Friedrich Ratzel, Halford Mackinder, and so on), although Neo-Eurasianists, especially Dugin, state a geopolitical perspective and emulate not only the founders of geopolitics but also Samuel Huntington and Zbigniew Brzezinski.

Russia’s intellectual circles have spent a significant amount of time determining Russia’s place in the world. In particular, these investigations reached their peak during the cataclysmic times of the Russian Revolution, World War I, the collapse of the USSR (The Union of Soviet Socialist Republics), etc. Both Classical Eurasianism and Neo-Eurasianism emerged in such times as an answer to seeking a historical, geopolitical, and cultural identity along with other nationalist movements. Yet, when it comes to Chinese Eurasianism, it is far from being an ideological approach when compared to Classical or Neo-Eurasianism.

¹⁴ Bassin, M. (2003) ‘Classical Eurasianism and the Geopolitics of Russian Identity’, Ab Imperio, 2, pp. 257-267 (p. 3).

The Belt and Road Initiative as a China's Eurasian Integration Strategy: Reproducing Atlanticism

Deng Xiaoping's motto, “*keep cool-headed to observe, be composed to make reactions, stand firmly, hide our capabilities and bide our time, never try to take the lead, and be able to accomplish something,*” seems to have been set aside by the President Xi Jinping, perhaps the most powerful Chinese leader after Mao Zedong.

Zbigniew Brzezinski, in his book *The Grand Chessboard – American Primacy and its Geostrategic Imperatives*, characterizes China's geopolitical transformation as “cycles of reunification and expansion, followed by decay and fragmentation.”¹⁵ Following this long-period cycle, China is now on the verge of another period of expansion in order to adapt to a new view of geopolitics. In this sense, according to John Agnew, “from a critical geopolitical perspective, China is not just the ‘next’ hegemonic power in the escalator image of Great Powers moving up and down the global state hierarchy. It, rather, brings its own contribution to the game.”¹⁶

In this context, China's first geopolitical perspective is to consolidate its regional influence by blocking American hegemony and power politics in the Asia-Pacific. In doing so, China eschews a clear confrontation with Russia since it aims to solve the existing controversial issues with India and Japan. Not only does China embrace avoiding direct confrontation with regional powers, it is also developing close-woven relationships with neighboring countries. Through this new proactive foreign policy understanding, Xi Jinping wants China to become pre-eminent in Asia with the help of peripheral diplomacy. In this goal, China first aims to deepen economic cooperation with neighboring countries, then build closer security ties in Asia.¹⁷ China's new foreign policy course is shaped by deepening connectivity on the base of Xi Jinping's perspective of expanding cooperation to include “shared

China's first geopolitical perspective is to consolidate its regional influence by blocking American hegemony and power politics in the Asia-Pacific.

15 Brzezinski, Z. (1997) *The grand chessboard: American primacy and its geopolitical imperatives*, New York: Collins, p. 13.

16 Agnew, J. (2010) ‘Emerging China and Critical Geopolitics: Between World Politics and Chinese Particularity’, *Eurasian Geography and Economics*, 51(5), 569-582, p. 579, DOI: 10.2747/1539-7216.51.5.569

17 Callahan, W. A. (2016) ‘China's Belt and Road Initiative and the New Eurasian Order’, Norwegian Institute of International Affairs, 22, Available at: https://brage.bibsys.no/xmlui/bitstream/id/438924/NUPI_Policy_Brief_22-16_William_Callahan.pdf, (Accessed 12 November 2018).

beliefs and norms of conduct for the whole region.”¹⁸

Related to this perspective, China’s multi-billion dollar Belt and Road Initiative (BRI), an infrastructure development project reviving the old Silk Road with Europe, is a manifestation of China’s growing geopolitical ambitions and Xi’s most important foreign policy, which aims to make Eurasia an economic and trading area. The project was announced in 2013 and includes 71 countries that collectively account for over 30 percent of global GDP, 62 percent of population, and 75 percent of known energy reserves. The BRI consists primarily of the Silk Road Economic Belt, linking China to Central and South Asia and onward to Europe, and the New Maritime Silk Road, linking China to the nations of South East Asia, the Gulf Countries, North Africa, and on to Europe. Six other economic corridors have been identified to link other countries to the Belt and Road Initiative.¹⁹

What China wants to perform through the BRI is an assertive step in order to integrate the Eurasian landmass through consolidating

What China wants to perform through the BRI is an assertive step in order to integrate the Eurasian landmass through consolidating shared beliefs and norms of conduct for the whole region.

shared beliefs and norms of conduct for the whole region. To some extent, it resembles what the United States of America did in order to get the upper hand in Europe following the World War II through Atlanticism.

In a broad sense, Atlanticism can be defined as the “common heritage and a shared destiny” of all the states bordering the North Atlantic.²⁰ In this sense, Atlanticism was simply American commitment to Europe through mechanisms such as Bretton Woods, the Marshall Plan, and NATO. Following World War II, America aimed to reshape Europe against the threat of the Soviet Union. Since the Soviet Union is involved in the conceptualization of Atlanticism, it is widely believed that the concept is all about military alliances between America and European countries. Instead, in conception it was based on broader cooperation, shared values, and to some extent integration between Europe and America.

While the Atlantic charter, the declaration of certain common principles for a better future for the world, was the founding document, the North Atlantic Treaty, a monetary system –

18 Jinping, X. (2014) On the Governance of China, Beijing: Foreign Languages Press, 325-29, p. 327.

19 Freund, C. and Ruta, M. (2018) “Belt and Road Initiative”, <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>, (Accessed 12 November 2018).

20 Hodge, C. C. (2004) Atlanticism for a New Century. The Rise, Triumph and Decline of Nato, Upper Saddle River: Pearson Prentice Hall. p. 2.

Bretton Woods – and eventually the Marshall Plan established, to some extent, the post-war liberal world order. Among these, the Marshall Plan was the cornerstone of Atlanticism. In this context, the resemblance between the BRI and the Marshall Plan is remarkable. The Marshall Plan, officially known as the European Recovery Program (1948–1951), was sponsored by the United States of America to rehabilitate the economies of 17 European countries in order to create stable conditions in which democratic institutions could survive. While the countries in the Marshall Plan received nearly \$15bn, China is planning to invest around \$200bn in Europe through the BRI. In addition, the Belt and Road Initiative is expected to cost more than \$1tn, while China has already invested more than \$210bn, the majority in Asia and, to date, Chinese companies have secured more than \$340bn in construction contracts along the Belt and Road.²¹ It is believed that, when the BRI is completed, it could cover over 4.4 billion people and generate a Gross Domestic Product of over \$21tn.²²

Following the collapse of the USSR, despite the efforts of the Russian Federation to rejuvenate the ideology of Eurasianism, it gradually lost its attraction. However, Atlanticism still has influence since it is provided with a robust economic aspect, based on the Marshall Plan, to create a liberal world order. Apart from the collapse of the USSR, to some extent Eurasianism was destined to fade away since it failed to provide a viable economic model to attract Eurasian countries. Herein, through the BRI, China has an opportunity to offer what Russian Eurasianism failed (and kept failing) to offer.

Following the collapse of the USSR, despite the efforts of the Russian Federation to rejuvenate the ideology of Eurasianism, it gradually lost its attraction.

Once, politicians and intellectuals imagined and built a new system centered on the Atlantic in order to bring together America and Europe as mutually complementary factors. Now, China has a similar opportunity by providing a new global governance vision based on continental and maritime-based infrastructure building, interconnectivity, and development, in order to promote common prosperity, shared interests, and cooperation.

If this development-oriented policy directed by China towards

21 Kuo, L. and Kommenda, N. (2018) "What is China's *Belt and Road Initiative?*", <https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer>, (Accessed 12 November 2018).

22 Lo, V. H. S. (2016) "Executive Summary from the Inaugural Belt and Road Summit", China Trade Research, http://china-trade-research.hktdc.com/resources/MI_Portal/Article/obor/2016/08/475605/1470281195872_2016BnRSummit.pdf, p. 3, (Accessed 12 November 2018).

the Eurasian continent is embraced, China could be expected to benefit in three ways. Firstly, China would counter American influence, in particular by increasing its influence in Central Asia, the pivot point of Eurasia and the South Asian Rimland area. Secondly, China would combine its economic growth miracle with a solid foreign policy understanding which is based on “*pragmatic pro-activity*” to reshape its own perception in the international community. Thirdly, deepening bilateral relations among the countries in Eurasia through the BRI would facilitate mobilization of Chinese goods and enable China to further its connectivity with the rest of the world so that China would become integrated with the international system, politically and economically.

Final Remarks

Following the end of the Cold War era, the Eurasian landmass was opened up for new actors. While the US was playing a new version of its Atlanticism card, China was relatively neutral, and Russia was struggling to manage its transformation from the USSR to the Russian Federation. Since the geostrategic and geopolitical environment had changed in Eurasia, NATO, one of the significant tools of Atlanticism, was also looking for a *raison d'être* in both realms; political and military.

Whereas ideology-driven Atlanticism has been prioritizing the securitization of Eurasia, China's development-oriented approach has been more promising for those countries in need of reconstruction and development. Comparing US and EU aid to the countries in Eurasia with Chinese investment under the umbrella of the Belt and Road Initiative clearly demonstrates that China has the upper hand in Eurasia despite the wariness of several countries regarding becoming ensnared in China's debt trap.

It is unquestionable that geopolitical competition in Eurasia is rising. It seems that China has taken an assertive step in the right direction – and that step has implications for the established powers and regional rising powers. If China can manage to reproduce Atlanticism through the ideology of Eurasianism, the landmass could become a new and competitive ground for the new power to assert its own influence and to create streamlined connectivity. It seems that the BRI would facilitate asserting that influence, as long as China plays the right cards, in the right order, at the right time.

Belt and Road Initiative: The Eurasian Cold War?

Ali Ihsan Kahraman*

This paper examines the One Belt One Road Initiative (BRI), led by China, and investigates the strategies of participant and non-participant countries. The main question is how this large-scale project may affect Eurasian politics. To carry out such a discussion, the paper comparatively surveys the strategies and political discourses related to BRI of both participant (China, India, and Russia) and non-participant countries (the US and Great Britain) who take an active part in politics and economics throughout Eurasia. In conclusion, this paper suggests that BRI will lead to some indication of the emergence of a Cold War-like conflict in Eurasia, although the main promise of this initiative is to accelerate cooperation in this inter-regional area.

Keywords: One Belt One Road, China, US, Britain, Russia, India, political discourse



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Introduction

“One Belt One Road” (BRI) is a project under Chinese leadership promoting interregional cooperation and integration through facilitating unimpeded trade and investment in Eurasia. Since the project evokes the historical Silk Road and involves huge territories and a similarly vast number of countries, scholars of international politics are paying great attention to its consequences, particularly its prospective effects on economic integration, regional security, international trade, geopolitics, and geo-economics in broader Eurasia. Scholarship is also being directed to BRI’s impacts on relations between hegemonic powers; several attempts have been made to scrutinize the tentative hegemonic intentions of China and how the US would or should respond to them. Other regional powers’ policies on and consideration of the BRI have similarly been often questioned. This paper, through bringing together all the individual accounts of powerful states regarding BRI, offers a comparative evaluation of the dynamics of cooperation or competition within Eurasia. To perform such a discussion, the paper comparatively surveys the strategies and political discourses related to BRI of both participant (China, India, and Russia) and non-participant countries (the US and Great Britain) that take active roles in politics and economics throughout Eurasia.

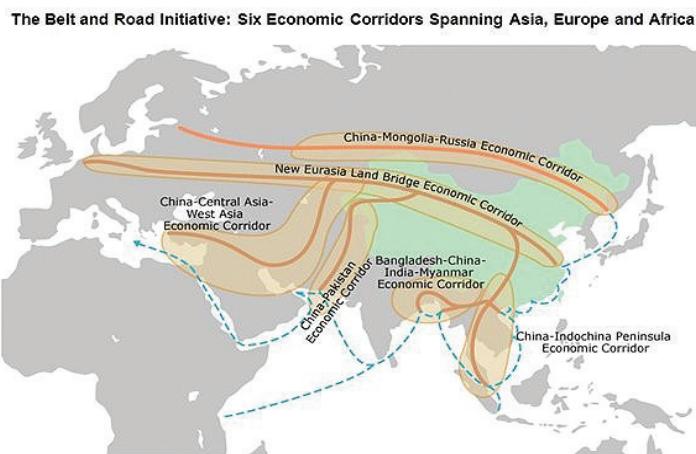
This paper is organized as follows. Following this introductory part, the paper first introduces the routes of the BRI and its participation structure. The first section presents general remarks on BRI and primarily aims to introduce what BRI is. Subsequently, the paper discusses the strategies of individual countries relative to one another one by one. The paper concludes with some remarks on the prospective cooperative and competitive environment that Eurasia is likely to experience in the near future, providing a discussion on whether the association/disassociation between the political strategies and discourses of politicians will result in a cooperative or competitive environment in Eurasia.

General Remarks on the BRI Initiative and Joining it

As illustrated in Figure 1, BRI consists of six economic corridors on land from China’s Yian province to London and one maritime route from Beijing, China, to Eastern Africa and Mediterranean Europe. This initiative involves 68 countries which represent more than one third of the global economy and half of the world

population. It is planned to complete infrastructure construction in 2049, according to official statements. While the demand increase in Asia-Pacific and its neighbors is estimated as 6 trillion dollars, it is very clear that realization of the aim of unimpeded trade in the region is a very reasonable and rational goal for the states of Eurasia. Therefore, such market growth will be very attractive for states aiming at economic development. This initiative is actually interpreted as a means for the “connection of developing markets to Chinese production and investments.”¹ On the other hand, BRI not only provides an opportunity for connection to Chinese production and investment, it also contains opportunities to connect to Chinese consumption.²

Figure 1: BRI Economic Corridors and Maritime Routes



Source: Hong Kong Trade Development Council.

BRI does not by any means consist only of transportation infrastructure. In fact, President Xi arrayed five principles that must be followed in order to build major regional cooperation/integration for all humanity. These principles are officially accepted by the Belt and Road Initiative, and are: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-

¹ Cheng, Yu. (2017) ‘Public Opinions on the Belt and Road Initiative: A Cross-Cultural Study’, in Yu, Song and Huang (ed.), *The Belt & Road Initiative in the Global Arena*. New York, NY: Springer Berlin Heidelberg, pp. 3-34.

² Athi, A. (2018) Amerikan Hegemonyasının Sonu Mu Geldi? Yeni İttifaklar Dönemi. Available at: <https://www.yorungedergi.com/2018/09/amerikan-hegemonyasinin-soru-mu-geldi-yeni-ittifaklar-donemi/>. (Accessed: 1 September 2018).

to-people bonds.³ Incidentally, BRI is expected to serve the ideal of integration and making Eurasian countries more interdependent on one other.

Beyond the opportunities of BRI, institutional weaknesses should also be addressed. To be clear, there is no institutional framework to regulate even membership of the Initiative. Therefore, this initiative cannot be theoretically described as an integration project. There is no binding law, or even agreements between participant countries, directing them how to act. In fact, this lawlessness is consistent with China's Five Principles in its foreign policy and its promise that it does not want to shape other countries' actions in the international arena. It seeks only win-win relations. When a binding law comes onto the floor, then hegemony, or at least the domination of one country, becomes unavoidable. On the other hand, China prioritizes mutual respect to sovereignty rights of states on their own lands. In that vein, outside of BRI, it has signed an agreement with Kazakhstan which binds them to the

Additionally, China and its neighbors have also made another agreement that each country will not locate any military materiel on their territory within 100 km of their mutual borders.

commitment that neither country will support separatist rebellions on the other country's territory. Additionally, China and its neighbors have also made another agreement that each country will not locate any military materiel on their territory within 100 km of their mutual borders. In this way, China and its neighbors are aiming to assure regional security. However, the absence of an institutional framework with approval from all participant countries makes BRI's future uncertain and open to speculation. On

the other hand, this paper argues that peace and mutual respect require a sense of belonging. If the aim is to build-in peace and respect via BRI, then sense of belonging to BRI should be achieved among participant countries despite its difficulty.

Policies of Participant States on BRI

Because BRI is in its early construction stages, politics concerning it have caused dilemmas for participating states. In this section, this paper will try to reveal these dilemmas, separately and as they relate to one other.

³ The State Council (2017) Vision for Maritime Cooperation under the Belt and Road Initiative. Available at: http://english.gov.cn/archive/publications/2017/06/20/content_281475691873460.htm. (Accessed: 20 June 2017).

China: Benefitting most, diversifying cost

China is the founder and leading state of the One Belt One Road Initiative. The leadership of China is not only philosophical, but also has economic, political, and financial dimensions in line with Xi's governance in China. Although it is commonly understood that this project was first announced by Xi in his speech to the 19th Congress of the Communist Party in 2013, this is a misconception due to two reasons. First, this project was historically first announced by a Soviet Minister – in around 1950 – in terms of “reinvigorating [the] Historical Silk Road,” and it was perceived as a counter-movement against the spread of Western Bloc capitalism into Eurasian lands. Since that day, because the realpolitik of Eurasia made itself evident in Sino–Soviet, Sino–US, and US–Soviet competition, this project (which could have been realized under neoliberal assumptions) was put aside. On the other hand, despite the different priorities of the Soviet Union and of the lack of interest of the People’s Republic of China in the 1970s in political interference in different regions such as the Middle East,⁴ reinvigoration of the Silk Road as a concept was kept in mind.

The second reason is Hillary Clinton’s declaration about One Belt One Road before Xi’s speech. Clinton called on China to initiate and accelerate such an initiative through Eurasia. Therefore, the argument that BRI is a hegemonic movement from China begins to sound like ill-informed speculation regarding this huge project. In addition, it is absolutely correct to question who gains from BRI. For instance, if US companies do not gain in any way from this initiative, then it is valid to bring forward arguments regarding the hegemonic conflict between the US and China. However, if Western companies profit from this project, then arguments about the loss of Western hegemony might be only an illusion. Although there have been studies on this question, they are few and scholarship in this area needs to be increased.

Beyond these discussions, China’s perceptions of its own leadership must be reviewed in order to outline China’s strategy for Eurasia. The literature on China’s intentions in its foreign policy shares a common inference that China is in a dilemma between being active in different regions and being misperceived by those regions. For China, it is undeniably necessary to be proactive in different regions, at least economically, in order to sustain its economic progress that started with Deng’s presidency. In particular, its

⁴ Calabrese, J. (1991) *China’s Changing Relations with the Middle East*. London: Pinter Publishers.

dependency on energy resources like oil and natural gas compel China to improve its relations with resource-rich regions like Central Asia and the Middle East. At this point, it is worth stating that China officially calls the Middle East “Western Asia” on the website of its Foreign Ministry. In critical scholarship, the naming of regions of the world is part of a famous argument regarding Western hegemony. The Middle East, but for whom? This is a real critical question. Therefore, this renaming of the Middle East in China’s official resources can be perceived as a critical position of China’s officialdom on Western hegemony. On the other hand, the same official authorities have repeatedly declared that China does not have an aim to be the next global hegemon.

China’s deployment of soft power through participation in United Nations peacekeeping operations is only “a component of its charm offensive aimed at the West and designed to allay fears of [the] China threat.

The same struggle is also appropriate for Chinese academic scholarship. For instance, Suzuki argued that China’s deployment of soft power through participation in United Nations peacekeeping operations is only “a component of its charm offensive aimed at the West and designed to allay fears of [the] China threat.”⁵ This kind of defensiveness regarding China’s rise in the international arena clearly shows its dilemma between proactivity and avoidance of misperceptions. Moreover, for Ramo, “China’s problem is more complex than whether or not its national image is ‘good’ or ‘bad,’ but hinges on a more difficult puzzle: China’s image of herself and other nations’ views of her are out of alignment.”⁶ The reasons for China’s dilemma must surely be further investigated; however, they are outside the focus of this paper. On the other hand, the identification of this dilemma displays an outline of China’s perception regarding its own leadership on BRI: *benefitting most, diversifying cost.*

India: Being a part of it or being dominated by it

India’s main arguments on BRI are framed by political concerns. It boycotted the BRI Forum in 2017 because of China’s close cooperation with Pakistan. As illustrated in Figure 1, China plans to connect the southern markets via Pakistan and establish an economic corridor with this country. On the other hand, this corridor physically violates the claims of India in its dispute with Pakistan over Kashmir. Therefore, India rejected the opportunity to

⁵ Suzuki, S. (2009) ‘Chinese Soft Power, Insecurity Studies, Myopia and Fantasy’, *Third World Quarterly*, 30(4), pp. 779-793, doi: 10.1080/01436590902867300.

⁶ Yu (2017).

participate in the Initiative Forum in 2017. While remembering the political struggles between Pakistan, India, and China in the mid-20th century, it is very reasonable to infer that India's boycott of the BRI Forum relates not only to contemporary political balances between the two countries, but also to a political legacy. Although this economic corridor may create many opportunities for Indian companies to open new markets and grow their businesses, India prioritizes political perceptions over business interests and rejects contributing to the development and enlargement of BRI.

The political concern of India regarding BRI can clearly be seen in the formal response of the Indian government to a question about its boycott of the BRI Forum. In this statement, India explained why it did not attend the BRI Forum in 2017, its main argument being that China has not established a leadership body for BRI in association with "universally recognized international norms." China's strong support for a China–Pakistan Economic Corridor that violates agreements on Kashmir between Pakistan and India clearly shows China's disassociation from those international criteria. Therefore, in common with other countries, India will not accept such a connectivity project that "ignores its core concerns on sovereignty and territorial integrity."⁷ The reason for India's political objection despite the existence of business collaborations can be understood from the fact that an infrastructural connection between China and Pakistan had already, by 1979, been built in the form of highways in Karakorum and an alternative route by way of Kashmir can only be based on a political goal that targets India's territorial integrity. However, "global response to the forum has showed that India is standing alone for this argument."⁸

On the other hand, Indian rejection can also be interpreted in terms of another perspective on its own vision for North–South cooperation. It has taken a leading role for this vision and has made some agreements with Kazakhstan for visa-free 72-hour transit for Indian citizens. In addition, the Government of Mongolia announced that construction on the country's first oil refinery would begin in April 2015, funded by India. Because India has another vision for cooperation in the

Indian rejection can also be interpreted in terms of another perspective on its own vision for North–South cooperation.

⁷ Ministry of External Affairs (2017) Official Spokesperson's Response to a Query on Participation of India in BRI/BRI Forum, available at: https://mea.gov.in/media/briefings.htm?dtl/28463/Official_Spokespersons_response_to_a_query_on_participation_of_India_in_BRIBRI_Forum. (Accessed: 06 September 2018).

⁸ Alyssa, A. (2017) India Objects to China's One Belt and One Road Initiative -- And It Has a Point. Available at: <https://www.forbes.com/sites/alyssayres/2017/05/15/india-objects-to-chinas-one-belt-and-road-initiative-and-it-has-a-point/#2292bc9cb262>. (Accessed: 06 September 2018).

Sino-Indian region of Asia, it does not want to give the priority to BRI, whose leading role belongs to China. Although India and China both want to create a cooperative environment in regions that intersect in Central Asia, a competition exists between these countries which have the largest populations of the world, and this competition has the risk to trigger other conflicts. This means that it may not be possible to achieve the purpose and promise of BRI. As a result, coordination movements cannot ignore competition between these major powers. Moreover, this competition is being experienced under the shadow of the cooperative discourses of both parties. For example, China's ambassador to India said, during a speech in 2017, that "China can change the name of China-Pakistan Economic Corridor (CPEC) and create an alternative corridor to deal with India's concerns."⁹ In addition to this goodwill declaration of the Ambassador, the Vice Foreign Minister of China, Kong Xuanyou, also made a similar statement, saying that "China will not push India on BRI."¹⁰ On the other hand, just a few months later, Beijing said that "India will have a smaller role if it decides to join BRI in future [not today]."¹¹ In response, Narendra Modi, India's Prime Minister, has said that China failed to get India's support for BRI;¹² subsequently, India has led a meeting between Australia, Japan, and the US to establish an alternative to BRI in the Asia Pacific region. In this summit, an official of the US State Department stated that, "No one is saying China should not build an infrastructure, but if its infrastructure is not economically viable, then we will build an economically viable infrastructure."¹³ Moreover, in June 2018, Modi announced SECURE as the acronym of its leading project, which he explained as: 'S' for security for citizens, 'E' for economic development, 'C' for connectivity in the region, 'U' for unity, 'R' for respect for

9 Moneycontrol (2017) China Offers to Rename CPEC If India Joins BRI. Available at: <https://www.moneycontrol.com/news/world/china-offers-to-rename-cpec-if-india-joins-BRI-heres-more-about-the-project-2446499.html>. (Accessed: 06 September 2018).

10 Times of India (2018) China Will Not Push India on BRI: Vice Foreign Minister. Available at: https://m.timesofindia.com/india/china-will-not-push-india-on-bri-vice-foreign-minister/amp_article-show/63952474.cms. (Accessed: 06 September 2018).

11 The Economic Times (2018) No Big Role for India If It Decides to Join BRI in Future, Says China. Available at: <https://economictimes.indiatimes.com/news/defence/no-big-role-for-india-if-it-decides-to-join-BRI-in-future-says-china/articleshow/58679656.cms>. (Accessed: 06 September 2018).

12 Indian Express (2018) India Does Not Approve of China's BRI: Union Minister VK Singh. Available at: <http://www.newindianexpress.com/states/telangana/2018/may/07/india-does-not-approve-of-chinas-BRI-union-minister-vk-singh-1811168.html>. (Accessed: 06 September 2018).

13 Moneycontrol (2018). India, US, Australia and Japan in Talks to Establish BRI Initiative: Report. Available at: <https://www.moneycontrol.com/news/india/india-us-australia-and-japan-in-talks-to-establish-BRI-alternative-report-2511749.html>. (Accessed: 06 September 2018).

sovereignty and integrity and ‘E’ for environmental protection.¹⁴

Finally, for India, it can clearly be seen that discourse on cooperation can trigger some kinds of disputes between bureaucratic elites. On the other hand, it should not be ignored that the disputes seem not to be able to shift into major conflicts between these states, because, as of May 5th, 2017, 23 projects in India costing at least 875 million dollars, on which Modi declared China’s failure to gain India’s support, have been searching for funds from the BRI Initiative.¹⁵ On the other hand, India is also a founder of the Asian Investment and Infrastructure Bank. These kinds of dynamics are restrictions on bureaucratic elites’ abilities to object to another country’s existence. Therefore, this paper argues that India’s strategies for BRI are also in a dilemma between *being a part of it and not being dominated by it.*¹⁶

Russia: To be contained or not to be contained?

President Vladimir Putin made a speech to the BRI Forum in 2017. His main argument in this speech was threefold: 1. Cooperation and collaboration are the only ways to build a secure and wealthy zone in Eurasia; 2. Russia welcomes such kinds of initiatives; 3. BRI is only one of these initiatives, and Russia has already headed another such initiative called the Eurasian Economic Union (EEU). The strong emphasis of President Putin on several initiatives in Eurasia which have similar goals to BRI is a clear sign of Russian anxiety regarding the domination of any state on any of these initiatives and “on the domination of any initiatives on the other ones.”¹⁷ Therefore, he stated that an approach to add together the potential of all integration formats, such as EEU, BRI, SCO, and ASEAN, should be applied to the agenda proposed by China in the Forum.¹⁸

14 The Pioneer (2018) India Frowns on BRI, PM Calls for SECURE. Available at: <https://www.dailypioneer.com/2018/page1/india-frowns-on-BRI-pm-calls-for-secure.html>. (Accessed: 06 September 2018).

15 HKTDC (n.d) Country Profile: India. Available at: <https://beltandroad.hktdc.com/en/country-profiles/india>. (Accessed: 06 September 2018).

16 Shapiro, J. (2018) India’s One Belt, One Road-Block. Available at: <https://geopoliticalfutures.com/indiast-one-belt-one-road-block/>. (Accessed: 06 September 2018).

17 Lukin, A. (2018) Putin’s Silk Road Gamble. Available at: https://www.washingtonpost.com/news/the-worldpost/wp/2018/02/08/putin-china/?noredirect=on&utm_term=.62a0811fcca0. (Accessed: 06 September 2018).

18 Putin, V. (2017) Speech at the One Belt One Road International Forum. Available at: <http://en.kremlin.ru/events/president/news/54491>. (Accessed: 06 September 2018).

As can be clearly seen in the speech of the President, Russia is attempting a cautious approach to BRI because, like India, there are some controversies of BRI for Russia. For example, for Russia, the agreement between Kazakhstan and China for cooperation in trade

...some observers have stated that the BRI has very similar plans with its American predecessor, the New Silk Road, and therefore has the same objective as the late 19th century British idea of long-term containment of Russia.

which is associated with BRI's goals is a strong indication of the bypassing of Russia in Central Asia. However, Russia has strongly positioned itself as the superpower of Central Asia, which it regards as part of its Soviet legacy. In fact, some observers have stated that the BRI has very similar plans with its American predecessor, the New Silk Road, and therefore has the same objective as the late 19th century British idea of long-term containment of Russia.¹⁹ In that vein, the Russian objections can be evaluated as reflections of "containment-anxiety." As a result, Russia's main dilemma on BRI can be stated as: "*To be contained, or not to be contained.*"

On the other hand, for Alknis, Russia can obtain great benefits if the initiative is successful and it will have no losses in the reverse case.²⁰ For the former case, Russia would be a partner of the success of BRI because of its support for it. But, in the reverse case, Russia would not be responsible, because Russia leads the EEU, whose aims do not encompass full Eurasian integration. Russia can say that if China had listened to Russia's call to bring together all the initiatives in Eurasia, BRI would not have failed. As a result, a Russian strategy associated with its own dilemma can help result in a balanced Russian response to these opportunities and threats. However, the case will not be as simple as Alknis described because, according to a survey by Kazakhstani sociologists, 18 percent of locals surveyed in Central Asia in 2007 said they had negative feelings towards Chinese immigrants. The percentage increased to 33 percent in 2012, then topped 46 percent in 2017, and these locals have made protests against the government. At first glance, these protests seem like a good thing for Russia, because increasing numbers of protests can make China weaker in the region. However, considering that these protests also create social and economic problems in Kazakhstan, Russia will be

19 Smirnova, L. (2018) 'Ambivalent Perception of China's 'One Belt One Road' in Russia: 'United Eurasia' Dream or 'Metallic Band' of Containment?'. In Pamment, J. and Gwinn, K. Wilkins (eds), Communicating National Image through Development and Diplomacy. Cham: Springer International Publishing, pp. 241–60. DOI:10.1007/978-3-319-76759-8_11.

20 Sputniknews (2017) One Belt One Road, Why Russia Benefits Most from China's Flagship Project. Available at: <https://sputniknews.com/politics/201705151053627206-russia-china-new-silk-road/>. (Accessed: 06 September 2018).

forced to help meet the costs to this most important ally of Russia. On the other hand, the possibility that China can help Kazakhstan's government to suppress those protests makes the situation harder for Russia in Central Asia.

Finally, as regards the strategies of member states, competition under the shadow of coordination discourses can be identified as the first conclusion of this paper. Although all the great powers of Eurasia have made supporting declarations for BRI, they have also given riders to their support focusing on the issues that form their "red lines." This conclusion has two implications for this paper. The first is the possibility of failures within Eurasia in attempts to build regional and, moreover, inter-regional cooperation and integration. The second is that, supporting the findings of the theoretical section, neoliberal discourses have limited effects in shaping international relations in Eurasia and these relations are mainly shaped by neo-realistic relation formations between bureaucratic elites. Whereas this section has mainly investigated the within-region challenges to BRI, the next section asks about challenges from outside of the initiative and concentrates on the strategies of non-member countries on BRI.

Strategies of Non-Participant States on BRI

United States (US): Interventionism or isolationism?

The US, described as a declining hegemon by mainstream scholars, has been perceived as having a stance against BRI because it will increase the influence of China and this is harmful for US interests. On the other hand, Schweller opposes this idea and suggests that the interests of China and the US are compatible with each other even though they are opposite. Schweller relies on the claim that China may be assertive in this era, but its assertiveness is not counter to US interests, because "China currently wants more global influence, while [the] US wants less."²¹ In this vein, BRI should not be evaluated as a development harmful to US interests and it is a failure to assume that the US should take a position against BRI. On the other hand, the discourse of the Trump administration – "Make America great again" –

The US, described as a declining hegemon by mainstream scholars, has been perceived as having a stance against BRI because it will increase the influence of China and this is harmful for US interests.

²¹ Schweller, R. (2018) 'Opposite but Compatible Nationalisms: A Neoclassical Realist Approach to the Future of US–China Relations', *The Chinese Journal of International Politics*, 11(1), pp. 23–48, DOI: 10.1093/cjip/poy003.

gives an opposite insight to Schweller's argument. Furthermore, it is impossible to talk about a consensus on retrenchment from a global vision in the US, even in the high bureaucracy. Therefore, if we look at the policy process, the story seems different at the global, at the regional and at the state level.

At the global level, the withdrawal from Trans-Pacific Partnership is a very important development for the US. Both the Bush and Obama administrations had taken many important steps to improve this Partnership. However, the Trump

...the US has started to imply increases in custom tariffs for Chinese strategic products and to make calls for American companies to relocate their factories and plants from China to the US again.

Administration pulled out of the TPP agreement with European countries. After this withdrawal, the US has started to imply increases in custom tariffs for Chinese strategic products and to make calls for American companies to relocate their factories and plants from China to the US again. This entails a cost for the Chinese economy because it can affect many economic variables, from consumption to investment, from capital markets to the government sector. Regardless of the fact

that the Chinese economy can overcome this cost, it shows us a very simple reality: The US can take actions which can harm others' economic situations. This observation is also supported by exchange rate crises in developing countries such as Turkey and Argentina. On the other hand, the dollar index, which measures the general trend of the dollar in terms of other countries' exchanges, increased sharply after the Trump administration made the relevant decisions.

The withdrawal of the US also has some implications for regional politics. In response to the withdrawal of the US from the TPP, China has initiated attempts to persuade the US to join BRI. For instance, Cui Tiankai, the Chinese Ambassador to the US, has invited the US to join BRI, stating that "both countries have practical cooperation opportunities in BRI Initiative." He added that, "'BRI is not limited to a geographical region, in contrast, it is open to all [the] world."²² By way of a response, President Trump sent a representative group to the BRI Forum in 2017. Even though representation of the US in the BRI forum cannot be considered directly as an indication of goodwill for BRI on the part of the US, it has meant that the initiative is directly recognized by the US as a global project and its support of this

²² The Hindustan Times (2017) China, US Will Have Some Practical Cooperation on BRI, Says Envoy. Available at: <https://www.hindustantimes.com/world-news/china-us-will-have-some-practical-cooperation-on-BRI-says-envoy/story-aGkboSxIEiXauDUr9ibhwL.html>. (Accessed: 06 September 2018).

project could be possible at some time. While China's actions can be understood as efforts to regain US support for agreements that will increase global trade, the risk cannot be ignored that the European Union will perceive this effort in a different way. Because European countries have not participated in this large-scale project, possible participation of the US in BRI, especially after their withdrawal from the TPP, which could have been similar in scale to BRI, can be taken as an alert for European–US Relations. On the other hand, the participation of Eastern European countries that are part of the Soviet legacy can be thought of as another alert for Western European countries.

However, such concerns of European statesmen can be eliminated by two significant and effective trends in US foreign relations, one of which impacts BRI directly, the other indirectly. It is obvious that attempts to establish an alternative to BRI with Australia, India, and Japan will have a direct impact on China's BRI initiative. As a matter of fact, India and Japan

have already sought alternative ways to crowd out increasing Chinese influence in Eurasian politics. In addition, the increase in economic protectionism by the US, resulting in a trade war with China, will also have indirect effects by harming China's financial capabilities that increases its rollover risk, as Martin Wolf addressed. For Wolf, China has been living a debt surge and, if it refuses to take the necessary precautions, then it could even have a current account deficit. Such a shift in China's economy could lead to a further transformative wave for the global economy, following the experience of the Global Financial Crisis in 2008, and European Debt Crisis since 2009.²³ In addition, “the senior US official's concern that [the] financing structure of BRI will compromise [the] sovereignty of participant countries” can be taken as an effort by the US to make BRI's credibility weaker in participant countries.²⁴ Investments by the Asian Infrastructure and Investment Bank (AIIB) can be a good indicator of the dispute between the US and China. Although AIIB declared that it would follow the Western playbook for giving out loans, Chinese investments in, for instance, Pakistan

...China has been living a debt surge and, if it refuses to take the necessary precautions, then it could even have a current account deficit.

23 Wolf, M. (2018) China's Debt Threat: Tim to Rein in the Lending Boom. Available at: <https://www.ft.com/content/0c7ecae2-8cfb-11e8-bb8f-a6a2f7bca546>. (Accessed: 06 September 2018).

24 The Economic Times (2018) Financing Structure of BRI Projects Will Compromise Sovereignty of Participating Nations: US. Available at: <https://economictimes.indiatimes.com/news/international/world-news/financing-structure-of-obor-projects-will-compromise-sovereignty-of-participating-nations-us/articleshow/64190918.cms> (Accessed: 06 September 2018).

are mostly financed by policy banks, which implies a level of state involvement unusual for “Western” development policies.²⁵ Because of this disassociation between discourse and practice, Beijing’s diplomats have difficulties communicating the BRI vision to its Western alliances. The concerns of Western states will have the potential to break down communications among such alliances and to increase conflict-based strategies rather than cooperation-based ones. In fact, such conflict-based strategies are becoming evident in the emerging trade wars between the US and China.

Finally, as regards the United States, its position can be seen as similar to those of participant countries in BRI. That is, the US has been acting in line with its own traditional dilemma between interventionism and isolationism. On the one hand, Trump’s policies on economic protectionism and the motto “America first” clearly show that the US wants to dissociate itself from the global interventionist missions which it had previously taken on its own. On the other hand, as can also clearly be seen, statements in support of anti-BRI and anti-China movements in Eurasia along with economic wars with several developing countries, such as Turkey, Mexico, Argentina, and even Canada, may be a sign that the US cannot avoid intervening in global politics.

Great Britain: Today or future? Paying attention to BRI or not?

Regarding the position of Great Britain on BRI, there are three possible approaches. The first assumes that Great Britain consistently maintains its traditional position: It acts to maintain the balance of power. The second approach suggests that it evaluates BRI as an opportunity for the post-Brexit era, because Great Britain always needs a partner in international relations and China has this potential. In the third approach, Great Britain does not believe that BRI will be a great element of international politics in the future, but is only an issue today, with no significant influence on relations with countries other than China.

As trade wars are illustrating clearly, world politics is becoming more polarized. Kissinger likened contemporary world politics to the Westphalian world order and termed it a “global Westphalian

25 Mayer, M. (2018). ‘China’s Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences’ in Mayer, M. (ed.) *Rethinking the Silk Road: China’s Belt and Road Initiative and Emerging Eurasian Relations*. Singapore: Palgrave Macmillan, pp. 1-42

System.”²⁶ In this situation, Great Britain has always followed a “balance of power” strategy to sustain its national interests. In line with what the balance of power theory suggests, Britain takes a position with the rising power (China) against the hegemon (the US). Therefore, it embraces BRI, which is the massive project of the rising power, despite US rejection. On the other hand, balance of power theory also requires that there are limits to Britain’s support for China. However, where such limits are set may be the biggest question for Britain’s foreign policy on BRI. According to the second approach, we should pay precise attention to the influence of Brexit on Britain’s foreign policy

history in order to envisage the outline of Britain’s future foreign policy. Brexit means the withdrawal of one of the founders of the European peace ideal. Therefore, it may force Britain to find a new partner in international politics and China seems likely to be that new partner because of its growth potential. On the other hand, the third approach reveals skepticism on Britain’s position on BRI. It is based on two different issues: 1. China’s intentions; 2. BRI’s future. Like many other states, Britain also has concerns regarding what China wants to do. If China seeks to be the next hegemon, then the UK will probably maintain a prudent position. On the other hand, as long as China keeps away from that goal

[Brexit] may force Britain to find a new partner in international politics and China seems likely to be that new partner because of its growth potential.

26 Kissinger, H. (2014) ‘World Order’, New York: The Penguin Press. New York”, “source”：“Open WorldCat”, “event-place”：“New York, New York”, “abstract”：“There has never been a true “world order,” Kissinger observes. For most of history, civilizations defined their own concepts of order. Each considered itself the center of the world and envisioned its distinct principles as universally relevant. China conceived of a global cultural hierarchy with the Emperor at its pinnacle. In Europe, Rome imagined itself surrounded by barbarians; when Rome fragmented, European peoples refined a concept of an equilibrium of sovereign states and sought to export it across the world. Islam, in its early centuries, considered itself the world’s sole legitimate political unit, destined to expand indefinitely until the world was brought into harmony by religious principles. The United States was born of a conviction about the universal applicability of democracy—a conviction that has guided its policies ever since. Now international affairs take place on a global basis, and these historical concepts of world order are meeting. Every region participates in questions of high policy in every other, often instantaneously. Yet there is no consensus among the major actors about the rules and limits guiding this process, or its ultimate destination. The result is mounting tension. Grounded in Kissinger’s deep study of history and his experience as National Security Advisor and Secretary of State, World Order guides readers through crucial episodes in recent world history. Kissinger offers a unique glimpse into the inner deliberations of the Nixon administration’s negotiations with Hanoi over the end of the Vietnam War, as well as Ronald Reagan’s tense debates with Soviet Premier Gorbachev in Reykjavik. He offers compelling insights into the future of U.S.-China relations and the evolution of the European Union, and examines lessons of the conflicts in Iraq and Afghanistan. Taking readers from his analysis of nuclear negotiations with Iran through the West’s response to the Arab Spring and tensions with Russia over Ukraine, World Order anchors Kissinger’s historical analysis in the decisive events of our time. Provocative and articulate, blending historical insight with geopolitical prognostication, World Order is a unique work that could come only from a lifelong policymaker and diplomat.”, “URL”：“

and continues its attempts at adaptation to a globalized, liberal international system, then this article expects that Britain will maintain its prudent attitude to BRI. In addition, BRI's future will have an influence on Britain's attitude. As maintained above, BRI's future is dependent on the sustainability of China's economic and financial success over the next three decades. If Britain shares the skeptics' expectations on China's debt surge, then Britain's policies will be kept in the prudent position.

Germany: To be out of the game or to dominate the game?

Germany's main concern is about how trade will be carried out along the route and what the prosperity rights for countries other than China will be. In the BRI Summit in 2017, Brigitte Zypries declared that Germany wants China's markets to be open to the operations of foreign companies, including those from Germany. If this transparent environment is not provided, then Germany's participation in BRI will be at risk because the absence of

China's offensive in foreign direct investment into Germany compared to Germany's in China, [...], makes Germany more skeptical on BRI.

transparency will make other countries' companies less competitive compared with Chinese ones.²⁷ China's offensive in foreign direct investment into Germany compared to Germany's in China, as illustrated in Figure 2, makes Germany more skeptical on BRI. Therefore, Germany's first priority could be thought of as not being dominated by China through BRI. "The limitation of

Germany's exposure to BRI by linking only five projects to existing railroads whose plans were announced long before Xi's governance" indicates the extent to which Germany is curious about the role of BRI in the geopolitical balances along its route.²⁸ Because Germany has the largest economy in the European Union, any rejection by it will have great importance for BRI. If Germany withdraws from the initiative, then it means that the project will lose a very important financial supplier for the survival of the project. Together with the anxieties of other European countries like the UK, BRI could become a forum for clashes of interest, rather than a tool for accelerating cooperation along its route.

²⁷ Reuters (2017) Germany Demands More Free Trade Guarantees on China Silk Road Plan: Minister. Available at: <https://www.reuters.com/article/us-china-silkroad-germany/german-firms-willing-to-help-on-chinas-silk-road-cost-transparency-needed-minister-idUSKCN18A0AG>. (Accessed: 06 September 2018).

²⁸ The Diplomat (2016) Germany Wants Europe to Help Shape China's Belt and Road Initiative. Available at: <https://thediplomat.com/2016/12/germany-wants-europe-to-help-shape-chinas-belt-and-road-initiative/>. (Accessed: 06 September 2018).

Figure 2. Comparison of China's and Germany's FDI



Source: Rhodium Group

Xi's first announcement of BRI in 2013 was positively received by German politicians because this project seemed to provide great opportunities for the German economy to access East Asian markets, which have very great growth potential. However, over the course of time, Germany has become more skeptical because of the domination of China over this large-scale project. Therefore, Germany's inclusion in the project as a major investor, a large market, and a significant producer has been put at risk. However, such a preference not to participate into BRI also has costs for Germany, because in such a case it will forgo a great chance to access East Asian markets in less time and with lower transportation costs. In conclusion, Germany can be said to be in a dilemma between "to be out of the game or to dominate it."

Concluding Remarks

An important official expectation from BRI is its contribution to peace and prosperity and to creating a wealth zone in Eurasia.²⁹ In the first speech of Xi about BRI in 2013, he stated that building the Historical Silk Road Economic Belt will be a very large and important vision which will contribute to the wealth and development of countries

An important official expectation from BRI is its contribution to peace and prosperity and to creating a wealth zone in Eurasia.

²⁹ Ministry of Foreign Affairs and Ministry of Commerce (2018) Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. Available at: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. (Accessed: 06 September 2018).

along the route.³⁰ This means that BRI is currently targeting the economic development of 63 countries, with the intention of increasing this number in the near future. It should be noted that the highest level of participation in BRI is coming from African countries in which China has significant current investments. Moreover, Western developed countries are currently not among the participants in this project. On the other hand, as illustrated in the third section, no serious attempts seem to be made to include them as members, despite all the joint declarations and declarations of good intentions between China and those developed countries – a situation that has provided the main focus of this paper.

In evaluating and comparing the strategies and discourses of presidents and statesmen, this paper concludes that Eurasia could experience a Cold War-like competition between the great powers of the region in the near future. The first line of this competition may emerge between the participant and non-participant countries of BRI. This line may move, at least in strategic terms, according to the ideological legacies of the Cold War. On the other hand, the main separator of the competing powers is their future world vision. For instance, China and participant countries may make the claim that they are maintaining economic globalization for unimpeded trade. In contrast to this, the US and non-participant countries would suggest that unimpeded trade will be harmful due to additional costs for other economies because of unfair competition and infrastructure investments. Therefore, the ideological legacy of the Cold War on trade barriers may continue to be apparent in the form of trade wars. Because BRI will become the symbol of unimpeded trade, it also has the potential to become the fault line of this polarization. For example, the 16+1 mechanism that China established with 16 European countries, both Eastern EU member states and non-EU members, caused some complaints from Brussels, essentially resulting from German worries on BRI, and these complaints can be accepted as signals of Cold War-like competition within Eurasia.

The second line emerges among participant countries because of political legacies from historical relations. The Indo-China dispute on CPEC, Sino-Russian secret disagreement on Kazakhstan, martial disputes in the South China Sea, and the

30 Xi, J. (2014) *The Governance of China*. 1st edn. Beijing: Foreign Languages Press.

sovereignty dispute between Indonesia and Malaysia in the Strait of Malacca are the signs of this second line. As illustrated in the third section, this fault line has shown itself between India and China based on the Kashmir dispute between India and Pakistan. This justifies the argument that the economic development of one country might be in conflict with another country's interests. Moreover, because of such clashes of interests, alternatives to BRI starts to be sought and BRI, which was expected to be a source of peace, could become a reason for further competition. When Russia advances its existing alternatives simultaneously to BRI, it positions this large-scale project as a foreign policy tool of China and makes realist theories more appropriate to understand what is going on. Additionally, the absence of an institutional framework for BRI that regulates its activities and its membership will cause the second line of competition to rise further.

Finally, while economic development tools like BRI can be a factor in easing relations between states, solutions to political disputes cannot be addressed directly through economic development. Economic development looks like a medicine for a headache, and sufferers should therefore seek to obtain it; however, it cannot be the end solution to political disputes. On the other hand, if further solutions beyond economic development cannot be achieved, then the economic development achieved can have a crowding-out effect for existing efforts to ease tensions. The disassociation between political discourse and strategies can accelerate this crowding-out effect, and the ongoing dialogue among politicians in Eurasia, as addressed in the third section, displays evidence of this acceleration.

....while economic development tools like BRI can be a factor in easing relations between states, solutions to political disputes cannot be addressed directly through economic development.

China's Hard Power versus Soft Power in Central Asia: An Analysis of the 'One Belt-One Road Initiative' as a Soft Power Instrument

Gülşen Aydin*, Müge Yüce**

The One Belt One Road (OBOR) initiative is a massive project involving more than 60 countries with an approximate cost of \$6 trillion. It is based on the legacy of the Silk Road, which historically connected China to many countries in Asia, Africa, and Europe. This article aims to examine the OBOR initiative from the perspective of soft power debates in International Relations (IR). This is done in five steps. First, the introduction introduces the subject and provides a brief discussion on its importance. The second section deals with the concept of soft power and the role of soft power in Chinese foreign policy. Then, the study introduces the One Belt One Road Project and its importance for Eurasian connectivity. The fourth section discusses how OBOR acts as an instrument of soft power. The conclusion argues that the OBOR initiative complies with the definition Joseph S. Nye provided for soft power as it is totally devoid of coercion and helps to improve the Chinese image in many senses.

Key-words: One Belt One Road, OBOR Initiative, Connectivity, Soft Power, China.



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Introduction

Historically, the 2,000-year-old Silk Road was a great instrument of connectivity between China and Europe through Central Asia. It proved to be a true mechanism of globalization at that time. In 2013, Chinese President Xi Jinping came up with a proposal to revitalize the ancient Silk Road by forming an economic belt to unfold a transportation channel “from the Pacific to the Baltic Sea.” He later detailed the plans for a “Maritime Silk Road” that would stretch from China to the Indian Ocean (and from there connect to South Asia and Southern Africa) through Southeast Asia.

President Xi’s scheme has come to be called the One Belt One Road (OBOR) initiative, and has attracted significant attention from media, policy makers, and academia. Besides providing Eurasian connectivity, the OBOR project is viewed as a manifestation of China’s rise in the global arena in economic, political, and strategic senses.

This study aims to shed light on the OBOR project from the perspective of discussions on soft power in International Relations (IR). The theoretical framework provided by soft power debates is highly relevant for this study as there is a near consensus in the literature that China relies on soft rather than hard power to boost its standing in the global arena. Moreover, the issue of soft power has grown in importance in the post-Cold War period due to enhanced globalization.

The study is organized as follows. After the introduction, the first section deals with the concept of soft power and the role of soft power in Chinese foreign policy. Then, the study introduces the One Belt One Road Project and its importance for Eurasian connectivity. Before the conclusion, the third section discusses how OBOR acts as an instrument of soft power. The conclusion makes an overall assessment.

Hard Power–Soft Power Debate in Chinese Foreign Policy

It is beyond doubt that power is central to the theory and practice of international relations.¹ However, there is no consensus on the content and meaning of this central term. Still, in one of the most widely cited definitions in Political Science, Robert Dahl defines the term as the ability to get others do what they otherwise

¹ Bilgin, P., & Eliş, B. (2008) ‘Hard power, Soft power: Toward a more realistic power analysis’, *Insight Turkey*, 10(2), pp. 5-20.

won't do.² In this context, the capacity to influence others means possessing resources such as population, land, natural resources, economy, armed forces, and political stability.³

While the debate on the content and meaning of power was still ongoing, Joseph S. Nye introduced the term soft power. While hard power is defined as the capacity to get others to do what they otherwise would not by the means threats or rewards, soft power is considered to be the ability to reach goals through attraction rather than use of coercion and threats.⁴ Soft power is built upon the attraction of one's ideas or culture or on the standards and institutions that shape the preferences of others.⁵ It is the ability to influence others via the co-optive activities of setting the agenda, convincing, and obtaining positive attraction in order to achieve desired outcomes.⁶

Soft power is not an alternative to hard power; rather, they complement each other.⁷ Hard power is still critical but, in the words of Melissen, "the wheels of hard power can only function smoothly with the lubricant of soft power."⁸ A country obtains its soft power mainly from three resources: its culture (in places that find it attractive), its political values (when it is proven to abide by them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority).⁹

Discussions on soft power are relevant for students of Chinese foreign policy because there is a near consensus in academia that Beijing opts for using soft power rather than hard power to reach its foreign policy goals. Even the inventor of the term soft power, Nye, argues that China has been struggling to strengthen its capability to influence other countries without force or coercion.¹⁰

Hard power is still critical but, in the words of Melissen, "the wheels of hard power can only function smoothly with the lubricant of soft power.

2 Dahl R. (1957), 'The Concept of Power', *Behavioral Science*, Vol. 2, pp. 201–18.

3 Nye, J. S., & Welch, D. A. (2014) *Understanding global conflict & cooperation: intro to theory & history*.9th edn. Essex: Pearson Education.

4 Keohane, R. O., & Nye Jr, J. S. (1998). Power and interdependence in the information age. *Foreign Affairs*, 77, pp. 81-94.

5 *Ibid.*

6 Nye, J. S. (2011) *The Future of Power*. New York: Public Affairs.

7 Bilgin, P., & Eliş, B. (2008) 'Hard power, Soft power: Toward a more realistic power analysis', *Insight Turkey*, 10(2), pp. 5-20.

8 Ham, P. V. (2005) 'Power, Public Diplomacy and the Pax Americana' in Melissen, J. (ed.) *The New Public Diplomacy: Soft Power in International Relations*. New York: Palgrave Macmillan, pp. 47-66.

9 Nye Jr, J.S. (2015) 'The Limits of Chinese Soft Power', Project Syndicate. Available at <https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s-nye-2015-07?barrier=accesspaylog>. (Accessed: 3 March 2017).

10 *Ibid.*

China has demonstrated a unique utilization of soft power, and this is highly associated with its rise in the international community. In the 1990s, Chinese military power (hard power) was a hotly debated issue as it was seen as a threat to the balance of power. China resorted to “good neighbor” diplomacy to alleviate the fears of its neighbors and has become successful. In the face of interventionist and unilateral US foreign policies, Chinese soft power-oriented policies have become more appealing. As a result, the rhetoric of the “peaceful rise of China” has been used extensively to create consent for the changing status of China in global politics.¹¹

The conceptual background of Chinese efforts to enhance its soft power can be seen in the concepts of “peaceful development” and “harmonious world”, which underline international cooperation and the peaceful settlement of disputes, predominantly within multilateral principles.

The conceptual background of Chinese efforts to enhance its soft power can be seen in the concepts of “peaceful development” (heping fazhan) 和平发展 and “harmonious world” (hexie shijie) 和谐世界, which underline international cooperation and the peaceful settlement of disputes, predominantly within multilateral principles.¹² The concept of harmony has become the main tool to be utilized while following soft power policies all across the world since the former Chinese president Hu Jintao announced it as an official policy concept in 2004–2005.¹³ As its contemporary policy, the Communist Party of China avoids relying on its ideology to attract foreigners. It can be argued that China enjoyed much stronger opportunities to appeal to people by using its ideology when Mao was in power. Aware of this situation, the Party focuses on promoting Chinese culture and spreading the message that, despite being a global power, Chinese foreign policy is peaceful.¹⁴

Beston Husen Arif groups the instruments of Chinese soft power into five categories: investment, exchange programs, public diplomacy, humanitarian aid, and contributions to multilateral institutions.¹⁵ Several Chinese experts have also underlined the necessity of adding media to these instruments. These analysts rightly draw attention to

11 Suzuki, S. (2010) ‘The myth and reality of China’s soft power’, in Parmar, I. and Cox, M. (eds) Soft Power and US Foreign Policy: Theoretical, historical and contemporary perspectives. London and New York: Routledge, pp. 199–214.

12 Courmont, B. (2013) ‘What Implications for Chinese Soft Power: Charm Offensive or New Hegemony?’, Pacific Focus, 28 (3), pp. 343–364.

13 Nordin, A. H. M. (2016) ‘Futures beyond ‘the West’? Autoimmunity in China’s Harmonious World’, Review of International Studies, 42, pp.156–177.

14 The Economist, The subtleties of soft power: China is spending billions to make the world love it. Available at <https://www.economist.com/china/2017/03/23/china-is-spending-billions-to-make-the-world-love-it>. (Accessed: 26 September 2018).

15 Fazil, M. D. (2014) ‘China’s increasing soft power; Implications for the United States’, The International Journal of Engineering and Science (IIES), 3 (6), pp.61–67.

the impressive role of Western media in the world. They argue that the dominance of Western media has brought about an important degree of soft power in the form of “cultural hegemony.”¹⁶

The importance that China attached to the role of media in improving soft power has become obvious during the presidency of Xi Jinping. In 2014, Xi declared that China’s soft power could be enhanced via the state’s role in worldwide media in addition to taking part in the construction of an efficient communication infrastructure. Xinhua, the official news bureau, introduced various editions (International, China, Africa, Europe, and Malaysia) several years ago. Moreover, it can now be reached online in a number of languages, including French, Arabic, Japanese, and Russian. Similarly, the television station CCTV has initiated a francophone version broadcast to several West African countries.¹⁷ The president also hopes that new media can help his government’s efforts by presenting China as a reliable power with a glorious past and culture. During Xi’s reign, China has launched several new initiatives including “the Asia-Pacific Dream” and “the Chinese Dream.”¹⁸

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One Belt One Road Project as a Great Boost to Connectivity

China’s emergence as a global actor has considerably changed not only the strategic orientation of Beijing, but also the political and economic setting of the world. After the President Xi Jinping assumed power in 2012, the country has formulated a set of diplomatic schemes in line with its new profile and changing balances of power in world politics and the global economy. One should view the OBOR project in this light. The project is a visible sign of China’s growing global desire to be a “norm/system shaper rather than a norm/system taker.”¹⁹

The Silk Road, a far-reaching system of sea and land lines for trade, communication, and cultural exchange that used to connect China to many countries in Asia, Africa, and Europe,

16 Mingjiang, L. (2008) ‘China Debates Soft Power’, *The Chinese Journal of International Politics*, 2 (2), pp. 287-308.

17 Aude Jehan-Robert (2015) ‘Chinese Soft Power’, Johns Hopkins University, Center for Transatlantic Relations (CTR).

18 Arif B. H. (2017) ‘The Role of Soft Power in China’s Foreign Policy in the 21st Century’, *International Journal of Social Sciences & Educational Studies*, 3 (3), pp. 94-101.

19 Zeng, J. (2017) ‘Does Europe Matter? The Role of Europe in Chinese Narratives of ‘One Belt One Road’ and ‘New Type of Great Power Relations’’, *Journal of Common Market Studies*, 55 (5), pp. 1-15.

constitutes the main source of inspiration for OBOR. Having experienced an impressive past, the Silk Road fell out of favor from the 17th century.²⁰ Chinese President Xi Jinping suggested the revitalization of the Silk Road within the framework of OBOR during his visits to several Southeast Asian countries and the Asia-Pacific Economic Cooperation (APEC) economic leaders' summit in October 2013.²¹

OBOR has two components: China's Maritime Silk Road Initiative (MSRI) and the Silk Road Economic Belt (SREB). As seen in Map 1, the "Belt" aims to construct a web of overland road and rail routes, oil and natural gas pipelines, and electricity networks that will provide connectivity between China and Europe (Baltic) via Central Asia and Russia; between China and the Persian Gulf and the Mediterranean via Central Asia and West Asia; and between China and the Indian Ocean through South-East Asia and South Asia.²² The Maritime Silk Road aims to connect China's seaports to the South China Sea, the Indian Ocean, and Europe, besides connecting Chinese coastal ports to the South China Sea and the South Pacific Ocean.²³

Map 1: Silk Road Economic Belt and Maritime Silk Road Initiative



Source: Blanchard, J. F. & Flint, C (2017) 'The Geopolitics of China's Maritime Silk Road Initiative', *Geopolitics*, 22 (2), pp. 223-245.

20 Yu, H. (2016) 'Motivation behind China's 'One Belt, One Road' Initiatives and Establishment of the Asian Infrastructure Investment Bank', *Journal of Contemporary China*, 26 (105), pp. 1-16.

21 Blanchard, J. F. & Flint, C (2017) 'The Geopolitics of China's Maritime Silk Road Initiative', *Geopolitics*, 22(2), pp. 223-245.

22 Wang, Y. (2016) 'Offensive for defensive: the belt and road initiative and China's new grand strategy', *The Pacific Review*, 29 (3), pp.455-463.

23 *Ibid.*

Connectivity projects, including those focusing on infrastructure, as in the case of OBOR, have long been seen both as drivers of widespread political and economic transformation as well as indicators of new political and economic circumstances. As far as the former is concerned, Halford Mackinder's pioneering study in the field of classic geopolitics focused on the transformative impacts of railway routes. MSRI and SREB are contemporary connectivity projects entailing massive infrastructure components.²⁴

Table.1 Cross-Border Projects of the Belt & Road Initiative

High-speed railroads	<p>Eurasian High-speed rail (It starts from London. Traversing Paris, Berlin, Warsaw, and Kiev, it arrives at Moscow. At this point, it is divided into two sections, one toward Kazakhstan, and the other toward the far east of Russia and afterward toward the North Eastern Region of China)</p> <p>Central Asian High-speed Railway (It starts from Urumqi, China. Passing through Uzbekistan, Turkmenistan, Iran, and Turkey, it ends in Germany)</p> <p>Pan-Asian High-speed Railway Network (It runs from Kunming into Myanmar, Laos, Vietnam, Cambodia, and Malaysia. Then, it arrives in Singapore. There is also an additional route, which will pass through Thailand, in this network)</p>
Oil/gas Pipelines	<p>Central Asian natural gas pipeline (traversing China, Kazakhstan, Uzbekistan, and so on)</p> <p>China–Eastern Russia natural gas pipeline</p>
Telecom and power links	<p>China–Myanmar, China–Tajikistan, China–Pakistan cross-border communication arteries, China–Russia electricity and communication arteries</p>

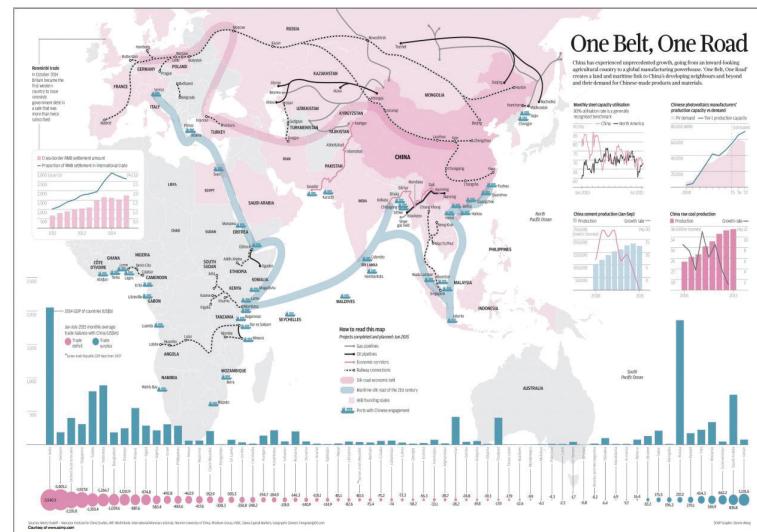
Source: Huang, Y (2016) 'Understanding China's Belt & Road Initiative: Motivation, framework and assessment', *China Economic Review*, 40, pp.314–321.

More than 60 countries are covered in the OBOR initiative, reaching some 70 percent of the world's population at a likely cost of approximately \$6 trillion. China expresses the rationale of the OBOR Project largely from an economic viewpoint. In this sense, OBOR is portrayed as a regional integration scheme

²⁴ Blanchard, J. F. & Flint, C (2017) 'The Geopolitics of China's Maritime Silk Road Initiative', *Geopolitics*, 22(2), pp. 223-245.

to modernize trade roads in and out of China and to maximize the effectiveness of the channels for Chinese exports, in addition to stimulating the development of less developed Southeast and Central Asian partner countries. The ultimate objective is to improve and stabilize China's economic development worldwide.²⁵

Map.2 Network of Connectivity in the One Belt One Road Project



Source: South China Morning Post, ‘One Belt One Road’, <https://www.scmp.com/sites/default/files/2015/11/03/obor.png>.

Many China observers and analysts argue that the OBOR strategy is China's version of the Marshall Plan, whereby United States (US) loans and investment helped to rebuild Europe after World War II. In fact, China's ambition far exceeds that of the Marshall Plan. Whilst the Marshall Plan was restricted in scope to the region of Europe, China's new Silk Road strategy is globally-oriented: from a geographical perspective it stretches across 60 countries along envisioned routes extending through Asia, the Middle East, Europe, and even Africa, and could potentially generate an even greater international impact.²⁶

²⁵ Cau, E. (2018) ‘Geopolitical Implications of the Belt and Road Initiative: The Backbone for a New World Order?’, *Contemporary Chinese Political Economy and Strategic Relations: An International Journal*, 4 (1), pp. 39-105.

²⁶ Yu, H. (2016) ‘Motivation behind China’s ‘One Belt, One Road’ Initiatives and Establishment of the Asian Infrastructure Investment Bank’, *Journal of Contemporary China*, 26 (105), pp. 1-16.

One Belt One Road as an Invaluable Instrument of Soft Power

As discussed in the introduction, OBOR is based on the legacy of the ancient Silk Road. The Silk Road was invaluable in terms of its contributions to human civilization. It relied on notions such as peace and cooperation, openness and inclusiveness, mutual learning, mutual benefit, and universal gain. It is no coincidence that President Xi regularly stresses the importance of the legacy of the Silk Road for OBOR as it is based on all of the above principles.²⁷ As far as peace and cooperation are concerned, the countries covered in OBOR are supposed to recognize sovereign rights, territorial integrity, and the most important interests of each other. Instead of confrontation and alliances, dialogue and partnership are favored. Development is regarded as the key to overcoming all hurdles and intensified cooperation is required for development. Openness is another theme emphasized by Xi. For him, openness brings progress. For that reason, Xi stresses that his country aims to build an open platform for cooperation by facilitating investment and trade. At the end of the day, this will bring about an inclusive, balanced, win-win globalization.²⁸ Such an initiative has become even more important for the global system at a time when global economic order and growth are challenged by increasing protectionism.²⁹

The legacy of the Silk Road is also critical for the purposes of this study, as all these principles imply soft power. All of the principles are based on persuasion and attraction rather than coercion and threats. By emphasizing these principles, China sets the agenda and tries to convince partner countries to act together to reach the goals defined by Beijing in a way devoid of coercion, as clearly defined by the soft power framework of Nye.

China plans to devote approximately \$1 trillion to huge new road and rail infrastructure and energy projects and other required infrastructure across Eurasia, Europe, and even Africa. This amount of spending makes the project the biggest spending

...Xi stresses that his country aims to build an open platform for cooperation by facilitating investment and trade. At the end of the day, this will bring about an inclusive, balanced, win-win globalization.

²⁷ Wang, H., Zhekenov, D., & Kurmangali, M. (2018). 'Chinese Global Project: One Belt and One Road'. *International Relations and International Law Journal*, 81 (1), pp. 28-35.

²⁸ *Ibid.*

²⁹ China Daily (2018) 'Belt and Road Initiative more significant amid threat in global economy by rising protectionism: experts'. Available at <http://africa.chinadaily.com.cn/a/201809/21/WS-5ba467c6a310c4cc775e78a2.html>. (Accessed: 27 September 2018).

project in the world. The establishment of infrastructure, along with financial assistance and the creation of jobs, can boost development and, in turn, improve China's image in the places covered by the project. Since China is engaging in such a large expenditure at a time when the US is putting emphasis on the "America First" motto, this could result in growth in Beijing's soft power at the expense of Washington.³⁰

The primary instrument for financing OBOR is the Asian Infrastructure Investment Bank (AIIB). The AIIB intends to assist and speed up infrastructure development in the partner countries

...the Asian Infrastructure Investment Bank (AIIB) appears as a good starting point to set the agenda and strengthen the appeal of the Chinese model of development.

by offering loans and know-how assistance. In fact, it will serve as the main driving force of OBOR. The AIIB and OBOR instruments have elevated the position of China in the global political and economic system. By using these instruments, China aims to forge new ties and strengthen existing ones. Twenty-one Asian countries joined the bank as founding members in 2014 and, as of August 2016, the bank had 48 members. The bank opened in

January 2016 (AIIB, 2016).³¹ Institutions are critical for building soft power, as stressed by Nye. Viewed from this perspective, the Asian Infrastructure Investment Bank (AIIB) appears as a good starting point to set the agenda and strengthen the appeal of the Chinese model of development. In time, Beijing may come up with new plans to establish new institutions to function within the framework of OBOR.

The New Silk Road schemes also create opportunities for Chinese firms and capital to invest in other countries by utilizing their country's superiority in infrastructure development, financial power, and production capacity. The OBOR initiatives and the AIIB may transform the economic and political setting of Asia, the most dynamic and economically energetic region of the 21st century.³²

Last but not least, as stated above, OBOR is exporting the Chinese model of state-led development. In fact, this signifies a significant change in Chinese foreign policy. Chinese companies have been, of course, eager to invest in Latin America and sub-Saharan Africa

30 Kurlantzick J. (2017) 'China's Soft Power Offensive, One Belt One Road, and the Limitations of Beijing's Soft Power'. *Asia Unbound*, 16 May. Available at <https://www.cfr.org/blog/chinas-soft-power-offensive-one-belt-one-road-and-limitations-beijings-soft-power>. (Accessed: 25 September 2018).

31 Toops, S. (2016), 'Reflections on China's Belt and Road Initiative', *Area Development and Policy*, 1(3), pp. 352-360.

32 Yu, H. (2016) 'Motivation behind China's "One Belt, One Road" Initiatives and Establishment of the Asian Infrastructure Investment Bank', *Journal of Contemporary China*, 26 (105), pp. 1-16.

in various sectors. However, OBOR is different in the sense that it aims to develop industrial capacity and consumer demand abroad.

Instead of extracting raw materials, China is trying to move its heavy industry to less developed countries in an attempt to make them wealthier and increase demand for Chinese products.³³ Based on vast state-led investments in infrastructure (roads, ports, electricity, railways, and airports), the Chinese development model is quite different from that of the West. By contrast, the Western development strategy is lukewarm at best towards heavy state involvement due to concerns about corruption.

Moreover, the West's strategy centers upon public health, improving women's position in society, supporting civil society, and anti-corruption steps. Viewed in this light, the Chinese development model is a rival to the Western one and Beijing is exporting it to the countries participating in the OBOR project in the form of large investments in infrastructure.³⁴ China has engaged in soft power-centered economic projects before, but OBOR is different in the sense that Beijing is now considerably more powerful than previously as it enjoys unprecedented foreign exchange reserves. As a result, it possesses sufficient economic and financial capacity to carry out various OBOR-related tasks in more than 60 partner countries.³⁵ Material capabilities are not considered soft power instruments in Nye's conceptualization. However, the current, improved Chinese economic capacity in the form of infrastructural competence and credit capacity serves to increase the attraction of China to a great extent. This is highly in line with Nye's view on the relation between hard power and soft power. As discussed above, he argues that hard power and soft power complement each other. In the case of OBOR, it can be seen that Chinese hard power in terms of material capacities contributes to its power to carry out OBOR, which is expected to improve its soft power significantly. Increased attractiveness of Beijing thanks to the OBOR is expected to provide the country with opportunities to increase overseas investments in addition to finding new markets to which to export its products. These two factors will be instrumental in the further strengthening of the material capacity, the hard power, of China.

Instead of extracting raw materials, China is trying to move its heavy industry to less developed countries in an attempt to make them wealthier and increase demand for Chinese products.

33 Fukuyama, F. (2016) 'One belt, one road: exporting the Chinese model to Eurasia', *The Australian*. Available at <https://publicpolicy.stanford.edu/news/one-belt-one-road-exporting-chinese-model-eurasia> (Accessed 28 September 2018).

34 *Ibid.*

35 Yağcı, M. (2018). Rethinking Soft Power in Light of China's Belt and Road Initiative. *International Relations/Uluslararası İlişkiler*, 15 (57), pp. 67-78.

Cultural exchange and Chinese language programs constitute another dimension of the soft power used by China across the OBOR countries. As of 2017, 525 Confucius Institutes and 1,113 Confucius Classrooms had been founded in 146 countries (regions), with 118 Confucius Institutes in 33 Asian countries and 101 Confucius Classrooms in 21 Asian countries.³⁶ Furthermore, there are currently 245 testing centers in countries along the “Belt and Road.” In addition to the language programs, Beijing is using 11 pilot Confucius Institutes around the world to organize 23 professional cultural projects such as film festivals, film shows, concerts, drama performance, art exhibitions, and publications to assess the level of the cultural activities of Confucius Institutes. As a result of these schemes, more than 7,500 cultural exchange activities have been carried out, with the participation of over three million people. Moreover, the number of people participating in these activities has doubled compared with the figures for the previous year.³⁷

Before concluding this section, it is necessary to emphasize that two features of OBOR distinguish it from other Chinese soft power instruments. First, its immense scope, in terms of both the amount of financial resources planned to spend to realize the project and its geographical comprehensiveness, makes it different. Second, it has perfect timing, which makes it both effective and distinct. As an element of China’s soft power, its model of development has become more attractive in the aftermath of the Global Financial Crisis of 2008. The 2008 Crisis was interpreted as a failure of the Neo-Liberal development agenda pursued and imposed by the industrialized states of the West and institutions such as the International Monetary Fund, World Bank, and the World Trade Organization. As a result, a Beijing Consensus, which is mainly based on state-led infrastructure building and economic development alongside state-controlled economic and political liberalism, has shown greater appeal to less-developed countries.³⁸ China’s alternative appears quite favorable to these less-developed countries as Beijing offers unconditional loans, whereas Washington Consensus institutions are interested in structural reforms. Moreover, China does not criticize or intend to

36 Hanban (2017). Confucius Institute, Annual Development Report. Available at: <http://www.hanban.org/report/2017.pdf>. (Accessed: 24 October 2018).

37 Hanban (2017). Available at: http://english.hanban.org/node_10971.htm. (Accessed: 24 October 2018).

38 Shen, S., & Chan, W. (2018) ‘A Comparative Study of the Belt and Road Initiative and the Marshall Plan’. Palgrave Communications, 4(1), pp. 32-41.

interfere with the authoritarian political systems of the countries involved in the project. This is another advantage of the Beijing Consensus.³⁹ What is striking for the aims of this study is the fact that, in providing credit and investment, Beijing does not lay down conditions. This means that China does not resort to coercion and threats. This makes Beijing's strategies in this field true soft power instruments.

Conclusion

This study has examined the One Belt One Road initiative through the perspective of debates on soft power in IR. It has discussed how soft power is defined as the ability to reach goals through attraction and persuasion. A country enjoying soft power has the ability to set the agenda and coordinate others to attain the goals defined by itself without the use, or threat, of force.

Defined in this sense, China's OBOR project fully meets the criteria specified by Nye. Within the framework of OBOR, China pledges to provide an important amount of unconditional credit and investment. This means that China does not resort to coercion and threats to realize OBOR. Moreover, based on the legacy of the Silk Road, the OBOR initiative relies on peace and cooperation, openness and inclusiveness, instead of confrontation and protectionism. These principles are based on persuasion and attraction rather than coercion and threats. All these make OBOR a genuine soft power instrument.

OBOR is different from other Chinese soft power instruments due to its geographical comprehensiveness and the high amount of financial resources devoted to the project. Another distinguishing feature of the project is its perfect timing. China is exporting its state-led development model, which is different from the Neo-Liberal development model of the West, through OBOR. China's model has attracted many less-developed countries especially after the 2008 Global Financial Crisis, which is widely regarded as an indicator of the failure of the Neo-Liberal development model. OBOR will serve to improve the image of China abroad significantly once it delivers development and the creation of new jobs.

Within the framework of OBOR, China pledges to provide an important amount of unconditional credit and investment. This means that China does not resort to coercion and threats to realize OBOR.

³⁹ Ibid.

Therefore, it can be argued that OBOR has, so far, performed well as a soft power instrument and it can prove to be more successful once the project is fully realized and delivers its goals. However, a country cannot only rely on its soft power to become a hegemon in the international system. Hard power, not only in the form of economic but also military capabilities, is also required to achieve hegemony. Whether China will resort to military power and challenge the current hegemon, the United States, is a question that the students of International Relations will focus on increasingly in the days ahead.

Use of Soft Power in Tandem with Economic Expansion: Examining the Case of Chinese Soft Power in South Caucasus

Dr. Vasif Huseynov*

This article examines the use of soft power in China's foreign policy concerning the South Caucasian countries (Azerbaijan, Armenia, and Georgia) that are involved, though to varying degrees, in Beijing's giant economic project called Belt and Road. It looks into China's soft power strategy in general and its role in the South Caucasus in particular, occasionally compares this strategy with those of the Western powers and Russia in the region, and defines the peculiarities of Chinese soft power in the countries of the region. Extensively analysing news media articles, official statements by local and Chinese leaders, academic materials, and other sources, the article suggests answers to the research question: How does China use soft power as an instrument in its foreign policy regarding the three South Caucasian countries?

Keywords: China, Belt and Road Initiative, Economic expansion, Soft Power, South Caucasus



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Introduction

China's economic rise, which started in early years of the new millennium, is proceeding on a steady track and reaching to territories where Beijing used to project only minor influence. China has reframed its economic policies concerning the countries that are located on the transportation routes from China to Europe and Africa within the monumental project named the Belt and Road Initiative (BRI). The BRI, aimed at building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, is one of the most ambitious infrastructure and investment projects in history. Unveiled in September 2013 by the Chinese leader, Xi Jinping, at Nazarbayev University in Astana, Kazakhstan, the project covers more than 68 countries, including 65 percent of the world's population, and is estimated to cost over 1 trillion dollars. Although the Chinese claim it to be based on purely economic objectives, the project is seen by many observers as the expansion of China's economic dominance, which may eventually bring about political influence and military presence.¹

The existence of historical Sinophobia in some regional countries, the perception of the Chinese influx into the countries addressed by the BRI as a threat, and the growing public distrust against China – despite the cordial official ties between the governments – complicate the fate of the project.² The massive protests in Kazakhstan over land reforms to extend the maximum term for leasing land to foreigners from 10 to 25 years³ and the recent scandal with Malaysia⁴ demonstrate that Beijing has to make greater efforts if its economic expansion is to be seen favorably and embraced by other nations. This is probably why the Chinese leaders have put increasingly more emphasis on soft power policies to alter the way China is perceived beyond its borders. Soft power is considered in Beijing as an inevitable part of China's mission to gather so many nations under its umbrella within the BRI.

1 Parker, S. & Chefitz, G. (2018) "Debtbook Diplomacy China's Strategic Leveraging of its New-found Economic Influence and the Consequences for U.S. Foreign Policy", Harvard Kennedy School, Belfer Center for Science and International Affairs, Cambridge, MA.

2 Laruelle, M. & Peyrouse, S. (2012) *The Chinese Question in Central Asia: Domestic Order, Social Change, and the Chinese Factor*, New York: Columbia University Press.

3 Dave, B. (2018) "Silk Road economic Belt: effects of China's soft power diplomacy in Kazakhstan," in Laruelle, M. (ed.) *China's Belt and Road Initiative and Its Impact in Central Asia*, The George Washington University: Washington, DC., pp. 97-108.

4 Deutsche Welle (2018) "Malaysia's Mahathir dumps Chinese projects amid 'new colonialism' fear," available at: <https://www.dw.com/en/malaysias-mahathir-dumps-chinese-projects-amid-new-colonialism-fear/a-45160594>. (Accessed: 10 September 2018).

The concept of soft power, which was developed by Joseph Nye, theorizes the instruments and policies that states employ to wield power over the minds and feelings of foreign publics. According to Nye, soft power is “the ability to get what you want through attraction rather than coercion or payments” and is built upon culture, political values, and foreign policies.⁵ Employing their soft power arsenals through a range of instruments, states follow various purposes, including establishing the legitimacy and moral authority of their foreign policy objectives.⁶ The instruments employed to this purpose include non-governmental organizations, scholarly exchange programs, cultural diplomacy, humanitarian aid, international broadcasting, etc.

This article makes use of this conceptual framework to examine China’s use of soft power as an instrument to promote an attractive image in its policies concerning the South Caucasus, a region that is situated in a strategic location between Asia and Europe and plays an important role for the successful realization of the Initiative. The regional countries – Armenia, Azerbaijan, and Georgia – have demonstrated their desire to participate in this project as a transit zone for the transportation of goods between Europe and China. The article analyses the soft power strategy of the Chinese leaders regarding the countries involved in the BRI, particularly the South Caucasian countries, and the implications of this strategy for the future of China’s policies in the region. It looks into China’s soft power toolkit and examines the instruments Beijing employs in its pursuit of soft power making in Azerbaijan, Armenia, and Georgia. The article occasionally compares the Chinese soft power policies with those of other great powers (especially Russia and the West) to determine the peculiarities of the respective policies of the former in the region. It makes use of a wide range of academic materials, news media articles, official documents, reports of non-governmental institutions, etc., to address the research objectives. However, as no public opinion polls are available that have systematically explored the attitudes of the South Caucasian people towards China and Beijing’s regional projects and it is outside the scope of this research to conduct such large-scale surveys in the region, the article does not intend to measure Chinese soft power in the regional countries. It primarily questions how Beijing uses this

5 Nye, J.S. (2004) *Soft Power: The Means to Success in World Politics*. New York: Public Affairs, p. X.

6 Dóra, D. (2010) “American Outlook on Public Diplomacy.” *International Relations Quarterly* 1(4): pp. 1-4.

dimension of power in Azerbaijan, Armenia, and Georgia and examines the main characteristics of China's soft power strategy concerning these countries.

Belt and Road Initiative and Soft Power

China started to invest extensively in its soft power projection in parallel with the inception of its spectacular economic expansion. At the 17th National Congress of the CPC in 2007, Hu Jintao declared soft power an important foreign policy tool

The narratives that constitute the cornerstone of China's soft power projection highlight mutually beneficial pursuit of economic objectives while downplaying the political motives, presenting China as a reliable alternative in economic and commercial cooperation.

and underlined the necessity to enhance the country's image overseas in the pursuit of its national interests.⁷ Chinese leaders demonstrate a clear understanding of the importance of presenting the country's rapid rise as a peaceful phenomenon contributing to development, partnership, peace, and stability. The narratives that constitute the cornerstone of China's soft power projection highlight mutually beneficial pursuit of economic objectives while downplaying the political motives, presenting China as a reliable alternative in economic and commercial cooperation. The launch of the Belt and Road Initiative further augmented the significance of soft power as a foreign policy instrument. The task of transforming the perceptions of millions of people who see China as a potential invader that is taking over their countries through economic means required substantial investment in cultural diplomacy and the establishment of people-to-people contacts.

China, nevertheless, utilizes the concept of soft power in its own way.⁸ Tellingly, not all the instruments of soft power that are being practiced by the Western powers are acceptable to Beijing. The Chinese avoid confronting the political elites in other countries by cooperating with non-state actors, including civil society and non-governmental institutions, which is often seen as one of the most effective soft power tools. This is why China projects its soft power mostly in the frame of its official cooperation with the governments. Support to independent media and civil society or establishment of links with opposition groups is incompatible with Chinese foreign policy.

⁷ China Daily (2011) "Spreading the message", available at: http://www.chinadaily.com.cn/china/cd30thanniversary/2011-06/01/content_12620588.htm. (Accessed: 12 September 2018).

⁸ Nye, J. S. Jr. (2015) "The Limits of Chinese Soft Power." Today's Zaman, July 10.

Hence, educational exchanges, which do not politically threaten the governments in the target countries, are seen as a major public diplomacy instrument to convert China's economic power into an attractive educational resource. Already the third most popular destination for international students, after the USA and UK, China has enormous potential in this sphere.⁹ It invests substantially in the establishment of exchange programs with the BRI countries, offering scholarships and numerous opportunities to learn the Chinese language, culture, and history. In 2004, China founded a public institution called the Confucius Institute, which aims to promote Chinese language and culture in foreign countries. The Institute styles itself as being similar to the popular culture and language institutes of other countries, like Germany's Goethe Institute or Britain's British Council. Although it is often criticized in the West as "subversive" and as a tool "propagating an idealized version of Chinese history and culture and stifling criticism while promoting a watered-down narrative on issues that provoke international controversy – such as China's incorporation of Tibet or Taiwanese sovereignty,"¹⁰ its network is rapidly growing, with more than 500 centers around the world.

In his speech at Nazarbayev University, during which he announced the Belt and Road Initiative, Xi stated that China will provide 30,000 government scholarships to students from member states of the Shanghai Cooperation Organization (SCO) over the next ten years and will also invite 10,000 teachers or students from Confucius Institutes to research or study in China during the period.¹¹ Beijing also sends Chinese students to BRI countries. According to Tian Xuejun, vice-minister of education, more than 350,000 Chinese students, about 11,900 of whom are sponsored by the Chinese government, have studied in countries involved in the Belt and Road Initiative since 2012.¹²

China also spends immensely on its international broadcasting

9 China Daily (2015) "China third most-popular nation for international students", available at: http://europe.chinadaily.com.cn/world/2015-11/17/content_22478125.htm. (Accessed: 12 September 2018).

10 Deutsche Welle (2018) "Why is the US targeting China's Confucius Institute?", available at: <https://www.dw.com/en/why-is-the-us-targeting-chinas-confucius-institute/a-43403188>. (Accessed: 17 September 2018).

11 China Daily (2013) "China bolsters SCO education cooperation", available at: http://usa.china-daily.com.cn/china/2013-09/09/content_16955781.htm. (Accessed: 12 September 2018).

12 China Daily (2017) "International students see benefits from Belt and Road Initiative", available at: http://www.chinadaily.com.cn/life/2017-05/16/content_29361213_2.htm. (Accessed: 12 September 2018).

via a number of television and radio channels, the internet, etc. Copying some Western outlets, such as *Voice of America*, Beijing has gone very far in spending billions of dollars – according to some estimates, \$6.6 billion – on media via its outlets.¹³ It has recently announced the establishment of a giant media outlet called *Voice of China* that combines three state television and radio broadcasters aimed at foreign countries: China Global Television Network, China Radio International, and China National Radio.¹⁴ Beijing also projects the Chinese perspective to global affairs with its English-language newspapers and online media outlets (e.g., *China Daily*, *People's Daily*, and *Global Times*) to overseas audiences.

Its investments, as a vital injection to the crumbling economies in many countries along the Silk Road, boost its image as a reliable alternative that can present an immediate economic effect.

China's economic growth is also an important source of its soft power. Its investments, as a vital injection to the crumbling economies in many countries along the Silk Road, boost its image as a reliable alternative that can present an immediate economic effect. However, China's rising economic influence and the immigration of thousands of Chinese workers into those countries are also seen as threatening by some people. There is a growing concern that Beijing's economic influx will increase the number of Chinese people in those countries and will be followed by political and military influence. The fact that China is not interested in reaching out to ordinary people in target countries and prefers instead to cooperate with political elites circumscribes Beijing's potential to alleviate the concerns of those people with more comprehensive public diplomacy projects. Nevertheless, the existing situation cannot be considered detrimental to China's foreign policy goals, as its leaders do not seem intending to recruit foreign non-state actors and mobilize them in the pursuit of regime change or making amendments in the external orientation of target countries, which requires substantial soft power, as we have seen in the example of the Western-backed "color revolutions" in post-Soviet space.

China's BRI and Soft Power in the South Caucasus

China's presence in the South Caucasus is becoming increasingly more noticeable in the wake of Beijing's launch of the westward economic march. China does not follow the West's conditionality

¹³ Foreign Policy (2018) "China's \$6 Billion Propaganda Blitz Is a Snooze", available at: <https://foreignpolicy.com/2018/04/23/the-voice-of-china-will-be-a-squeak/>. (Accessed: 12 September 2018).

¹⁴ *Ibid.*

strategy that makes the prospect of mutual cooperation dependent on the implementation of political and economic reforms and thus has reached important milestones in its ties with the regional states in a relatively short period of time. Relations between the regional states and China have gained momentum amid economic recession or slowdown in the great powers (i.e., Russia, Turkey, and Iran) surrounding the South Caucasus.¹⁵ In a similar vein to Central Asia, where China has long replaced Russia as the number one trading partner of the regional countries, its share in the foreign trade of South Caucasian republics has increased dramatically in recent years.

China also sees soft power in this region equally importantly as a means to secure the future of its large investments in the regional countries. The establishment of links with ordinary people would help Beijing to strengthen the legitimization of its projects. It is also necessary to achieve a positive image in the eyes of ordinary people to avoid unexpected policy shifts in the case of a change of government. The case of the recent scandal with Malaysia, where parliamentary elections brought to power the candidate who had opposed China's projects within the BRI and promised to secure key national interests in the face of China's economic expansion, is a warning example to Chinese officialdom.¹⁶

Beijing projects an attractive image to the South Caucasus, primarily through educational programs and cultural exchanges that are steered by the Confucius Institute in the region. It cooperates with the local universities, promotes Chinese language and history amongst the students, and encourages them to continue their studies at Chinese universities. In recent years, China has also started building Chinese schools in the regional countries.

However, China's soft power policies regarding the South Caucasian countries are limited and do not constitute an aberration in its overall soft power and foreign policy strategy. China's communication with the ordinary people – outside of the

China also sees soft power in this region equally importantly as a means to secure the future of its large investments in the regional countries.

¹⁵ China Briefing (2015) "China's Trade with Eastern Europe and the Caucasus," available at: <http://www.china-briefing.com/news/2015/01/22/chinas-trade-former-soviet-states.html>. (Accessed: 14 September 2018).

¹⁶ Deutsche Welle (2018) "Malaysia's Mahathir dumps Chinese projects amid 'new colonialism' fear," available at: <https://www.dw.com/en/malaysias-mahathir-dumps-chinese-projects-amid-new-colonialism-fear/a-45160594>. (Accessed: 10 September 2018).

box desired by the regional political elites – is well-nigh non-existent. There is no China-sponsored media outlet broadcasting in local languages in the region that projects the Chinese interpretation of domestic and regional affairs, in a striking contrast to the other great powers (e.g., Russia and Western powers) that are active in the South Caucasus. The fact that it is culturally and linguistically alien to most of the regional peoples generates further challenges for Chinese public diplomacy.¹⁷

China and Azerbaijan

Azerbaijan forms an important location in China's Silk Road as an alternative route for the transportation of Chinese goods via Kazakhstan and Azerbaijan to Turkey and then either to Europe or the Middle East. The launch of the Baku–Tbilisi–Kars (BTK) railway on October 30, 2017 further augmented the value of

Azerbaijan forms an important location in China's Silk Road as an alternative route for the transportation of Chinese goods via Kazakhstan and Azerbaijan to Turkey and then either to Europe or the Middle East.

this route for Beijing's global trade. In the aftermath of the launch of the railway, the Azerbaijani Economy Minister, Shahin Mustafayev, declared that Baku expects that 10–15 percent of goods sent from China to Europe will pass through its territory.¹⁸ During his state visit to China in December 2015, the Azerbaijani President, Ilham Aliyev, expressed his support for China's Silk Road project and the interest of his country in China's economic and infrastructure projects in the Caucasus.¹⁹ Economic cooperation between Azerbaijan and China has been on a constant rise since the very beginning of the post-Soviet era. The trade turnover between the sides has soared approximately 800 times in this period, from \$1.5 million in the early 1990s to \$1.2 billion in 2017,²⁰ making China Azerbaijan's fourth largest trade partner.²¹

Although economic and political relations between the two countries have been developing since the early years of

¹⁷ RFE/RL (2013) "Georgians Protest Growing Chinese Presence," available at: <https://www.rferl.org/a/georgians-protest-growing-chinese-commercial-presence/24913447.html>. (Accessed: 17 September 2018).

¹⁸ Azernews (2018) "Azerbaijan hopes for significant share of transit traffic from China to Europe," available at: <https://www.azernews.az/business/127147.html>. (Accessed: 14 September 2018).

¹⁹ The Official Website of the President of Azerbaijan (2015) "İlham Əliyevin və Çin Xalq Respublikasının Sadri Si Cinpinin görüşü olub," available at: <https://president.az/articles/17134>. (Accessed: 4 October 2018).

²⁰ *Ibid.*

²¹ Azernews (2018) "China extends cooperation with Azerbaijan in field of agriculture," available at: <https://www.azernews.az/business/135203.html>. (Accessed: 14 September 2018).

Azerbaijan's independence, the two countries started to promote people-to-people contacts between themselves only in recent years. The attitudes of Azerbaijanis toward China are ambivalent. While they appreciate the influx of Chinese investment and support the government's efforts to find a place in China's Belt and Road project, the military cooperation between China and Armenia and China's sale of multiple-launch rocket systems to Armenia²² have been observed nervously in the Azerbaijani media. In a similar vein to the sale of eight Typhoon multiple-launcher missile systems to Armenia in 1999, after which Baku was assured by the Chinese leaders that this "regrettable but fortuitous incident" would not recur,²³ the recent military cooperation between Beijing and Yerevan outraged the Azerbaijani media and the general public.²⁴

However, with a variety of initiatives, China is trying to wield attractive power over the minds and hearts of the people in Azerbaijan. These initiatives cover mostly educational and cultural exchanges. The first Confucius Institute in Azerbaijan was opened in 2011 at Baku State University (BSU). Over the years since then the Institute has opened centers at some other universities of the country.²⁵ Since 2015 Azerbaijan has also been included in the list of countries where the Confucius Institute organizes the "Chinese Bridge Competition," testing the Chinese language proficiency of students. The winners of the competition in Azerbaijan qualify to come to China for the semi-finals and finals, which are attended by hundreds of participants from over 40 countries.²⁶ The Institute does not limit its activities only to linguistic promotion, but also organizes cultural exchanges, summer schools for Azerbaijani students in various Chinese cities, etc. Moreover, according to the intergovernmental

In a similar vein to the sale of eight Typhoon multiple-launcher missile systems to Armenia in 1999, after which Baku was assured by the Chinese leaders that this "regrettable but fortuitous incident" would not recur, the recent military cooperation between Beijing and Yerevan outraged the Azerbaijani media and the general public.

22 Azatutyun (2013) "New Chinese Rockets 'Acquired by Armenia'", available at: <https://www.azatutyun.am/a/25080110.html>. (Accessed: 19 September 2018).

23 The Jamestown Foundation (1999) "China Expresses Regret to Azerbaijan over Missile Sale to Armenia," available at: <https://jamestown.org/program/china-expresses-regret-to-azerbaijan-over-missile-sale-to-armenia/>. (Accessed: 14 September 2018).

24 Trend (2017) "Beijing-Yerevan Military Co-op Jeopardizes Russia's Interests in South Caucasus," available at: <https://en.trend.az/scaucasus/armenia/2792990.html>. (Accessed: 13 September 2018).

25 Report (2016) "Azərbaycan Dillər Universitetində Konfutsi İnstitutu açılıb," available at: <https://report.az/elm-ve-tehsil/azerbaycan-diller-universitetinde-konfutsi-i-institutu-acilib/>. (Accessed: 17 September 2018).

26 Hanban (2018) "About 'Chinese Bridge,'" available at: http://english.hanban.org/node_8080.htm. (Accessed: 14 September 2018).

agreement between Beijing and Baku, in the last two years 43 Azerbaijani students have received a chance to study in China, financially supported by the governments of the two countries.²⁷ Sponsored by this agreement, more than 20 Azerbaijani students have started their studies at different academic levels (i.e., bachelor, master, or PhD) at various Chinese universities in 2018.²⁸

China and Armenia

China's mounting presence in the South Caucasus can also be observed in its relations with Armenia, although the country remains pretty much isolated in the Belt and Road Initiative due to the blockade imposed by Azerbaijan and Turkey in the wake of Armenia's occupation of Azerbaijani territories.

China's mounting presence in the South Caucasus can also be observed in its relations with Armenia, although the country remains pretty much isolated in the Belt and Road Initiative due to her borders were closed by Azerbaijan and Turkey as a result of Armenia's occupation of Azerbaijani territories. Over the last few years, China has taken the second largest share in Armenia's foreign trade. According to official Armenian statistics, the trade turnover between the two countries rose by nearly 50 percent, to \$342 million, in the first half of 2018.²⁹ Armenia seeks to break its isolation by joining China's BRI. For this purpose, Yerevan is strongly interested in the establishment of the "Persian Gulf–Black Sea" multimodal transport and transit corridor to link Iran with Europe via Armenia and the Georgian Black Sea ports. However, the project, which is expected to cost more than \$3 billion, is beyond the financial capabilities of Armenia, whose GDP is around \$10 billion.³⁰ This is why Armenian leaders hope for the involvement of China in the project and through this channel to find a place in one of the main BRI routes linking China with Europe.³¹ The two sides have also developed military

27 Femida (2018) "Çindo təhsil alan azərbaycanlıların sayı açıqlanıb," available at: <http://femida.az/az/news/63616>. (Accessed: 14 September 2018).

28 İki Sahil (2018) "Təhsil Nazirliyi Çinə 23 tələbə göndərir," available at: <http://ikisahil.az/?page=102948&newsId=102948&lang=aze>. (Accessed: 14 September 2018).

29 Azatutyun (2018) "Chinese School Inaugurated in Armenia," available at: <https://www.azatutyun.am/a/29447816.html>. (Accessed: 13 September 2018).

30 Yegiazaryan, A. (2016) "North-South and Persian Gulf-Black Sea Transport Corridors: Iranian Perspectives for Development," available at: <http://hetq.am/eng/news/73999/north-south-and-persian-gulf-black-sea-transport-corridors-iranian-perspectives-for-development.html>. (Accessed: 4 October 2018).

31 Arka (2018) "China is interested in Armenia -Iran railway link project," available at: http://arka.am/en/news/business/china_is_interested_in_armenia_iran_railway_link_project/. (Accessed: 14 September 2018).

cooperation.³² Armenia also receives military aid from China, although on a rather limited scale.³³

China also invests in the soft power dimension in its relations with Armenia. It seeks to positively shape Armenians' attitude towards China with economic aid and similar projects. For example, it is reported that Beijing has sent \$37 million in economic aid to Armenia since 2012.³⁴ The donation of hundreds of public buses and ambulance vehicles to Armenia signifies a considerable Chinese interest in this South Caucasian country.³⁵ For this landlocked country that suffers from severely unfavorable geopolitical and geo-economic conditions the aid and investment provided by China are hugely valuable and gratefully welcomed by ordinary Armenians and the country's leaders.

China also invests in the soft power dimension in its relations with Armenia. It seeks to positively shape Armenians' attitude towards China with economic aid and similar projects.

Beijing's soft power policies concerning Armenia do not divert from the general foreign policy principles of the Chinese government: Beijing focuses on educational exchanges and cultural diplomacy to wield an attractive image in the eyes of the Armenian people. China, along with Russia, Jordan, Georgia, Bulgaria, Romania, and Poland, is one of seven states with which Armenia carries out educational programs within intergovernmental agreements.³⁶ According to these mutual agreements, students are provided with free accommodation and a monthly stipend. China is the most popular destination and, tellingly, more popular than Russia for Armenian students who are sent abroad for study through these agreements (in total: 250–300 students annually).³⁷

The Confucius Institute opened its first center in the South Caucasus at the Yerevan Brusov State Linguistic University (Armenia) in 2009. The Center is quite popular, attracting

32 Azatutyun (2013) "New Chinese Rockets 'Acquired by Armenia'", available at: <https://www.azatutyun.am/a/25080110.html>. (Accessed: 19 September 2018).

33 1news.az (2017) "Китай предоставит Армении военную помощь," available at: <http://www.1news.az/news/kitay-predostavit-armenii-voennyyu-pomoshch>. (Accessed: 14 September 2018).

34 Azatutyun (2018) "Chinese School Inaugurated in Armenia," available at: <https://www.azatutyun.am/a/29447816.html>. (Accessed: 13 September 2018).

35 News.am (2018) "Ambassador: China to send 200 ambulances to Armenia," available at: <https://news.am/eng/news/456965.html>. (Accessed: 14 September 2018).

36 Armenpress (2017) "Armenian students mostly prefer educational institutions of China," available at: <https://armenpress.am/eng/news/886299/armenian-students-mostly-prefer-educational-institutions-of-china.html>. (Accessed: 13 September 2018).

37 *Ibid.*

hundreds of Armenian students.³⁸ More recently, in August 2018, China also opened a bigger and “state-of-the-art” school in the Armenian capital where “up to 405 students aged between 10 and 18 ... will have intensive language courses taught by Chinese teachers.”³⁹ According to the Armenian Prime Minister, Nikol Pashinyan, the school, which cost the Chinese government 12 million dollars , will open a “new page” in Chinese–Armenian relations based on “many common interests” and similar “strategic thinking.”⁴⁰ Increasing numbers of Armenians are showing an interest in learning Chinese. This interest is also affected by the existence of a small Armenian minority (approximately 500 Armenians) in China.⁴¹

China and Georgia

Georgia's free trade agreement with the European Union boosted its importance for Beijing as this means that goods produced as a result of the Chinese investment in Georgia will easily find their way to the European market.

China has developed arguably more intensive relations with Georgia than with the other two regional countries. Georgia’s free trade agreement with the European Union boosted its importance for Beijing as this means that goods produced as a result of the Chinese investment in Georgia will easily find their way to the European market. Hence, Beijing has demonstrated a very strong interest in developing comprehensive economic bonds with Tbilisi.⁴² It provided a 114 million-dollar loan from the BRI funds for road construction projects near Batumi, boosting Tbilisi’s aspirations to become an important transit route for Chinese goods to be delivered to Europe. Chinese companies are implementing multi-million-dollar projects in Georgia, such as Tbilisi Sea Plaza, a new city near Tbilisi with apartments for sale, a trade area, an international school for children, a casino, etc.

In May 2017, China concluded a free trade deal with Tbilisi which

³⁸ Dalian University of Foreign Languages (2018) “The Confucius Institute at Yerevan Brusov State Linguistic University (Armenia),” available at: <http://www.dlufl.edu.cn/en/Confucius-Institutes/2014-11-10/42361.html>. (Accessed: 17 September 2018).

³⁹ Azatutyun (2018) “Chinese School Inaugurated in Armenia,” available at: <https://www.azatutyun.am/a/29447816.html>. (Accessed: 13 September 2018).

⁴⁰ *Ibid.*

⁴¹ Asbarez (2013) “Armenian Community Center Opens in Hong Kong,” available at: <http://asbarez.com/116212/armenian-community-center-opens-in-hong-kong/>. (Accessed: 14 September 2018).

⁴² Forbes (2016) “Why is China building a new city in Georgia,” available at: <https://www.forbes.com/sites/wadeshepard/2016/08/21/why-is-china-building-a-new-city-in-georgia/#6a30a464f15a>. (Accessed: 14 September 2018).

made Georgia the only post-Soviet country that has concluded such a deal with both the EU and China. The fact that Tbilisi's relations with Russia, previously Georgia's major economic partner, remain strained has prompted the Georgian government to intensify cooperation with alternative giant economic partners like China. The bilateral trade between the two countries has been on a steady rise since the collapse of the Soviet Union and reached \$939 million in 2017,⁴³ increasing from its 1990s level of \$3.68 million and making China Georgia's third largest trade partner.⁴⁴

Although the influx of increasing numbers of Chinese workers into Georgia is seen negatively by some Georgians, this antipathy does not exist at the national level.⁴⁵ The growing Chinese investment is playing a crucial role in the transformation of Georgia into a dynamic economic center of the region. The establishment of the first power station in Georgia; the inflow of the first large-scale investment after Georgia's independence; the building of 82.1 kilometers of roads and 40.6 kilometers of railways; the generation of 5000 jobs for Georgians; the inflow of \$60 million of free aid; these are just some of the benefits Georgia has received from its relations with China.⁴⁶

The growing Chinese investment is playing a crucial role in the transformation of Georgia into a dynamic economic center of the region.

China is developing non-political contacts with the Georgian people in parallel to the reinforcement of its economic presence in Georgia. The Confucius Institute opened its second center in the South Caucasus in the Georgian capital. The center, hosted by the Georgian Free University, is increasingly popular in Tbilisi. Last year, in 2017, the Institute also opened a Confucius Classroom at Tbilisi Open University. Currently, 26 Georgian universities and schools provide Chinese language courses.⁴⁷ These institutes also provide lessons by Chinese instructors who

43 National Statistics Office (Geostat) (2018) "Foreign Trade of Georgia in 2017", available at: http://geostat.ge/cms/site_images/_files/georgian/bop/FTrade_2017_GEO-with%20cover.docx.pdf. (Accessed: 14 September 2018).

44 Georgiatoday (2017) "China-Georgia Friendship Celebrates the 25th Anniversary of Diplomatic Relations," available at: <http://georgiatoday.ge/news/6781/China-Georgia-Friendship-Celebrates-the-25th-Anniversary-of-Diplomatic-Relations---->. (Accessed: 17 September 2018).

45 RFE/RL (2013) "Georgians Protest Growing Chinese Presence," available at: <https://www.rferl.org/a/georgians-protest-growing-chinese-commercial-presence/24913447.html>. (Accessed: 17 September 2018).

46 Georgiatoday (2017) "China-Georgia Friendship Celebrates the 25th Anniversary of Diplomatic Relations," available at: <http://georgiatoday.ge/news/6781/China-Georgia-Friendship-Celebrates-the-25th-Anniversary-of-Diplomatic-Relations---->. (Accessed: 17 September 2018).

47 *Ibid.*

come to Georgia every year to assist teaching Chinese language and culture. According to Ji Yanchi, Chinese Ambassador to Georgia, every year twenty such Chinese language teachers and volunteers arrive in Georgia. According to the ambassador, there are more than one thousand Georgian students who speak Chinese.⁴⁸ Every year, 25 Georgian students are also provided with the chance to continue their studies at Chinese universities with scholarships provided by the Chinese government.⁴⁹

China is also developing cultural ties with the Georgian people. On November 3, 2015 in Beijing, the Ministry of Culture of the People's Republic of China and the Ministry of Culture and Monument Protection of Georgia signed the Protocol on Cooperation in the Field of Culture.⁵⁰ The protocol set the contours of future cultural cooperation between the two countries. The organization of a variety of Chinese cultural events in Georgia, including Cultural Days of China and China Cultural Week, plays an important role in the promotion of people-to-people contacts. For example, in 2015, Hauling Group, the largest Chinese investor in Georgia, brought the semifinals of the Miss Chinese Cosmos Pageant to Tbilisi.⁵¹ The project, which belongs to one of the largest Chinese TV channels, Phoenix TV, was met with great interest by Georgians. It was not limited to only the organization of semi-final in Tbilisi, but also was enriched with the participation of 16 Semi-Finalists in different traditional contests, their performances of national dances in Georgian national costume, etc.⁵²

Conclusion

This article has briefly analyzed the soft power policies of the Chinese government in general and focused on its respective policies concerning the South Caucasian countries (Azerbaijan, Armenia, and Georgia) in particular. Analyzing the growing

48 *Ibid.*

49 *Ibid.*

50 Chinaculture.org (2015) "Georgia Culture Minister talks on China-Georgia cultural ties," available at: http://en.chinaculture.org/2015-11/06/content_626805.htm. (Accessed: 19 September 2018).

51 Eurasianet (2015) "Georgia Uses Beauty Pageant and Grape Pudding to Woo China," available at: <https://eurasanet.org/georgia-uses-beauty-pageant-and-grape-pudding-to-woo-china>. (Accessed: 19 September 2018).

52 Georgianjournal (2015) "Georgian dance, khinkali and wine - Miss Chinese Cosmos Pageant 2015 semifinals in Georgia," available at: https://www.georgianjournal.ge/culture/31515-georgian-dance-khinkali-and-wine-miss-chinese-cosmos-pageant-2015-semifinals-in-georgia.html?slcont=0#my_on-next_page_title. (Accessed: 19 September 2018).

Chinese economic presence in the countries of the region, the article argued that soft power is employed by China in order to secure the future of its investment: The cultivation of power over the minds and hearts of the local people would protect China from a sudden adversarial policy shifts in a case of changes of government.

The article noted that Beijing's soft power policies are mostly confined to educational and cultural exchanges and avoid developing contacts with political non-state groups or civil society or broadcasting in local languages, factors which distinguish it from Western and Russian soft power strategies. For example, the promotion of the Chinese language and culture by the Confucius Institute in the region can be mentioned as the major instrument of China to promote its image in Armenia, Azerbaijan, and Georgia. The study concludes that the regional political leaders are happy with growing Chinese interest in the region and seek to attract further Chinese investments that are not loaded with immediate geopolitical implications or reform requirements, unlike Western and Russian investments.

Beijing's soft power policies are mostly confined to educational and cultural exchanges and avoid developing contacts with political non-state groups or civil society or broadcasting in local languages, factors which distinguish it from Western and Russian soft power strategies.

The Belt and Road Initiative and the Future of Sino-Russian Relations in Central Asia

Dr. Michael Clarke* and Dr. Matthew Sussex**

Sino-Russian relations in general, and in Central Asia in particular, have been relatively stable since the end of the Cold War due to the convergence of a number of key structural, regional, and domestic factors. These have remained relatively consistent over time, and demonstrate the interplay between "thick" (normative) and "thin" (interests) variables consistent with the concept of an alignment rather than an alliance. However, we argue that Beijing's "Belt and Road Initiative" (BRI) is likely to bring to the fore the central dilemmas typical of the "alliance game" of international politics – hedging, accommodation, and entrapment – as China's trans-Eurasian connectivity agenda fundamentally challenges Russian preferences across the strategic, economic, and normative domain of its interests. The article then explores these dilemmas via the discussion of a number of possible future scenarios for Sino-Russian relations and their implications for regional order in Central Asia.

Keywords: China, Russia, alliance, alignment, BRI



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Introduction

Since President Xi Jinping's announcement of the "Silk Road Economic Belt" portion of China's "Belt and Road Initiative" (BRI) during an official visit to Kazakhstan in June 2013, Beijing and Moscow have increased their security, economic and diplomatic relationship. President Xi, during his official state visit to Russia in July 2017, assessed relations to be at their "best time in history" and that China and Russia were each other's "most trustworthy strategic partners."¹

These rhetorical flourishes have prompted some to suggest that enhanced collaboration, perhaps even an alliance, between the two may be afoot. Such a development could be construed as an "axis of authoritarianism" bent on destabilizing the Western-led international order.² Bobo Lo, in contrast, framed Sino-Russian ties as an "axis of convenience" wherein the relationship is essentially "tactical and instrumental" and defined by "expediency and opportunism".³ Here, Moscow and Beijing are happy to leverage their bilateral relationship in the context of their other important regional and global relationships but remain unable to establish a true condominium of interests due to the continued salience of a number of historical, normative, and domestic factors that inhibit the consummation of their "strategic partnership" into a formal alliance.

Yet, Sino-Russian relations in general, and in Central Asia in particular, have defied predictions of each side of this debate. In the immediate post-Cold War years, a "new Great Game" over spheres of influence in the region was envisaged, while the events of 9/11 and the US invasion of Afghanistan were variously described as a "defeat" for Chinese foreign policy in the region, or the death knell for Russian influence amongst the Central Asian republics.⁴ In practice, however, Russian influence in Central Asia remained while Chinese influence followed a

1 Ming, C. (2017) "Best time in history" for China-Russia relationship: Xi and Putin boost ties', CNBC, 4 July, <https://www.cnbc.com/2017/07/04/china-russia-ties-reaffirmed-after-xi-jinping-and-vladimir-putin-meet.html>. The Sino-Russian "strategic partnership" was established in 1996.

2 Harold S. W. and Schwartz, L. (2013) 'A Russia-China Alliance Brewing?', *The Diplomat*, 12 April, <http://thediplomat.com/2013/04/a-russia-china-alliance-brewing/>; Green, M. J. (2014), 'Should America Fear a New Sino-Russian Alliance?', *Foreign Policy*, 13 August, <http://foreignpolicy.com/2014/08/13/should-america-fear-a-new-sino-russian-alliance/>

3 Lo, B. (2008) *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*, Washington DC: Brookings Institution Press, p. 5.

4 For example, Menon, R. (2003) 'The New Great Game in Central Asia', *Survival*, 45 (2), pp. 187-204.

consistently upward trajectory without inducing overt strategic rivalry between the two.

This begs a number of important questions. First, has the relative stability of Sino-Russian relations in Central Asia been simply due to the convergence of “thin,” interest-based calculus, or to the evolution of a “thick” underpinning to the relationship based on a shared understanding or vision for regional order? Second, what will be the effect of China’s ambitious BRI on the bilateral relationship in Central Asia?

With respect to the first question, we argue in the first section of this paper that the relative stability of Sino-Russian relations in the region has been fostered by the convergence of a number of key structural, regional, and domestic factors. These have remained relatively consistent over time, and demonstrate the interplay between “thick” (normative) and “thin” (interests) variables. Sino-Russian ties in this context are consistent with the concept of an alignment rather than an alliance. However, as we explore in the second section of the paper, the relationship is still prone to the central dilemmas typical of the “alliance game” of international politics: hedging, accommodation and entrapment.⁵ We argue, via an exploration of a number of possible scenarios for regional order in Central Asia, that BRI will likely heighten these dilemmas as China’s trans-Eurasian connectivity agenda fundamentally challenges Russian preferences across the strategic, economic, and normative domain of its interests.

Sino-Russian Relations: Alliance or Alignment?

Sino-Russian relations are not formally framed as an alliance – which is understood as defined as by “a promise of mutual military assistance between two or more sovereign states”⁶ – but rather as a “strategic partnership”. Where an alliance is externally-oriented toward a third party adversary or group of adversaries,⁷ a “partnership” is internally-oriented “to reduce uncertainties from unknown intentions between two states” with a “minimal requirement that they will not threaten

5 Snyder, G. H. (1984) ‘The Security Dilemma in Alliance Politics’, *World Politics*, 36 (4), p. 461

6 Wolfers, A. (1968) ‘Alliances’, in Sills, David L. (ed), *International Encyclopedia of the Social Sciences*, New York: Macmillan, p. 268.

7 Walt, S. (1987) *The Origins of Alliances*, Ithaca, N.Y.: Cornell University Press.

each other.”⁸ Given this distinction some contend that “strategic partnerships” are therefore *not* synonymous with alliances.⁹ However, both alliances and partnerships are manifestations of the broader concept of “alignment” in international relations/politics. “Alignment” between two states implies “a set of mutual expectations … that they will have each other’s support in disputes or war with particular other states.”¹⁰ Whereas a central value of an alliance is its deterrent value vis-à-vis potential adversaries – usually explicitly codified within the text of a legal treaty – the core value of a partnership (“strategic” or otherwise) lies in a more general (and sometimes ambiguous) expectation or sense of support.¹¹ Snyder suggests that “alignment” is “defined as expectations of states about whether they will be supported or opposed by other states in future interactions,”¹² while Michael D. Ward posits that “alignment is not signified by formal treaties, but is delineated by a variety of *behavioural actions*” not solely focused on the military or security dimension of international politics.¹³

Thomas Wilkins, building on Ward’s observation, suggests that “strategic partnership” is best described as a “structured collaboration between states to take joint advantage of economic opportunities, or to respond to security challenges more effectively than could be achieved in isolation.”¹⁴ Furthermore, Wilkins identifies a number of properties that “strategic partnerships” exhibit that demonstrate their differentiation from alliances: They are organized around a “system principle” (e.g., desire for a multipolar world); they are often goal rather than threat driven; and they are informal in nature and “entail low commitment costs” which “permits partners to retain a greater degree of autonomy and flexibility, thus mitigating the ‘entrapment’ dynamic common to orthodox alliances.”¹⁵

8 Feng, H. (2015) *The New Geostrategic Game: Will China and Russia Form an Alliance against the United States?* Copenhagen: Danish Institute for International Studies. p. 12.

9 Wilkins, T. (2008) ‘Russo-Chinese Strategic Partnership: A New Form of Security Cooperation?’, *Contemporary Security Policy*, 29 (2), pp. 358-383.

10 Snyder, G. H. (1990), ‘Alliance Theory: A Neorealist First Cut’, *Journal of International Affairs*, 44 (1), p. 105.

11 Kann, R. A. (1976), ‘Alliances versus Ententes’, *World Politics*, 28 (4), p. 612.

12 Snyder, G. H. (1997), *Alliance Politics*, Ithaca: Cornell University Press, 1997, p. 6.

13 Ward, M. D. (1982), *Research Gaps in Alliance Dynamics*, Denver: University of Denver, 1982, p. 7. Emphasis added.

14 Wilkins, ‘Russo-Chinese Strategic Partnership’, p. 363.

15 Wilkins, T. (2012), ‘Alignment’, not ‘Alliance’ – the Shifting Paradigm of International Security Cooperation: Toward a Conceptual Taxonomy of Alignment’, *Review of International Studies*, 38, p. 68.

A potential problem for both Beijing and Moscow is that the concept of “strategic partnership” as a form of alignment bears close resemblance to the much older diplomatic concept of an *entente*. The principle prerequisite for an *entente* is that there be a shared set of interests that may constitute the basis for cooperation and/or coordination in the future. Sir Eyre Crowe, describing the most famous entente, the so-called *entente cordiale* of 1904 (and 1912) between Great Britain and France, remarked that it was based on “a frame of mind, a view of general policy which is shared by the governments of two countries.” Crowe, however, also cautioned that due to this “general policy,” “[f]or purposes of ultimate emergencies it [i.e. the *entente*] may be found to have no substance at all.”¹⁶

China’s BRI agenda, however, holds the potential to undo the bases of the Sino-Russian shared “frame of mind” in Central Asia. With Xinjiang serving as a central hub, China’s initiative seeks to stimulate trans-Eurasian economic and infrastructure connectivity that will link China, Central Asia, Russia, and Europe. This stands in contrast to Russia’s regional integration initiative, the Eurasian Economic Union, which amounts to an effort at “protective integration” within the “post-Soviet space” in order to maintain Russian influence.

China’s BRI agenda, however, holds the potential to undo the bases of the Sino-Russian shared “frame of mind” in Central Asia.

The Bases of Sino-Russian Alignment in Central Asia: Security, Development, and Geopolitics

The Sino-Russian entente in Central Asia can be demonstrated via the overlap of interests in three core areas across much of the post-Cold War period: shared interests in stability, security, and order; complementarity of economic interests; and shared desire/interest in the development of a “multipolar” international order (in both strategic and normative terms).¹⁷ Throughout the 1990s and 2000s, China and Russia developed a clear coexistence in the region, with each (generally) recognizing the other’s comparative advantages in each core area. Thus, Moscow

16 Dunn, J. S. (2013) *The Crowe Memorandum: Sir Eyre Crowe and Foreign Office Perceptions of Germany, 1918-1925*, Cambridge: Cambridge Scholars Publishing, pp. 201-210.

17 Fels, E. (2017) ‘The Geopolitical Significance of Sino-Russian Cooperation in Central Asia for the Belt and Road Initiative’, in Maximilian Mayer (ed), *Rethinking the Silk Road: China’s Belt and Road Initiative and Emerging Eurasian Relations*, London: Palgrave, p. 249.

retained the role and status of security provider (e.g., through its military presence in Tajikistan) and China became increasingly predominant economically.¹⁸ Throughout the 1990s and 2000s China and Russia developed a clear modus vivendi in the region, with each recognizing the other's comparative advantages with Moscow retaining the role of security provider and China increasingly predominant economically. Indeed, by the close of the 2000s China had overtaken Russia as Central Asia's major trading partner.¹⁹

Structurally, both Moscow and Beijing have, since the end of the Cold War, sought to leverage their bilateral relationship as a means of combating the perceived detrimental effects of US unipolarity at the global and regional levels.

Structurally, both Moscow and Beijing have, since the end of the Cold War, sought to leverage their bilateral relationship as a means of combating the perceived detrimental effects of US unipolarity at the global and regional levels. There has thus been significant overlap in Russian and Chinese elite narratives and preferences for a “multipolar” international order, the creation of alternate normative orders to those authored/led by the West, and the protection/reassertion of state sovereignty. Demonstrating the broader condominium of interests in Sino-Russian relations, however, were Moscow and

Beijing's clear accommodation of each other's global strategic interests – with, for instance, Russia acceding to China's efforts to construct a “statist multilateralism”²⁰ in the form of the Shanghai Cooperation Organization (SCO) focused on Beijing's Xinjiang-centric security concerns and China refraining from overt criticism of Russian interventions in the post-Soviet space.²¹

Regionally, both Moscow and Beijing have sought influence in what they perceive to be a potentially unstable region, albeit for different reasons. For Moscow, its discrete and “thin” interests in Central Asia – such as maintaining access to hydrocarbons, combating Islamist terrorism, or protecting ethnic Russians – have been framed by the broader goal of maintaining its self-image as a great power. Beijing, in contrast, instrumentalized its approach to the region in order to, first, secure its long-restive

18 Contessi, N. (2015) ‘Foreign and Security Policy Diversification in Eurasia: Issue Splitting, Co-alignment, and Relational Power’, *Problems of Post-Communism*, 62 (5).

19 Swanson, N. (2011), *China and Greater Central Asia: New Frontiers?*, Washington DC: Central Asia-Caucasus Institute & Silk Road Studies Program, pp. 48-49

20 Jackson, N. (2014), ‘Trans-Regional Security Organisations and Statist Multilateralism in Eurasia’, *Europe-Asia Studies*, 66 (2), pp. 181-203.

21 Tieuzzi, S. (2014) ‘China Backs Russia on Ukraine’, *The Diplomat*, 3 March, <https://thediplomat.com/2014/03/china-backs-russia-on-ukraine/>

province of Xinjiang and, second, to leverage that geopolitical position to pursue broader economic and strategic objectives.

This pattern was largely consistent with Wilkin's conception of an alignment rather than a formal alliance as Sino-Russian relations were organized around a "system principle" (e.g., desire for a multipolar world) and were goal rather than threat driven. Additionally, it entailed low commitment costs that permitted Moscow and Beijing "to retain a greater degree of autonomy and flexibility, thus mitigating the 'entrapment' dynamic common to orthodox alliances."²²

The increasing encroachment of Chinese power and influence into Central Asia, long defined as part of Moscow's "near abroad," fundamentally challenges the balance of regional order. BRI's emphasis on developing trans-Eurasian economic and infrastructure "connectivity" has made Central Asia a vital hub for Beijing's efforts. The relative decline of US and Russian influence since 2012 – in Washington's case due to its "rebalance" to the Asia-Pacific and in Moscow's case due to declining oil and gas prices and the conflicts in Ukraine and Syrian territories – has also arguably enhanced the attractiveness of China's "connectivity" agenda.

The increasing encroachment of Chinese power and influence into Central Asia, long defined as part of Moscow's "near abroad," fundamentally challenges the balance of regional order.

Russia's ability to offer attractive "public goods" in security, economic, and normative terms to the Central Asian states has been most affected by these developments. In a security context, while Russia has been independent Central Asia's dominant actor, its war with Georgia in 2008 and more recent crisis with Ukraine have contributed to misgivings in regional capitals regarding Russian commitment to the status quo.²³ Economically, the "Eurasian Economic Union" amounts to a form of "protective integration" that seeks to embed Russian hegemony in the post-Soviet space through a restrictive customs union.²⁴ In contrast, the economic and normative underpinnings of BRI are in some important ways complementary to the interests of the Central Asian states. Most immediately, China's focus on greater

²² Wilkins, "'Alignment', not 'Alliance'", p. 68

²³ Dolgov, A. (2014) 'Kazakhs Worried after Putin Questions History of Country's Independence', Moscow Times, September 1, <http://www.themoscowtimes.com/news/article/kazakhs-worried-after-putin-questions-history-of-country-s-independence/506178.html>.

²⁴ Kirkham, K. (2016) 'The formation of the Eurasian Economic Union: How successful is the Russian regional hegemony?', Journal of Eurasian Studies, 7 (2), pp. 111-128.

economic interconnectivity through the improvement of critical infrastructure, such as oil and gas pipelines, highways, railways, and telecommunications networks, gels with the long-held desire of Central Asia's energy rich states (e.g., Kazakhstan and Turkmenistan) to diversify export routes for their oil and gas.²⁵ Additionally, a number of the Central Asian states have also identified diversification of their economies beyond resource exports as a core priority for their future economic well-being.²⁶ China's commitment of some US \$124 billion to the "Silk Road Fund" to assist in necessary infrastructural development has also been welcomed by Central Asian capitals.²⁷

The Future of Sino-Russian Relations: Alignment Dilemmas in the Era of BRI

How might the relationship between China and Russia play out in the near future? While much of this chapter has thus far focused on convergent interests and cooperation between the two, below we outline four scenarios that may disrupt the Beijing-Moscow entente. Each has been selected on the basis of its potential to drive one party uncomfortably close to the other, or to exacerbate existing problems in the relationship. This could lead either to entrapment dilemmas for each actor, or prompt weakening of the coincidence of interest that has been influential in shaping their evolving strategic partnership. In brief, these scenarios are: heightened Russia-West animosity; a Russian "opt-out" of BRI, with the attempt to construct its own trade corridors; the spread of significant terrorism in Central Asia and/or state failure or collapse in that sub-region.

The first risks Russian entrapment in BRI, which would not only compromise Russian President Vladimir Putin's "Euro-Pacific great power" vision,²⁸ but would effectively turn Russia into a "Chinese vassal state," necessary primarily for its ability to serve as a Eurasian trade conduit rather than a "equal partner" in Xi's

25 Yenikayeff, S. M. (2011) 'Energy Interests of the "Great Powers" in Central Asia: Cooperation or Conflict?', *The International Spectator*, 46 (3), pp. 70-72.

26 Hashimova, U. (2018) 'Why Central Asia Is Betting on China's Belt and Road', *The Diplomat*, 13 August, <https://thediplomat.com/2018/08/why-central-asia-is-betting-on-chinas-belt-and-road/>

27 Deutsche Welle (2018) 'China's "New Silk Road" - perception and reality', 12 May, <http://www.dw.com/en/chinas-new-silk-road-perception-and-reality/a-38818750>

28 Hill, F. and Lo, B. (2013) 'Putin's Pivot: why Russia is looking East', Brookings Institution, 31 July, <http://www.brookings.edu/research/opinions/2013/07/31-russia-china-pacific-pivot-hill>

great power relations model. The second would prompt increased Sino-Russian competition, and potentially fracture the alignment between the two nations. The final two scenarios – linked to transnational security concerns associated with conflict spill over and fragility – would impact on Chinese and Russian domestic and regional concerns. Specifically, they would challenge both China's normative agenda (as reflected in the SCO) as well as its direct security concerns in Xinjiang.

Heightened Russia-West animosity

There is a strong likelihood that Russia's attempts to challenge the West – utilizing both traditional as well as new security instruments – will result in heightened Western push-back, especially from the US. Already there are signs that this is occurring. In spite of the reticence by the Trump White House to castigate or punish Russia, the US reacted with a heightened sanctions regime against Moscow after two precipitating events.

The first of these was the poisoning of Sergei and Yulia Skripal in Salisbury during March 2018 with the highly specialized nerve agent Novichok, which prompted a coordinated set of diplomatic expulsions (including 60 by the US), with the intention of degrading Russia's intelligence-gathering networks in the West.²⁹ The second was the significant domestic pressure placed on the Trump administration by Congress and the Senate to take a firmer stance on Russia's support for Bashar al-Assad in the Syrian civil war, following the gassing of numerous civilians in the rebel-held town of Douma. The new round of sanctions against Russian oligarchs and companies – although subsequently curtailed by Trump – prompted an 11 percent drop on the Russian stock market on April 9, 2018. The value of the aluminium company Rusal, controlled by Oleg Deripaska (known for its close ties to Kremlin), was halved on the Hong Kong stock exchange, and other leading Russian businesses such as Gazprom also experienced losses.³⁰ The rouble lost 2.5 per cent

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²⁹ Tankin, E. (2018) 'Russia promises retaliation after Western expulsions', Foreign Policy, March 26, <http://foreignpolicy.com/2018/03/26/russia-promises-retaliation-after-western-expulsions/>

³⁰ Chapman, B. and Carroll, O. (2018) 'Russia stock market crashes 11% after US imposes sanctions on oligarchs linked to Kremlin' The Independent, April 9, <https://www.independent.co.uk/news/business/news/russia-stock-market-latest-updates-us-sanctions-oligarchs-kremlin-putin-deripaska-a8296536.html>

of its value, which was its largest single-day slide in two years.

Of course, these events tended to overshadow ongoing concerns by senior US and NATO commanders at the deepening of military competition between Russia and the transatlantic West. Whereas Vladimir Putin had made much in his March 2018 State of the Nation address of a series of new “doomsday” weapons platforms, including a nuclear powered cruise missile and an unmanned submarine that could carry a nuclear payload to Western ports,³¹ Russia has for some time been making both public and private renovations to both its doctrine and force posture with respect to NATO. This included a new nuclear doctrine based on the “escalate to de-escalate” principle,³² which Western leaders widely viewed as a tacit intention to start conventional wars and then threaten the use of nuclear weapons: a gamble that relied on the assumption that NATO would be too fragmented or lack the political will to wage war in the Baltics or Eastern Europe. Russian attempts to prod NATO have also included the permanent deployment of *Iskander* SRBMs in the Kaliningrad enclave, giving it a significant A2AD capacity that covers the Visegrad states and reaches toward Germany,³³ as well as the deployment of new front-line combat divisions assisted by the Russian military modernization process that has been in progress since 2010.

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The risk for Russia is that its increasingly assertive posture towards the West will drive it firmly into the Chinese orbit, an outcome that Kremlin decision-makers have been eager to avoid. For its part, Beijing sees no real problem with Moscow adopting the role of chief antagonist, since this makes Russia take on the increasing burden of security management towards its Western flank, and distracts NATO and its allies from

Beijing’s move into the maritime space in the South China Sea, the Pacific, and the Indian Ocean. The main problem for Beijing concerns the negative optics of being associated with a bellicose Russian regime. Current indications are that China has

31 Lewis, J. (2018) ‘Putin’s nuclear-powered cruise missile is bigger than Trump’s’, *Foreign Policy*, March 1, <http://foreignpolicy.com/2018/03/01/putins-nuclear-powered-cruise-missile-is-bigger-than-trumps/>

32 Tertrais, B. (2018) ‘Russia’s nuclear policy: worrying for the wrong reasons’, *Survival*, 60 (2), pp. 37-38.

33 Jones, B. (2018) ‘Russian Duma confirms Islander-M Kaliningrad deployment’, *Janes Defense Weekly*, February 8, <http://www.janes.com/article/77745/russian-duma-confirms-iskander-m-kaliningrad-deployment>

decided to wear these costs, as reflected in the very public show of Chinese solidarity with Russia by Wang Yi in April 2018.³⁴ Yi's expression of a deepened strategic partnership, and hostility towards a unipolar order, was in sharp contrast to China's prior irritation at the Russian decision to occupy Crimea in 2013, and its ongoing support for Russian separatists in the Donbas region of Ukraine from 2014 onwards. Beijing had privately reacted angrily to Moscow's moves, believing them to undermine the emphasis both nations had placed on the importance of sovereignty and non-interference in international law.

Viewed in this context, the Chinese pivot on its public support for Russia is a significant development underscoring the strength of the relationship. But, as noted above, there are few costs from heightened Russia-West animosity for China. The main risks here will be borne by Moscow. The likelihood of a hard US reset on Russia is increasing, and any challenger to Trump in 2020 – either Republican or Democrat – will have a strong incentive to run on a “get tough on Russia” foreign policy ticket, either to distance themselves from association with Russian meddling in US elections, or from a desire for revenge. If this eventuates, the Kremlin will find itself further starved of access to Western capital and more reliant on Chinese investment. It will also deepen its reliance on BRI as its main trade corridor to Asia as well as Europe, enmeshing it firmly within a China-centric trading order, and with little prospect of seeking out a viable alternative.

However, while Moscow and Beijing have spoken of the complementarity between BRI and the EAEU, there has been little evidence of this in practice. As Nargis Kassenova has recently noted, “the shallow progress in linking the EAEU and BRI indicates that its function is mostly rhetorical, signaling the intention of Russia and China to accommodate each other’s ambitions in Central Asia.”³⁵

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34 ‘Wang Yi holds talks with Foreign Minister Sergei Lavrov of Russia’, press release, Embassy of the PRC in Finland, April 5, 2018. <http://www.chinaembassy-fi.org/eng/zxxx/t1548987.htm>

35 Kassenova, N. (2018) ‘More Politics than Substance: Three Years of Russian and Chinese Economic Cooperation in Central Asia’, Foreign Policy Research Institute Blog, 24 October, <https://www.fpri.org/article/2018/10/more-politics-than-substance-thee-years-of-russian-and-chinese-economic-cooperation-in-central-asia/>

Russian Disengagement from BRI

If increased Russia-West tensions magnify the entrapment risks for Moscow, what of the alternative: a decision by the Kremlin to seek alternatives to BRI? By this, we do not mean a Russian pivot back towards Europe and the West, mainly since the political and diplomatic climate is so poisonous as to make this impossible in the short- to medium-term. Instead, we are referring to the various mechanisms Russia has investigated to create its own energy and trade corridors independently of China. And, while Beijing has been tolerant of such efforts, publicly stating that the Eurasian Union and BRI are complementary parallel tracks for trade regionalism, it would be concerning to China should Russia be even partially successful in creating trade route independence from Beijing.³⁶ Here, three of these Russian attempts are worthy of particular note: Russia's keenness to develop a rail network through the Korean peninsula; its desire to develop a pipeline network to India; and ongoing development of an Arctic trade route.

The idea of a Russia–Korea rail corridor, commencing on Russian territory and transiting via the narrow border to the Democratic People's Republic of Korea (DPRK) before terminating at the South Korean port of Pusan, has been proposed several times. Most recently it was linked to a decision in 2013 by then South Korean President Park Geun-Hye to accelerate the pace of Eurasian cooperation, resulting in the signing of 17 cooperation agreements between Russia and South Korea at the St Petersburg G20 meeting.³⁷ They incorporated visa exemptions, technology transfers, shipbuilding contracts, and South Korean cooperation in the Russia–North Korea rail and port project linking Khasan and Rajin, with the aim of potentially opening a transport corridor from East Asia to Europe.³⁸ This would give Russia the potential to pipe gas from the “power of Siberia” network into Asia. An upgrade of Pusan’s cargo handling capacity would also permit LNG to be shipped to the region from the main Russian gas development projects on Sakhalin Island. Yet Russia’s position here is tenuous. Even ignoring tensions on the Korean peninsula, Russia continually risks being squeezed out

³⁶ Wilson, J. (2016) ‘The Eurasian Economic Union and China’s Silk Road: Implications for Russian-Chinese Relations’, European Politics and Society, 17 (1), pp. 120-122.

³⁷ Sussex, M. (2016) ‘Russia’s Asian Rebalance’, Lowy Institute Analysis, Sydney: Lowy Institute for International Policy, p. 13, <https://www.lowyinstitute.org/publications/russia-s-asian-rebalance>

³⁸ *Ibid.*

between Chinese and US lobbying of Seoul for infrastructure development projects. In addition, many of the development efforts on Sakhalin – launched in order to diversify away from pipelines as part of Putin’s own “pivot to Asia” launched in 2013 – have stalled due to lack of Russian access to capital, and pipeline infrastructure development is heavily reliant on Chinese investment, which provides Beijing with significant leverage on priority areas for the Russian energy sector.

A further attempt by Russia to circumvent BRI can be found in its negotiations with India to deepen cooperation in energy and arms sales. Moscow has frequently invited India to become a full member of the SCO, in an echo of the Russia–India–China “strategic triangle” proposal launched (with little success) by former Russian Foreign Minister Yevgeny Primakov during the late 1990s. Russia and India have strong military ties dating back to the Cold War era. Around 70 per cent of Indian military hardware is Russian, and Russia and India have been participating in the Indra biannual military exercises since 2003.³⁹ In addition to exercises there have been joint construction projects, such as the (albeit slow and fraught) development of the Sukhoi/HAL Fifth Generation Fighter Aircraft, and a Russian-led initiative to construct about 20 nuclear reactors in India at a cost of US\$43 billion.⁴⁰ Perhaps the most noteworthy of Russia’s efforts here have been proposals for the construction of an oil pipeline and a gas pipeline, which have been mooted since around 2014. However, the routing of the pipeline has run up against Indian strategic concerns, given that Pakistan or Afghanistan (as well as China itself) would be the main transit zones for Russian energy.⁴¹ The proposals have also been outpaced by BRI and activist Chinese trade diplomacy, which by 2018 had effectively captured Pakistan within its network of Beijing’s chief economic partners.

The final component of Russian efforts to outflank BRI concerns the development of an Arctic trade route. These have been ongoing for at least a decade, and a variety of attempts to engage Russia in multilateral fora to constrain it – such as by the Nordic Council, for

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39 Ibid., p. 5.

40 Russia Today. (2014) ‘Going nuclear: Russia and India agree to build 12 power reactors by 2035’, 11 December, <http://www.rt.com/business/213411-going-nuclear-russia-india/>

41 Trickett, N. (2017) ‘Can Russia piggyback on China’s “String of Pearls”?’⁴², The Diplomat, 9 November, <https://thediplomat.com/2017/11/can-russia-piggyback-on-chinas-string-of-pears/>

instance – have thus far led to failure. In August 2017, a Russian tanker sailed through the Arctic without an icebreaker for the first time, signifying that the Northern Sea Route (NSR) may well be a viable commercial proposition.⁴² In theory, when the distance between Yokohama and Hamburg by this route is calculated, it is only 7200 nautical miles, or some 37 percent less than the conventional route via the Suez Canal. Considering also that US Geological Survey estimates identify the Arctic region as the likely home for over 70 per cent of the world's undiscovered natural gas,⁴³ it is not surprising that Russia has been attempting to exert not only sovereignty claims over much of the region, but also proceeding with its own development projects without waiting for the political questions to be resolved. Yet, despite a freer hand in development, which is constrained by political factors beyond Moscow's control in the cases of North Korean rail and Indian energy proposals, the costs involved to make the NSR viable remain immense. Infrastructure is either weak or non-existent, with the exception of Russian military bases. The route will require a large icebreaker fleet for the foreseeable future. And the low cost of oil – with prices almost halving since 2013 – means that fuel costs now matter much less than during their height around the time of the Iraq War.

The prospects for a Russian “opt out” of BRI appear on current evidence to be either largely constrained, or unworkable. The situation on the Korean peninsula is trending further towards conflict than accommodation, making Russian proposals for trade

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cooperation involving both the Republic of Korea (ROK) and DPRK seem fantastical. The idea of an energy conduit to India, while consistent with past Kremlin desires for strategic triangles in Eurasia, is reliant on significant Sino-Indian rapprochement that has not transpired. And even in the most promising endeavor of the NSR, Russia

faces external challenges that it has little ability to impact, as well as a massive development cost to bring it to fruition. On this basis, it is reasonable to conclude that Chinese trade preferences will continue to shape the agenda for Russia, leaving it in the unenviable position of entrapment in the BRI.

42 Barkham, P. (2017) ‘Russian tanker sails through Arctic without icebreaker for first time’, Guardian, August 24, 2017. <https://www.theguardian.com/environment/2017/aug/24/russian-tanker-sails-arctic-without-icebreaker-first-time>

43 Hille, K. (2016) ‘Russia’s Arctic Obsession’, Financial Times, October 21, <https://ig.ft.com/russian-arctic/>

Terrorism and/or State Failure or Collapse in Central Asia

A potentially game-changing development for Beijing vis-à-vis BRI and China's diplomacy in Central Asia may stem from either the advent of a major, mass-casualty terrorist attack targeting either Xinjiang or Chinese interests or personnel in Central Asia (including Afghanistan) or a further “colour revolution” or regime collapse in one of the Central Asian capitals. Either of these developments would pose major challenges to Beijing’s approach to the region and BRI by forcing it to choose to abide by its normative constructs of “non-intervention” and the “Shanghai Spirit” or pursue means of more directly protecting its core security and economic interests.

After 9/11 Beijing consistently blamed two externally-based militant groups – the “East Turkistan Islamic Movement” (ETIM) and “Turkistan Islamic Party” (TIP) – for this. ETIM had established a marginal presence in Taliban-controlled Afghanistan but was dealt a major blow when its leader was killed by the Pakistani military in Waziristan in October 2003. TIP emerged as a successor organization in 2005, closely aligned with Al Qaeda. ETIM and TIP both, however, appear to have had limited capacity to mount operations beyond the “Af-Pak” frontier in this period.

Within Xinjiang itself, Beijing has intensified its use of a variety of repressive and surveillance instruments of an emergent “security state” – including a militarized police presence, use of facial recognition scanners, regular scanning of electronic devices and social media for “suspect” content, and detention of thousands of Uyghurs in re-education camps.⁴⁴ Such tactics have reinforced long-standing perceptions of marginalization amongst Uyghurs in Xinjiang and prompted significant numbers of Uyghurs to migrate abroad, often via insecure and illicit channels. This has created not only a flows of unregulated migration with adverse consequences for the migrants themselves, but also security challenges for both China and transit countries as migrants become targets of people smugglers and/or jihadi recruitment efforts.⁴⁵

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44 Chin, J. and Bürger, C. (2017) ‘12 Days in Xinjiang: How China’s Surveillance State Overwhelms Daily Life’, The Wall Street Journal, 17 December, <https://www.wsj.com/articles/twelve-days-in-xinjiang-how-chinas-surveillance-state-overwhelms-daily-life-1513700355>.

45 Clarke, M. (2017) ‘Xinjiang and the Transnationalization of Uyghur Terrorism: Cracks in the New Silk Road?’, The ASAN Forum, 10 February, <http://www.theasanforum.org/xinjiang-and-the-trans-nationalization-of-uyghur-terrorism-cracks-in-the-new-silk-road/>

Despite these efforts, the threat posed by Uyghur terrorism has arguably increased. It is clear that TIP now has a significant presence in Syria where it fights alongside al Qaeda's affiliates Jabhat al Nusra and Jabhat Fateh al-Sham.⁴⁶ The group has also enhanced its capabilities to mount operations beyond this geographic base, and was implicated in the suicide attack on the Chinese embassy in Bishkek, Kyrgyzstan, on August 30, 2016 and the 2016 New Year's Eve Istanbul nightclub attack.⁴⁷

There is thus a self-fulfilling prophecy between Beijing's instrumentalization of the threat of terrorism within its domestic governance of Xinjiang and its foreign policy. It is possible that the pervasiveness of the "security state" in Xinjiang and the dynamics of the Syrian crisis have converged to provide the

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This should give pause to Beijing on a number of fronts. The instruments of the "security state" have arguably reinforced long-standing perceptions of marginalization amongst Uyghurs in Xinjiang, increasing the potential for the radicalization that Beijing has long feared. Meanwhile, BRI's focus on enhancing trans-Eurasian connectivity promises to make China's foreign policy interests truly global in scope. It will do so by enmeshing it in regions and security dilemmas – such as those in the

Middle East and South Asia – in which it has historically had both a limited role and a limited capability to influence events.

Regime change or another "colour revolution" in Central Asia would also challenge China's approach. Beijing's response to the overthrow of the Akayev government in Kyrgyzstan and Andijan Incident in Uzbekistan in 2005 was instructive of its status quo-oriented preferences vis-à-vis the forms of government throughout the region. This position has remained firm throughout more recent crises. China, we have also noted,

⁴⁶ Clarke, M. (2016) 'Uyghur Militants in Syria: The Turkish Connection', *Terrorism Monitor*, 14 (3) (4 February), <https://jamestown.org/program/uyghur-militants-in-syria-the-turkish-connection/#.VrRpdlRkUk>

⁴⁷ Clarke, M. (2016) 'China's Terrorism Problem Goes Global', *The Diplomat*, 7 September, <https://thediplomat.com/2016/09/chinas-terrorist-problem-goes-global/>

⁴⁸ Clarke (2017) 'Xinjiang and the Transnationalization of Uyghur Terrorism'.

refused to provide either its or the SCO's imprimatur to Russia's military interventions in Georgia in 2008 or Ukraine and the Crimea in 2013/14. Yet neither of these incidents of regime change or Russian intervention has impinged directly on either China's economic or strategic interests in Central Asia or its Xinjiang-focused security concerns.

A potential scenario that could alter this would be system transition and/or failure in Kazakhstan. Much of the stability engendered in Kazakhstan has been largely down to Nazarbayev's leadership. But in 2018 he celebrated his 78th birthday, and his continued leadership cannot be relied upon in the long-term. Whereas both Putin and Xi doubtless prefer stability over change in Kazakhstan, how they propose to achieve this is a reminder of their divergent preferences. Russia has long embarked an interest in protection of ethnic Russians in the north of the country to secure its interests in ensuring that Kazakhstan remains closely tied to the Eurasian Union in economic terms and to the CSTO in security affairs. For China, on the other hand, the goal has been to ensure that economic growth – underwritten in the energy and infrastructure sectors by Beijing – will give China not only significant leverage over Kazakhstan, but also act as a stabilizing factor on its society.

Conclusion

While China and Russia both confront potential challenges to their own discrete interests in Central Asia in the short- to medium-term, it appears that Russia faces the most pressing choices in the context of Sino-Russian relations. Despite official claims of complementarity, Chinese and Russian interests across the security/strategic, economic, and normative domains are pregnant with latent tensions. The most pressing of these concerns each party's competing integration efforts, the EEU, and BRI. Moscow's effort in this regard is of minimal attractiveness to many of the post-Soviet states, based as it is on clear and familiar geopolitical gambit to ensure Russian pre-eminence in its "near abroad."

In this regard, Moscow has already "more or less accepted the defection of the Baltic states" to the Western orbit, but is

challenged by BRI elsewhere along its Eurasian periphery.⁴⁹ BRI, in contrast to Russia’s “protective integration,” offers a trans-Eurasian or even trans-continental vision of economic and infrastructure connectivity, without an overt geopolitical agenda. Arguably, thus far, Russia has accommodated itself to China’s BRI agenda. Yet, the question remains as to whether this is sustainable for Russia in the medium- to long-term, given the trends of its economic decline and conflictual relations with the US and much of Europe. In this context, then, continued accommodation of China in Central Asia risks sliding inevitably into entrapment.

49 Wilson (2016) ‘The Eurasian Economic Union’, p. 123.

A Hub of Hubs Initiative and its successful implementation: The case of Azerbaijan

Mahir Humbatov*

After centuries of neglect, the transport corridors connecting Asia and Europe are on the brink of a rebirth. There are different initiatives to establish overland routes via trucks; to build railways; construct pipelines; improve air connections; develop maritime connections through seaways, such as TRACECA (Transport Corridor Europe Caucasus Asia), CAREC (Central Asia Regional Economic Cooperation), INSTC (International North South Transportation Corridor), and the BRI (Belt and Road Initiative); and so on. Currently, every single country in the world is developing its transportation and logistics potential with the desire to become part of these regional or global initiatives. This article will analyze where Azerbaijan stands on these corridors and what is the current status of soft and hard infrastructure development in this country as regards global transportation corridors. Regional projects initiated by Azerbaijan are already delivering benefits to friendly neighboring countries and transportation projects will also attract revenues to collaborating countries. The Baku–Tbilisi–Kars railway project, newly developed Baku International Sea Trade port, renovated and reconstructed GYD airport, improvement of the Azerbaijan Caspian Shipping Company, new legislation and presidential orders, and other relevant hard and soft infrastructural developments will be assessed in this context. Moreover, Azerbaijan's collaboration in the transportation sector with its neighboring countries and key allies will be one of the main themes of the article.

Key words: Infrastructure, Transportation, Logistics, Trade, Port, Railway, Corridor



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Introduction

Azerbaijan is geographically located on important East–West and North–South transportation corridors, and its territory was historically used by Silk Road caravans. Therefore, revival of Silk Road-related initiatives cannot exclude Azerbaijan, but will attempt to use the country’s transit potential and natural resources as drivers of development on the route from Asia to Europe and back.

It is obvious that Azerbaijan is also keen to transform these opportunities into real benefits, sharing them with its neighbors. The country’s government understands that, together with several neighboring countries situated to east or west, north or south, Azerbaijan can create new opportunities for global transportation and can benefit from those initiatives. For this purpose, Azerbaijan has invested millions into its own infrastructure, provided funds for the development of infrastructure in allied countries, and offered no-strings loans to other countries.

Therefore, this article will first describe and analyze the hard infrastructure that Azerbaijan has developed. A number of examples will be given of what has been done so far, and what has worked. In addition, future plans will be touched upon briefly. In parallel to that, the article will also discuss financial initiatives made available by Azerbaijan to develop infrastructure in its friendly neighboring countries. However, it is understood that hard infrastructure must always be backed up with soft infrastructure to be able to operate efficiently. For this reason, the second section of the article will discuss and analyze in depth the soft infrastructure created in the country to date for the purpose of the smooth running of the hard infrastructure. Moreover, the country’s future needs for soft infrastructure will also be analyzed.

Hard infrastructure development in Azerbaijan

The Azerbaijani government has made clear that it is one of the states most interested in the development of global transportation and logistics channels and routes. The country’s policy towards these developments is weighted towards cooperation rather than competition, unlike the vision of many other countries around

the world. It considers the revival of the old Silk Road channels as a good opportunity for development of its non-oil sector and supports different initiatives in this regard. Since gaining independence from the Soviet Union, Azerbaijan has invested huge amounts into its infrastructure, developing its rail, road, airport, and pipeline transportation infrastructure to become one of the main branches or hubs of the re-visioned Silk Routes. The government managed to do this mainly with its own funds, generated through the national budget as well as via the State Oil Fund of the Republic, but it has also borrowed from abroad when necessary. The Azerbaijani government does not see the new Silk Roads as a simple route or branch to be used only for transit purposes, but focuses more on their contribution to the development of the non-oil sector of the economy, which has been the main concern of decision makers since the 2014 oil price collapse. The transportation and logistics sector is identified as a priority area in the two main development programs of the country – “Azerbaijan 2020: Vision into the Future” and “Strategic Road Maps on national economy and its main sectors.” For this purpose, Azerbaijani president Ilham Aliyev has issued a number of decrees and given orders such as a directive for the construction of the Baku–Tbilisi–Kars railroad; an order for the relocation of the country’s main sea port to the city of Alat and the creation of Baku International Sea Trade Port, along with a decree for the establishment of a free trade zone in the territory of the port; and directives for the creation of industrial zones and estates as well as IT parks in the regions of the country, among other measures.¹

Currently, Azerbaijan has three major transportation infrastructure projects: the Baku–Tbilisi–Kars railway, which was launched at the end of last year; the Baku International Sea Trade Port, launched this year and currently constructing its third and final phase; and the already completed upgrade of Heydar Aliyev International Airport. However, hard infrastructure development is not limited to these projects and, in addition, existing highways and roads are also in much better condition in comparison with other neighboring countries. As this article mainly focuses on railway and maritime transportation, we will forgo an analysis of air transport in Azerbaijan.

¹ Humbatov, M. (2017) The South Caucasus-Centered Transport Hub: The Crossroads of the East-West and the North-South Corridors, Budapest, Hungary.

Baku–Tbilisi–Kars railway project

The idea of establishing the Baku–Tbilisi–Kars railway line goes back to 1993, after Turkey closed down the railway segment extending from Kars (Turkey) to Gumru (Armenia) because of the Armenian occupation of Azerbaijan’s Nagorno-Karabakh region and surrounding territories. Later, in 2005, the presidents of Turkey, Azerbaijan, and Georgia issued a joint declaration regarding the BTK railway connection and its construction started in 2007.²

The biggest challenge in developing the project was funding. Georgia would never be able to afford the construction of its section of the line by itself. Although the participating countries, mainly Georgia, entered negotiations with the USA, World Bank, Asian Development Bank, the European Union, and the European Bank for Reconstruction and Development, they all declined to finance the project. The EU refused to finance the BTK project as it supported the re-opening of the Kars–Gumru–Tbilisi line. The US congress prohibited the financing of the project by the American Export-Import Bank under pressure from the Armenian lobby. Azerbaijan, in this case, took the burden of financing the project’s Georgian section upon itself. Since the inception of the BTK project, many obstacles to implementing this idea have arisen; however, with strong determination and will, particularly from the Azerbaijani government and its leader, Ilham Aliyev, the project has continued to progress.³

The BTK railroad will provide individual benefits to the three host countries. For Azerbaijan this railway route will provide an alternative for transporting locally-produced goods to Europe in addition to the current connections through Iran and Russia. In addition, it will give the country an opportunity to develop as a regional transportation hub. Moreover, by excluding Armenia from its coverage, the BTK railroad will pressure that country to end its occupation of Azerbaijani territories. In addition to all this, the BTK railroad will generate revenues for Azerbaijan from transit fares and have an impact on the development of the non-oil sector. For Georgia, the BTK will provide an

2 Das Kundu, N; Yulek, M; Humbatov, M. (2013) Baku-Tbilisi-Kars Railroad: The iron ground for the Silk Road, SAM Review 13, Baku, Azerbaijan.

3 Humbatov, M. and Sari, K. (2017) Turkic Council Countries: Infrastructure, Trade, Logistics and Transportation, SAM Review 18-19, Baku, Azerbaijan.

important railway link to Europe. Presently, the only railway connection that Georgia has to Europe is via Abkhazia through Russia. The problems that Georgia has with these two regions increase the importance of the BTK railroad for Georgia. Moreover, the BTK railroad will enable Georgia to take full control of its Javakhetia region, which is densely populated with ethnic Armenians. Further, as in the case of Azerbaijan, the BTK railroad will provide Georgia with the chance to become a regional transportation hub. What is more, the BTK railroad will also generate revenues for Georgia and will have a positive impact into the Georgian economy. As for Turkey, the BTK railroad will strengthen its position with respect to the Asia–Europe transportation corridors and will connect Turkey to Russia. Moreover, the BTK railroad will increase Turkey’s connections and access to the Central Asian states, particularly those that are Turkic-speaking.

The BTK project is beneficial not only for the three participating countries, but also for all other countries that may join the project, and even Armenia can benefit from the road once it hands back the occupied territories of Azerbaijan. For China, too, it will be beneficial, both politically and economically, to use the BTK railroad to transport its goods to European countries. From an economic perspective, in time terms, it is much shorter than any other route. The maritime route, in general, takes 36 days to reach a European destination; the trans-Siberian route, 20 days; the Chongqing–Xinjiang–Europe route, 16 days – whereas the Belt and Road Initiative, utilizing the BTK route, takes just 12 days. Another economic aspect concerns tariffs, which are currently subject to broad negotiations among the relevant governments, and it is believed that consensus will be reached on a standard and viable tariff regime. From a political perspective, this route passing through Azerbaijan is more secure in comparison with others due to its geographical and security advantages. When it comes to the BTK railroad in particular, all the three main participating countries are interested in the development of the route and stand behind the security of the route in a collaborative manner.⁴

⁴ Das Kundu, N.; Yulek, M.; Humbatov, M. (2013) Baku-Tbilisi-Kars Railroad: The iron ground for the Silk Road, SAM Review 13, Baku, Azerbaijan.

Baku International Sea Trade Port project

The Caspian Sea is the largest inland sea in the world and is surrounded by five states: Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan. Currently, these countries are the main maritime traders in the Caspian region. Since Azerbaijan does not have a land border with any of the Central Asian states, maritime transportation via the Caspian is of key strategic importance. There are eleven major ports in the Caspian Sea, not including the region's smaller ports. Of these, four belong to Iran (Anzali, Amirabad, Neka, and Noshahr), three to Russia (Astrakhan, Makhachkala, and Ola), two to Kazakhstan (Aktau and Kulik) and one each to Azerbaijan (Baku International Sea Trade Port) and Turkmenistan (Turkmenbashy). The leading countries in cargo handling are Kazakhstan, Azerbaijan, and Iran. Aktau is Kazakhstan's major Caspian Sea port. Along with the port of Turkmenbashy, it is also Azerbaijan's gateway to Central Asian and East Asian markets as the port for the TRACECA route. This is why the development of these two ports has important strategic implications for Azerbaijan's future transport links with Central and East Asia, particularly with China.⁵

There are currently several concepts for the development of various ports in Azerbaijan. However, the construction stage of one will be finalized in the near future. This port was created based on the operations of the old port of Baku being moved to a city situated 60 km away from the capital. The port city, Alat, is situated on the BTK railroad and this makes the new port more attractive in comparison with other, similar proposals. It should be noted that Baku International Sea Trade Port, as it is officially called, was commissioned in 2015 and was launched in 2018. A state-of-the-art ferry terminal is already in operation at the port. There has also been a presidential decree creating a special economic zone in the territory of the port, and this concept is now being explored. The President of Azerbaijan declared that the port's initial capacity should be 10 million tons and 50,000 containers per year. Upon the imminent completion of the third phase of construction, the port's capacity will rise to 25 million tons of cargo and 1 million containers. To exploit the full potential of its relations with other Central Asian countries, Azerbaijan requires a comprehensive

⁵ Klimas, E. and Humbatov, M. (2016) Baku-Tbilisi-Kars Railroad: Future Opportunities and Prospects, Vilnius, Lithuania.

and forward-looking regional strategy. This is being successfully led by President Aliyev, who is developing the country's bilateral ties with Kazakhstan, Turkmenistan, and Uzbekistan. In addition to this trans-Caspian approach, the Azerbaijani government is also developing economic ties with Iran, allowing Chinese and Indian goods to be transported through the territories of Iran and Azerbaijan.

Soft infrastructure development in Azerbaijan

As has become obvious, Azerbaijan is not only developing its railway sector, or just one port, or the main airport in Baku, or only highways, but is considering the development of all routes and channels to become a real "hub of hubs." Moreover, by creating linkages among the mentioned means of transportation and selecting a strategic location for each of them, Azerbaijan is further developing its multimodal transportation structure, which creates opportunities for logistics companies to use different means whenever any goods are transported via Azerbaijan.

Moreover, the Azerbaijani government's assessment of the opportunities available for the country is not limited only to its transit potential, meaning that there is a systemized approach to the BTK railroad and its connection to land, air, and port facilities, as well as logistical and industrial estates being built across the county. It is argued that FDI (Foreign Direct Investment) should play a significant role in the development of these areas. Government alone cannot take on such a huge financial burden alongside its other expenditures, especially during an era of fluctuating oil prices. To attract FDI into the country's non-oil sector a proper legal and regulatory framework should be created, as was done for the oil sector. Just as PSAs (Production Sharing Agreements) are applied in the oil sector, PPPs (Public Private Partnerships) and similar financing opportunities can be applied to non-oil sectors in combination with the development of an appropriate taxation, financial, and legislative regime. In fact, one can already witness signs of these developments, particularly in a presidential decree issued on November 30, 2016, regarding the law on BOT (Build-Operate-Transfer), which allowed for exemption of investors dealing with this type of scheme from paying state duties, as well as in several other decrees regarding

privatization plans. These prove that Azerbaijan is on the right track. But the speed of the reforms should be increased to catch up with all the innovations that could be useful for the country.⁶ However, one can understand the country's caution, as it has seen what reform of the rail sector in Britain has caused; privatization of this sector, or of transportation and logistics in general, cannot be said to have improved the sector, in most cases.⁷

Going back just a few years, all the official data show that the Azerbaijani economy was highly dependent on oil revenues, although this was quite understandable in context. However, the country has shrewdly weaned itself off its oil dependency in recent years. As Ilham Aliyev stated in one of his speeches:

In Azerbaijan, we see sustainable development as planning for our future. There was a development concept called "Azerbaijan 2020: vision into the future," where the country's government set out main targets for sustainable development for the near future. It is necessary to diversify the economy for development, because oil and gas were the main criteria of our success. The money generated from the oil industry is paving the way for the favorable financial conditions that will enable Azerbaijan to increasingly focus on economic diversification.⁸

Another set of documents, in the form of strategic road maps on prospects for the national economy, provides the basis for the next phase of development planning. These were developed under the auspices of President Aliyev following the oil price crunch. It has thus become obvious that Azerbaijan fully intends to improve the conditions for doing business by enacting business-friendly legislation and pursuing pro-business policies. Furthermore, taxation is no longer a burden for the business environment and plays a supportive role for the initiatives studied here. This has proved itself and, in the latest *Doing Business Report*, the country was assessed as having one of the most rapidly reforming economies in the world.⁹ Even though there are still

6 Humbatov, M. and Sari, K. (2017) Turkic Council Countries: Infrastructure, Trade, Logistics and Transportation, SAM Review 18-19, Baku, Azerbaijan.

7 An interview with Tom Haines-Doran. Derailing Neoliberalism. Available at: <https://jacobinmag.com/2016/10/southern-rail-gtr-corbyn-privatization-nationalize-railways>, Accessed: 5 December 2018.

8 "Azerbaijan 2020: Vision into the Future" Development Concept, Available at: https://president.az/files/future_en.pdf, Accessed: 2 December 2018.

9 Doing Business Report, 2019. Available at: http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf, Accessed: 1 December 2018.

some challenges along this road, in general the country is deemed successful in its journey along the path that was highlighted in the development concept presented in *Azerbaijan 2020: Vision into the Future*, which identified four core areas: transportation, agriculture, IT, and tourism.

Azerbaijan within the context of the Belt and Road Initiative

Azerbaijan is part of many intercontinental transportation projects, and TRACECA is one those initiatives. This project, initiated by the EU in the 1990s, was the foundation of regional cooperation, with the clear strategic goal of a reviving the ancient Silk Road and connecting Europe and Asia via Azerbaijan and Central Asia.¹⁰ In 2013 Chinese President Xi Jingping started an initiative called One Belt One Road (OBOR), which later was renamed the Belt and Road Initiative (BRI). The initiative has since then embraced many countries where a considerable number of infrastructure projects have been initiated by China. For the purpose of promoting the initiative, China also set up a multilateral development bank, the Asian Infrastructure Investment Bank (AIIB).¹¹ Some countries opposing China's international transport corridor initiative have shown reluctance to join the AIIB, and China was later accused of attracting some countries into debt traps in order to be able to use their infrastructure for the global initiative's sake. On the other hand, some experts have gone as far as to call BRI "China's Marshall Plan."

Like China, Azerbaijan has invested heavily in its own infrastructure as well that of the neighboring countries involved in the development of the Silk Road project. Azerbaijan's SOCAR (State Oil Company of Azerbaijan Republic) plays an important role in the development of the region and the company has invested vast sums of money in Georgia, Turkey, Ukraine, Greece, and other regional countries. Azerbaijan joined AIIB in 2016 and since then the bank has backed several initiatives in the country.

The Baku–Tbilisi–Kars railroad project is extremely important for China because it will allow the movement of goods and

¹⁰ Habova, A. KSI Transactions on Knowledge Society (March, 2015). Silk Road economic belt: China's Marshall plan, pivot to Eurasia or China's way of foreign policy, Available at: <http://www.tksi.org/JOURNAL-KSI/PAPER-PDF-2015/2015-1-10.pdf>, Accessed on 5 October 2018.

¹¹ Klimas, E. and Humbatov, M. (2016) Baku-Tbilisi-Kars Railroad: Future Opportunities and Prospects, Vilnius, Lithuania.

passengers in both directions – from China to Europe and from Europe to China – in a much shorter period, as well as significantly cutting transportation costs. Azerbaijan behaves like an engine for Central Asian states, encouraging them to invest into their transportation infrastructure and coordinating matters with neighboring countries. New Baku International Sea Trade Port is considered a good example of port development for Central Asian states that have maritime access. When Azerbaijan started to build this new port at Alat, other Central Asian countries similarly began planning to regenerate their ports. Today, Azerbaijan's president acts as the main driving force behind the International Trans-Caspian Transportation Route (TITR) and even its extension to Uzbekistan, Kyrgyzstan, Afghanistan, and Pakistan. This route can also be linked via Pakistan's Gwadar port to the China–Pakistan Economic Corridor (CPEC). Azerbaijan also backs and promotes the Lapis Lazuli Corridor, which is considered a lifeline to save Afghanistan from its current problems.

Azerbaijan within the context of the International North–South Transportation Corridor

Under certain circumstances the modern-day International North–South Transportation Corridor (INSTC), a multimodal transportation route that was established in 2000, will link the Indian Ocean and the Persian Gulf to the Caspian Sea via Iran, and onward to Northern Europe via Saint Petersburg in Russia. The INSTC envisages movement of goods from Mumbai (India) to Bandar Abbas (Iran) by sea, from Bandar Abbas to Bandar Anzali (an Iranian port on the Caspian Sea) by road, and then from Bandar Anzali to Astrakhan (a Caspian port in the Russian Federation) by ship across the Caspian Sea, and thereafter from Astrakhan to other regions of the Russian Federation and further into Europe by Russian railways.¹² As is obvious from the route and the geography, the INSTC is a land- and sea-based 7200 km long network comprising rail, road, and water routes that aims to reduce costs and travel time for freight transport in a bid to boost

¹² Russian Railways. North-South International Transport Corridor: Geographical position of the North-South Corridor. Available at: http://eng.rzd.ru/statice/public/en?STRUCTURE_ID=4318, Accessed: 25 November 2018.

trade between Russia, Iran, Central Asia, India, and Europe.¹³

On March 2017, India became the 71st nation to join the United Nations' international customs convention, TIR, a decision that made the implementation of INSTC more legitimate.¹⁴ It could be claimed that India's decision was inspired by China's BRI, as India could see a potential threat in China's Silk Road vision.

Azerbaijan maintains the best infrastructure for passenger and freight transportation in the entire Caucasus region. The Azerbaijani transport sector has produced many large-scale projects in recent years. Highway construction and railway modernization, the new Baku International Sea Trade Port complex, modern international airports, and global transport corridors all aim to make Azerbaijan a regional transport hub and expand the country's global reach. One of the primary undertakings in pivoting Azerbaijan to become *the* transit country between Europe and Asia is the INSTC. This will link the railroads of Azerbaijan and Iran, providing a less expensive transport association between India, Iran, Azerbaijan, Russia, Turkmenistan, and Kazakhstan. According to its location on the corridor and role as a transit country, Azerbaijan stands to gain substantially from the INSTC project. When all the necessary infrastructure is in place, the INSTC will be the shortest way to connect Indian ports and markets with Russian and North European markets via Iran and Azerbaijan. Azerbaijan has proposed a similar initiative to the one it implemented with Georgia in the BTK construction project, offering the Iranian government US\$500,000 million to construct the missing rail link between two cities in Iran that will link Iranian railways with Azerbaijani railways.¹⁵ In doing this, Baku hopes to accelerate the implementation of the North-South project and accelerate the work process.

Conclusion

The issues discussed above show that the country's government is keen to transform Azerbaijan into a transportation hub

¹³ The Economic Times (Delhi) (April, 2017). INSTC inching closer to the reality. Available at: <http://epaperbeta.timesofindia.com/Article.aspx?eid=31816&articlexml=INSTC-Trade-Route-Inching-Closer-to-Reality-11042017019041>, Accessed: 22 September 2018.

¹⁴ General Knowledge today (June, 2017). India ratifies UN TIR in a bid to Counter China's OBOR. Available at: <http://currentaffairs.gktoday.in/tags/world-trade-organization-wto> Accessed: 10 November 2018.

¹⁵ Valiyev, J. and Mahammadi, M. (2017) Iran-Azerbaijan Relations, Baku, Azerbaijan.

and, further, even to become a “hub of hubs,” where all transportation corridors could cross through Azerbaijan, creating additional value for the benefit of the country as well as for collaborating countries. To this purpose, the government has invested considerable funds into its hard infrastructure and is currently working on the creation and development of its soft infrastructure. The government understands that its neighboring countries are also working on their infrastructural development; therefore, the government of Azerbaijan is attempting to create a better environment to become a link between transportation hubs in its neighboring countries. For the sake of increasing collaboration, the Government of Azerbaijan headed by Ilham Aliyev is inspiring other neighboring countries also to develop their transportation potential and create logistics linkages with Azerbaijan. Moreover, the president himself travels around the world promoting the infrastructure being created in Azerbaijan as well as in neighboring countries. If one considers China as the promoter of BRI, India as the engine behind INSTC, the EU as the developer for TRACECA, ADB as the manager for CAREC, then Azerbaijan is, in reality, the key driver behind the “Middle Corridor” that includes the regions of Central Asia, the Caucasus, and Eastern Europe.

Moreover, the Azerbaijani government has witnessed what types of shortages oil price decline may create for natural resource-rich countries. Therefore, it views transportation as one of few sectors which can be a replacement for the oil sector as an engine to drive the economy of the country. For the time being the government’s initiatives in infrastructure development in the transportation sector are welcomed by many, but the future will show what impact this will have on the country’s economy.

Iran and the Eurasian Transport Initiatives: Short-term Challenges, Long-term Opportunities

Hamidreza Azizi*

Being at the junction of several major geopolitical regions, i.e., the Middle East, the South Caucasus, Central Asia, and South Asia, along with access to the high seas of the Persian Gulf and Oman Sea, has long created a special geopolitical status for Iran. Accordingly, throughout the course of history Iran has always been at the center of east-west and north-south trade routes. Considering this critical characteristic, reviving Iran's position in the sphere of international transit and transport is now being taken into account by the Iranian leaders as a serious option for guaranteeing the country's economic growth and development. This article tries to study the place of Iran in two important Eurasian transport initiatives, namely the Chinese-led Belt and Road Initiative (BRI) and the International North-South Transport Corridor (INSTC). The article shows that, despite the priority of economic objectives, Iran's approach to this issue encompasses a wide range of economic, diplomatic, and geopolitical goals. The success of these two initiatives with the participation of Iran could also bear significant positive implications for the countries of the South Caucasus.

Key words: Iran, Eurasian Transport, BRI, China, North-South Transport-Corridor



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Introduction

As a country with rich energy resources, Iran has, in its contemporary history, always been dependent on oil and gas revenues for economic growth and development. Although the availability of energy resources is basically considered a blessing for any country, which can provide the necessary financial resources for advancing the macroeconomic projects of a government, excessive dependence on such revenues could pose a negative effect, increasing the strategic vulnerability of the country in the international arena. According to the statistics, over almost the last decade, the share of oil and gas in the total volume of Iranian exports has been about 80%, and the revenues generated by this sector amounted to about 60% of the government's total revenue.¹ However, economists have been persistently warning that mere dependence on energy revenues will not only make the economy vulnerable to price fluctuations in the global oil and gas markets, but also may turn into an Achilles heel known by the rivals, from which point they can target Iran, whenever deemed necessary.

Indeed, over the past several years, the Iranian economy has suffered a lot from both areas. The high oil prices in the global markets in early 2000s that brought a windfall for the oil-producing countries, did not last long. As such, the oil prices, which reached as high as \$100 per barrel for a period,² experienced a sharp fall. At the same time, the increasing confrontation between Iran and the West – especially the United States – over the nuclear issue led to unprecedented and severe sanctions against the Islamic Republic, directly targeting the export of its oil and energy products. This issue exerted a great deal of pressure on the Iranian economy, especially in the four years leading up to the nuclear deal between Iran and the six world powers (2011–2015). As a result, the concept of “non-oil economy” and using other potential of the country to achieve economic growth and development started to gain more prominence among Iranian policy makers.

One of the main aspects requiring attention in this regard has been using the potential provided by Iran's unique geographical

1 Press TV (2010) Iran oil exports top 844mn barrels. Available at: <http://previous.presstv.com/detail.aspx?id=130736§ionid=351020102> (Accessed: 12 November 2018).

2 Macrotrends (2018) Crude Oil Prices - 70 Year Historical Chart. Available at: <https://www.macrotrends.net/1369/crude-oil-price-history-chart> (Accessed: 14 November 2018).

location in order to activate the country in the field of international transit and transport. Being at the junction of several major geopolitical regions, i.e., the Middle East, the South Caucasus, Central Asia, and South Asia, along with access to the high seas of the Persian Gulf and Oman Sea, has long created a special geopolitical status for Iran. Accordingly, throughout the course of history Iran has always been at the center of east–west and north–south trade routes. A clear representation of this, was Iran's pivotal role in the ancient Silk Road, connecting China to the West Asia and then Europe.³ Considering this critical characteristic, reviving Iran's position in the sphere of international transit and transport is now being taken into account by the Iranian leaders as a serious alternative for guaranteeing the country's economic growth and development.

By focusing on this point, this article tries to study the place of Iran in two important Eurasian transport initiatives, namely the Chinese-led Belt and Road Initiative (BRI) and the International North–South Transport Corridor (INSTC), and to analyze Iran's goal of becoming active in the sphere of Eurasian transport. The article claims that, despite the priority of economic objectives, Iran's approach to this issue encompasses a wide range of economic, diplomatic, and geopolitical goals. The article also argues that the success of the aforementioned initiatives with the participation of Iran could bear significant positive implications for the countries of the South Caucasus.

Iran as the nexus of north–south and east–west transport

The first serious sign of Iran's willingness to play a role in the field of Eurasian transport was represented in an agreement between Tehran, Moscow, and Delhi to establish the International North–South Transport Corridor. After a period of intensive talks between economic officials of the three countries, an initial agreement was reached on the construction of the corridor in September 2000 in Saint Petersburg. The basis of agreements between the countries was to create a corridor to connect India through the Persian Gulf and Iranian roadways to the Caspian Sea and, finally, Russia. After the full realization, the corridor would provide India with access to Europe. In addition, India, Iran,

³ Xinhua (2016), First train from China to Iran stimulates Silk Road revival. Available at: http://www.xinhuanet.com/english/2016-02/16/c_135101037.htm (Accessed: 12 November 2018).

and other countries of the region could transport their goods to Europe via this corridor three times faster than through the Suez Canal. Preliminary estimates suggested that the corridor would have an annual capacity of transiting 20 million tons of goods.⁴ Since the time when an initial plan for the initiative was raised, other countries such as Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Belarus, and Oman have also shown willingness to get involved in the initiative.⁵

Although – after about two decades – the corridor is still far from being fully realized, various transit and transport projects that have already been established in the framework or in conjunction with this major initiative clearly show the importance of Iran's position. One of these projects is connecting India via railroad to the Caucasus, Russia, and Central Asia, in which Iran and Azerbaijan play major roles.

After the completion of Qazvin–Rasht–Astara railway, a rail link between the Persian Gulf and Azerbaijan will be established. This will allow the transfer of goods from India to the Persian Gulf and then to Azerbaijan, Russia, and Kazakhstan via existing rail lines.

After the completion of Qazvin–Rasht–Astara railway, a rail link between the Persian Gulf and Azerbaijan will be established. This will allow the transfer of goods from India to the Persian Gulf and then to Azerbaijan, Russia, and Kazakhstan via existing rail lines.⁶ Meanwhile, and in line with its general approach toward INSTC, Iran has expressed interest in joining the Baku–Tbilisi–Kars railroad, which would allow it to access the Black Sea ports. In this vein, the foreign ministers of Turkey, Azerbaijan, Georgia, and Iran signed an agreement on 15 March 2018 to connect the Rasht–Astara railway to the Baku–Tbilisi–Kars railway,

which has been operational since 30 October 2017.⁷ In parallel with this project, the Kazakhstan–Turkmenistan–Iran railway, which was formally inaugurated in December 2014, also plays an important role in INSTC. This 677 Km long railway extends from Kazakhstan to Gorgan in northern Iran. From this point, the railway connects to the Persian Gulf via Iran's nationwide

⁴ Amirahmadian, B. (2003) 'The North-South Corridor and its Importance in Regional Integration', Central Asia and the Caucasus Studies, 12(41), pp. 7-22 [in Persian].

⁵ Mahapatra, A. M. (2012) 'The North-South corridor: Prospects of multilateral trade in Eurasia', Russia beyond the Headlines, Available at: https://www.rbth.com/articles/2012/03/14/the_north-south_corridor_prospects_of_multilateral_trade_in_eurasia_15134 (Accessed: 9 November 2018).

⁶ IRNA (2018) Qazvin-Rasht-Astara railway cuts the time of transiting goods from Iran to Europe to the half. Available at: <http://www.irna.ir/fa/News/82789070> [in Persian] (Accessed: 12 November 2018).

⁷ Hurriyet Daily News (2018) Turkey, Azerbaijan, Georgia, Iran agree to create new trade corridors to connect Asia, Europe. Available at: <http://www.hurriyettailynews.com/turkey-azerbaijan-georgia-iran-agree-to-create-new-trade-corridors-to-connect-asia-europe-128822> (Accessed: 20 November 2018).

rail network.⁸ In April 2011, an agreement was signed between Iran, Oman, Qatar, Turkmenistan, and Uzbekistan in Ashgabat, according to which the construction of a transport and transit corridor from Central Asia to the Persian Gulf was agreed upon. Despite Qatar's later withdrawal from the agreement, the joining of Kazakhstan and Pakistan in 2016 and India in 2018 led the project to be effectively considered a part of INSTC.⁹ In this vein, and given the realization of the Central Asia–Iran railway, Iran's position in INSTC was further enhanced.

But perhaps the project for the development of Chabahar Port on the Iranian coast of the Persian Gulf can be referred to as one of the most important parts of INSTC, as well as the most significant aspect of Iran's role in the initiative. Shortly after reaching an initial deal on INSTC, the idea of cooperation between Iran and India for the development of Chabahar Port was raised by Iran's then-president, Seyyed Mohammad Khatami, during a visit to Delhi in 2003. However, until about 10 years later, i.e., 2012, India did not make any serious move in this regard.¹⁰ Eventually, in 2016, an agreement was reached between the two sides on this issue, which entered the implementation phase from June 2018. Under this agreement, India will spend \$85 million on developing the Chabahar Port. In connection with this development, the Iranian government also drafted a plan for developing Chabahar free trade zone and presented it to Parliament. The focus of this plan is on the development of two Shahid Beheshti and Shahid Kalantari docks, which will play an important role in the realization of Chabahar's trade and industrial potential.¹¹ After development, Chabahar Port will in fact replace Bandar Abbas, which has traditionally been the main center of Iranian maritime trade in the Persian Gulf. While facilitating India's access to Central Asia through Afghanistan,

But perhaps the project for the development of Chabahar Port on the Iranian coast of the Persian Gulf can be referred to as one of the most important parts of INSTC, as well as the most significant aspect of Iran's role in the initiative.

8 Lillis, J. (2014) 'Kazakhstan, Turkmenistan and Iran Launch Railroad to Get Trade on Track', Eurasianet. Available at: <https://eurasianet.org/kazakhstan-turkmenistan-and-iran-launch-railroad-to-get-trade-on-track> (Accessed: 29 October 2018).

9 Chaudhury, D. C. (2018) 'India admitted to Ashgabat Agreement as Delhi pushes Eurasian connectivity agenda', The Economic Times. Available at: <https://economictimes.indiatimes.com/news/politics-and-nation/india-admitted-to-ashgabat-agreement-as-delhi-pushes-eurasian-connectivity-agenda/articleshow/62746478.cms> (Accessed: 8 November 2018).

10 Ramachandran, S. (2014) 'India to Invest in Iran's Chabahar Port', The Central Asia – Caucasus Analyst. Available at: <http://www.cacianalyst.org/publications/analytical-articles/item/13099-india-to-invest-in-irans-chabahar-port.html> (Accessed: 12 November 2018).

11 Shariatinia, M. (2018) 'Iran preps for sanctions by expanding major port project', Al-Monitor. Available at: <https://www.al-monitor.com/pulse/originals/2018/06/iran-chabahar-project-india-afghanistan-industry-trade.html> (Accessed: 8 October 2018).

the development of Chabahar will have an important effect on the overall realization of INSTC.

The ambitious Belt and Road Initiative (BRI), within the framework of which the idea of the Silk Road Economic Belt has been raised, aims at connecting East Asia to Europe via several land and sea routes. The China–South Asia–Iran–Persian Gulf route is one of the main routes proposed in this regard.

Meanwhile, since the time China raised the idea of establishing the Silk Road Economic Belt in 2013, Iran has expressed readiness to play a role in the initiative. This has also been welcomed by the Chinese side. The ambitious Belt and Road Initiative (BRI), within the framework of which the idea of the Silk Road Economic Belt has been raised, aims at connecting East Asia to Europe via several land and sea routes. The China–South Asia–Iran–Persian Gulf route is one of the main routes proposed in this regard.¹² In this vein, during a visit of Chinese President Xi Jinping to Iran in January 2016, the main agenda of the talks between the Iranian and Chinese officials was to enhance bilateral cooperation on the basis of BRI. Part of the 17 documents signed between the two sides was also devoted to this issue. The necessity of Iran's participation in BRI has been repeatedly emphasized by the top Iranian officials, including Supreme Leader Ayatollah Seyyed Ali Khamenei and President Hassan Rouhani.¹³

Within the framework of this initiative, several projects have been so far introduced or launched involving Iran–China cooperation. One of these projects is the construction of a high-speed railroad to connect Tehran to Qom and Isfahan. The Chinese side has agreed to finance and execute 40% of the project. The electrification of the Mashhad–Tehran railway was another agreement between Iran and China in connection with BRI. Customs cooperation to facilitate the transit of goods was among the other agreements reached between Iran and China in this regard. Except for the facilitation of conditions for transit and trade, China's participation in the development of Iran's energy infrastructure has also increased over the past several years. This can be seen as part of Beijing's strategy within the framework of BRI to connect the energy infrastructures of the countries involved in the initiative.¹⁴ Therefore, it could be said that, in recent years, Iran has been actively trying to realize its

12 National Development and Reform Commission of China (2015) Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road. Available at: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html (Accessed: 6 August 2016).

13 Sharatinia, M. & Azizi, H. (2017) 'Iran–China Cooperation in the Silk Road Economic Belt: From Strategic Understanding to Operational Understanding', *China & World Economy*, 25(5), pp. 46–61.

14 *Ibid.*

potential as a nexus of North–South and East–West transport initiatives.

Importance of Eurasian transport initiatives in Iran's grand strategy

In discussing the reasons for Iran's desire to have a role in the Eurasian transport initiatives, three sets of economic, diplomatic and geopolitical objectives can be identified in Tehran's approach. As mentioned earlier, the economic aspect is the most obvious component of Iran's approach. According to the Central Bank of the Islamic Republic of Iran, in 2016, the share of oil revenues in Iran's gross domestic product (GDP) was 61.6%. This is while the industry and mine sector accounted for only 2.2% of GDP.¹⁵ On the other hand, despite the high natural and human potential, Iran's share of the world economy is, at best, estimated at a low level of 0.4% to 0.8%.¹⁶ Official statistics also indicate that, in the period between March 2017 and March 2018, the volume of Iran's non-oil exports – regardless of gas condensate – was about \$30.8 billion. In the same period, the volume of imports to the country was \$54.3 billion. This represents a trade deficit of \$23.5 billion.¹⁷ These figures clearly show the high level of Iran's dependence on oil exports and, consequently, the vulnerability of the country to any price fluctuations in the global energy markets.

The 2015 nuclear deal – officially known as the Joint Comprehensive Plan of Action or the JCPOA – led to the lifting of Iran's energy sanctions, allowing for increased oil production and exports, which meant increased revenues for Iran. However, the coming to power of Donald Trump as the president of the United States once again revealed the limits of Iran's reliance on an oil-based economy. With the U.S. withdrawal from the JCPOA on 8 May 2018, Washington once again put the policy of maximizing economic pressures on Iran on its foreign policy agenda. As the most important part of this policy, the U.S. aims at cutting Iranian oil exports down

The 2015 nuclear deal – officially known as the Joint Comprehensive Plan of Action or the JCPOA – led to the lifting of Iran's energy sanctions, allowing for increased oil production and exports, which meant increased revenues for Iran.

¹⁵ IBENA (2017) The 61.6% share of oil in the GDP. Available at: <http://www.ibena.ir/news/71268> [in Persian] (Accessed: 12 November 2018).

¹⁶ Dezhpasand, F. (2017) 'How much is Iran's share in the global economy?', Eghtesad Online. Available at: <https://www.eghtesadonline.com/n/1DPN> [in Persian] (Accessed: 14 November 2018).

¹⁷ *Ibid.*

to zero. In fact, even before the re-imposition of U.S. sanctions against Iran's energy sector on 5 November 2018, most of the costumers of the Iranian oil had either reduced or totally ceased their purchases. This, in turn, has intensified pressures on the Iranian economy.¹⁸

As a result, it could be said that at least since the start of Trump's presidency and the toughening of the American approach toward the Islamic Republic, Iran has intensified its attempts to find alternative paths to economic growth and development. Needless to say, the role as a nexus of North–South and East–West transport could provide Iran with a sustainable and easy source of income. It is estimated that the realization of INSTC will bring an annual revenue of \$1 to \$2 billion for Iran.¹⁹ Meanwhile, China's increased economic engagement in Iran through BRI would mean Beijing's investment in projects that Western investors are reluctant to participate in, out of the fear of being targeted by U.S. sanctions. At the same time, being at the center of transit could help the sanctions-hit economy of Iran by transit revenues.

From the diplomatic point of view, the revival of Iran's position in the field of Eurasian transport could lead to the development of Iran's relations with other countries, especially its neighbors, through creating new areas for international cooperation.

From the diplomatic point of view, the revival of Iran's position in the field of Eurasian transport could lead to the development of Iran's relations with other countries, especially its neighbors, through creating new areas for international cooperation. This aspect of the story has been especially the case since the beginning of Rouhani's presidency, within the framework of his balanced foreign policy strategy. According to this strategy, while attempting to normalize relations with the West – with signing the JCPOA as its main representation – the Iranian administration has, simultaneously, been trying to expand ties with its neighbors, as well as with the *Eastern Powers*, especially Russia, China, and India. A look at the official reports and statistics suggests that, in this period, cooperation within the framework of international transport and trade projects has made an important contribution to Iran's relations with these countries. Apart from the above-mentioned case of Iran–China relations, the tripartite format of Iran–Azerbaijan–Russia can be

18 Blas, J. (2018) 'In Big Win for Trump, U.S. Sanctions Cripple Iranian Oil Exports', Bloomberg. Available at: <https://www.bloomberg.com/news/articles/2018-09-18/in-big-win-for-trump-u-s-sanctions-cripple-iranian-oil-exports> (Accessed: 28 October 2018).

19 Khabar Online (2017) Constant \$2 billion revenue with the launch of the North-South corridor. Available at: <https://www.khabaronline.ir/news/723710> [in Persian] (Accessed: 10 November 2018).

mentioned as one of the most important manifestations of this tendency. The main part of the agenda of this format has been trilateral cooperation to promote the INSTC. However, the three sides' constant interactions have led their agenda to expand into a wider range of issues, from economic cooperation to security coordination.²⁰

Finally, the third aspect of Iran's approach toward Eurasian transport initiatives is the geopolitical and security aspect. This aspect has especially been of significance in Iran's strategic calculations since the start of Trump's presidency and the intensification of confrontation between Iran and the U.S. From this perspective, the development of economic, commercial, and transportation ties with the *Eurasian Powers* can provide Iran with important political backing to resist American pressure. In other words, each of the two mega-projects discussed in this paper is tied to one or several Eurasian powers, relations with which are of prime importance for Iran. In this vein, at the same time as the INSTC provides Iran with the opportunity to develop relations with Russia and India, the BRI would further facilitate Iran's engagement with China. According to this logic, the more the economic and commercial interests of the great powers are tied with Iran, the greater will be the possibility of their support for the Islamic Republic against U.S. pressure. On the other hand, and based on the logic of *spillover*, by promoting the development of economic and trade relations with these powers, Iran seeks to provide a basis for a broader political and security cooperation in the future. In fact, Iran has already kicked off pursuing this aspect of its foreign policy approach. Holding a high-level "Regional Security Dialogue" meeting with the participation of senior security officials from China, Russia, and India could be interpreted as the first major representation of this approach.²¹ In other words, it would be safe to argue that, having been under constant and increasing pressure from the U.S. and its regional allies, Iran has defined a strategy of "security through convergence" to better deal with the challenges.

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20 RFE-RL (2016) Presidents of Azerbaijan, Iran, and Russia Meet In Baku. Available at: <https://www.rferl.org/a/azerbaijan-iran-russia-presidents-meet-baku/27909041.html> (Accessed: 12 November 2018).

21 Azizi, H. (2018) 'Iran's launch of 'Look East' 2.0', Al-Monitor. Available at: <https://www.al-monitor.com/pulse/originals/2018/10/iran-region-regional-security-dialogue-multilateralism.html> (Accessed: 11 October 2018).

Meanwhile, Saudi Arabia has intensified its efforts to influence the Muslim countries of Central Asia. This is also considered a worrying development in Iran.

On the other hand, and in conjunction with the latter, developing economic, trade and transport ties with its neighbors could provide Iran with the ability to neutralize or at least contain the negative influence of rivals in the neighboring regions. Since the collapse of the Soviet Union, Israel's deepening relations with Central Asia and the Caucasus has turned into one of the most important concerns of the Islamic Republic. In the eyes of Iranian officials, this is part of Tel Aviv's strategy of *geopolitical containment* of Iran.²² Meanwhile, Saudi Arabia has intensified its ties with the Muslim countries of Central Asia. This is also considered a worrying development in Iran.²³ In both cases, the development of trade and economic ties with the countries of the region, as well as huge investments in these countries, creates an economic influential interaction between Iran and those countries. In turn, by trying to create economic interdependency with those regions, Iran is trying to protect its broader interests in the region.

Challenges and opportunities

Despite the favorable background, Iran's move to become a connecting link for Eurasian transport initiatives has been faced with considerable challenges. The main challenge in this regard comes exactly from the point that Iran wants to contain, namely, the role and influence of the U.S. Experience tells us that, given the considerable political and economic influence of the United States in Iran's neighboring countries, as well as its dominant role in global financial structures, in cases of Washington's increased pressure on Tehran, Iran's options for dealing with its neighbors are limited. As such, in the current situation that by re-imposing the previous, nuclear-related sanctions, as well as imposing new ones, the U.S. is trying to isolate Iran in the sphere of global economy, the development of transport projects in Iran with the participation of foreign parties will face problems. U.S. National Security Adviser John Bolton's visit to the three South Caucasus countries in October 2018, on the brink of a new round of U.S. sanctions against Iran, was a good example in this regard.

22 Suchkov, M. (2015) 'Sources of Israel's Policy in the Caucasus', Carnegie Moscow Center. Available at: <https://carnegie.ru/commentary/58972> (Accessed: 12 November 2018).

23 Azizi, H. (2017) 'Saudi Arabia woos Persian-speaking Sunnis in Central Asia', Al-Monitor. Available at: <https://www.al-monitor.com/pulse/originals/2017/08/iran-tajikistan-saudi-arabia-influence-tension-central-asia.html> (Accessed: 9 November 2018).

The trip, which was said to be aimed at “advancing American interests in a range of security issues,” was directly linked to Washington’s efforts to persuade the countries of the region to not cooperate with Iran.²⁴

At the same time, the Eurasian powers partnering with Iran within the framework of the Eurasian transport initiatives currently lack the necessary means to completely salvage Iran from the pressure of the U.S. sanctions. Russia, Iran’s most important partner in the military and security field, effectively lacks the possibility to invest in Iran’s infrastructure. That is mostly because, since 2014 and following the Ukraine Crisis, Moscow itself has been a target of Western sanctions. India is in fact the main U.S. ally in South Asia, and despite the political will to maintain relations with Iran, does not have the desire or the possibility of fully opposing American policy. As a result, Iran can only count on China in attracting necessary investment for developing the country’s infrastructure. However, firstly, this alone is not enough to meet Iran’s all investment needs, and secondly, as BRI and INSTC are considered rivals in some important aspects,²⁵ China’s increased involvement in Iran would naturally tie Tehran’s hands in trying to play a balanced and similar role in both initiatives.

Nonetheless, the current international situation creates some opportunities for Iran, which will make Tehran hopeful about its future role in the two initiatives. The most important opportunity in this area comes from the extremely unilateralist foreign policy of Donald Trump in the context of his “America First” slogan. This policy, along with Trump’s unprecedented disregard for international treaties – from the Paris environmental treaty to the Iranian nuclear deal – has caused even the European allies of the United States to start criticizing Washington and seek to find independent paths in diplomatic, economic, and even military affairs.²⁶ In this vein, given the fact that the ultimate

At the same time, the Eurasian powers partnering with Iran within the framework of the Eurasian transport initiatives currently lack the necessary means to completely salvage Iran from the pressure of the U.S. sanctions.

24 RFE-RL (2018), Bolton to Travel to Russia, Azerbaijan, Armenia, Georgia. Available at: <https://www.rferl.org/a/bolton-to-travel-to-russia-azerbaijan-armenia-georgia/29540724.html> (Accessed: 13 November 2018).

25 Valiyev, A. (2017) ‘North-South Transportation Corridor: Can It Become Alternative to OBOR?’, Caspian Policy Center (CPC). Available at: <http://www.caspianpolicy.org/news/north-south-transportation-corridor-can-it-become-alternative-to-obor/> (Accessed: 21 October 2018).

26 Stratfor (2018) In Europe, a Growing Push to Escape the Shadow of the U.S. Available at: <https://worldview.stratfor.com/article/europe-escape-us-shadow-merkel-trump-maastricht-handelsblatt> (Accessed: 19 October 2018).

destination of both BRI and INSTC is the European markets, there is a hope that if a real political determination is formed among the European countries, and they start to move toward the implementation of their independent plans, international diplomatic and financial support for the two initiatives would be increased and Iran would find new resources to advance its plans in this field.

...the rivalry between China and India, ongoing beneath the two transport initiatives, as well as the American effort to curb China's international influence, has provided Iran with some new windows of opportunity.

At the same time, it seems that the rivalry between China and India, ongoing beneath the two transport initiatives, as well as the American effort to curb China's international influence, has provided Iran with some new windows of opportunity. In this vein, after the start of the new round of U.S. sanctions against Iran on 5 November, it was announced that the project for the development of Chabahar Port was exempted from the sanctions and India could continue to cooperate with Iran in this area.²⁷

Although the official reason advanced for this move was that Chabahar would help promote Afghanistan's economic development, there is little doubt that trying to prevent China from fully exploiting the opportunity provided by the sanctions against Iran contributed to Washington's decision.

Conclusion

Iran's attempts to play a central role in the sphere of Eurasian transport date back to some two decades ago. However, several factors, from the lack of a political willingness on the Iranian side or among its potential partners to the constant American pressures, have caused the full realization of this plan to be postponed. Since the time the JCPOA was signed in 2015, Iran's efforts to achieve this goal have increased. As such, it seems that the United States' withdrawal from the nuclear deal has not only failed to deter Tehran from pursuing this goal, but in fact, with the aim of defusing the U.S. pressure, Iran has actually doubled down on its efforts in this regard. Generally speaking, at least in the short term, the overall challenges will cast a shadow of doubt over the realization of projects related to Iran's role in BRI and INSTC. In the long run, however, the ongoing international trends, especially the growing desire of the Eurasian powers

²⁷ Putz, C. (2018) 'Iran's Chabahar Port Scores an India- and Afghanistan-Inspired Sanctions Exemption', The Diplomat. Available at: <https://thediplomat.com/2018/11/irans-chabahar-port-scores-an-india-and-afghanistan-inspired-sanctions-exemption/> (Accessed: 21 November 2018 2018).

to play an independent role on the global scene, could create a glimpse of hope for Tehran.

As for the implications of the two initiatives for the South Caucasus, at the first glance it could be said that the establishment of a connection between the region and the Persian Gulf and Asia via Iran would not only create new economic opportunities for the development of the region, but also lead to the development of political and security cooperation between Iran and the South Caucasus in the long run. This, in turn, could contribute to ensuring peace and security in the region. Meanwhile, the simultaneous presence of such great powers as Russia, India, and China behind the two initiatives could increase the political options of the South Caucasus countries, giving them space for maneuvering among the great powers, which would lead to an increase in their geopolitical weight. In the current transitional state of the international system, marked by the increasing role of non-Western powers, this point would be of an even greater value. As such, the South Caucasus countries can make a compromise between their favorable relations with the West and an enhanced cooperation with the East, thereby providing better conditions for maximizing their interests.

Central Asia-China Pipeline Politics: Turkmenistan at a Crossroad

Hao Tian*

The announcement of China's Belt and Road Initiative (BRI) in 2013 revealed China's ambitious plan in Central Asia. As demonstrated by the construction of the Central Asia-China Gas Pipeline, China has been skillful in maneuvering various strategies and toolkits to address the country's energy problem. By using loans and other investment mechanisms to access Turkmenistan's gas fields, Beijing creates the conditions for reaching bilateral agreements and forming joint ventures to hold individual countries accountable for supplying and transiting energy to China. With the creation of a hub-and-spoke system for regional development, China's diplomacy is bilateral in means but multilateral in ends. However, the prospect for Turkmenistan is less optimistic following the suspension of Line D of the Central Asia-China Gas Pipeline. Therefore, this paper argues that despite the initial attempt to diversify energy export, Turkmenistan's current loan repayment arrangement and heavy export dependence on China have locked up the country. In the foreseeable future, Turkmenistan has no other viable options to address its current dilemma.

Key words: Central Asia, Turkmenistan, China, Natural Gas, Pipeline



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Introduction

Asia's booming energy demand has transformed the landscape of global energy markets and geopolitics. As regional powers such as China and Russia compete over control of energy infrastructure and transportation links, there has been increasing attention on international oil and gas pipelines. In 2013, the announcement of China's Belt and Road Initiative (BRI) under President Xi Jinping revealed China's long-term vision and ambitious investment scheme to play an increasing role in Central Asia and Eurasia. However, China's decisive entry into Central Asia can be dated to a decade earlier, when the 2000s witnessed an intensified trend of China's investment in the region. Spurred by its growing appetite for resources and its strategic concern for energy security, China looked west to Central Asia for a solution to address the country's energy demand and to expand its regional influence. Notably, the construction of the Central Asia–China Gas Pipeline (also known as the Turkmenistan–China gas pipeline) grants China access to massive energy reserves in Central Asia, while simultaneously posing a challenge to Russia's gas transit monopoly built on the Central Asia–Center gas pipeline system in the Soviet era. For Turkmenistan, a major energy exporter in the region, the Central Asia–China Gas Pipeline layout triggers pipeline politics that has complicated implications for the country's economic and foreign policy prospects.

In March 2017, China and Uzbekistan officially put a halt to the construction of Line D of the Central Asia–China Gas Pipeline network, which was supposed to be the largest single gas pipeline connecting Turkmenistan to any consumer state. As state-owned China National Petroleum Corporation (CNPC) and Uzbekistan's national oil and gas company Uzbekneftegaz indefinitely postponed the pipeline's construction on Uzbekistan's territory,¹ it was not only a huge blow to Turkmenistan in the midst of its worst economic crisis in 25 years, but it also questioned BRI's promised prospect for regional connectivity.² Given the uncertainties created by Line D's suspension, this article will look at the development of the Central Asia–China Gas Pipeline

¹ Pannier, B. (2017) 'The End of the (Gas Pipe-) Line for Turkmenistan', Radio Free Europe/Radio Liberty, 6 March. Available at: <http://www.rferl.org/a/turkmenistan-gas-pipeline-china-berdymukhammedov-iran-russia/28353522.html>.

² Michel, C. (2017) 'The Central Asia-China Gas Pipeline Network: Line D(ead)', The Diplomat, 21 March. Available at: <http://thediplomat.com/2017/03/the-central-asia-china-gas-pipeline-network-line-dead/>.

as a whole, and examine the pipeline politics that involves China, Turkmenistan, and Russia. In what way is the development of transnational gas pipelines important to these countries? What are the other competing interests at stake and how do they play out? More importantly, what are the implications of the suspension of Line D for the region, and Turkmenistan in particular? In essence, this article argues that, despite Ashgabat's initial attempt to diversify energy export, its current loan repayment arrangement with China and heavy export dependence on China have locked up the country. In the foreseeable future, Turkmenistan has no other viable options to address its current dilemma.

Pipeline Politics: How is Gas Different from Oil?

In the twenty-first century, pipelines are becoming increasingly attractive to countries that seek to pursue energy security and to address environmental concerns.³ As a result of increasing global demand for natural gas and the emergence of new post-Soviet resource-rich states, pipelines present the only option for landlocked countries in Eurasia to export their resources, in spite of the ongoing trends in liquefied natural gas (LNG) development in other parts of the world. In addition, depletion of reserves near traditional markets and gas market deregulations also facilitated the rising demand for gas pipelines.⁴ As such, pipelines become more than a simple method of energy transit but an international asset with significant geopolitical implications.

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The nature of natural gas supplies makes gas inherently more political than oil. First and foremost, natural gas markets are distinct from oil markets in that they are primarily regional instead of global. Whereas oil is traded on international markets and is subject to constant supply and demand reconfiguration, the gas market is typically constrained by direct supply linkages at regional level. Pipelines are effectively the only viable means of moving large volumes of natural gas overland, which creates direct and close connections between suppliers and consumers through long-term contracts. Second, the construction of new

3 Shaffer, B. (2009) Energy Politics. Philadelphia, PA: University of Pennsylvania Press, p.49.

4 Stevens, P. (2003) 'Cross-Border Oil and Gas Pipelines: Problems and Prospects', A report for Joint UNDP/World Bank Energy Sector Management Assistance Programme, p.xiii. Available at: <http://siteresources.worldbank.org/INTOGMC/Resources/crossborderoilandgaspipelines.pdf>.

international pipelines requires sufficient political motives and support from participant countries and financing parties. Because international pipelines are capital intensive and they need to operate for at least fifteen to twenty years before investments can be recouped,⁵ it is normally governments rather than profit-driven private companies that sponsor a new natural gas pipeline for economic and strategic purposes. Moreover, geographical barriers to build transport infrastructure and technical challenges in operating a gas pipeline network also limit the size of a gas market.⁶ These difficulties require additional political commitment and consultation from participant countries in order to keep a gas pipeline in operation, and therefore participant countries not only have to commit to positive relations but also are subject to political and economic interdependency between them.

Pipelines are vulnerable to disruption even after they are put into operation, as they require considerable volumes of natural gas “behind the pipe” to supply if they are to be financially viable.

Despite numerous advantages that drive states to pursue direct gas supply via pipelines, transnational gas pipelines are also inherited with various political and financial risks.⁷ Pipelines are vulnerable to disruption even after they are put into operation, as they require considerable volumes of natural gas “behind the pipe” to supply if they are to be financially viable.⁸ The inflexibility in gas supply networks also means that gas outages involve much greater reconnection problems than oil, so security of supply is of primary importance to transnational gas pipelines.⁹

Given the high cost of constructing gas pipelines and the high operational risks, supplier and consumer states have invested interests in each other’s political stability and financial viability, which often creates strategic implications for these countries and in the region. As a result, energy cooperation provides a channel for supplier and consumer states to use pipelines as a vehicle to exert influence over each other’s politics. As China advances with the Central Asia–China Gas Pipeline in the region, it fundamentally challenges Russia’s established interests built

5 Shaffer, Energy Politics, p.38.

6 Stevens, ‘Cross-Border Oil and Gas Pipelines: Problems and Prospects’, p.xiv.

7 Seaman, J. (2010) ‘Energy Security, Transnational Pipelines and China’s Role in Asia’, *Asie. Visions* (27), Institut Français des Relations Internationals, p.16.

8 Ebel, R. E. (2009) ‘The Geopolitics of Russian Energy: Looking Back, Looking Forward’, Center for Strategic and International Studies, July, p.38.

9 Stevens, ‘Cross-Border Oil and Gas Pipelines: Problems and Prospects’, p.6.

on the Central Asia–Center pipeline system that can date back to the Soviet era.

Overview of the Central Asia–China Gas Pipeline

In 2006 and 2007, the Chinese government completed general agreements with the Kazakhstan, Turkmenistan, and Uzbekistan governments respectively on the construction of Central Asia–China Gas Pipeline.¹⁰ As the longest pipeline in the world, running for 1,833 kilometers, the Central Asia–China Gas Pipeline connects Turkmenistan’s eastern fields and transits gas via Uzbekistan and Kazakhstan to the West–East pipeline in China’s Xinjiang. The initial annual capacity was 30 bcm per year, with Line A and B each carrying 15 bcm after they entered operation in December 2009 and October 2010. While Turkmenistan was at the beginning the only supplier of gas through this pipeline network, Line B later added supplies from Uzbekistan and Kazakhstan, and enabled China to get gas from all three Central Asian producers.¹¹ In 2014, a parallel Line C entered operation and added another 25 bcm delivery capacity to the pipeline network (10 bcm each from Turkmenistan and Uzbekistan, and 5 bcm from Kazakhstan).¹² By 2016, the pipeline network included three lines, with a total capacity amount to 55 bcm per year.

However, the fourth line that is currently under construction, Line D, is planned to go through a shorter yet more challenging route that travels through Uzbekistan, Tajikistan, and Kyrgyzstan before reaching China. It aims to boost the Central Asia–China Gas Pipeline’s total capacity by another 30 bcm per year and reach 85 bcm upon completion.¹³ It intends to expand Turkmen gas delivery to China to 65 bcm per year, a level China

As the longest pipeline in the world, running for 1,833 kilometers, the Central Asia–China Gas Pipeline connects Turkmenistan’s eastern fields and transits gas via Uzbekistan and Kazakhstan to the West–East pipeline in China’s Xinjiang.

¹⁰ China National Petroleum Corporation. ‘Flow of Natural Gas from Central Asia’, Available at: <http://www.cnpc.com.cn/en/FlowofnaturalgasfromCentralAsia/FlowofnaturalgasfromCentralAsia2.shtml>.

¹¹ Blank, S. (2010) ‘The Strategic Implications of the Turkmenistan-China Pipeline Project’, The Jamestown Foundation, February. Available at: <https://jamestown.org/program/the-strategic-implications-of-the-turkmenistan-china-pipeline-project/>.

¹² Kohler, A. (2012) ‘TransAsia Gas Pipeline from Turkmenistan to China’, ILF Consulting Engineers, September. Available at: <http://www.iploca.com/platform/content/element/14392/4AndreasKohler.pdf>.

¹³ Information is not available as how the additional 30 bcm is going to be distributed among supplying countries, but it is believed that Turkmenistan is going to take up the entire 30 bcm.

and Turkmenistan agreed in Beijing in May 2014.¹⁴ To be distinguished from the existing three lines, Line D is arguably a regional development and integration project involving Tajikistan and Kyrgyzstan as transit states.¹⁵ However, the construction of Line D has run into significant obstacles in practice. Although the work in Tajikistan's territory had already begun in 2014,¹⁶ Uzbekistan first postponed its own part of the construction scheduled for April–May 2016 to December 2016, citing technical reasons,¹⁷ and CNPC subsequently put another halt to Line D in March 2017 without specifying the reason.¹⁸ Despite the original schedule to enter operation by 2016, the completion of Line D is now officially postponed to 2020, with a further alleged delay to no sooner than the end of 2022.¹⁹

Although the suspension of Line D may seem to question the regional integration promise of the Central Asia–China Gas Pipeline network, the completion and operation of the three existing lines is no doubt a milestone for China's great march into Central Asia's energy resources.

Although the suspension of Line D may seem to question the regional integration promise of the Central Asia–China Gas Pipeline network, the completion and operation of the three existing lines is no doubt a milestone for China's great march into Central Asia's energy resources. This story of success can be captured by China's employment of a particular strategy: *based on China's shared political interests with Central Asian countries, Beijing uses loans and other investment mechanisms to first access gas fields and then employs official bilateral agreements to hold individual countries directly accountable for supplying and transiting energy.*

China's financial power and its role as a leading investor in the region lay the basis for the completion of the Central Asia–China Gas Pipeline. Beijing's quest for energy

¹⁴ Ratner, M., Nelson, G. M., and Lawrence, S. V. (2016) 'China's Natural Gas: Uncertainty for Markets', Congressional Research Service, 2 May, p.12. Available at: <https://fas.org/sgp/crs/row/R44483.pdf>.

¹⁵ Sabonis-Helf, T. (2018) 'Infrastructure and the Political Economies of Central Asia,' in Burghart, D. L. and Sabonis-Helf, T. (eds), *Central Asia in the Era of Sovereignty: The Return of Tamerlane?* Lanham, MD: Lexington Books, p.228.

¹⁶ Michel, 'The Central Asia-China Gas Pipeline Network: Line D(ead)'.

¹⁷ Interfax (2015) 'Uzbekistan Puts off Pipeline to China', 21 December. Available at: <http://interfaxenergy.com/gasdaily/article/18726/uzbekistan-puts-off-pipeline-to-china>.

¹⁸ Azizov, D. (2017) 'Uzbekistan Delays Building 4th Leg of Gas Pipeline to China', *Trend News Agency*, 4 March. Available at: <https://en.trend.az/casia/uzbekistan/2728336.html>; Radio Free Asia (2017) 'Wuzibiektesan Dongjie Zhongguo Tianranqi Guandao Xiangmu (Uzbekistan freezes China's Natural Gas Pipeline Project)', 3 March. Available at: <http://www.rfa.org/mandarin/yataibaodao/jun-shiwei/jiao/lxy-03032017103723.html>.

¹⁹ Lelyveld, M. (2018) 'China Nears Limit on Central Asian Gas', *Radio Free Asia*, 26 June. Available at: https://www.rfa.org/english/commentaries/energy_watch/china-nears-limit-on-central-asian-gas-06252018100827.html.

long precedes the articulation of BRI in 2013.²⁰ As early as July 2007, CNPC signed a 35-year production sharing agreement to develop and extract gas from the Bagtyyarlyk field in eastern Turkmenistan. While foreign countries are rarely granted access to upstream resources in Turkmenistan, China was the only foreign investor to have obtained such rights for Turkmen gas onshore, perhaps in recognition of China's growing energy needs and the commensurate size of its investment.²¹ After the China Development Bank provided a \$4 billion loan to Turkmengaz for the Central Asia–China Gas Pipeline's first phase of development in 2009,²² CNPC subsequently obtained the contract to develop Turkmenistan's Galkynysh (formerly known as South Yolotan) gas field.²³ In particular, China's close relationship with Turkmenistan in energy development carries a patronage role. During the financial crisis, Beijing offered Turkmenistan more than \$8 billion in soft loans for funding the development of Galkynysh gas field.²⁴ While these emergency loans effectively relieved Ashgabat's financial predicament, they also secured promises of gas deliveries for Beijing. As a result, the two countries built a mutually dependent relationship as China becomes a leading investor in Central Asia's energy producers while Turkmenistan becomes China's largest source of imported gas.²⁵

China's initial investment to boost Turkmenistan's energy production started a positive feedback loop that facilitated a gas trade linkage, as Chinese money and infrastructure brought new momentum that dramatically increased Turkmenistan's natural gas production.²⁶ In 2015, Turkmenistan's gas production

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20 Seaman, 'Energy Security, Transnational Pipelines and China's Role in Asia', pp.15-16.

21 Olcott, M. B. (2013) 'The Geopolitics of Natural Gas Turkmenistan: Real Energy Giant or Eternally Potential?' Baker Institute for Public Policy, December, p.8.

22 Jafarova, A. (2014) 'CNPC Invests \$4 bln in Turkmenistan's Bagtyyarlyk Contract Area', *Azernews*, 12 May. Available at: <http://www.azernews.az/region/66927.html>.

23 Seaman, 'Energy Security, Transnational Pipelines and China's Role in Asia', p.24.

24 Kuchins, A. C., Mankoff, J., and Backes, O. (2015) 'Central Asia in a Reconnecting Eurasia: Turkmenistan's Evolving Foreign Economic and Security Interests', Center for Strategic and International Studies, June, p.13; Shea, D.C. (2014) 'China's Energy Engagement with Central Asia and Implications for the United States', Testimony given to the House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats on 'The Development of Energy Resources in Central Asia', 21 May, p.3.

25 Cooley, A. (2015) "China's Changing Role in Central Asia and Implications for US Policy: From Trading Partner to Collective Goods Provider", Testimony given to U.S.-China Economic and Security Review Commission on 'Looking West: China and Central Asia', 18 March, p.3.

26 Sabonis-Helf, 'Infrastructure and the Political Economies of Central Asia'.

capacity rose to 72.4 bcm,²⁷ and the estimated number climbed to 74 bcm in 2016.²⁸ As Turkmenistan borrowed more money from China, Ashgabat needed more pipelines to increase gas export capacity in order to repay its loans. At the same time, Beijing could use the inducement of pipelines and the prospect of diversified export capacity to acquire new upstream assets.²⁹ Backed by Beijing's vision that integrates upstream production and midstream transportation, China makes offers for low-barrier money that Turkmenistan and other Central Asian energy producers often find very hard to resist.

More importantly, China's success in building this pipeline network cannot be accomplished without savoir-faire in inter-governmental diplomacy, which can be characterized as bilateral in means but multilateral in ends.

More importantly, China's success in building this pipeline network cannot be accomplished without *savoir-faire* in inter-governmental diplomacy, which can be characterized as *bilateral in means but multilateral in ends*. Essentially, Beijing and CNPC engage with production states and transit states on an individual basis; this arrangement not only facilitates China's management over the project but also implies political significance to establish China's leading position in the region – at least over energy trade. In addition to its ties with Turkmenistan, China befriends Uzbekistan and Kazakhstan by offering energy contracts hand-in-hand with political partnerships, infrastructure assistance, and diplomatic support.³⁰ In preparation for Line D, this approach of engagement was extended to Tajikistan and Kyrgyzstan in September 2013.³¹ As opposed to multilateral consortia, these inter-governmental agreements only cover countries' respective sections of the long-stretching pipeline inside their own territories, which effectively allows Beijing to approach this multilateral project on a bilateral basis.

In addition to political effort, the creation of joint ventures also fosters a similar mechanism in the financing vehicle. The Central Asia–China Gas Pipeline network in itself comprises three separate joint ventures, each based on 50 percent ownership

27 Stratfor (2017) 'A New Customer for Turkmen Natural Gas', 13 February. Available at: <https://worldview.stratfor.com/article/new-customer-turkmen-natural-gas>.

28 U.S. Department of Commerce (2017) 'Turkmenistan - Oil and Gas Production', Export.gov, accessed on 31 October. Available at: <https://www.export.gov/article?id=Turkmenistan-oil-and-gas-production>.

29 Chow, E. and Hendrix, L.E. (2010) 'Central Asia's Pipelines: Field of Dreams and Reality', The National Bureau of Asian Research, September, p.38.

30 Petersen, A. and Barysch, K (2011) *Russia, China and the Geopolitics of Energy in Central Asia*. London: Centre for European Reform, p.42.

31 China National Petroleum Corporation, 'Flow of Natural Gas from Central Asia'.

between China–Turkmenistan, China–Uzbekistan, and China–Kazakhstan. In effect, this means that China as the common party with a majority stake would be in a position to exert influence over any regional disputes concerning price, volume, pipeline maintenance, or environmental impact.³² This arrangement is the key to make sure such massive Chinese investment in emerging markets will remain economically profitable and sustainable to Beijing. With the overarching goal of regional integration under BRI, Beijing maneuvers its political and financial toolbox to create a “hub-and-spoke system” in partnering with Central Asian states in practice. Nevertheless, this approach was successful in identifying shared interests for all in the early stage of engagement and create a common ground for further multilateral cooperation.

Implications for China and Turkmenistan

In light of China’s active search for energy security, the pipeline’s role and implications for China are clear: to diversify the types and sources of energy supplies in order to hedge against potential disruptions from any single suppliers.³³ Oil and gas supply vulnerability has been China’s main energy concern, especially when China is increasingly reliant on maritime imports of energy. Given China’s energy mix, the Central Asia–China Gas Pipeline and Central Asian gas can therefore not only alleviate China’s strategic dependence on the sea lanes for energy supplies, but also diversify the type and source of energy imports.³⁴ Additionally, the growing potential of Central Asian gas imports provides a reliable source of clean energy that fits with China’s blueprint of economic growth in the long term. In China’s 13th Five-Year Plan and the latest Energy Production and Consumption Revolution Strategy (2016–30), the Chinese government set targets to increase the share of natural gas in China’s energy consumption from 5.9% in 2015 to 10% by 2020 and 15% by 2030.³⁵ A report released by a think

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³² Cooley, ‘China’s Changing Role in Central Asia and Implications for US Policy’, p.2.

³³ Shea, ‘China’s Energy Engagement with Central Asia and Implications for the United States’, p.1.

³⁴ Seaman, ‘Energy Security, Transnational Pipelines and China’s Role in Asia’, p.11; Chow and Hendrix, ‘Central Asia’s Pipelines: Field of Dreams and Reality’, p.38.

³⁵ U.S. Energy Information Administration (2017) ‘China leads the growth in projected global natural gas consumption’, 25 October. Available at: <https://www.eia.gov/todayinenergy/detail.php?id=33472>. China’s complete 13th Five-Year Plan can be accessed here: <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>.

tank affiliated with CNPC indicated that the country's natural gas consumption is projected to grow by 8.1% annually from 2015 to 2030, suggesting China's increasing demand for natural gas in the near future.³⁶ In addition to the Persian Gulf, Central Asia is the only source of incremental supply available to meet China's demand,³⁷ and the Central Asia–China Gas Pipeline serves the critical linkage that makes possible to reorient China's energy imports and address its energy challenges.

This pipeline is not only of great importance to the sponsor, China, but also carries strategic implications for the exporter,

For Turkmenistan, the Central Asia–China Gas Pipeline implies a changing power dynamic, which is manifested through Turkmenistan's export dependence away from Russia, increasing negotiating leverage vis-à-vis Moscow, and improved transit connectivity.

Turkmenistan. For Turkmenistan, the Central Asia–China Gas Pipeline implies a changing power dynamic, which is manifested through Turkmenistan's export dependence away from Russia, increasing negotiating leverage vis-à-vis Moscow, and improved transit connectivity. As a landlocked state, Turkmenistan has two main drawbacks:

1) a political system that inhibits a robust business environment; and 2) the economy's excessive reliance on gas revenue and gas export routes. Immediately in the post-Soviet era, positive neutrality was identified as the guiding principle for Turkmenistan's foreign policy due to the country's security and development needs in a volatile environment.³⁸ As such, the maintenance of neutrality implies the country's isolationist position that comes hand-in-hand with an authoritarian "cult of personality," as well as financial independence built on energy export. Despite Ashgabat's "open door policy" on energy transit, global oil and gas supermajors are, in practice, reluctant to invest in the country, which aggravates Turkmenistan's economic reliance on few sectors. Second, in the past the Soviet heritage of energy transit layout, as represented by the Central Asia–Center pipeline system, gave Turkmenistan no choice but to rely on Russia for exporting natural gas westward to Europe. As Gazprom had a near monopoly on the export of Turkmen gas, both the volume and the price of Turkmen gas exports were subject to Moscow, which prioritized Russian domestic production to supply the larger and more lucrative Western European markets, while relegating Turkmen gas to "swing capacity" to be sold mostly

³⁶ Luo, G. and Wang, F. (2017) 'China Expected to Step Up Use of Natural Gas', *Caixin*, 18 August. Available at: <https://www.caixinglobal.com/2017-08-18/101132543.html>.

³⁷ Chow and Hendrix, 'Central Asia's Pipelines: Field of Dreams and Reality', p.38.

³⁸ Kuchins, Mankoff, and Backes, 'Central Asia in a Reconnecting Eurasia – Turkmenistan', p.1.

to the “near abroad” market (the Commonwealth of Independent States).³⁹ As a result, these two factors have created long-standing vulnerability for Turkmenistan’s foreign policy and economic development throughout the post-Soviet era.

The creation of the Central Asia–China Gas Pipeline was a turning point for Turkmenistan’s gas exports and its resource-dependent economy. By redirecting Turkmenistan and Central Asian gas exports decisively to the East and accessing the huge market of China, the Central Asia–China Gas Pipeline is not only a major step toward Turkmenistan’s export diversification, but also a strategic pivot for the country’s economy to shift away from its past reliance on Russia. Because Turkmenistan’s hydrocarbon dependence is particularly pronounced and natural gas exports account for about 82% of total exports,⁴⁰ its economy is much less diversified and more vulnerable to Russia-related energy shocks than those of its Central Asian neighbors. While Turkmenistan and Russia are competitors in nature as supplier states, yielding Ashgabat’s lifeline of gas export (and economy) to Russia only gives Moscow leverage over Turkmenistan’s domestic political and economic decisions. As such, the direct connection between Turkmenistan and China through the Central Asia–China Gas Pipeline opens an alternative market with enough appetite, and more importantly creates leeway for the Central Asian energy producer to envision additional pipelines to Europe without bearing too heavy consequences from Russian disruptions.⁴¹ Therefore, the Central Asia–China Gas Pipeline implies more than an alternative export route for Turkmenistan to reorient and diversify its gas exports; it also signifies Ashgabat’s first step to gain economic independence from Russia.

Second, although Turkmenistan currently exports almost no gas to Russia,⁴² the Central Asia–China Gas Pipeline gives Ashgabat negotiating leverage vis-à-vis Moscow over gas deals in the future if supplies were to be resumed. The availability of a huge

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39 Ibid., p.13; Sabonis-Helf, ‘Infrastructure and the Political Economies of Central Asia’.

40 Jenish, N. (2015) ‘Walls and Windmills: Economic Development in Central Asia’, in Denoon, D. B. (ed.) *China, The United States, and the Future of Central Asia: U.S.-China Relations, Volume I*, New York: NYU Press, p.28.

41 Decker, H. (2015) ‘Russia and the Central Asia-China Pipeline: Short-term Commercial Decision or Long-term Energy Strategy’, Colombia University, Master’s thesis used by permission of the author, p.18.

42 Details of this dispute is further explained below.

The availability of a huge alternative market in China potentially allows Turkmenistan and other Central Asian states to maneuver their gas supplies and play the two markets off against each other in pursuit of a more favorable natural gas price.

alternative market in China potentially allows Turkmenistan and other Central Asian states to maneuver their gas supplies and play the two markets off against each other in pursuit of a more favorable natural gas price.⁴³ Before Russia halted imports of Turkmen gas, Turkmenistan had already taken on this trend, as the export price for Turkmen gas to Gazprom increased drastically from \$65–100 per thousand cubic meters (tcm) in 2006,⁴⁴ to \$130–150 per tcm by the end of 2007, and eventually to \$250 per tcm following the conclusion of an energy deal in 2010.⁴⁵ Although China may not be the only decisive factor behind this price rise, the access to the China's market is likely to give Turkmenistan more bargaining power when pushing for higher prices in its negotiations with other existing and potential customers.⁴⁶ Meanwhile, as Turkmenistan is no longer in desperate need of Russia's purchase of its gas, this in turn begins to reveal the importance of Central Asian gas to Russia. In particular, Central Asian gas could compensate Russia's own inefficient and overly subsidized domestic energy economy.⁴⁷ As long as Russia wants to acquire interests in European gas markets while Gazprom continues to face stagnant natural gas production,⁴⁸ Turkmenistan could use its gas resources to shape a more favorable political relationship with Russia.

Lastly, as a coordinated effort that involves all five Central Asian republics, the Central Asia–China Gas Pipeline network also facilitates energy transit connectivity in the entire Central Asia and Eurasia region. With a promising prospect of energy flow to East Asia, the pipeline network foresees an integration in energy supply and other forms of critical connectivity infrastructure.⁴⁹ Turkmenistan views China as an important growth market for its gas exports and the lynchpin of its export diversification strategy, and Ashgabat favors the expansion of its economic ties

43 Blank, 'The Strategic Implications of the Turkmenistan-China Pipeline Project'.

44 *Ibid.*

45 Bidlack, R. (2015) *Russia and Eurasia 2015-2016 (World Today (Stryker))*, Lanham, MD: Rowman & Littlefield Publishers, p.300.

46 Kimmage, D. (2006) 'Central Asia: Turkmenistan-China Pipeline Project Has Far-Reaching Implications', *Radio Free Europe/Radio Liberty*, 10 April. Available at: <http://www.rferl.org/a/1067535.html>.

47 Blank, 'The Strategic Implications of the Turkmenistan-China Pipeline Project'.

48 Japan Times (2010) 'Pipeline Politics in Central Asia', 5 January. Available at: <http://www.japan-times.co.jp/opinion/2010/01/05/editorials/pipeline-politics-in-central-asia/#.WPQjrJgrI2w>.

49 Blank, 'The Strategic Implications of the Turkmenistan-China Pipeline Project'.

with China under the rubric of BRI.⁵⁰ According to Turkmen officials in interviews conducted by the Center for Strategic and International Studies (CSIS), a Washington, D.C.-based think-tank, Ashgabat now prioritizes regional trade and transit connectivity in its engagement with the other Central Asian states.⁵¹ The Central Asia–China Gas Pipeline network echoes Turkmenistan’s prospect of becoming a regional hub for trade and transport and playing an increasing role in regional issues.

Implications for Russia

As a country currently affected by the Central Asia–China Gas Pipeline, Russia may see the strategic implications of this pipeline network as two-fold. On the one hand, given Gazprom’s goal of continuing to maximize its gas sales to Europe,⁵² the loss of Turkmen gas may diminish the Russian monopoly over Central Asian gas and Russia’s revenue and political influence. Gazprom’s corporate strategy envisions a major increase in purchases of Central Asian gas to offset declining domestic gas production.⁵³ Built on its historical monopoly, Russia was able to buy Central Asian gas at below retail prices. However, as the Central Asia–China Gas Pipeline opens China’s market for competition, diminished gas supply from Turkmenistan and Kazakhstan would reduce Russia’s profit from resale and transit fees. Additionally, Russia’s political influence would also be compromised as a result. Given its high share of world natural gas reserves and its monopoly in exports to Europe, Russia even explored the possibility of establishing a natural gas equivalent of OPEC.⁵⁴ Moscow views energy as more than an instrument of influence in itself, underpinning other forms of Russian hard and soft power that, together, can make Russia an “energy superpower.”⁵⁵ However, as its desired gas monopoly has been penetrated by the Central Asia–China direct energy supply, Russia will, in the future, no longer retain such critical influence over natural gas.

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50 Kuchins, Mankoff, and Backes, ‘Central Asia in a Reconnecting Eurasia – Turkmenistan’, p.13.

51 *Ibid.*, p.4.

52 Ebel, ‘The Geopolitics of Russian Energy’, p.38.

53 Kimmage, ‘Central Asia: Turkmenistan-China Pipeline Project Has Far-Reaching Implications’.

54 Ebel, ‘The Geopolitics of Russian Energy’, p.38.

55 Petersen and Barysch, ‘Russia, China and the Geopolitics of Energy in Central Asia’, p.1.

On the other hand, the Central Asia–China Gas Pipeline to some extent helped Russia secure its primary market in Europe, since the pipeline and the massive transit of Central Asian gas eastward reduced the threat from an earlier, albeit now abandoned, proposal, the Nabucco pipeline. While the European market is the key to Russia’s gas exports and revenue, the Nabucco pipeline was proposed as a means to diminish European dependence on Russia’s gas exports by drawing on supplies from the Caspian states and possibly Azerbaijan and Iran. Since Russia cannot afford to lose gas monopoly in the lucrative European market, Russia made various attempts to disrupt the Nabucco pipeline while acquiescing, if not supporting, the Central Asia–China Gas Pipeline.⁵⁶ For Moscow, if Central Asian gas were to be exported by a route other than Russia, it is better that the gas goes east, where it would not threaten Russia’s primary market in the west.⁵⁷ Eventually, the Nabucco pipeline was abandoned and replaced by the less ambitious Southern Gas Corridor that no longer reaches the Central Asian gas reserves. By unleashing the Chinese market for Central Asia, however, the Central Asia–China Gas Pipeline in a way helped Russia defend its supply monopoly of Central Asian gas to the European market.

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Suspension of “Line D”

The alleged indefinite suspension of Line D’s construction leaves great uncertainty for the regional gas configuration in Central Asia. In March 2017, an unnamed official of Uzbekneftegaz released a statement that the construction of Line D was postponed indefinitely with agreement from the Chinese side.⁵⁸ The obstacles to Line D’s construction are exceptional given that it plans to transit through mountainous Tajikistan and Kyrgyzstan. Rumors about construction delays and suspensions have never stopped circulating. On July 26, 2017, CNPC allegedly started construction of the Tajikistan section of Line D,⁵⁹ but this was

⁵⁶ Decker, ‘Russia and the Central Asia-China Pipeline’, pp.11-12.

⁵⁷ Chow and Hendrix, ‘Central Asia’s Pipelines: Field of Dreams and Reality’, p.38.

⁵⁸ Lelyveld, M. (2017) ‘China Shelves Central Asia Gas Plan’, *Radio Free Asia*, 20 March. Available at: https://www.rfa.org/english/commentaries/energy_watch/china-shelves-central-asia-gas-plan-03202017103720.html

⁵⁹ Aliyeva, K. (2017) ‘Line D via Tajikistan to China positive for Turkmenistan’, *Trend News Agency*, 2 August. Available at: <https://en.trend.az/other/commentary/2783160.html>.

only officially confirmed almost half a year later, in January 2018, by the Tajik energy minister.⁶⁰ In August 2017, Chinese officials allegedly instructed Kyrgyzstan to push back the project in the country to the end of 2019 due to prioritized construction in Tajikistan and the need for gas development in Turkmenistan.⁶¹ Given the low publicity and limited official discussions about Line D, these records of postponement may be indicative of several things.

First, the postponement of Line D is a wake-up call for Turkmenistan. When Turkmenistan committed to the Central Asia–China Gas Pipeline in 2009 and gradually geared its gas supplies eastward to China, the country only shifted from being subject to one energy hegemon to another. While China and Russia are essentially different in their positions, being an energy consumer versus a producer and reseller, Turkmenistan's growing gas export dependency on China nevertheless counteracts the country's prior efforts to diversify gas exports. Although Turkmenistan officials have not expressed concern about dependence on China, others contend that Turkmenistan's gas dependence on China hurts the country more than the previous instance with Russia did, since Ashgabat is receiving a diminishing cash inflow.⁶² Despite Turkmenistan's plan to triple its natural gas production and increase exports from 45 bcm to 180 bcm per year, Turkmenistan has no other markets to which to sell additional volumes of natural gas.⁶³ The withdrawal of Russia and Iran, coupled with low energy prices, hit the country's budget hard. On Russia's side, Moscow canceled its contract for Turkmen gas imports at the start of 2016. According to Igor Yushkov, a senior analyst of the National Energy Security Fund, Gazprom has not fully loaded its own capacities and was glad to cancel the contract for the purchase of Turkmen gas.⁶⁴ On Iran's side, the Turkmen gas supplies to Iran were suspended at the

While China and Russia are essentially different in their positions, being an energy consumer versus a producer and reseller, Turkmenistan's growing gas export dependency on China nevertheless counteracts the country's prior efforts to diversify gas exports.

60 BNE IntelliNews (2018) 'Tajik energy minister confirms work resumed on Central Asia-China Gas Pipeline', 2 February. Available at: www.intellinews.com/tajik-energy-minister-confirms-work-resumed-on-central-asia-china-gas-pipeline-136162.

61 Lelyveld, 'China Nears Limit on Central Asian Gas'.

62 Shustov, A. (2017) 'Why China Will Remain Turkmenistan's Main Gas Buyer', *Russia Beyond the Headlines*, 26 January. Available at: http://rbth.com/business/2017/01/26/why-china-will-remain-turkmenistans-main-gas-buyer_689386.

63 This is according to the chairman of Turkmengaz Ashirguly Begliyev. See more in Shustov, 'Why China Will Remain Turkmenistan's Main Gas Buyer'.

64 Eurasia Daily (2017) 'Turkmenistan's gas deadlock: what Ashgabat to find in the embrace of Beijing', 8 November.

start of 2017 over a price dispute when Ashgabat demanded extra payment.⁶⁵ Iran allegedly no longer needs to import natural gas from Turkmenistan because a new pipeline in northern Iran would meet the country's consumption in the populated north with Iran's own gas.⁶⁶

Although the conceptions of other international pipelines have made some progress in the past few years, they are too premature to deliver any concrete results for Turkmenistan any time soon. Most recently, on August 12, 2018, the signing of a landmark convention between the Caspian Sea states of Russia, Azerbaijan, Iran, Kazakhstan, and Turkmenistan once again stirred people's nerve about the idea of the Trans–Caspian Gas Pipeline. Turkmenistan's cooperation with Azerbaijan appears

Turkmenistan's cooperation with Azerbaijan appears to be an immediate next step and an approachable way for Ashgabat to implement a westward export route, which both countries have supported since 2010.

to be an immediate next step and an approachable way for Ashgabat to implement a westward export route, which both countries have supported since 2010. Unfortunately, as this Caspian convention failed to delimit the seabed itself, it is far from the final word on the division of this strategic sea and its abundant energy resources.⁶⁷ Even if all political issues were resolved, the economics of bringing gas from Turkmenistan to Europe would remain problematic.⁶⁸ A missing international link from Georgia to Romania under the Black Sea – also known as the White Stream Pipeline – will continue to prevent Turkmen gas from being exported to Europe at an economical price.⁶⁹

Another proposed mega-pipeline that has been in discussion for the past 20 years is the Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline. However, TAPI faces significant questions about its commercial viability, not to mention security concerns regarding the transit of gas through

65 Pannier, 'The End of the (Gas Pipe-) Line for Turkmenistan'.

66 Iran Front Page (2017) 'Iran No Longer Needs Turkmenistan's Natural Gas', 30 July. Available at: <http://ifpnews.com/exclusive/iran-no-need-turkmenistans-gas/>.

67 Stratfor (2018) 'What Does the New Caspian Sea Agreement Mean for the Energy Market?' 17 August. Available at: <https://worldview.stratfor.com/article/what-does-new-caspian-sea-agreement-mean-energy-market>.

68 Pirani, S. (2018) 'Let's Not Exaggerate – Southern Gas Corridor Prospects to 2030', *Oxford Institute for Energy Studies*, July, p.17. Available at: <https://www.oxfordenergy.org/publications/lets-not-exaggerate-southern-gas-corridor-prospects-2030/>.

69 Cutler, R. M. (2018) 'Commentary: U.S. Push Could Revive Turkmen Gas Hopes', *Radio Free Europe*, 22 January 22. Available at: <https://www.rferl.org/a/commentary-turkmenistan-gas-hopes/28990352.html>.

unstable regions of Afghanistan and Pakistan.⁷⁰ Despite public enthusiasm about TAPI, this project is unlikely to be completed in the 2020s. Therefore, the current predicament leaves China as Turkmenistan's only customer and the only hope to generate revenues from gas sales, a trend that began to emerge as early as two years ago.

Moreover, despite the huge delivery capacity provided by the Central Asia–China Gas Pipeline, Turkmenistan's current exports to China are far short of the agreed volume. In the midst of a precipitous decline of Turkmen exports to Russia in 2015, Turkmenistan's total gas exports dropped to 38.1 bcm.⁷¹ The export volume went down further in 2016, when Turkmenistan exported no more than 30 bcm to its only major market, China. Although low global energy prices and economic downturns caused Turkmenistan's natural gas production to decline in three consecutive years from 2015 to 2017,⁷² the main reason behind low export volumes lies in China's market demand. According to a general director of the China–Kazakhstan joint venture company, the current delivery volume of the Central Asia–China Gas Pipeline is mainly determined by the demand of the Chinese domestic market. Three factors are taken into consideration when determining the import volume through the pipeline: 1) the ratio of China's domestic gas production versus import volume; 2) the seasonal fluctuation of China's domestic demand; and 3) the construction and development of China's domestic gas infrastructure and facilities.⁷³ As such, despite the high volume of agreed Turkmen gas exports to China, Turkmenistan will be unlikely to increase it to a matching number. Turkmenistan currently exports about 30–35 bcm gas per year to China,⁷⁴ and in the foreseeable future, Turkmen exports to China will be most likely to stabilize at about 40 bcm per year (see Table 1).⁷⁵

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70 Kuchins, Mankoff, and Backes, 'Central Asia in a Reconnecting Eurasia – Turkmenistan', p.26.

71 Stratfor, 'A New Customer for Turkmen Natural Gas'.

72 BP (2018) BP Statistical Review of World Energy 2018.

73 Wang, E. (2017) 'Zhongya Tianranqi Guandao Jiang Youwang Meinian Xiang Zhongguo Shuqi 850 Yi Fang (Central Asia Gas Pipeline Is Likely to Deliver 85 BCM to China Per Year)', *Sina*, 15 July. Available at: <http://finance.sina.com.cn/chanjing/cyxw/2017-07-15/doc-ifyiakwa4166031.shtml>.

74 Aliyeva, K. (2017) 'Turkmenistan seeks to supply more gas to China in 2017', *Azernews*, 1 June. Available at: <https://www.azernews.az/region/114065.html>.

75 Stratfor, 'A New Customer for Turkmen Natural Gas'.

Table 1: Turkmenistan Gas Exports to China

	Turkmenistan gas exports
Agreed delivery with Line D	65 bcm
2016 actual delivery	29.4 bcm
2017 actual delivery	31.7 bcm
First-half 2018 actual delivery (CCGP total)	~22.7 bcm
Forecasted delivery in the near future	40 bcm

Sources: BP Statistical Review of World Energy 2017 and 2018; China News⁷⁶

On the other hand, due to China's loans-for-resource scheme for investment in the Galkynysh gas field and the construction of the pipeline,⁷⁷ loans are tied to repayment in gas at stable, relatively low prices over a long period. While the details of the supply contracts to China are not known, the sharp decline in the average price since 2014 suggests a formula linking gas prices with oil prices.⁷⁸ An early agreement signed between Turkmenistan and China also promised to set the price "on a reasonable and just basis, based on a comparable price on the international market."⁷⁹ However, Beijing does not in fact pay as much as the price demanded by Ashgabat. Turkmenistan reportedly sells its exports to China at a giveaway rate of \$185 per tcm, which is the cheapest of all Chinese gas imports.⁸⁰ According to Stratfor, the price even dropped further, from \$160 to \$100 per tcm, in 2016.⁸¹ Although the volume of Turkmen exports to China increased slightly from the previous year, the revenues fell by 30% to \$4.7 billion in 2016.⁸² As such, with little hope for a large volume of cash inflow generated by additional gas sales, Turkmenistan should clearly recognize the economic and strategic predicament it is facing today.

76 Chinanews, (2018) "Jinnian Shang Bannian Zhongya Tianranqi Guandao Xiang Zhongguo Shuqiliang Da 1635 Wan Dun" (The Central Asia-China Pipeline delivered 16,350 thousand tons of natural gas to China in first-half this year), 17 July

77 Azuma, 'Global Natural Gas Pivot to Asia', p.9.

78 Jakóbowski, J. and Marszewski, M. (2018) 'Crisis in Turkmenistan. A Test for China's Policy in the Region', Centre for Eastern Studies, 31 August. Available at: https://www.osw.waw.pl/en/publikacje/osw-commentary/2018-08-31/crisis-turkmenistan-a-test-chinas-policy-region#_ftn3.

79 Kimmage, 'Central Asia: Turkmenistan-China Pipeline Project Has Far-Reaching Implications'.

80 EurasiaNet (2016) 'China Figures Reveal Cheapness of Turkmenistan Gas', 31 October. Available at: <http://www.eurasianet.org/node/81091>.

81 Stratfor, 'A New Customer for Turkmen Natural Gas'.

82 *Ibid.*

Second, the halt to Line D's construction also questions the sustainability of China's economic might and its future relations with the region. Different speculations have tried to decipher the true reasons behind Line D's suspension. Problems may arise within transit states themselves, considering the history of conflict among Central Asian republics. The Russian news service RIA-Novosti looked at the financing of the project, reporting that the Uzbek part of the pipeline was left out because it was not included in the state investment program for 2017,⁸³ but, upon consideration, it seems that this is unlikely since the project is funded by a Chinese–Uzbek joint venture. Others believe that the recent drop in gas price and the pessimistic prospect of exploring and drilling for gas in Tajikistan have discouraged China's sustained commitment on the project.⁸⁴ Edward Chow, senior fellow for energy and national security at CSIS in Washington, D.C., is very suspicious of the economic justification for Line D: “Whatever the geological findings might be ... their exploration interests waned considerably after the drop in oil and gas prices last July,” said Chow.⁸⁵ In response to the recent rumor concerning the resumed construction of Line D on Tajikistan’s part, Chow believed that it was merely the effort of Tajikistan to keep the project’s idea floating, while China simply decided not to dispute this for its own interests.⁸⁶

...the halt to Line D's construction also questions the sustainability of China's economic might and its future relations with the region.

Regardless of other reasons behind the suspended construction, one major implication concerns China's economic growth today. As one observer speculated, “softening domestic gas needs have led to the suspension of the Line D gas line bringing hydrocarbons from Turkmenistan to China through Uzbekistan.”⁸⁷ Moreover, a senior economist affiliated with CNPC testified that China could face a gas surplus of 50 bcm a year by 2020 due to long-term contracts for imports of LNG and pipeline expansion plans.⁸⁸

83 EurasiaNet ‘Central Asia–China Gas Pipeline Expansion Delayed Again’, 3 March. Available at: <http://www.eurasianet.org/node/82671>.

84 Author's interview with an energy expert in Washington, D.C.

85 Lelyveld, ‘China Shelves Central Asia Gas Plan’.

86 Lelyveld, M. (2017) ‘China's Gas Plans Unsettled by Oversupply’. *Radio Free Asia*, 14 August. Available at: http://www.rfa.org/english/commentaries/energy_watch/chinas-gas-plans-unsettled-by-oversupply-08142017104724.html.

87 Pantucci, R. (2016) ‘In Central Asia, China's New Silk Road Stirs Memories of Over-Reach and Entanglement’, *China in Central Asia*, 15 February. Available at: <http://chinaincentralasia.com/2016/02/15/in-central-asia-chinas-new-silk-road-stirs-memories-of-over-reach-and-entanglement/>.

88 Lelyveld, ‘China Shelves Central Asia Gas Plan’.

Other concerns also include uncertain consumption growth, high distribution costs, and competition from other energy sources.⁸⁹ Given China's economic slowdown and its potentially saturated demand for gas, Beijing may not maintain as high a level of attention and commitment to the pipeline as it previously did. As Chow precisely pointed out, "this episode also raises questions about the Belt and Road strategy when political aspirations meet economic reality."⁹⁰ In the long run, this could imply shrinking Chinese development assistance and shrinking political resources devoted to regional development in Central Asia. Even if Beijing does not intend to downgrade this project, the postponement of Line D in the context of China's domestic economic slowing will likely hurt confidence within the region and eventually undermine the regional development promise of BRI. Either way, the suspended construction would potentially put Turkmenistan's wish to develop transit connectivity and reinvigorate its economy on hold.

Conclusion

The Central Asia–China Gas Pipeline reveals a complicated scenario in Central Asia with significant implications for Turkmenistan in particular. In the last decade, China completed the construction of three lines of the Central Asia–China Gas Pipeline network, thus breaking Russia's monopoly over Central Asian gas and transit. Beijing has been skillful in maneuvering its strategies and toolkits. By using loans and other investment mechanisms to access Turkmenistan's gas fields, Beijing created the conditions for reaching official bilateral agreements and forming joint ventures to hold individual countries directly accountable for supplying and transiting energy to China. With China sitting at the center of this multilateral project as a liaison and creating a hub-and-spoke system for regional development, China's diplomacy is bilateral in means but multilateral in ends. At the same time, the construction of the Central Asia–China Gas Pipeline would not have been possible without Russia's prioritization of its European market.

Despite the current desirable outcome for China, the prospect for Turkmenistan is less optimistic, especially following the

89 Lelyveld, 'China's Gas Plans Unsettled by Oversupply'.

90 *Ibid.*

suspension of Line D. Ashgabat's ultimate goal of export diversification has been counteracted by Turkmenistan's increasing gas export dependency on China. In light of the Turkmenistan–China loan repayment arrangement, Turkmenistan cannot expect to generate much revenue from gas sales to China, either with or without Line D. At the same time, however, Ashgabat has no other viable partners in the neighborhood, nor the financial capability to build additional pipelines to go further down the road of export diversification. Therefore, as the suspension of Line D questions China's continuous political commitment to BRI and disillusionments Turkmenistan from its hopes for China to reinvigorate its economy, Turkmenistan only finds herself waking up in the middle of another deadlock with no way out.

Caspian Convention and Perspective of Turkmenistan's Gas Export to Europe

Ilgar Gurbanov*

Negotiations on the Trans-Caspian Gas Pipeline (TCGP) project have been ongoing since the 1990s. Because of China's dominant share in Turkmenistan's gas exports and Ashgabat's economic problems, the country needs a new route for gas diversification to ease its export dependence on China, as well as Russia. Thus far, the TCGP project has received numerous indications of political commitment from the actors involved in the project's realization at bilateral and trilateral levels. However, the fate of pipeline remains obscure because of numerous political, technical, and financial problems. The recent Caspian Convention raised some optimism for the prospects of TCGP, though there are issues that remain to be addressed in this regard. This article examines the prospects for the TCGP project, principally by analyzing the positions of the EU, Azerbaijan, Turkmenistan, and Russia in terms of dependent variables (to what extent does the TCGP depend on these actors' influence on the project's implementation?) and independent variables (how will these actors be influenced by the project's realization?), and presents prospective scenarios for trans-Caspian gas flow to Europe.

Key words: Azerbaijan, Russia, Turkmenistan, EU, China, Gas Pipeline, Caspian



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Introduction

Turkmenistan is one of the largest owners of natural gas reserves of the world, according to the BP Statistical Review of World Energy (2018), with around 19.5 trillion cubic metres (tcm) of total proven reserves and production of 62 billion cubic metres per annum (bcm/a) in 2017.¹ Turkmenistan's major gas exports have long been achieved through old Soviet gas pipelines (mainly the *Central Asia–Center gas pipeline*) via Russian territory to Ukraine and the European market. For a long while Russia was able to maintain control over the European orientation of Turkmenistan's gas export by transiting or buying gas at a low price and reselling it at a self-determined price to European countries.² After the explosion on the Central Asia–Centre gas pipeline,³ problems with Russia on gas price and contract terms, and the expansion of the Prikaspispiisky Pipeline⁴ Ashgabat sought to ease its export/transit dependence on Russia through alternative routes to, for example, Iran and China.

Iran imported Turkmen gas via two main pipelines: the *Korpeje–Kurt Kui* pipeline from western Turkmenistan and the *Dauletabad–Khangiran* pipeline from south-eastern Turkmenistan. Moreover, while the EU was struggling to bring Turkmen gas into the Southern Gas Corridor (SGC) through the so-called “Trans-Caspian Gas Pipeline,” China became Turkmenistan's main gas export destination via three pipelines (with a fourth under development). China's National Petroleum Corporation is actively engaged in Turkmenistan's energy sector through financing exploration/production and the construction of pipelines in the country,⁵ whereas no European energy company

1 British Petroleum, (2018) BP's Statistical Review of World Energy, July, 67th edition. Available at: <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review/bp-stats-review-2018-natural-gas.pdf>. (Accessed 19 August 2018).

2 Socor, V. (2006) “Interest Rebounds In Trans-Caspian Pipeline For Turkmen Gas”, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 3 Issue: 16, 24 January. Available at: <https://jamestown.org/program/interest-rebounds-in-trans-caspian-pipeline-for-turkmen-gas/>. (Accessed 26 September 2018).

3 Trilling, D. (2005) “Turkmenistan: Pipeline Spat With The Kremlin Turns Into A Political Test Of Strength”, Eurasianet, 15 April. Available at: <https://eurasanet.org/turkmenistan-pipeline-spat-with-the-kremlin-turns-into-a-political-test-of-strength>. (Accessed 26 September 2018).

4 Eurasianet, (2007) Prikaspispiisky Pipeline: Temporary Delay Or Fundamental Problem?, 26 June. Available at: <https://eurasanet.org/prikaspispiisky-pipeline-temporary-delay-or-fundamental-problem>. (Accessed 30 September 2018).

5 Panfilova, V. (2018) “Gazprom Mozhet Vernut'sya V Turkmenistan”, Nezavisimaya Gazeta, 30 July. Available at: http://www.ng.ru/cis/2018-07-30/5_7277_turkmenia.html. (Accessed 27 September 2018).

has so far signed a purchase agreement with Turkmenistan for the development of gas fields.⁶

Although Russian territory previously provided the main route for Turkmenistan's gas exports to Europe, these exports were scaled down from 40 bcm/a in 2008 to 4 bcm/a in 2015, and totally suspended in 2016 (subsequently, Gazprom started to purchase 4 bcm/a of gas from Uzbekistan's state-owned company Uzbekneftegaz).⁷ As a result, China's share in Turkmenistan's gas exports increased. In fact, Turkmenistan receives cash payment for only one-third of the total gas exported to China; the remaining share of payment for the gas supply is withheld to reimburse Ashgabat's debt to Beijing for Chinese investment in the development of Turkmen fields, the construction of gas pipelines, etc.⁸

Turkmenistan, therefore, needs to avoid dependence on a single, dominant export destination, but in reality, its alternatives for gas supply are few. The alternatives for multiple gas export routes from Turkmenistan include the Trans-Caspian Gas Pipeline (TCGP) and Turkmenistan–Afghanistan–Pakistan–India (TAPI) Gas Pipeline. TAPI envisages supplying Pakistan and India with Turkmen gas. However, somehow this pipeline has not been completed, due to either political tensions (between Pakistan and India) or for security reasons (in Afghanistan), or due to the ambiguity of price negotiations and financing.⁹

The TCGP (300 km), which has been under discussion since the late 1990s, is planned to bring Turkmen gas across the Caspian Sea bed from Turkmenistan's Turkmenbashy port to Azerbaijan's Sangachal Terminal, and then onward to Georgia via the South Caucasus Pipeline (SCP) to Turkey (16 bcm/a) via the Trans-

Turkmenistan, therefore, needs to avoid dependence on a single, dominant export destination, but in reality its alternatives for gas supply are few.

6 Muradli, P. (2017) "Turkmenistan's Energy Policy: The Diversification of Gas Export Market", The Politicon, March 18, p.6. Available at: <http://www.thepoliticon.net/essays/312-turkmenistans-energy-policy-the-diversification-of-gas-export-market.html>. (Accessed 19 August 2018).

7 Mostajabi, M. (2017) "Iran, Turkey Key To Turkmenistan Realizing Its Energy Potential", Atlantic Council, 6 September. Available at: <http://www.atlanticcouncil.org/blogs/new-atlanticist/iran-turkey-key-to-turkmenistan-realizing-its-energy-potential>. (Accessed 19 August 2018); Kallanish Energy News (2017) Gazprom To Buy 4 Bcm/Y Of Uzbek Gas In 2018, 7 April. Available at: <http://www.kallanishenergy.com/2017/04/07/gazprom-to-buy-4-bcm-y-of-uzbek-gas-in-2018/>. (Accessed 30 September 2018); Rickleton, C. (2015) "Turkmenistan Blasts Russia as 'Unreliable' Gas Partner", Eurasianet, 17 February. Available at: <https://eurasanet.org/turkmenistan-blasts-russia-as-unreliable-gas-partner>. (Accessed 26 September 2018).

8 Panfilova, *op.cit.*

9 Daly, J.C.K. (2018) "After Three-Year Hiatus, Gazprom to Renew Purchases of Turkmen Gas", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 149. Available at: <https://jamestown.org/program/after-three-year-hiatus-gazprom-to-renew-purchases-of-turkmen-gas/>. (Accessed 23 October 2018).

Anatolian Pipeline (TANAP), and on to Europe (14 bcm/a) via the Trans-Adriatic Pipeline (TAP). The TCGP project envisages the construction of two strings: the first with a throughput capacity of 12–15 bcm; the second with 15–16 bcm.¹⁰ TCGP, as an eastward extension of the SGC,¹¹ is to be integrated with the Corridor's segments in order to provide its long-term viability, with the aim of lessening the EU's gas dependence on Russia.

In the late 1990s, US,¹² Israeli, Turkish,¹³ and European companies¹⁴ planned to develop the TCGP by building a consortium to deal with the commercial agreements, transit of gas, and feasibility studies. In 1998, the first contract for TCGP feasibility studies and construction was awarded to PSG, a joint venture of Bechtel Group, General Electric, and Royal Dutch Shell. Construction was to start in 2001 and finish in 2002. However, efforts to capitalize the project became muted¹⁵ due to a series of developments, including: Turkey's engagement in Russia's Blue Stream gas pipeline;¹⁶ the discovery of Azerbaijan's giant Shah-Deniz (SD) gas field (1999); the collapse of the Nabucco project (2013) and the subsequent launch of the TANAP and TAP projects;¹⁷ Russian and Iranian opposition to the TCGP; China's increasing share in Turkmenistan's gas exports;¹⁸ Turkmenistan's unwillingness to

10 Gurbanov, I. "Trans-Caspian Pipeline Conundrum: Turkmenistan, Quo Vadis?", *The Geopolitical Maritime Review Journal*, No.5, Fall/Winter Issue 2015.

11 The SGC is comprised of the South Caucasus Pipeline (SCP), Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP).

12 The Jamestown Foundation, (1999) Enron Submits Feasibility Study For Trans-Caspian Gas Pipeline, 28 January. Available at: <https://jamestown.org/program/enron-submits-feasibility-study-for-trans-caspian-gas-pipeline/>. (Accessed 20 August 2018).

13 The Jamestown Foundation, (1999) Progress On Trans-Caspian Gas Pipeline And Turkmen-Turkish Relations, 14 April. Available at: <https://jamestown.org/program/progress-on-trans-caspian-gas-pipeline-and-turkmen-turkish-relations/>. (Accessed 20 August 2018).

14 The Jamestown Foundation, (2001) Another Chance For The Trans-Caspian Gas Pipeline?, 28 June. Available at: <https://jamestown.org/program/another-chance-for-the-trans-caspian-gas-pipeline/>. (Accessed 20 August 2018); Badalova, A. (2015) "Trans-Caspian pipeline: statements turn into action", Trend, 26 March. Available at: <http://en.trend.az/business/energy/2377267.html>. (Accessed 4 August 2015).

15 Cutler, R.M. (2003) "Turkey And The Geopolitics Of Turkmenistan's Natural Gas", Robertcutler. Org. Available at: <http://www.robertcutler.org/download/html/ar01ria.html#title02>. (Accessed 20 August 2018).

16 Socor, V. (2012) "Turkey Sees Opportunity In Trans-Caspian Gas Pipeline Project", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 9 Issue: 164, 11 September. Available at: <https://jamestown.org/program/turkey-sees-opportunity-in-trans-caspian-gas-pipeline-project/>. (Accessed 27 September 2018).

17 TANAP will receive 16 bcm/a of Azerbaijani gas from Shah Deniz II field in the Caspian Sea through the South Caucasus Pipeline; and TAP will receive from TANAP 10 bcm/a of gas for Europe.

18 Fitzpatrick, C.A. (2011) "Turkmenistan: Chinese Deal Helps Stall Trans-Caspian Pipeline, Deter Caspian Conflict", Eurasianet, 30 November. Available at: <https://eurasianet.org/turkmenistan-chinese-deal-helps-stall-trans-caspian-pipeline-deter-caspian-conflict>. (Accessed 23 September 2018).

finance external projects;¹⁹ and the undefined legal status of the Caspian Sea.²⁰ However, the relevant provisions in the recently-signed Convention on the Caspian Sea's legal status that endorse the construction of a subsea pipeline have increased optimism regarding the TCGP project.

Divergent Positions on the Prospects for the TCGP

TCGP as a Dependent Variable

Following the Russia–Ukraine gas crises (2006; 2009), the European Union (EU) has been lobbying to broker a deal between Azerbaijan and Turkmenistan to potentiate the TCGP.²¹ Access to Turkmen gas has been a key element of the EU's SGC concept laid out in the *EU Energy Security and Solidarity Action Plan* (2009), one of the union's highest energy security priorities.²² The EU's Central Asia strategy (2017) avowed the union's determination “to extend the Southern Gas Corridor to Central Asia” to promote “multilateral and bilateral energy cooperation.”²³

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In this regard, the EU has hitherto taken a number of measures to materialize the TCGP, for example: (1) Mandating the European Commission (EC) to negotiate a legally binding agreement on “Trans-Caspian Gas Transmission and Infrastructure”²⁴ between

19 Gurbanov, I. (2018) “Difficult Geopolitics Of The Caspian Complicate Potential Energy Projects”, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 18, 5 February. Available at: <https://jamestown.org/program/difficult-geopolitics-caspian-complicate-potential-energy-projects/>. (Accessed 23 September 2018).

20 Fitzpatrick, C.A. (2010) “EU Seeks To Broker Trans-Caspian Pipeline Deal Between Turkmenistan And Azerbaijan; Russia Finds Project ‘Absurd’”, Eurasianet, 11 August. Available at: <https://eurasianet.org/eu-seeks-to-broker-trans-caspian-pipeline-deal-between-turkmenistan-and-azerbaijan-russia-finds>. (Accessed 23 September 2018).

21 Ziyadov, T. (2018) “Europe Hopes To Revive Trans-Caspian Energy Pipelines”, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 3 Issue: 38, 24 February. Available at: <https://jamestown.org/program/europe-hopes-to-revive-trans-caspian-energy-pipelines/>. (Accessed 24 September 2018).

22 Kabouche, L. (2018) “Despite Caspian Sea Agreement, Obstacles To Trans-Caspian Pipeline Remain”, Global Risk Insights, 2 September. Available at: <https://globalriskinsights.com/2018/09/despite-caspian-sea-agreement-obstacles-trans-caspian-pipeline-remain/>. (Accessed 9 September 2018).

23 The Council of the European Union, (2017) Council Conclusions on the EU strategy for Central Asia, 19 June. Available at: <http://www.consilium.europa.eu/media/23991/st10387en17-conclusions-on-the-eu-strategy-for-central-asia.pdf>. (Accessed 20 August 2018).

24 European Commission, (2011), Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and The Committee of the Regions - On security of energy supply and international cooperation - “The EU Energy Policy: Engaging with Partners beyond Our Borders”, 7 September. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0539&from=en>. (Accessed 23 September 2018).

the EU, Azerbaijan, and Turkmenistan;²⁵ (2) inking the “Ashgabat Declaration” with Azerbaijan and Turkmenistan for preparation of the draft Framework Agreement on natural gas supply from Turkmenistan to Europe and formation of relevant transport infrastructure;²⁶ (3) registering the TCGP in the EU’s list of Projects of Common Interest²⁷ to facilitate the project’s funding from the EU’s agencies and banks;²⁸ and (4) funding the project’s commercial engineering,²⁹ feasibility,³⁰ and environmental³¹ studies.

After Azerbaijan and the EU signed a Joint Declaration in 2011 on gas delivery for Europe through the SGC,³² Turkmenistan had started to support more eagerly the export of its gas via SGC/TCGP to Europe. However, as discussed above, the project’s prospects were dampened not only by China’s increasing gas imports from Turkmenistan and the Caspian’s legal status, but also by the postponement of the Nabucco project and the commissioning of the Russia–Turkey Blue Stream³³ and Iran–Turkmenistan Dauletabad–Sarakhs–Khangiran pipelines, among other factors.

25 European Commission, (2011) EU Starts Negotiations On Caspian Pipeline To Bring Gas To Europe, Press Release, 12 September. Available at: http://europa.eu/rapid/press-release_IP-11-1023_en.htm. (Accessed 23 September 2018).

26 European Commission, (2015) Ashgabat Declaration, 1 May. Available at: https://ec.europa.eu/commission/commissioners/2014-2019/sefcovic/announcements/ashgabat-declaration_en. (Accessed 23 September 2018).

27 European Commission (2018), Commission Delegated Regulation (EU) 2018/540 of 23 November 2017 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest, Official Journal of the European Union, 6 April. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0540&from=EN>; European Commission, (2017) ANNEX to Commission Delegated Regulation (EU) amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest, 23 November. Available at: https://ec.europa.eu/energy/sites/ener/files/documents/annex_to_pci_list_final_2017_en.pdf. (Accessed 19 August 2018).

28 Cutler, R.M. (2018) “Commentary: U.S. Push Could Revive Turkmen Gas Hopes”, Radiofreeeurope/Radioliberty, 22 January. Available at: <https://www.rferl.org/a/commentary-turkmenistan-gas-hopes/28990352.html>. (Accessed 19 August 2018).

29 European Commission (2018), Pre-FEED, Reconnaissance Surveys and Strategic and Economic Evaluations of the Trans-Caspian Pipeline, Connecting Europe Facility, Energy Supported Actions, May, p.113.. Available at: https://ec.europa.eu/inea/sites/inea/files/cefpub/cef_energy_brochure_2018_web.pdf. (Accessed 24 September 2018).

30 Nebit-Gaz, (2018) Brussels and Tbilisi will finance the engineering of the Trans-Caspian gas pipeline project, 11 June. Available at: <http://www.oilgas.gov.tm/en/blog/1942/brussels-and-tbilisi-will-finance-the-engineering-of-the-transcaspian-gas-pipeline-project>. (Accessed 23 September 2018).

31 EC, “Ashgabat Declaration”, *op.cit.*

32 European Commission, (2011) Commission and Azerbaijan Sign Strategic Gas Deal, Press Release, 13 January. Available at: http://europa.eu/rapid/press-release_IP-11-30_en.htm. (Accessed 26 September 2018).

33 The Jamestown Foundation, (1999) Trans-Caspian Gas Pipeline Project Poised to Start Ahead of Russian Blue Stream, 7 December. Available at: <https://jamestown.org/program/trans-caspian-gas-pipeline-project-poised-to-start-ahead-of-russian-blue-stream/>. (Accessed 26 September 2018).

Lately, certain positive impulses have been observed for the prospects of the TCGP, including: the Turkmenistan–Azerbaijan Memorandum of Understanding (2017)³⁴ for expanding energy cooperation through implementation of new joint energy projects,³⁵ the first ever participation of a Turkmen delegation in the ministerial meeting of the SGC's advisory council in Baku³⁶ (where the EU and Turkmen delegation discussed the possibility of Turkmen gas export via the SGC and the construction of TCGP³⁷); and the launch of regular meetings of an Azerbaijan–Turkmenistan working group striving to negotiate the diversification of energy routes and energy projects.³⁸

However, unlike Azerbaijan, which is as actively engaged as an owner of gas resources in the construction and financing of the SGC,³⁹ Turkmenistan has not made a similar commitment for the external pipelines; it is eager neither to bear their financial burden⁴⁰ nor to grant the concerned international oil/gas companies a Production Sharing Agreement, instead merely offering a Technical Service Contract,⁴¹ which deters these companies from investing in the exploration and transportation of Turkmenistan's gas reserves. The Turkmen government thus far prefers to sell its gas at the border, requiring interested stakeholders to assume the financial risks and costs of the external

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34 President.az (2017) "Azerbaijan, Turkmenistan signed documents", Official Web-Site of President of Azerbaijan Republic, News, 8 August. Available at: <https://en.president.az/articles/24918>. (Accessed 22 September 2018).

35 Tariverdiyeva, E. (2017) "Ashgabat, Baku To Expand Energy Co-Op", Trend, 8 August. Available at: <https://en.trend.az/azerbaijan/business/2785131.html>. (Accessed 1 October 2018).

36 Mukhtarli, F. (2018) "Turkmenistan Joining Southern Gas Corridor Is "Quite Realistic""", Caspiannews.com, 5 March. Available at: <https://caspianews.com/news-detail/turkmenistan-joining-southern-gas-corridor-is-quite-realistic-2018-3-3-24/>. (Accessed 22 September 2018).

37 Haqqin.az, (2018) Amerikanskiy Analitik: «Reshayushchiy Shag Turkmenistana V Baku», 17 Fevral. Available at: <https://haqqin.az/news/123006>. (Accessed 22 September 2018).

38 Interfax, (2017) Azerbaydzhani i Turkmenistan Rasshiryat Sotrudnichestvo v Oblasti Postavok Energoresursov v Yevropu - Deklaratsiya, 9 August. Available at: <http://interfax.az/view/710267>. (Accessed 22 September 2018); Trend.az, (2018) Na Zasedanii Rabochey Gruppy v Baku Obsudili Energosotrudnichestvo Azerbaydzhana i Turkmenistana, 19 Fevral. Available at: <https://www.trend.az/azerbaijan/politics/2862936.html>. (Accessed 22 September 2018).

39 President.az, (2018) "Azerbaijani President, German Federal Chancellor held joint press conference", Official Web-Site Of President Of Azerbaijan Republic, NEWS, Press Conferences, 25 August. Available at: <https://en.president.az/articles/29744>. (Accessed 24 September 2018).

40 Shirihev, Z. (2015) "Turkmenistan, Turkey And Azerbaijan: A Trilateral Energy Strategy?", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 12 Issue: 45, 11 March. Available at: <https://jamestown.org/program/turkmenistan-turkey-and-azerbaijan-a-trilateral-energy-strategy/>. (Accessed 26 September 2018).

41 Kulkarni, S.S. (2018) "Turkmenistan Needs To Revisit Its Gas Policy", Institute for Defence Studies and Analysis, 2 September. Available at: https://idsa.in/idsacomments/turkmenistan-needs-to-revisit-its-gas-policy_ss_kulkarni_020916. (Accessed September 26 2018).

pipeline construction from Turkmenistan's borders onwards.⁴²

Azerbaijan's position on the TCGP project is confined to its readiness to offer its territory and infrastructure for transit of Turkmen gas to Europe.⁴³ In this regard, Azerbaijan makes

Azerbaijan's position on the TCGP project is confined to its readiness to offer its territory and infrastructure for transit of Turkmen gas to Europe.

clear that Baku does not plan to invest in TCGP; either Turkmenistan or European companies should do so. In the future, when the throughput capacities of TANAP and TAP are increased to 31 bcm/a (from 16 bcm/a) and 20 bcm/a (from 10 bcm/a), respectively, to accommodate extra gas from third suppliers [under Third Party Access granted by the EU], the Turkmen gas can possibly enter the SGC⁴⁴ and diffuse to the existing Balkan and Eastern European pipeline systems from there.⁴⁵

In fact, the Balkans and Eastern Europe are where Russia's Gazprom had cemented its market position. Therefore, Russia opposes the TCGP, claiming that the project can damage the vulnerable environment of the Caspian Sea,⁴⁶ and the construction is impossible without the approval of all Caspian states.⁴⁷ The expert community has judged the environmental concerns of Russia in the context that Gazprom itself has laid gas pipelines across the Black Sea to Turkey (Blue Stream; Turk Stream) and across the Gulf of Finland to Germany (Nord Stream/NS; in addition, NS2). Others say it is merely a commercial approach in terms of not relinquishing its market share in Europe.⁴⁸

42 Muradli, "Turkmenistan's Energy Policy...", *op.cit.* p.4, 5.

43 President.az. Azerbaijani President, German Federal Chancellor held joint press conference, *op.cit.*

44 Trend, (2018) Energy Minister: Southern Gas Corridor Has Prospects For Expansion In Eastern, Central Europe, Including Balkans (Interview), 8 May. Available at: <https://en.trend.az/business/energy/2899703.html>. (Accessed 25 September 2018).

45 Cutler, R.M. (2018) "Europe Looks To Turkmenistan To Expand Southern Gas Corridor", NATO Association of Canada, 3 July. Available at: <http://natoassociation.ca/europe-looks-to-turkmenistan-to-expand-southern-gas-corridor/> (Accessed 18 August 2018); Cutler, R.M. (2018) "How Central Asian Energy Complements The Southern Gas Corridor", Euractiv, 24 January. Available at: <https://www.euractiv.com/section/energy/opinion/how-central-asian-energy-complements-the-southern-gas-corridor/>. (Accessed 19 August 2018).

46 Socor, V. (2011) "European Union Officially Endorses Trans-Caspian Pipeline To Link Up With Nabucco", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 8 Issue: 172, 20 September. Available at: <https://jamestown.org/program/european-union-officially-endorses-trans-caspian-pipeline-to-link-up-with-nabucco/>. (Accessed 26 September 2018).

47 Coote, B. (2017) "The Caspian Sea and Southern Gas Corridor A View from Russia". Atlantic Council, Global Energy Center, April, p.25. Available at: <https://www.naturalgasworld.com/pdfs/Caspian%20Sea%20and%20Southern%20Gas%20Corridor%20FINAL.pdf>. (Accessed 7 September 2018).

48 Radio Free Europe, (2018) Analysis: A Landmark Caspian Agreement -- And What It Resolves, 9 August. Available at: <https://www.rferl.org/a/qishloq-ovozi-landmark-caspian-agreement--and-what-it-resolves/29424824.html>. (Accessed 7 September 2018).

Moreover, each Caspian state has hitherto been developing major offshore oil/gas projects in its national sector without the pre-consent of other littoral states.⁴⁹ There are currently operational underwater pipelines transporting natural gas and condensates from Azerbaijan's offshore fields to its terminals.⁵⁰ Furthermore, Russia has never objected to the TAPI project, nor China's or Iran's gas imports from Turkmenistan, as these separate Ashgabat from the European direction of energy export.⁵¹

Russia likely plans to re-arrange the import and resale of Turkmen gas to Europe, promising joint gas exploration and transit via Russia to Europe in exchange for Ashgabat's pledge not to commit to the TCGP. This would cut into any volumes that would be contracted to the TCGP. A decade ago, Russia wanted to apply the same strategy toward Azerbaijan by purchasing gas from the SD field to decrease the SGC's promised gas volumes.⁵² It is expected that Russia's Gazprom can resume the purchase of Turkmen gas (suspended in January 2016) very soon.⁵³ Since Ashgabat needs new sources of cash revenue due to its financial troubles, and until (if ever) the TCGP is realized, Turkmenistan may seek to restart shipping its gas to Europe via Russian pipelines running in the northern direction, through which Turkmenistan historically exported natural gas to the CIS and Eastern European countries.⁵⁴

Russia likely plans to re-arrange the import and resale of Turkmen gas to Europe, promising joint gas exploration and transit via Russia to Europe in exchange for Ashgabat's pledge not to commit to the TCGP.

49 Pannier, B. (2015) "Still One Big Obstacle To Turkmen Gas To Europe", Radio Free Europe, 5 May. Available at: <http://www.rferl.org/content/turkmenistan-natural-gas-europe-trans-caspian-pipeline/26996003.html> (Accessed 1 July 2015).

50 Khatinoglu, D. (2014) "Interest in Turkmen Natural Gas Heats Up", Natural Gas Europe, 24 November. Available at: <https://www.naturalgasworld.com/turkmenistan-natural-gas-export-routes-west-south>. (Accessed 30 September 2018).

51 Socor, V. (2011) "Bluff In Substance, Brutal In Form: Moscow Warns Against Trans-Caspian Project", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 8 Issue: 217, 30 November. Available at: <https://jamestown.org/program/bluff-in-substance-brutal-in-form-moscow-warns-against-trans-caspian-project/>. (Accessed 30 September 2018).

52 Gurbanov, "Difficult Geopolitics Of The Caspian...", *op.cit.*

53 Tass, (2018) Peregovory o vozobnovlenii zakupok gaza u Turkmenii mogut sostoyat'sya osen'yu, 27 Iyul. Available at: <https://tass.ru/ekonomika/5409761>, (Accessed 7 September 2018); Turkmenistan Segodnya, (2018) Gazprom: Turkmenistan - traditsionnyi partner Rossii v gazovoy sfere, October 9. Available at: <http://tdh.gov.tm/news/articles.aspx&article14990&cat14> (Accessed 23 October 2018).

54 Gurbanov, I. (2018) "Caspian Convention Signing And The Implications For The Trans-Caspian Gas Pipeline", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 127, 12 September. Available at: <https://jamestown.org/program/caspian-convention-signing-and-the-implications-for-the-trans-caspian-gas-pipeline/>. (Accessed 15 September 2018); Pannier, B. (2017) "Russia Says Caspian Legal Status Resolved. Agreement Ready For Signing", Radiofreeeurope/Radioliberty, 7 December. Available at: <https://www.rferl.org/a/qishloq-ovozi-caspian-status-resolved-russia-says/28903729.html>. (Accessed 19 August 2018); Reuters, (2017) Turkmenistan Considers Shipping Gas Through Russia To Europe, 2 November. Available at: <https://www.reuters.com/article/us-turkmenistan-russia-gas/turkmenistan-considering-shipping-gas-through-russia-to-europe-idUSKBN1D21U6>. (Accessed September 27 2018).

Alternatively, Gazprom will also look at the possibility of using capacity in the TAP (at the expansion capacity). If the TAP receives Russian gas in the second stage (expansion) of the pipeline, then the prospects for Turkmenistan's gas exports via the TCGP into the SGC will be questionable.⁵⁵ Azerbaijan's SOCAR does not exclude receiving gas from any potential source for the SGC, but simply requires that "the supplier must be legitimate and interested in using [Azerbaijan's infrastructure] system."⁵⁶

TCGP as an Independent Variable

Ashgabat can benefit from the TCGP due to its diversification needs⁵⁷ and vulnerable revenue portfolio associated with its overdependence on energy incomes, notably on China's gas imports.⁵⁸ In contrast, it is not yet clear what volume of gas Turkmenistan can supply in the western direction. Turkmenistan has contracted significant gas volumes for China and plans to develop the fourth branch of the Central Asia–China gas pipeline to supply 35 bcm/a by 2020. In addition, Turkmenistan is also committed to the TAPI pipeline project in the south.⁵⁹

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On the other hand, regardless of the EU's legal steps for the TCGP project, these measures have been merely political commitments only, not legally binding obligations; and, therefore, neither commercial nor legal arrangements have thus far been established. Moreover, the EU's moderate financing covers the pre-construction technical aspects only, raising questions on where the larger financing for TCGP's construction

⁵⁵ Gurbanov, I. (2018) "Injecting Russian Gas Into TAP: Downgrading Importance Of Southern Gas Corridor", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 14 Issue: 20, 16 February. Available at: <https://jamestown.org/program/injecting-russian-gas-tap-downgrading-importance-southern-gas-corridor/>. (Accessed 25 September 2018).

⁵⁶ Azernews, (2018) Azerbaijan Does Not Make Exceptions In Selection Of New Gas Sources For SGC – SOCAR, 8 July. Available at: https://www.azernews.az/oil_and_gas/134431.html. (Accessed 25 September 2018).

⁵⁷ Eurasianet, (2017) Turkmenistan, Iran Gas Dispute Serves As Ill Omen For New Year, 2 January. Available at: <https://eurasianet.org/turkmenistan-iran-gas-dispute-serves-ill-omen-new-year>. (Accessed 26 September 2018).

⁵⁸ Rickleton, C. (2014) "Is Turkmenistan'S Gas Flowing Toward A One-Country Policy?", Eurasianet, 18 August. Available at: <https://eurasianet.org/is-turkmenistans-gas-flowing-toward-a-one-country-policy>. (Accessed 26 September 2018).

⁵⁹ Barsukov, Y. & Chernenko, Y. (2018) "O kaspiskikh trubakh dogovoryatsya na beregu", Kommersant, 23 July. Available at: <https://www.kommersant.ru/doc/3694315>. (Accessed 26 September 2018).

will be allocated from (although the cost of the entire project was reduced thanks to the construction of the East–West pipeline (EWP) by Turkmenistan).⁶⁰

By hosting the transit of Turkmen gas, Azerbaijan could benefit from transit fees for gas transportation through its territory. The transit fee could be even applied in the form of gas (as Georgia does in the case of gas transit from SD via SCP),⁶¹ and this gas could be re-sold in Turkey or Europe and may be complementary in case of decline in Azerbaijan's domestic production or shortfall in the capacities of TANAP/TAP.⁶² However, Azerbaijan's gas stays first in the queue to reach to the gas markets of southeastern Europe (8 bcm for Italy, 8 bcm for Turkey, 1 bcm for Greece, 1 bcm for Bulgaria). Thus, the flow of Turkmen gas in the SGC can challenge Azerbaijan's current and future gas export calculations in terms of price competition and volume,⁶³ because the initial capacity of the SCG's pipeline segments has already been booked for Azerbaijani gas from the SDII field under long-term contracts.⁶⁴ Moreover, the State Oil Company of Azerbaijan (SOCAR) is contemplating bringing additional volume from its new gas fields, such as Babek, Umid, and Absheron, into the SGC, rather than hosting gas from other countries.⁶⁵ Thus, the early realization of TCGP with huge volumes of relatively cheap Turkmen gas will make the augmentation of Azerbaijan's gas volume for the SGC less attractive. Nor would Turkmenistan want to provide a smaller volume of gas to Europe as it is not commercially attractive. (For this reason, Turkmenistan itself constructed the EWP

By hosting the transit of Turkmen gas, Azerbaijan could benefit from transit fees for gas transportation through its territory. The transit fee could be even applied in the form of gas...

60 Haqqin.az, (2018) Azerbaydzhani i Turkmenistan V Obkhod Rossii - Zayavlyayut Pravitel'stva ES I Gruzi, 7 June. Available at: <https://haqqin.az/news/130114>. (Accessed 8 September 2018).

61 Sputnik, (2015) Zapad Ne Mozhet Prinudit' Strany V Vybore Gazovogo Marshruta, May 22. Available at: <https://ru.sputnik.az/economy/20150522/400033919.html>. (Accessed 25 September 2018).

62 Vestnik Kavkaza, (2016) Construction of Trans-Caspian gas pipeline primarily depends on Azerbaijan's actions, 10 October. Available at: <http://vestnikkavkaza.net/interviews/Igor-Korobov-Construction-of-Trans-Caspian-gas-pipeline-primarily-depends-on-Azerbaijan-s-actions.html>. (Accessed 22 September 2018).

63 Pirani, S. (2018) "Let's not exaggerate: Southern Gas Corridor prospects to 2030", Oxford Institute for Energy Studies, OIES PAPER: NG 135, July 2018, p.14-16. Available at: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/07/Lets-not-exaggerate-Southern-Gas-Corridor-prospects-to-2030-NG-135.pdf>

64 Gurbanov, I. (2018) "Azerbaijani Leadership Resolutely Upholds The Southern Gas Corridor", Vocal Europe, 29 March. Available at: <http://www.vocaleurope.eu/azerbaijani-leadership-resolutely-upholds-the-southern-gas-corridor/>. (Accessed 25 September 2018).

65 Azernews, "Azerbaijan Does Not Make Exceptions...", *op.cit.*

to transfer 30–40 bcm/a gas from the south-east fields to the Caspian coast of the country.⁶⁶⁾

Russia's and Iran's opposition stem from the fact that Turkmenistan's gas exports via the TCGP would circumvent them as transit countries. That will create new alternatives and competition for Russia's fortified market position in Eastern Europe and would break Moscow's stranglehold over re-export of Turkmen gas thereto.⁶⁷ The export of Turkmen gas would drive gas prices down in that market and threaten Gazprom's price-setting flexibility.⁶⁸ The TCGP would help further consolidate Azerbaijan's geopolitical importance in the region and bring more foreign energy companies to the Caspian Basin. However, Russia's true opposition to the TCGP is most likely linked to the pipeline's ability to present an alternative to its Turkish Stream (TS) pipeline to Turkey and its prospective extension to Europe. The completion of the TCGP—thus combining Azerbaijani and Turkmenistan gas volumes exported to Europe—would render TS's prospective expansion redundant. Therefore, Gazprom has accelerated the realization of TS ahead of the TCGP, as it did earlier with the construction of Blue Stream. Similarly, the realization of TS will undermine the geo-economic significance of the TCGP.⁶⁹

Russia's and Iran's opposition stem from the fact that Turkmenistan's gas exports via the TCGP would circumvent them as transit countries.

The Caspian Convention and Implications for the TCGP

In fact, the most current and significant development regarding the TCGP is the signing of the Convention on Legal Status of Caspian Sea by five Caspian littoral states, namely Azerbaijan, Kazakhstan, Russia, Iran, and Turkmenistan, in Astana, Kazakhstan. The Convention's Article 14 recognizes the parties' right to lay submarine pipelines along the bottom of the Caspian Sea. The document says that only those countries

⁶⁶ Cutler, "How Central Asian Energy Complements...", *op.cit.*

⁶⁷ Diba, B. (2018) "Iran And The Trans-Caspian Gas Pipeline", Payvand, 8 January. Available at: <http://www.payvand.com/news/18/jan/1030.html>. (Accessed 20 August 2018); Rickleton, C. (2015) "Turkmenistan: EU Eyes Trans-Iranian Gas Pipeline", Eurasianet, 4 May. Available at: <https://eurasi-anet.org/turkmenistan-eu-eyes-trans-iranian-gas-pipeline>. (Accessed 26 September 2018).

⁶⁸ O'Byrne, D. (2018) "With Draft Convention, Resolution Of Caspian Sea Status Appears Closer Than Ever", Eurasianet, 27 June. Available at: <https://www.eurasianet.org/with-draft-convention-resolution-of-caspian-sea-status-appears-closer-than-ever>. (Accessed 6 September 2018).

⁶⁹ Kosolapova, E. (2017) "Turkish Stream To Affect Prospects Of Trans-Caspian Pipeline, Expert Says", Trend, 18 May. Available at: <https://en.trend.az/other/commentary/2756204.html>. (Accessed 30 September 2018).

through whose sectors of the sea floor the underwater pipeline is built will determine the route.⁷⁰ This provision is considered a key legal point for the construction of TCGP, which was long discussed in the context of the EU's gas supply security, but stalled mainly due to the undefined legal status of the Caspian and Russian/Iranian opposition to the pipeline on the basis of their environmental concerns.⁷¹ According to Turkmenistan's state information agency, the signing of the Convention means that the TCGP can no longer be vetoed.⁷² Therefore, the Convention can be considered a significant compromise document in this regard.

Moreover, the Convention also clearly articulates the necessity of coordination with other coastal states for these pipelines' compatibility with the environmental standards set out in international treaties (including the Framework Convention for the Protection of the Marine Environment of the Caspian Sea and the Protocol on Environmental Impact Assessment in a Transboundary Context to the 2003 Tehran Convention). This implies that each coastal country will have a voice in the comprehensive environmental evaluation of pipeline projects (notably the TCGP when it is in the early design stage) envisaging the transfer of hydrocarbons from one coast of the Caspian Sea to another and that may have an impact on the environment of the Caspian Sea.⁷³ During the Caspian Summit, Russian President Vladimir Putin particularly emphasized that “[t]hese documents ensure strict environmental inspection of infrastructure projects” that generate potential risks for the Caspian Sea.⁷⁴ Azerbaijan's President Ilham Aliyev, on his part, reiterated that all oil and gas operations conducted by Azerbaijan in the Caspian Sea respect

...the Convention also clearly articulates the necessity of coordination with other coastal states for these pipelines' compatibility with the environmental standards set out in international treaties...

70 Kremlin.ru, (2018) “Konventsya O Pravovom Statuse Kaspiyskogo Morya”, Prezident Rossii, 12 Avqust. Available at: <http://kremlin.ru/supplement/5328>. (Accessed 27 September 2018).

71 Gurbanov, “Difficult Geopolitics Of The Caspian...”, *op.cit.*

72 Turkmenistan Segodnya, (2018) Podpisaniye Kaspiyskoy Konventsii – Istoricheskiy Shag k Mirovoy Energobezopasnosti, 14 August. Available at: <http://tdh.gov.tm/news/articles.aspx&article14061&cat11>. (Accessed 7 September 2018).

73 MID Rossii, (2018) Otvet Rukovoditelya Rossiyskoy Delegatsii Na Mnogostoronnikh Peregovorakh Po Pravovomu Statusu Kaspiyskogo Morya, Posla Po Osobym Porucheniym MID Rossii I.B.Bratchikova Na Vopros SMI O Vozmozhnosti Stroitel'stva Transkaspiyskogo Gazoprovoda Posle Podpisaniya Konventsii O Pravovom Statuse Kaspiyskogo Morya, 17 Avgust. Available at: http://www.mid.ru/web/guest/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/3320564. (Accessed 27 September 2018).

74 Kremlin.ru, (2018) “Pyatyy Kaspiyskiy Sammit, Vladimir Putin prinyal uchastiye v Pyatom kaspiyskom sammite, sostoyavshemsa v Respublike Kazakhstan”, Prezident Rossii, 12 Avqust. Available at: <http://kremlin.ru/events/president/news/58296>. (Accessed 27 September 2018).

international ecological standards.⁷⁵

Thus, both the Convention and related protocols set clear procedures on how parties (such as Azerbaijan and Turkmenistan) should act before the construction of the TCGP; i.e., they are obliged to provide all information on the project's technical characteristics to other littoral states, which can request additional environmental measures.⁷⁶ However, it is not clear if this mechanism will ultimately request the opinions of other coastal states, or require their permission.⁷⁷ Russian newspaper *Kommersant* argues that, “Russia and Iran will receive an instrument that will at least delay the possible construction of a gas pipeline from Turkmenistan to Azerbaijan.”⁷⁸ Thus, the

TCGP’s construction ultimately became subject to final environmental consent of the littoral states—and that is what Russia and Iran were insisting on from the very beginning.⁷⁹

The Convention, however, does not fully clarify the issue of the delimitation of the sea floor, but only says that “the delimitation of the seabed and subsoil of the Caspian Sea into sectors is carried out by agreement between neighbouring and opposing states...

The Convention, however, does not fully clarify the issue of the delimitation of the sea floor, but only says that “the delimitation of the seabed and subsoil of the Caspian Sea into sectors is carried out by agreement between neighbouring and opposing states by taking into account universally recognized principles and norms of law.”⁸⁰ Ashgabat and Tehran have disagreements with Baku over the question of ownership of a number of fields⁸¹

⁷⁵ President.az, (2018) “The Heads of the Caspian littoral states made statements to the press at the Aktau Summit (in Azerbaijani)”, Official Website of the President of Azerbaijan, News, Events, 12 August. Available at: <https://president.az/articles/29675> (accessed September 27 2018).

⁷⁶ Aljazeera, (2018) Will the Caspian Sea deal hold? 13 August. Available at: <https://www.aljazeera.com/programmes/insidestory/2018/08/caspian-sea-deal-hold-180813193010369.html> (cesssed 27 September 2018); Stanislav, P. (2018) “Konstitutsiya Kaspiya. O Chem Dogovorilis’ Pyat’ Kaspiyskikh Stran V Aktau”, Carnegie Moscow Center, 15 August. Available at: <https://carnegie.ru/commentary/77043> (accessed 19 August 2018).

⁷⁷ Mehtiyev, A. (2018) “Caspian Convention Challenges Gazprom’s Rule In Europe”, Pravdareport, 14 August. Available at: <http://www.pravdareport.com/world/usssr/14-08-2018/141395-caspian-convention-0/> (accessed 27 September 2018).

⁷⁸ Chernenko, Y. (2018) “Ni more, ni ozero Pyat’ faktov o novom statuse Kaspiyskogo morya”, *Kommersant*, August 12. Available at: <https://www.kommersant.ru/doc/3712593> (accessed 27 September 2018).

⁷⁹ Garibov, A. (2018) “Russian Government Approves Draft Convention On Legal Status Of Caspian Sea”, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 99, 27 June. Available at: <https://jamestown.org/program/russian-government-approves-draft-convention-on-legal-status-of-caspian-sea/> (accessed 27 September 2018).

⁸⁰ Barsukov, Y. & Chernenko, Y. (2018) “More dlya svoikh: Pyat’ stran dogovorilis’ o razdele Kaspiya”, *Kommersant*, 23 June. Available at: <https://www.kommersant.ru/doc/3667577> (accessed 26 September 2018).

⁸¹ These are under the jurisdiction of Azerbaijan, namely: Kapaz, Chirag, Azeri, and Sharg; but in the Turkmen version they are Serdar, Osman, Omar/Khazar, and Altyn Asyr respectively.

because of lack of clarity on the division of subsoil between their respective sectors of the Caspian Sea.⁸² Thus, the Convention fails to present any tangible solution in this regard, but merely ensures the continuity of the *status quo* on unresolved issues regarding offshore fields.⁸³ However, Azerbaijan and Iran had signed a MoU on joint development of relevant offshore blocks⁸⁴ in the Caspian Sea during Iranian President Hassan Rouhani's official visit to Azerbaijan in March 2018.⁸⁵ Although there is no sign from Turkmenistan of similar willingness to agree to this kind of formula of joint development with Azerbaijan,⁸⁶ Azerbaijani–Iranian collaboration, as well as Azerbaijan's technological advances in developing the offshore fields, might be motivating factors for Ashgabat.⁸⁷

Moreover, the Convention bypassed the “modified median line” principle for all (which is supposed to be the final solution for all),⁸⁸ and this will make Azerbaijan's position stronger in determination of ownership over “disputed fields” contested by Turkmenistan. Meanwhile, Russia has relinquished its “veto” leverage over the TCGP, but gained a right of “environmental policing,” according to both the Convention and its protocols.⁸⁹

⁸² CSAF, (2012) Trans-Caspian Gas Pipeline: Goals, Problems and Risks, 24 June. Available at: <http://csef.ru/en/politica-i-geopolitica/237/transkaspiskij-gazoprovod-czeli-problemy-i-riski-3455> (accessed 5 September 2018).

⁸³ Rahimov, R. (2018) “Five Nations Bicker Over Whether The Caspian Is Lake Or Sea”, The Russia File, Kennan Institute Blog, 5 September. Available at: <http://www.kennan-russiatile.org/2018/09/05/five-nations-bicker-over-whether-the-caspian-is-lake-or-sea/> (accessed 9 September 2018).

⁸⁴ These blocks are supposedly Azerbaijan's “Araz-Alov-Sherg” fields (“Alborz” in Iranian) that are still subject to the dispute.

⁸⁵ President.az, “Azerbaijan, Iran signed documents”, Official Web-Site Of President Of Azerbaijan Republic, News, 28 March. Available at: <https://en.president.az/articles/27611>. (Accessed 26 September 2018).

⁸⁶ Rahimov, R. (2018) “Azerbaijan, Iran Reach Breakthrough on Disputed Fields in the Caspian Sea”, The Jamestown Foundation, Eurasia Daily Monitor Volume: 15 Issue: 52, April 5. Available at: <https://jamestown.org/program/azerbaijan-iran-reach-breakthrough-on-disputed-fields-in-the-caspian-sea/>. (Accessed 26 September 2018).

⁸⁷ 1news, (2018) Konventsya O Pravovom Statuse Kaspiya - Novaya Stranitsa V Istorii Kaspiyskogo Regiona, 13 Avgust. Available at: <http://www.1news.az/news/triumfal-naya-tochka-podpisannaya-konvensiya-o-pravovom-statuse-kaspiya---novye-perspektivy-i-sotrudnistvo>. (Accessed 26 September 2018).

⁸⁸ Garibov, A. (2017) “Are The Littoral States Close To Signing An Agreement On The Legal Status Of The Caspian Sea?”, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 14 Issue: 61, 8 May. Available at: <https://jamestown.org/program/littoral-states-close-signing-agreement-legal-status-caspian-sea/>. (Accessed 27 September 2018).

⁸⁹ Dubnov, A. (2018) “Doraspad SSSR. Chto Izmenit Razdel Kaspiya”, Carnegie Moscow Center, 15 August. Available at: <https://carnegie.ru/commentary/77042>. (Accessed 19 August 2018).

Alternative Scenarios for Turkmenistan's European Gas Exports

Turkmenistan's gas alternatively might be exported in the western direction under several scenarios, as described below.

(1) **Swap deal 1:** Turkmenistan proposed a gas-swap deal with Iran in 2017 to deliver its gas to Turkey, where it could be injected into TANAP, but the idea was rejected by Iran.⁹⁰ Iran had made a similar offer to Ashgabat in 2012 to transport Turkmen gas through Iran's existing pipelines.⁹¹ Under the swap operation, Iran could receive Turkmen gas via the Korpelce–Kurtuki (8 bcm/a) and Dauletabad–Sarakhs–Khangiran (12 bcm/a) gas pipelines⁹² and deliver its gas to Turkey via existing domestic pipelines/interconnections⁹³ to connect with TANAP, the capacity of which is set to rise to 23 bcm by 2023 and to 31 bcm by 2026.⁹⁴ This proposal was not

Transit of huge volumes of Turkmen gas to Europe, which Tehran considers a potential market, would ultimately undermine the latter's plans for exports and to be considered as a potential alternative source by the EU.

realized because of its costliness, international sanctions, and gas supply cut (from Turkmenistan to Iran) due to their debt issues.⁹⁵ Transit of huge volumes of Turkmen gas to Europe, which Tehran considers a potential market, would ultimately undermine the latter's plans for exports and to be considered as a potential alternative source by the EU.⁹⁶ The tension with Iran is blocking Ashgabat's manoeuvring for southern/western diversification and will simply increase Turkmenistan's dependence on China's imports.

Transit of Turkmen gas through Iran to Europe in the long perspective is also uncertain given the US's evolving position on the nuclear agreement with Iran.⁹⁷

⁹⁰ Pannier, B. (2017) "Analysis: Iran Rejects Turkmen Proposal For Gas Shipments To Turkey", Radiofreeeurope/Radioliberty, 30 October. Available at: <https://www.rferl.org/a/iran-rejects-turkmenistan-proposal-gas-shipments-turkey/28824118.html>. (Accessed 28 September 2018).

⁹¹ Socor, "Turkey Sees Opportunity In Trans-Caspian Gas Pipeline Project", *op.cit.*

⁹² Shaban, I. (2015) "Iran's Proposal to Deliver Caspian Gas to Turkey", Natural Gas Europe, 3 February. Available at: <http://www.naturalgaseurope.com/irans-proposal-to-deliver-caspian-gas-to-turkey> (Accessed 13 July 2015).

⁹³ Gurbanov, "Trans-Caspian Pipeline Conundrum...", *op.cit.*

⁹⁴ Mostajabi, *op.cit.*

⁹⁵ Shlapentokh, D. (2016) "Prospects Of Turkmenistan-Iran Gas Cooperation", The Central Asia - Caucasus Analyst, 12 October. Available at: <http://www.cacianalyst.org/publications/analytical-articles/item/13402-prospects-of-turkmenistan-iran-gas-cooperation.html>. (Accessed 28 September 2018); Mehrnews.com, (2018) Iran-Turkmenistan Gas Row Goes To ICA, Ruling Expected In Two Years, 15 August. Available at: <https://en.mehrnews.com/news/136784/Iran-Turkmenistan-gas-row-goes-to-ICA-ruling-expected-in-two>. (Accessed 28 September 2018).

⁹⁶ Trend, (2018) Sefcovic: EU Ready To Mull Possibility Of Connecting Iran To SGC, 15 February. Available at: <https://en.trend.az/business/energy/2861487.html>. (Accessed 28 September 2018).

⁹⁷ Shlapentokh, D. (2017) "Turkmenistan's Gas Export Dilemma", The Central Asia - Caucasus Analyst, 15 November. Available at: <https://www.cacianalyst.org/publications/analytical-articles/item/13483-turkmenistans-gas-export-dilemma.html>. (Accessed 19 August 2018).

(2) ***Swap deal 2:*** Alternatively, under this swap operation,⁹⁸ a small volume (2–6 bcm/a) of Turkmen gas can be bought by Azerbaijan to supplement its domestic demand until new fields come on stream, as most of its gas portfolio is contracted to foreign customers.⁹⁹ Under the swap deal, Turkmenistan can deliver the gas to Iran at their common border, and Iran can pass the same amount of its own gas to Azerbaijan at its border.¹⁰⁰ As the price of Turkmen gas is cheaper in summer, it can be held in Azerbaijan's gas storage facilities¹⁰¹ and re-sold at a profit during the winter period when there is a premium price for natural gas.¹⁰² During a visit to Turkmenistan last March, Iranian President Hassan Rouhani was quoted as saying that the two governments want to increase gas swap transactions and make more extensive use of pipeline infrastructure to export Turkmen gas to third countries.¹⁰³ However, the prospects for such an operation are obscure due to the debt dispute between Iran and Turkmenistan.¹⁰⁴

(3) ***Connecting the underwater platforms:*** Since Turkmenistan prefers to sell gas at the country's border, Azerbaijan can buy around 3–5 bcm of associated gas from Malaysia's Petronas (which has a 15.5 percent stake in SDII) which also works in Turkmenistan's offshore fields in the Caspian.¹⁰⁵ The Turkmen gas can be picked up by accessing one of Azerbaijan's offshore fields, from where the gas can be pumped to Sangachal via Azerbaijan's existing underwater pipelines.¹⁰⁶ Because most of

98 Tehran Times, (2017) Turkmenistan Offers Boosting Of Gas Swap To Lure Iran Back, 31 January. Available at: <https://www.tehrantimes.com/news/410582/Turkmenistan-offers-boosting-of-gas-swap-to-lure-Iran-back>. (Accessed 28 September 2018).

99 Azernews.az, "Azerbaijan Does Not Make Exceptions...", *op.cit.*

100 Azvision, (2016) Iran To Reduce Gas Export To Armenia From September, 5 August. Available at: <https://en.azvision.az/news/44355/iran-to-reduce-gas-export-to-armenia-from-september.html>. (Accessed 28 September 2018).

101 Sputnik, (2017) Iran Propustit Turkmenskiy Gaz v Azerbaydzhhan, No ne v Turtsiyu, 25 October. Available at: <https://ru.sputnik.az/economy/20171025/412478837/iran-turkmenistan-turcija-gaz-svop-azerbajdzhan.html>. (Accessed 28 September 2018).

102 Pannier, "Analysis: Iran Rejects Turkmen Proposal...", *op.cit.*

103 Gotev, G. (2018) "Turkmenistan To Tap Into Southern Gas Corridor", Euractiv, 8 May. Available at: <https://www.euractiv.com/section/energy/news/turkmenistan-to-tap-into-southern-gas-corridor/>. (Accessed 28 September 2018).

104 Bagirova, N. & Antidze, M. (2017) "Azerbaijan, Future Gas Supplier To Europe, Faces Shortfall At Home", Reuters, 24 February. Available at: <https://www.reuters.com/article/us-azerbaijan-gas-shortage/azerbaijan-future-gas-supplier-to-europe-faces-shortfall-at-home-idUSKBN1630SE>. (Accessed September 28 2018).

105 Eurasianet, (2016) Turkmenistan, Azerbaijan, Turkish Leaders To Meet For Gas Talks, 25 July. Available at: <https://eurasianet.org/turkmenistan-azerbaijan-turkish-leaders-meet-gas-talks>. (Accessed 28 September 2018).

106 Shaban, I. "Baku To Allow Turkmen Gas Into TANAP", Caspian Barrel, 23 May. Available at: <http://caspianbarrel.org/az/2016/05/baku-to-allow-turkmen-gas-into-tanap/>. (Accessed 28 September 2018).

Turkmenistan's offshore fields are located closer to Azerbaijan, this does not require building a pipeline all the way from terminal to terminal, but merely requires linking the two countries' undersea platforms to each other.¹⁰⁷ Azerbaijan's SOCAR President, Rovnag Abdullayev, while attending the oil and gas forum held in Ashgabat in 2015, expressed Azerbaijan's readiness to provide Turkmenistan "a developed infrastructure, a diversified system of oil and gas pipelines, depots and terminals, marine fleet and other opportunities [...] for implementation of projects in the oil and gas sector".¹⁰⁸ Although the inter-platform option might sound the most convenient and shortest way of delivering gas,¹⁰⁹ the Turkmen government would, nevertheless, be unlikely to agree to commit a small volume of gas for the SGC.

(4) **Compressed or Liquefied Natural Gas:** It is also possible to deliver Turkmen gas to Azerbaijan's coast by tankers as Compressed Natural Gas (CNG) or Liquefied Natural Gas (LNG),¹¹⁰ which does not pose an environmental threat to the Caspian Sea, nor is it subject to the Azerbaijan–Turkmenistan maritime dispute. Subsequently, Turkmen gas could be transported by rail to Georgia's Black Sea port, where the LNG will be loaded onto ships and sent to Europe (Romania's Constanta port). As another option, the CNG can be shipped by tankers to Azerbaijan, decompressed there, and transported onward through the SGC.¹¹¹ This plan could be a revival of the AGRI (Azerbaijan Georgian Romania Interconnector) project, but it would bypass Turkey in transit and be detrimental to Gazprom's market position in Europe. However, given the length of the shipment distance, LNG/CNG delivery is not economically advantageous as it is costly in terms of construction, transportation, and price, and is technically problematic because of the absence of necessary regasification/

¹⁰⁷ Radio Liberty, (2015) The Trans-Caspian Pipeline: Technically Possible, Politically Difficult, 23 May. Available at: <https://www.rferl.org/a/turkmenistan-natural-gas-europe-pipeline-tcp/27033746.html>. (Accessed 28 September 2018).

¹⁰⁸ Hasanov, H. (2015) "Azerbaijan And Turkmenistan - Discovering New Energy Flow Routes", Trend, 23 November. Available at: <https://en.trend.az/business/energy/2459434.html>. (Accessed 28 September 2018).

¹⁰⁹ Pirani, *op.cit.* p.17.

¹¹⁰ Gurbanov, "Caspian Convention Signing...", *op.cit.*

¹¹¹ Socor, V. (2018) "Turkmen President Supports Trans-Caspian Pipeline In Meeting With Top EU Officials", The Jamestown Foundation, Eurasia Daily Monitor, Volume: 8 Issue: 14, 20 January. Available at: <https://jamestown.org/program/turkmen-president-supports-trans-caspian-pipeline-in-meeting-with-top-eu-officials/> (accessed 28 September 2018).

decompression and liquefaction/compressing terminals.¹¹² Since the Caspian Sea is landlocked, it will not be commercially feasible to build relevant terminals to deliver Turkmen gas alone as it will range simply between Turkmenbashi and Baku ports (unless Uzbekistan and Kazakhstan decide to contribute), without any access to world LNG/CNG markets.¹¹³

Conclusion

The efforts mobilized by the EU for the TCGP indicate that, along with Azerbaijani gas, Turkmenistan's vast gas reserves constitute a promising alternative for the Union's gas imports and to increase the economic viability of the SGC's throughput capacity as well as softening the gas dependence of certain member states on Russia's Gazprom.

Meanwhile, Turkmenistan needs diversification due to the country's economic problems (given its budget dependence on oil/gas revenues), transit dependence on Russia, and export reliance on China's gas imports. Lack of solid political or financial support for the TCGP has demotivated Turkmenistan and turned it towards China for gas exports. China's increasing presence in the Turkmen energy sector through the financing/construction of major projects and exploration of the largest gas fields makes it necessary to diversify gas exports from China to the West. The western wing of diversification will help Turkmenistan to lessen its strong gas export dependence on both Russia and China. Up to now, China's dominant share in Turkmenistan's gas exports has delayed Ashgabat's commitment to the European direction of export. Therefore, it is questionable whether Turkmenistan can secure gas supplies for the EU countries in the long term. On the other hand, the environment-related provisions of the new Caspian Convention mean that environmental considerations, previously restricted merely to a political statement, are now legally codified in the Convention.

On the other hand, bringing Turkmen gas into the SGC is subject to TCGP's commercial context and market perspective, i.e., it is dependent on: (1) investment decisions and price formula for

Meanwhile, Turkmenistan needs diversification due to the country's economic problems (given its budget dependence on oil/gas revenues), transit dependence on Russia, and export reliance on China's gas imports.

¹¹² Azernews, (2016) Where Additional Volumes Of Newly Discovered Turkmen Gas Head For?, 23 June. Available at: <https://www.azernews.az/region/98421.html> (accessed 28 September 2018).

¹¹³ Gurbanov, "Trans-Caspian Pipeline Conundrum...", *op.cit.*

Turkmen gas to Turkey and Europe; (2) cost of gas production and transportation tariffs that will impact on the price of gas sales; (3) construction expenses and sufficient financing for these; (4) obscurity of demand for Turkmen gas in Europe and of the purchase point for gas; and (5) competition with prospective suppliers (LNG supply and alternative sources, including Azerbaijan). Furthermore, since the late 1990s, many things have changed in the European gas market's circumstances (domestic interconnectors, LNG imports, lower prices, Gazprom's market competition, etc.), meaning that the TCGP might be less attractive now. Until the concrete infrastructure is constructed to bring Turkmen gas into the SGC, Azerbaijani gas will remain the most reliable source for the EU in the near future.

Legal Status of the Caspian Sea is Finally Defined: What is Next?

Azad Garibov*

Negotiations to resolve the dispute over the legal status of the Caspian Sea have been long and uneasy, and began with highly divergent, if not mutually exclusive, positions of the littoral states. This article briefly reviews the negotiation process over the division of the Caspian Sea and the positions of each littoral state in it, identifies the key milestones passed in this process, and attempts to uncover why and how it was possible to come to a common agreement and sign the Convention on Legal Status of the Caspian Sea. It also presents the big picture of what the new status will actually turn out to be. Finally, the article identifies two key issues—namely, (1) delimitation of highly contentious sectorial borders of the seabed in the South Caspian and resultant clarification of the ownership of the disputed fields, and (2) construction of underwater trans-Caspian pipelines—as the major problems that still await resolution in order to achieve a final settlement of the Caspian Sea legal dispute.

Key words: Caspian Sea, legal status, disputes, division of the seabed, trans-Caspian pipeline



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Introduction

The dispute over the legal status of the Caspian Sea has long hindered opportunities for regional cooperation, particularly with regard to the establishment of trans-Caspian energy corridors from Central Asia to Europe. It has also left many oil and natural gas fields underdeveloped in the southern part of the sea, as well as having encouraged the rapid militarization of the Caspian in recent years.¹ In fact, such resources, as well geopolitical and security considerations, were the key reasons why the signing of Convention took so long. The Caspian seabed holds some 48 billion barrels of oil and 292 trillion cubic feet of natural gas in proven offshore reserves. This was valued at \$4 trillion for oil and over \$2 trillion for gas based on the prices when the leaders of the Caspian Five finally inked the convention in 2018.² It is no surprise that each of the littoral states wanted to get as large a share of these massive resources as possible. Who gets how much of them needed to be defined based on what formulas and measures are applied to divide the sea and what rights the littoral states have to explore those resources.

Before the collapse of the USSR in 1991, the legal status of the Caspian Sea was based on a series of treaties between Iran and Russia/Soviet Union signed in 1813, 1828, 1921, 1935, 1940, and 1956...

Before the collapse of the USSR in 1991, the legal status of the Caspian Sea was based on a series of treaties between Iran and Russia/Soviet Union signed in 1813, 1828, 1921, 1935, 1940, and 1956, the latest of which divided the Caspian according to a straight line drawn from Astara on the south-west coast of the sea to Hasankuli on the south-east coast. The Soviet Union had full sovereignty over the surface and seabed north of that line (about 87 percent of the sea), and Iran had the same rights in the south (about 13 percent of the sea).³ The emergence of the four new independent littoral states following the disintegration of the Soviet Union made these treaties obsolete and the legal status of Caspian immediately became a disputed issue. The littoral states failed to agree on the final legal status of the sea for the next 22 years, despite conducting four presidential summits, 12 meetings of foreign ministers,

1 Garibov, A. (2016) ‘Militarization of the Caspian Sea: A Zero-Sum Game?’, The Jamestown Foundation, Eurasia Daily Monitor Volume: 13 Issue: 134. Available at: <https://jamestown.org/program/militarization-of-the-caspian-sea-a-zero-sum-game/>. (Accessed: 10 September 2018).

2 Cohen, A. (2018) ‘Exxon And Chevron Hope To Cash In After New Caspian Summit’, Forbes, 9 August. Available at: <https://www.forbes.com/sites/arielcohen/2018/08/09/exxon-and-chevron-hope-to-cash-in-after-new-caspian-summit/#4d4eef923119>. (Accessed: 8 October 2018).

3 Abilov, S. (2013) ‘Legal Status of the Caspian’, Hazar Raporu, Summer. Available at: <https://www.researchgate.net/publication/320183299>. (Accessed: 06 October 2018).

and 55 meetings of the Special Working Group (co-chaired by five Deputy Foreign Ministers from the littoral states) on the division of the Caspian Sea.

Various options for division of the Caspian Sea were advanced by each of the littoral states, each best serving their respective national interests. The stalemate was finally broken in 2017 and the Convention on the Legal Status of the Caspian Sea (CLSCS) was finally signed at the 5th Presidential Summit of the Caspian Five on August 12, 2018, in Aktau, Kazakhstan.⁴ This article briefly reviews the negotiation process over the division of the Caspian Sea and the position of each littoral state in it, identifies key milestones passed in this process, and attempts to uncover why and how it was possible to come to a common agreement. It also presents the big picture of what the new status actually is via deciphering the text of the Convention. Finally, it sheds light on further perspectives and tries to identify the key problems that are still waiting to be addressed to achieve a final resolution of the Caspian Sea dispute.

The long way to the Convention

The chronology of the negotiations on the resolution of the dispute over the Caspian Sea's legal status and the positions of the littoral states has been widely discussed elsewhere by many authors, and thus the article will not extensively focus on this issue. However, with the purpose of providing the appropriate contextualizing for the recent agreement, the negotiation process and positions of the sides will be reviewed, with identification of key milestones as well as the major issues that have produced a certain level of convergence from initially highly divergent positions.

As Mianabady summarizes, in total, five different approaches had previously been discussed during the 22 years of negotiations to resolve the legal status of the Caspian:⁵

- 1. Division based on the UN Convention on the Law of the Sea (UNCLOS)**

⁴ BBC (2018) Caspian Sea: Five countries sign deal to end dispute, 12 August, available at: <https://www.bbc.com/news/world-45162282> (Accessed: 06 October 2018)

⁵ Sheikmohammady, M., Mostert, E. and Giesen, N. (2014) 'Application of the Ordered Weighted Averaging (OWA) method to the Caspian Sea conflict', Stochastic Environmental Research and Risk Assessment, Volume 28, Issue 6, pp 1359–1372. Available at: <https://link.springer.com/article/10.1007/s00477-014-0861-z>. (Accessed: 06 October 2018).

2. Condominium status applying to both the surface and the seabed (Condominium)
3. Division based on Soviet maps (Soviet maps)
4. Equal division: 20 % of the sea surface, and the seabed area, to each littoral state (Equal division)
5. Division of the seabed based on UNCLOS, with condominium status of the surface (UNCLOS+Condominium).

An assessment of the Caspian littoral states' "economic, political, and military interests as declared on their public statements" provided the following ordinal preferences of the states in terms of the five legal status alternatives (1—most desirable to 5—least desirable).⁶

Ordinal preferences of the littoral states for division of the Caspian

Littoral states of the Caspian Sea	UNCLOS	Condominium	Soviet maps	Equal division	UNCLOS+Condominium
Azerbaijan	2	5	1	4	3
Iran	3	1	5	2	4
Kazakhstan	2	4	1	5	3
Russia	4	1	3	5	2
Turkmenistan	3	5	2	1	4

As the table shows, division of the sea based on the Soviet maps was the most desirable option for Azerbaijan and Kazakhstan, and more or less acceptable for Turkmenistan (with certain exceptions discussed later), while condominium was the least desirable approach for Azerbaijan and Turkmenistan, and also almost unacceptable for Kazakhstan. Kazakhstan, which has the longest coastline and accordingly claims it should receive the largest share of the Caspian Sea, is most strongly opposed to the equal division formula. In contrast, for Russia and Iran, which, along with their economic interests, also arguably have much

⁶ Hipel, K., et al. (2010) 'Modeling the Caspian Sea negotiations.' *Gr Decis Negot* 19:149–168.
doi: 10.1007/s10726-008-9121-2.

stronger geopolitical ambitions in the sea, were most positive about condominium status applying to both the surface and seabed, which could have provided them with serious influence over everything going in the Caspian Sea. Moreover, most of the energy riches of the sea are concentrated in the sectors of the three smaller Caspian powers, and condominium would mean Moscow and Tehran receiving a certain share from those resources. At the same time Russia, the biggest naval power in the Sea, was totally against any division of the sea surface, which could seriously curtail the power projection capabilities of its Caspian flotilla. Iran, in turn, was most negative about the division of the Sea based on Soviet maps, which, according to Tehran, put Iran in a very disadvantageous position, allocating the country, at best, less than 15 percent of the sea bed and surface.

However, it is important to note that, while the table above shows the ordinal preferences of each of the littoral states, it does not necessarily overlap with their officially stated positions, particularly during the later periods of negotiations. The littoral states gradually modified and moderated their maximalist positions during negotiations, both to make them more acceptable for others, and also to reflect changing economic/geopolitical/security considerations. Azerbaijan has long argued that the Caspian Sea is actually an international border lake and should be divided into national sectors based on the median line (equidistance) principle.⁷ In fact, back in 1970, the Soviet Union's Ministry of Oil and Gas had divided the Caspian seabed into Kazakh, Azerbaijani, Russian, and Turkmen sectors based on equidistance; and Azerbaijan suggested that this division, according to the legal principle of *uti possidetis juris*, could be accepted as a departure point for delimitation negotiations.⁸ Baku also argued that the littoral states should be able to freely develop energy extraction and transportation projects in their respective sectors even before the all-inclusive Convention on legal status is signed. Such a perspective has been supported by Turkmenistan, a possible partner of Azerbaijan in building the Trans-Caspian gas pipeline, but rejected by Russia and Iran, which wanted to block the

The littoral states gradually modified and moderated their maximalist positions during negotiations, both to make them more acceptable for others, and also to reflect changing economic/geopolitical/security considerations.

⁷ Azerbaijan.az (2010) Emergence of the Notion of Legal Status of the Caspian Sea (In Azerbaijani: Xəzərin Hüquqi Statusu Anlayışının Meydانا Gəlməsi) Available at: http://www.azerbaijan.az/portal/WorldCommunity/CaspianStatus/caspianStatus_02_a.html. (Accessed: 06 October 2018).

⁸ *Ibid.*

project by declaring its construction illegal prior to the signing of the Convention.⁹

Kazakhstan's official position in the later stages of negotiations was to apply certain provisions of the 1982 United Nations Convention on the Law of the Sea to the Caspian, notably regarding the width of the proposed national sectors,¹⁰ whereas Russia's position since 1998 can best be described as "common waters, divided bottom."¹¹ Due to the closeness of the positions of Azerbaijan, Russia, and Kazakhstan—most importantly, on accepting the median line principle—these three states were able to agree on the delimitation of the northern part of the Caspian seabed.¹² In 1998, Russia and Kazakhstan signed a bilateral agreement in this regard, and Azerbaijan and Kazakhstan inked a similar agreement in 2001. The final trilateral arrangement, concluded in 2003, divided the Caspian seabed according to the modified median line and left the surface open to navigation by all littoral states.¹³

The division of the Caspian seabed on a median line basis means that having a longer coastline entitles a littoral state to a larger area of the sea.

The division of the Caspian seabed on a median line basis means that having a longer coastline entitles a littoral state to a larger area of the sea. This position was rejected by both Iran and Turkmenistan.¹⁴ As the country with the shortest coastline, Iran strongly opposed the median line principle, claiming the Caspian is a lake, and demanded that it be equally divided among the littoral states (which would increase its current share of the sea from the current de facto 13% to 20%).¹⁵ Ashgabat, while in general being positive about division based on Soviet maps, was opposed

⁹ Maçães, B. (2016) 'Crossing the Caspian: Letter From Turkmenbashi', Foreign Affairs, 19 October, Available at: <https://www.foreignaffairs.com/articles/central-asia/2016-10-19/crossing-caspian>. (Accessed: 06 October 2018).

¹⁰ Ministry of Foreign Affairs of Kazkhakstan, Legal Status of the Caspian Sea. Available at: <http://mfa.gov.kz/index.php/en/foreign-policy/current-issues-of-kazakhstan-s-foreign-policy/legal-status-of-caspian-sea>. (Accessed: 06 October 2018).

¹¹ Coffey, L. (2015) 'A Secure and Stable Caspian Sea Is in America's Interest', The Heritage Foundation, 4 December. Available at: <https://www.heritage.org/europe/report/secure-and-stable-caspian-sea-americas-interest>. (Accessed: 06 October 2018).

¹² Garibov, A. (2017) 'Are the Littoral States Close to Signing an Agreement on the Legal Status of the Caspian Sea?', The Jamestown Foundation, Eurasia Daily Monitor, Volume: 14 Issue: 61, 8 May. Available at: <https://jamestown.org/program/littoral-states-close-signing-agreement-legal-status-caspian-se/>. (Accessed: 06 October 2018).

¹³ *Ibid.*

¹⁴ Garibov, "Are the Littoral States Close to Signing an Agreement...", *op.cit.*

¹⁵ Diba, B. A. (2015) 'Caspian Sea: is Iran changing its position on the Caspian legal regime?', Payvand News, 13 March. Available at: <http://www.payvand.com/news/15/mar/1077.html>. (Accessed: 06 October 2018).

to reference to the 1970 division as it left the Kapaz oil field, discovered by Azerbaijan but disputed by Turkmenistan, under Baku's jurisdiction. Iran has also tried to dispute the ownership of some oil fields belonging to Azerbaijan, which led to some near-clashes in the past.¹⁶

However, over the course of the last few years, there has been a gradual change in the Iranian and Turkmen positions, mostly linked to the desire to develop their own oil and gas projects, as well as export routes in the Caspian Sea. Iran, facing international isolation during the height of US sanctions in early 2010s, was also very keen to develop relations with regional countries. Following Hasan Rouhani's election as president of Iran in 2013, there have been steady improvements in relations with other Caspian countries, particularly with Azerbaijan, with whom Tehran previously had the most uneasy relationship in terms of delimitation of maritime borders.

Moreover, as the relationship with the US remains tense, securing its Caspian flank has turned into a very important security concern for Iran. Not surprisingly, Iran became, along with Russia, a key proponent of the prohibition of the deployment of non-Caspian states' naval vessels on the sea. (Rouhani particularly highlighted this, stating “[t]he Caspian Sea only belongs to the Caspian states” after signing the Convention in Aktau.¹⁷)

In its turn, Turkmenistan, which became almost solely dependent on the Chinese market for gas exports (the loss of other markets, such as Iran and Russia, resulted in a severe drop in overall gas exports, which in 2017 totaled 39 billion cubic meters (bcm), a much lower volume compared to the 56 bcm export peak in 2008¹⁸), has also come to recognize the key importance of the Trans-Caspian pipeline, as well as the importance of solving the dispute over Caspian legal status to make the realization of this project possible. In December 2014, Kazakhstan and Turkmenistan signed an agreement on the delimitation of the bottom of the Caspian Sea similar to the previous agreement

However, over the course of the last few years, there has been a gradual change in the Iranian and Turkmen positions, mostly linked to the desire to develop their own oil and gas projects, as well as export routes in the Caspian Sea.

16 Kucera, J. (2016) 'Is the Caspian Sea Dispute Finally About to be Resolved?', EurasieNet, 20 July. Available at: <https://eurasianet.org/caspian-sea-dispute-finally-about-be-resolved>. (Accessed: 06 October 2018).

17 RFERL (2018) Five States Sign Convention On Caspian Legal Status, 12 August. Available at: <https://www.rferl.org/a/russia-iran-azerbaijan-kazakhstan-turkmenistan-caspian-sea-summit/29428300.html>. (Accessed: 06 October 2018).

18 CEIC Data (2018) Turkmenistan Natural Gas: Exports: 2005-2017. Available at: <https://www.ceicdata.com/en/indicator/turkmenistan/natural-gas-exports>. (Accessed: 06 October 2018).

Agreements between Azerbaijan and Iran on cooperation in exploration of offshore Caspian hydrocarbon resources, as well as similar recent agreements between Iran and Turkmenistan, boosted the prospects that existing discrepancies among the littoral states could in fact be overcome.

between Russia, Azerbaijan, and Kazakhstan.¹⁹ Agreements between Azerbaijan and Iran on cooperation in exploration of offshore Caspian hydrocarbon resources,²⁰ as well as similar recent agreements between Iran and Turkmenistan,²¹ boosted the prospects that existing discrepancies among the littoral states could in fact be overcome.

As positions became closer, the meetings of the littoral states and the bilateral consultations among them intensified for drafting the Convention. In 2016 alone, five meetings of the Special Working Group were held, one in each of the five capitals. As a result, in July, 2016,

in Astana, the five countries' foreign ministers declared a commitment to finalize the draft Convention by the next Caspian Presidential Summit, which was set to be held in Kazakhstan sometime in 2017,²² but later postponed to 2018. Three additional meetings were held in 2017, and five meetings in 2018, to resolve the remaining issues before the summit in Kazakhstan.

According to an April 2018 statement by Igor Bratchikov, Moscow's chief negotiator on the legal status of the Caspian Sea, the Convention was almost ready, and "the absolute majority of provisions have been agreed upon."²³ A decree approving the Draft Convention on the legal status of the Caspian Sea, signed on June 21, 2018, by Dmitry Medvedev, Prime Minister of Russia—the most powerful actor in the Caspian basin—removed almost all doubt that the CLSCS was set to be inked soon.²⁴ Finally, the presidents of Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran signed the Convention on Legal Status of the Caspian on

19 Ministry of Foreign Affairs of Kazakhstan, Legal Status of the Caspian Sea. Available at: <http://mfa.gov.kz/index.php/en/foreign-policy/current-issues-of-kazakhstan-s-foreign-policy/legal-status-of-caspian-sea>. (Accessed: 06 October 2018).

20 Rahimov, R. (2018) 'Azerbaijan, Iran Reach Breakthrough on Disputed Fields in the Caspian Sea', The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 52, 5 August. Available at: <https://jamestown.org/program/azerbaijan-iran-reach-breakthrough-on-disputed-fields-in-the-caspian-sea/>. (Accessed: 06 October 2018).

21 IRNA (2018) Ashgabat, Baku visits, Tehran's developing ties with northern neighbors, 4 April. Available at: <http://www.irna.ir/en/News/82877180>. (Accessed: 06 October 2018).

22 TASS (2016) Konvensiyu o pravovom statuse Kaspiya rassmotryat glavy MID na zasedanii v Astane, 13 July. Available at: <https://tass.ru/mezhdunarodnaya-panorama/3449561>. (Accessed: 06 October 2018).

23 1News.az (2018) Konvensiya o pravovom statuse Kaspiya prakticheski gotova k podpisaniyu - MID RF, 14 April. Available at: <http://www.1news.az/news/konvensiya-o-pravovom-statuse-kaspiya-prakticheski-gotova-k-podpisaniyu---mid-rf>. (Accessed: 06 October 2018).

24 Ofitsial'nyi internet-portal pravovoy informatsii (22 June) Decree on Approval of the Draft Convention on the Legal Status of the Caspian Sea. Available at: <http://publication.pravo.gov.ru/Document/View/0001201806>. (Accessed: 06 October 2018).

August 12, 2018, in Aktau, Kazakhstan²⁵, as they promised two years previously.

Key Takeaways from the CLSCS

The Draft Convention defines and regulates the rights and obligations of the parties with respect to the use of the Caspian Sea, including its waters, bottom, subsoil, natural resources, and airspace over the sea.²⁶ According to the Convention, the Caspian Sea is divided into internal waters, territorial waters, fishing zone, and common area (Article 5). The document states that the littoral states have the right to establish territorial waters not exceeding 15 nautical miles from the coast (Article 7.1) and the outer borders of the territorial waters are considered as state borders. State sovereignty of the littoral states extends to the seabed below and airspace above this area. When delimitation of such borders is difficult due to the shape of the coastline, it should be done via bilateral agreement between the respective littoral states based on the principles of international law (7.3). A further ten nautical miles are defined as exclusive fishing zones (9.1). The fishing quotas should be defined with additional agreement of all five states (9.3), with the possibility of transferring unused quota to other Caspian states through bilateral agreements (9.4).

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The final delimitation of the seabed borders is also contingent upon the bilateral or multilateral agreements of the respective states, where borders cross each other (Article 8). The remaining surface of the sea is kept for common use. Thus, while the principle of the delimitation of the seabed to the five sectors and common use of the surface waters is confirmed, the key and most problematic question—the principles, measures or exact contours of the seabed delimitation—still remains unclear in the text of the Convention.

Still, one of the most import points found in recent reporting is

²⁵ BBC (2018) Caspian Sea: Five countries sign deal to end dispute, 12 August, available at: <https://www.bbc.com/news/world-45162282> (Accessed: 06 October 2018)

²⁶ The version of the CLSCS used for this article is that was very briefly available at the Official Law Portal of the Russian Government. It was published together with Medvedev's approval decree, but was soon taken out of the website - Официальный интернет-портал правовой информации (22 June) Decree on Approval of the Draft Convention on the Legal Status of the Caspian Sea. Available at: <http://publication.pravo.gov.ru/Document/View/0001201806>. (Accessed: 06 October 2018).

According to Article 14 of the Convention, the parties may lay underwater cables and pipelines along the bottom of the Caspian Sea, subject only to the agreement of those states through whose sectors the pipelines or cables will pass.

the clarification of the right of the littoral states to lay underwater pipelines. According to Article 14 of the Convention, the parties may lay underwater cables and pipelines along the bottom of the Caspian Sea, subject only to the agreement of those states through whose sectors the pipelines or cables will pass. Until the Convention, Russia and Iran had both argued against various underwater pipeline projects in the Caspian Sea—most notably against the proposed Trans-Caspian pipeline to deliver natural gas from Turkmenistan to European customers—on the grounds that any such project had to obtain consent from all the littoral states until the sea’s legal status was clarified.²⁷

The second important takeaway is related to naval forces in the Caspian. Article 3.6 of the document establishes that the Caspian Sea is closed to the armed forces of all countries except those of the five littoral states. This point effectively legalizes an important principle first put forth in the final communiqué of the Caspian Five’s Astrakhan (Russia) summit in 2014.²⁸ The parties to the document also declare that under no circumstances will they allow their sectors in the Caspian to be used militarily against any other littoral state (Article 3.7).

The Convention agrees that military vessels of one of the parties that pass through the territorial waters of any of the others have the right to enter ports and stay within the territorial waters when “there is a corresponding permit or it is necessary due to *force majeure* or disaster or to assist persons, ships and aircraft in distress” (Article 11.4). Any other military maneuvers carried out within or in the close proximity of the borders of the territorial waters of another littoral state will be considered an act “violating the peace in the sea” that threatens the security of that respective littoral state (Article 11.6).

The Convention also states that the parties have the right to establish special “security zones” in any area of their respective sectors around constructed artificial islands, bases, or other objects (not exceeding 500 meters from any outer point of those objects) (Article 8.2). All the littoral states have to be duly informed about

²⁷ Interfax, (2018) Pravitel’stvo RF odobrilo proyekt konventsii o pravovom statuse Kaspiya, 22 June. Available at: <https://www.interfax.ru/russia/618102>. (Accessed: 06 October 2018).

²⁸ Daly, J. (2014) ‘Russia Convinces ‘Caspian Five’ to Bar Foreign Militaries From the Caspian’, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 11 Issue: 83, 5 May. Available at: <https://jamestown.org/program/russia-convinces-caspian-five-to-bar-foreign-militaries-from-the-caspian/>. (Accessed: 06 October 2018).

the construction of such objects and the borders of their security zones, and they should not undermine the sovereign rights of the other parties over the common surface of the sea (Article 8.4).

The convention will become effective the moment that the last littoral state declares that it has officially joined the convention through parliamentary ratification of the bill (for Iran, plus the Guardian Council's approval after ratification²⁹) and receipt of the fifth and final confirmation by Kazakhstan, which in the Convention is identified as the depositary of the document (Article 22). The Convention on the Legal Status of the Caspian Sea has also been registered as a United Nations document. The parties agreed to set up a "special mechanism of regular five-party consultations under the auspices of the Foreign Ministries" to implement the provisions of the convention.³⁰

How much of a breakthrough is the Convention?

While signing of the agreement was met with much fanfare in the region and beyond as the long-expected solution to the problem, it still left caveats in the way of a final settlement of the major disputes in the sea. Most importantly, two issues that have always been notable points of dispute — (1) delimitation of borders across the seabed and resultant clarification of the ownership of the disputed fields, and (2) construction of underwater trans-Caspian pipelines — still await their final solutions.

Azerbaijan, Iran, and Turkmenistan will need to resolve the issue of delimitation of the seabed in the southern Caspian while the CLSCS provides no straightforward framework for this. The aforementioned 1997, 1998, 2001, and 2014 bilateral and trilateral agreements signed by Russia, Azerbaijan, Kazakhstan, and Turkmenistan had effectively ended any dispute over maritime borders in the northern Caspian. In fact, it is difficult to recall any previous major dispute over maritime borders among Azerbaijan, Russia, and Kazakhstan, or between Kazakhstan and Turkmenistan, that led to notable incidents. The major disputes have always been in the southern part of the sea, where Iran challenged de facto

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29 Davar, F. (2018) 'The Caspian Convention, the Master's Compromise', IranWire.com, 13 August. Available at: <https://iranwire.com/en/features/5466>. (Accessed: 06 October 2018).

30 RFERL, 'Five States Sign Convention On Caspian Legal Status', *op.cit.*

borders with Azerbaijan and Turkmenistan, and Turkmenistan tried to dispute the ownership of some oil and gas fields developed by Azerbaijan. In the past, these three neighbors had threatened military force to “persuade” each other to stop the exploration of disputed offshore oil and gas fields. Most notably, in 2001, Iranian naval vessels threatened a BP ship, causing it to abort the surveying mission it was carrying out on behalf of Azerbaijan in the southern waters of the Caspian.³¹ During the following year’s 2002 Ashgabat Presidential Summit of the Caspian Five, the late president of Turkmenistan, Saparmurat Niyazov, famously stated: “one can smell blood in the Caspian Sea,” referring to the failure to solve the issue of oil fields disputed by Turkmenistan.³²

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Even though much has changed since then in the bilateral relationships among these three southern Caspian countries, and Baku currently enjoys highly cooperative relationships with both Tehran and Ashgabat, the southern Caspian still remains the key area where the delimitation of highly contentious seabed borders is yet to resolved.

area where the delimitation of highly contentious seabed borders is yet to be resolved. Not surprisingly, when Russian foreign minister Sergei Lavrov stated, following the December 2017 meeting of the Caspian Five’s foreign ministers in Moscow, that “all the key issues regarding the delimitation of the Caspian Sea had been resolved,” the Azerbaijani and Iranian Foreign ministers publicly disconfirmed this statement.³³ Moreover, Iranian diplomats asserted that any suggestion that Iran’s share of the Caspian Sea has been finalized was “a false and unfounded remark, misleading public opinion.”³⁴ In the same vein, following the signing of the Convention in Aktau, Iranian President Hassan Rohani stated that the delimitation of Caspian seabed will require additional agreements between littoral states.³⁵ Soon after the signing of the Convention, the Russian Deputy Minister of Foreign Affairs, Grigory Karasin, made it clear that Moscow would prefer that Azerbaijan, Iran, and Turkmenistan resolve

³¹ Warren, M. (2001) ‘Iran threatens BP vessels in Caspian Sea’, The Telegraph, 25 July. Available at: <https://www.telegraph.co.uk/news/worldnews/middleeast/iran/1335235/Iran-threatens-BP-vessels-in-Caspian-Sea.html>. (Accessed: 06 October 2018).

³² Peuch, J. (2002) ‘Caspian: Ashgabat Summit Ends Without Agreement’, RFERL, 24 April. Available at: <https://www.rferl.org/a/1099503.html>. (Accessed: 06 October 2018).

³³ Blank, S. (2018) ‘Is there an Agreement on Caspian Sea Delimitation?’, CACI Analyst, 25 January. Available at: <https://www.cacianalyst.org/publications/analytical-articles/item/13494-is-there-an-agreement-on-caspian-sea-delimitation?.html>. (Accessed: 06 October 2018).

³⁴ *Ibid.*

³⁵ RFERL, ‘Five States Sign Convention On Caspian Legal Status’, op.cit.

disputes on the subsoil in a bilateral or trilateral manner, without pulling all the “Five” into them.³⁶ Thus, these new negotiations would likely not to be conducted within the common Caspian summits, but will be subject to bilateral, or possible trilateral, talks among Baku, Tehran, and Ashgabat.

The second key issue that remains to be fully clarified, despite having an exclusive section of the Convention dedicated to it, is the prospect for construction of pipelines in the sea. The most notable of such projects is surely the Trans-Caspian pipeline that has long been courted by the EU, which aims to bring some 30 billion cubic meters of gas from Turkmenistan to Azerbaijan and ultimately to Europe. In fact, as Article 14 of the Convention states, “the parties can lay underwater pipelines along the Caspian floor” (Section 2) “according to consent by the parties through whose sector the cable or pipeline should be built” (Section 3); however, the same section also stipulates that such activities hinge on “the condition of the accordance of their projects with ecological requirements and standards.”

This means that “each of the five Caspian littoral states will be able to weigh in on questions of the environmental impact of trans-boundary pipeline projects, which could become a new instrument some regional players might use to try to delay the construction of the TCP.”³⁷ Russia and Iran have used environmental concerns to halt construction of the TCP for some two decades and the wording of the convention seems to leave room for debate about “requirements and standards.”³⁸ In their opening statements at the summit, Azerbaijani President Ilham Aliyev and Turkmen President Gurbanguly Berdymukhammedov addressed this issue, assuring participants that their countries were paying close attention to environmental concerns and were consulting with leading experts to guarantee safety.³⁹

In fact, just three weeks before the signing of the

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36 Shaban, I. (2018) ‘Under new Convention, Caspian not to be sea or lake’, Caspian Barrel, 10 August. Available at: <http://caspianbarrel.org/en/2018/08/under-new-convention-caspian-not-to-be-sea-or-lake/>. (Accessed: 06 October 2018).

37 Gurbanov, I. (2018) ‘Caspian Convention Signing and the Implications for the Trans-Caspian Gas Pipeline’, The Jamestown Foundation, Eurasia Daily Monitor, Volume: 15 Issue: 127, 12 September. Available at: <https://jamestown.org/program/caspian-convention-signing-and-the-implications-for-the-trans-caspian-gas-pipeline/>. (Accessed: 06 October 2018).

38 RFERL (2018) Caspian Summit Fails To Resolve Issues Between Iran And Nearest Neighbors, 15 August. Available at: <https://www.rferl.org/a/qishloq-ovozi-caspian-summit-fails-to-resolve-is-sues-iran-turkmenistan-azerbaijan/29436013.html>. (Accessed: 06 October 2018).

39 RFERL, “Caspian Summit Fails To Resolve Issues...”, *op.cit.*

Convention in Aktau, the ministers of ecology of the Caspian states, in an extraordinary meeting in Moscow, signed an additional Protocol to the 2003 Framework Convention for the Protection of the Marine Environment of the Caspian Sea. The 2003 agreement, commonly known as the Tehran Convention, is referenced in the CLSCS as a baseline for environment protection while carrying out pipeline construction (Article 14.2).⁴⁰ The recent Protocol to it, titled Assessment of Impact on Environment in the Trans-border Context (though the CLSCS only refers to the Tehran Convention without direct reference to that particular protocol), creates legal grounds for trans-national assessment of impacts of the possible pipelines. On August 18, 2018, Igor Bratchikov, referring to that protocol, noted that: "... when and if real plans for the construction of Trans-Caspian pipelines appear, any of the Caspian countries, if it deems it necessary, can join in the procedure for assessing the possible consequences of such projects for the Caspian environment, even at their design stage."⁴¹ This appears to be the same loophole that has held up construction of the TCP for all these years, though it is unclear whether this would represent an effective veto that other littoral states could employ to halt projects.⁴²

Conclusion

Negotiations to solve the dispute over the legal status of the Caspian Sea have been long and uneasy, and started with highly divergent, if not mutually exclusive, positions of the littoral states. In the initial stages of the talks, most importantly throughout the 1990s and early 2000s, disputes over the legal status of the Caspian Sea became almost the most important obstacle to the development of relations among Azerbaijan, Iran, and Turkmenistan. At the same time, by the early 2000s, Azerbaijan, Russia, and Kazakhstan managed to agree on the division of the northern part of the sea. With the passage of time, other economic, geopolitical, and security considerations have, on the

⁴⁰ SPUTNIK (2018) Azerbaydzhhan podpisal v Moskve protokol po Tegeranskoy konventsii, 20 July. Available at: <https://ru.sputnik.az/economy/20180720/416305369/ramochnaja-konvencija-kaspiskoe-more.html>. (Accessed: 06 October 2018).

⁴¹ Ministry of Foreign Affairs of Russia (2018) Otvet rukovoditelya rossiyskoy delegatsii na mnogostoronnikh peregovorakh po pravovomu statusu Kaspiyskogo morya, 17 August, Available at: http://www.mid.ru/web/guest/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/3320564. (Accessed: 06 October 2018).

⁴² Pannier, B. (2018) 'A Landmark Caspian Agreement – And What It Resolves', RFERL, 9 August. Available at: <https://www.rferl.org/a/qishloq-ovozi-landmark-caspian-agreement--and-what-it-resolves/29424824.html>. (Accessed: 06 October 2018).

whole, brought the southern Caspian countries relatively closer, and, from the mid-2010s, the pace of negotiations accelerated. In 2014, a new bilateral agreement on the division of the sea was signed, delimiting the northern border of the Turkmen and Kazakh sectors of the Caspian Sea.

Consequently, in August, 2018, the Convention on Legal Status of the Caspian was signed in Aktau, Kazakhstan. It confirmed the idea that the surface of the Caspian will be in common use, but its seabed will be divided for exploration of offshore energy resources. While the document identified general principle that the seabed will be divided among the littoral states, it failed to address the delimitation of sectorial borders other than territorial waters and left this to be subject to future bilateral agreements. The Convention approved the initially agreed upon principle that non-Caspian states would be prohibited from having military vessels on the sea, and the littoral states would never allow their sectors to be used by others for military purposes against any Caspian state. It also formally recognized the littoral states' rights to build trans-Caspian pipelines.

While the Convention's clarification of many important points deserves great credit, the extent to which it can be called a major breakthrough toward the final settlement of the legal status of related disputes in the Caspian Sea is still questionable. Following the division of the northern Caspian by the respective littoral states, the southern Caspian turned out to be the major area of inter-state disputes. The key issue in solving those disputes—final delimitation of seabed borders, which will resultantly resolve the problem of disputed fields—is not included into the text of the Convention and must be settled outside the CLSCS through bilateral (and possibly trilateral) agreements among Azerbaijan, Iran, and Turkmenistan. Moreover, while Russia and Iran formally recognized the right to build underwater pipelines by bilateral agreements between two states—the position long opposed by them but advocated by Azerbaijan and Turkmenistan—there are certain loopholes in the text of the Convention that could potentially be used against such projects.

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Commentary: Belt and Road Initiative: Implications for Georgia

Temuri Yakobashvili*

In the modern world, major economic initiatives possess the potential to have effects similar to those of major empires' expansionist policies that reshaped the fate of many regions and nations. Despite always finding themselves on the fringes of those empires, relatively shielded from the largest waves, countries of the South Caucasus (SC) were still affected significantly. China's Belt and Road initiative (BRI) has the potential to turn into a fate-altering development for the SC region. Key regional powers already have a long-lasting history of dealing with the countries and nations of the SC. This article will examine China's engagement in the SC region as a newcomer and, in this context, the determination of the SC countries to become an integral part of the BRI. The article argues that these initiatives will create a sense of engagement with the global economy for the SC Region, attract an influx of new sources of investment, and create more jobs that are not related to traditional economic sectors of the economies of the respective countries. If effectively managed, European and Chinese initiatives can balance out other regional actors' economic and political interests within the region.

Key words: Georgia, One Belt One Road, South Caucasus, Investment



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Quest for transit

A brief overview of the annals of Georgia provides one interesting detail: All major empires deemed Georgia a geographic gateway or a transit route on the way to their next destination. This historic heritage left its mark on the foreign and economic policy perceptions of Georgians as a people and Georgia as a state. Security concerns were always followed by economic challenges and, in most cases, any invader would quickly discover the benefits of Georgia's potential as a transit nation. This benefit, once exploited for imperial expansionism, eventually was utilized by Georgia, as an independent nation state, to establish itself as a major transit location. Utilization of its transit potential from the east to the west and from the north to the south transformed into Georgia's major economic and foreign policy initiative, in turn defining Georgia's role and place in the globalized world.

The idea of developing transportation corridors and exploring the prospects of becoming a transit hub began to be actively discussed shortly after the restoration of Georgia's independence in the early 1990s, in partnership with the neighboring strategic partner, Azerbaijan.

The idea of developing transportation corridors and exploring the prospects of becoming a transit hub began to be actively discussed shortly after the restoration of Georgia's independence in the early 1990s, in partnership with the neighboring strategic partner, Azerbaijan. Prospects of restoring the elements of the ancient Silk Road grew into major talking points in bilateral negotiations, and gradually morphed into the first regional cooperation initiative. This initiative had the potential to bring not only economic benefits for participating states, but also, ideally, would label them as a "land Bosphorus," where all regional and international actors would have great interest in keeping the corridor safe, functional, and stable.

Some of the examples of the practical applications of this idea were the TRACECA¹ (Transport Corridor Europe–Caucasus–Asia) project initiated by the EU in 1993, the INOGATE² (Interstate Oil and Gas Transportation to Europe) project starting in 1996, and the encouraging Silk Road Strategy Act adopted by the United States Congress in 1999. In 1999, Uzbekistan joined the GUUAM³ (abbreviature for Georgia, Ukraine, Moldova and Azerbaijan – Organization for Democracy and Economic

1 The official website of TRACECA (2018). Available at: <http://www.traceca-org.org/en/home/> (Accessed: 10 November 2018).

2 The official website of INOGATE (2018). Available at: <http://www.inogate.org/?lang=en> (Accessed: 10 November 2018).

3 The official website of GUAM (2018). Available at: <https://guam-organization.org/en/> (Accessed: 10 November 2018).

Development) initiative with hopes of becoming part of an alternative transit infrastructure to and from Europe, bypassing dependence on Russia. (In reality, Uzbekistan left GUUAM in 2002.) In fact, practically all projects envisioned in the framework of the Silk Road transport corridor are functioning successfully today. Nevertheless, none of these initiatives extended their scope to include China, which was on the threshold of its miraculous economic boom.

Positioning for BRI

The second decade of the 21st century has been marked by the emergence of new regional but rather expansionist economic initiatives that will undoubtedly affect the countries of the South Caucasus. The EU effectively expanded toward the east and is eager to seek further ways to engage with its neighborhood,⁴ particularly with its eastern counterparts.⁵ Concurrently, Russia is reinventing its new strategy in the quest for economic and political dominance by creating the Eurasian Economic Union (EEU).⁶ Locked between two major political and economic projects – Euro-Atlantic (EU, NATO) and Eurasian Post-Soviet (EEU and CSTO) – the countries of the South Caucasus discovered a third economic giant and its seeming soft power project – China and the One Belt One Road (BRI) initiative. Omitted initially from this project, countries of the region effectively attracted Chinese interest to their economic and transit potential and inserted themselves into the main body of the BRI.

At the time of the launch of BRI initiative, the South Caucasus region was not utilized as a part of any designed or functioning corridors. The closest ones would bypass it to the north through Russia and to the south through Iran. However, the immense potential of the South Caucasus as a route incited growing interest in the region.

For example, in 2015 the connection efficacy from the Xinjiang province of China to the port of Poti in Georgia, via Kazakhstan

⁴ European Union External Action (2018) European Neighborhood Policy (ENP). Available at: https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp_en (Accessed: 10 November 2018).

⁵ European Commission (2018) Eastern Partnership, Available at: https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/eastern-partnership_en (Accessed: 10 November 2018).

⁶ The official website of Eurasian Economic Union (2018). Available at: <http://www.eaeunion.org/?lang=en#about> (Accessed: 10 November 2018).

and Azerbaijan, was tested. Railway cargo was loaded in China on the 29th of January and arrived in Georgia on the 6th of February of the same year.⁷ However, almost a third of the whole transit time was spent on handling administrative obstacles. Several other tests were carried out as well to showcase prospective trade and transit routes operating via the South Caucasus.

Following the Rose Revolution, Georgia drastically improved its governance, internal security, and legislative base. It started implementing ambitious infrastructure projects while boasting improving ratings and rankings in a variety of performance measures – economic, anti-corruption, public safety, etc. The World Bank even commended Georgia's attractive investment climate thanks to little bureaucracy, functioning institutions, low levels of corruption, and steady growth.⁸

All of these developments were duly noted by the parties who were tasked with the implementation of the BRI project.⁹ Georgia became directly involved in this process in 2016 when it joined the Asian Infrastructure Investment Bank (AIIB), a \$100 billion fund designed to finance Belt and Road projects. In 2017, Georgia signed an agreement under which the bank will provide \$114 million to build the Batumi Bypass Road, a new highway to connect Georgia's hinterland to the port city of Batumi through a series of mountain tunnels.

At the Chinese government's International Fair of Investment and Trade in Xiamen, Georgia was one of the few countries invited to present on its viable trade environment. This gave the impression that Georgia has become one of the preferred trade partners of the Middle Kingdom.

Legal framework and favorability

In addition to the geographic location and favorable economic climate, a series of free trade deals also contributed to the

⁷ Van Marle, G. (2018) 'Georgia eyes China's one belt one road to break dependence on Russia', The Loadstar, 12 February. Available at: <https://theloadstar.co.uk/georgia-eyes-chinas-one-belt-one-road-break-dependence-russia/> (Accessed: 10 November 2018).

⁸ World Bank (2012) Fighting Corruption in Public Service: Chronicling Georgia's Reforms, Available at: <http://documents.worldbank.org/curated/en/518301468256183463/pdf/664490PUB0EPI0065774B09780821394755.pdf> (Accessed: 10 November 2018).

⁹ Soric, M. (2017) 'China's New "Silk Road" goes through the Caucasus', DW, 26 December, Available at: <https://www.dw.com/en/chinas-new-silk-road-goes-straight-through-the-caucasus/a-41930469> (Accessed: 10 November 2018).

increasing appeal of Georgia for transit initiatives: the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, signed in June 2014, and, effective since 2016, a free trade agreement with Turkey and all the CIS states. Georgia opted to become a logistics hub linking China to the EU and beyond. Consequently, in May 2017, Tbilisi concluded a free trade deal with Beijing, thus making Georgia the only post-Soviet country that has reached free trade deals with the EU, China, all littoral neighbors, and beyond.

On October 15, 2018, the European Union adopted a new strategy on connecting Europe and Asia¹⁰ which became a major theme at the latest Asia–Europe Meeting (ASEM) summit held in Brussels. Under this new connectivity initiative, the EU intends to “build a dynamic superhighway combining transcontinental rail lines, roads and maritime networks.” The Commission’s joint communiqué on the new strategy¹¹ disclosed that the EU recently agreed, through this complementary initiative, to extend its Trans-European Transport Network to countries of the so-called Eastern Partnership,¹² which includes all three states of the South Caucasus. As the EU emphasized, “the European Union and China share an interest in making sure that our respective initiatives work well together, despite the differences in approach and implementation”; hence, the South Caucasus region has become one of the junctions of these two robust initiatives.

Against a backdrop of multiplying political and military hotspots in the world, the region of the SC, even with the presence of existing conflicts, has proved to be a fertile ground for noteworthy infrastructure projects and has established itself as a point of focus for major regional and global actors. Having one of the elements of the BRI project going through the SC would obviously diversify routes and offer one more element for effective investment of

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10 The European Council (2018) Connecting Europe and Asia: Council adopts conclusion, Available at: <https://www.consilium.europa.eu/en/press/press-releases/2018/10/15/connecting-europe-and-asia-council-adopts-conclusions/> (Accessed: 10 November 2018).

11 The European Council (2018) Global Partners for Global Challenges: ASEM 12 Chair’s Statement, Available at: <https://www.consilium.europa.eu/en/press/press-releases/2018/10/19/global-partners-for-global-challenges-asem-12-chair-s-statement/> (Accessed: 10 November 2018).

12 European Commission (2018) Connecting Europe and Asia – building blocks for an EU Strategy, Available at: https://ecas.europa.eu/sites/ecas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf (Accessed: 10 November 2018).

Chinese money, along with valuable partnership opportunities for Chinese companies.

The BRI is considered as an extra economic component for diversification of sources of investment, trade partnership, and infrastructural projects beside the already engaged Russia, Turkey, EU, and the United States.

If, in other parts of the world, the BRI initiative is considered as a tool for Chinese influence, dominance, and demographic expansionism, in the SC the perception is different. The BRI is considered as an extra economic component for diversification of sources of investment, trade partnership, and infrastructural projects beside the already engaged Russia, Turkey, EU, and the United States. It is also believed to be engagement without any political strings attached, at least not immediately or visibly, and hence very comfortable for the political leaders of the region, who have to balance between all other regional and global powers.

From theory to practice

Georgia quickly and effectively began to realize its potential. Last year the Georgian economy started to see substantial and visible engagement from the Chinese partners. A memorandum on the construction of a free economic zone was signed by the economic ministers of China and Georgia, among other deals made at the two-day Belt and Road Forum hosted by Tbilisi.¹³ In June 2017, the two countries also inked another deal that said China would give Georgia about \$9.1 million worth of grants to improve medical infrastructure.¹⁴ Georgia is expecting a Chinese bank to be established in the country with \$1 billion capital, according to another agreement signed in 2017. In January 2017 the China Energy Company Limited (CEFC) became the latest Chinese company to make a major investment in Georgia, agreeing to purchase 75 percent of shares in the Poti Free Industrial Zone.¹⁵ Located on Georgia's Black Sea coast – a place that promises easy access to European shipping lanes – the Poti FIZ provides another base for tax-free production. The 300-hectare zone opened in 2011 and has housed companies producing everything from

13 Li, W. (2017) 'China and Georgia to build Free Economic Zones', GBTimes, 29 November, Available at: <https://gbtimes.com/china-and-georgia-to-build-free-economic-zones> (Accessed: 10 November 2018).

14 AlJazeera News (2017) Georgia eyes gains in China's Belt and Road Initiative, Available at: <https://www.aljazeera.com/news/2017/11/georgia-eyes-gains-china-belt-road-initiative-171128160451540.html> (Accessed: 10 November 2018).

15 Xin, Z and Shijia, O. (2017) 'CEFC to set up zone in Georgia', China Daily, 8 December. Available at: <http://www.chinadaily.com.cn/a/201712/08/WS5a29d34da3101a51ddf8d962.html> (Accessed: 10 November 2018).

wood products to IT services. The Hualing Group's construction projects in the capital of Tbilisi are attributed to the serious interests that Beijing has vested in Georgia. The group is now in the middle of constructing a special economic zone in a suburb of Tbilisi itself. Hualing Group has already invested up to \$500 million in seven projects in Georgia, including a cement factory and the airline MyWay.¹⁶ On February 13, 2018, one of the leading Chinese FinTech companies, Chong Sing Holdings, purchased the American built and owned Immersion Cooling Data Center in Gldani Free Industrial Zone¹⁷. This purchase was the first transaction related to the rapidly growing FinTech industry and made Georgia the second largest Bitcoin miner after China.

Economically booming China has become more attractive for one Georgian traditional product – wine. Exports of wine and spirits to the Chinese market grew rapidly and with an impressive upward trajectory.¹⁸ It should come as no surprise that China is now Georgia's third-largest trade partner¹⁹ (the first two being Turkey and Azerbaijan; the fourth, Russia). Evidently, trade between the two countries increased significantly over the past 10 years. In 2002, bilateral trade amounted to approximately \$10 million; in 2014–2015, it reached \$823 million.

Enhancing regional cooperation

As mentioned in the introduction, countries of the region proactively promoted infrastructure projects that would support the realization of the transit potential of the respective countries. Successful implementation of energy-related projects such as the Baku–Tbilisi–Ceyhan oil pipeline and Baku–Tbilisi–Erzurum gas pipeline (lately extended to the Trans Anatolian Natural Gas Pipeline, TANAP) gave stimulus to other transportation and infrastructure projects.

16 Soric, M. (2017) 'China's big investment push in Georgia', DW, 26 December, Available at: <https://www.dw.com/en/chinas-big-investment-push-in-georgia/av-41933923> (Accessed: 10 November 2018).

17 Forbes Georgia (2018) Bitfury Group sells Gladani data center to Chong Sing Holdings, Available at: <http://forbes.ge/news/3437/Bitfury-Group-Sells-Gladani-Data-Center> (Accessed: 10 November 2018).

18 Wang, N. (2017) 'Georgian wine exports to China rise 104%', The Drinks Business, 13 July, Available at: <https://www.thedrinksbusiness.com/2017/07/georgia-wine-exports-up-in-volume-and-value/> (Accessed: 10 November 2018).

19 Ruinan, Z. (2018) 'Georgia's trade with China stays healthy', China Daily, 31 March, Available at: <http://www.chinadaily.com.cn/a/201803/31/WSSabe6444a3105cdcf6515746.html> (Accessed: 10 November 2018).

On October 30, 2017, the Baku–Tbilisi–Kars (BTK) railway was launched. It will serve as an integral link connecting the Caspian Sea with the Black Sea.

On October 30, 2017, the Baku–Tbilisi–Kars (BTK) railway was launched. It will serve as an integral link connecting the Caspian Sea with the Black Sea. In combination with the construction of a new Baku International Sea Trade Port (Alat) that will be the largest multi-purpose port in the Caspian Sea, with the potential capacity to handle 25 million tons of cargo per year, and the Anaklia Deep Sea Port on the Black Sea,²⁰ with a corresponding capacity, the countries of the South Caucasus are in fact offering a ready-made link to any larger initiative originating from Europe or China.

Other additional proactive steps further enhance the feasibility of the South Caucasus region as a reliable partner of the BRI project. For example, at the 51st annual meeting of the Board of Governors of the Asian Development Bank that took place on May 3–6, 2017, Georgia and Azerbaijan declared a plan to build the first joint border crossing point within the framework of the BRI initiative.²¹

Georgia and Armenia effectively cooperated in harmonizing electricity grids and becoming integral parts of a larger electricity exchange. This EU-launched initiative²² enabled both countries to find workable solutions for transmission infrastructure. Georgia remains a major transport route for Armenian exports and imports and the improved road, railroad, and port infrastructure in Georgia also directly benefits Armenia.

Conclusion

Countries of the South Caucasus are closer than ever to fulfilling their potential as a pivotal region for global trade and exchange of ideas/innovations, creating an infrastructure that will not only serve local needs, but will be integrated into a global chain of added value. Robust and financially supported initiatives coming from Europe and Asia serve as a transformative force and a powerful motivation for internal change, greater regional

20 Jardie, B. (2017) ‘With port project, Georgia seeks place in China’s Belt and Road’, Eurasianet, 21 February, Available at: <https://eurasanet.org/with-port-project-georgia-seeks-place-on-chinas-belt-and-road> (Accessed: 10 November 2018).

21 AzerNews (2018) Georgia, Azerbaijan to build border crossing point within “One Belt One Road” initiative, Available at: <https://www.azernews.az/nation/131493.html> (Accessed: 10 November 2018).

22 European Commission (2014) Caucasus transmission network – Phase I, Available at: https://ec.europa.eu/europeaid/blending/caucasus-transmission-network-phase-i_en (Accessed: 10 November 2018).

cooperation, and significant investments in human capital and physical infrastructure. These changes will certainly contribute to economic prosperity of the participating countries and improved social standards, and will provide a sustainable source of income for the population of the region.

Even with relatively minor role, the South Caucasus region elicited interest in what is known today as a Trans Caspian International Transport Route,²³ or so-called Middle Corridor.²⁴ The association of railways and ports of the participating countries is taking the implementation of transit projects out of the political domain and into the business domain, hence ensuring these projects' sustainability and resilience.

Excluded from original plans, and against all odds, Georgia and its neighbors have managed to successfully integrate the South Caucasus region into the BRI. Exemplary cooperation between Georgia, Azerbaijan, and Turkey has positioned the South Caucasus corridor as a lucrative addition to pre-existing plans and drawings for the One Road Initiative. The countries of the SC have managed to make the intersection of major regional and/or global economic initiatives interlocking, not inter-blocking. This example demonstrates the ability of concrete, geographic (but not necessarily political) regions to have a positive impact through their cooperation on an internationally relevant level. This leaves a thread of hope that other regions of the world, despite cultural differences, political preferences, and complicated histories, can come together and cooperate for the greater good.

The BRI will undoubtedly be used as a balancing factor for the political and economic influences of other external powers on the region of the SC. Political implications may not be immediately visible, but academic and media outlets are intensively discussing the “Chinese model” of economic and political development as opposed to the “Western model.” Apparent alternatives to the Bretton Woods institutions (the World Bank and the International Monetary Fund) are also cautiously, and closely, being observed. Several academic institutions are attempting to examine the

Excluded from original plans, and against all odds, Georgia and its neighbors have managed to successfully integrate the South Caucasus region into the BRI.

²³ Official website of TITR (2018) Trans Caspian International Transport Route. Available at: <http://titr.kz/en/about-the-association/history-en> (Accessed: 10 November 2018).

²⁴ Agenda News (2018) China to help Georgia develop Trans-Caspian International Transport Corridor, Available at: <http://agenda.ge/en/news/2018/808> (Accessed: 10 November 2018).

influence of Chinese investments in Latin America and Africa and understand their consequences. The same institutions are observing the behavior of China in Russia, especially in Siberia. So far, the conclusion is that the risks for the countries of the SC are minimal or insignificant, while benefits are immediately gratifying and promising.

The anticipation is that this kind of interdependence, extending from Southeast Asia and China to Europe, will provide each participating country with an impetus for peaceful coexistence and with a source of economic growth in this rapidly globalizing world.

Commentary: Georgia After the Presidential Elections

Aleksandre Kvakhadze*

On 28 November 2018 the second round of the presidential election finalized the almost three-month-long electoral marathon in Georgia. According to the official results, Zalome Zurabishvili, supported by the ruling party Georgian Dream (GD), became the first female president not only in Georgia, but in the entire Caucasus region. At the same time, the opposition candidate was enabled to reach the second round of presidential elections for the first time in Georgia's history. At this juncture, this paper aims to overview the pre-election campaign, elucidate the statistics, and discuss future trends in Georgian domestic politics.

Key words: Georgia, Elections, Zalome Zurabishvili, Georgian Dream



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Introduction

The second round of voting in Georgia's presidential election, held on 28 November 2018, concluded a marathon election process spanning almost three months. According to the official results released by Election Administration of Georgia (CEC), the government-supported, formally independent candidate Salome Zurabishvili was elected as the first women president of the country with 59.52% of the votes cast. Her rival, Mikheil Saakashvili's ally Grigol Vashadze, received 40.48% of the vote.¹ Despite the reduction of presidential power according to the new edition of the constitution, the 2018 presidential election was among the most hectic and turbulent in Georgia's recent history.² The recent election can be considered as a repetition of the 2020 General Election. It is noteworthy that Salome Zurabishvili is the last president to be elected by popular vote. This paper aims to present an overview of the pre-election campaign, elucidate the statistics, and discuss future trends in Georgian domestic politics.

Candidates and statistics

Perhaps the most exciting fact is that the first three most popular presidential candidates have served as Ministers of Foreign Affairs of Georgia.³ The election winner was French-born Salome Zurabishvili – a descendant of Georgian political emigrants who fled Georgia after the establishment of Soviet rule in 1921. Prior to her appointment as a Minister of Foreign Affairs of Georgia by President Mikheil Saakashvili in 2004, Zurabishvili had held office in French diplomatic missions, including as an ambassador of France to Georgia. She was participating in the negotiations around the withdrawal of Russian military bases from Akhalkalaki and Batumi. However, following her resignation she joined the opposition. In 2016 she was elected as an independent majoritarian member of parliament for Mtatsminda electoral district.⁴

1 Election Administration of Georgia (2018). Available at: <http://results.cec.gov.ge/> (Accessed: 4 December 2018).

2 GIP (2018) 'The Last President Elected by People? A Review of the 2018 Presidential Elections', 10 September. Available at: <http://gip.ge/the-last-president-elected-by-people-a-review-of-the-2018-presidential-elections/> (Accessed: 4 December 2018).

3 Rezonansi (2018) 'Am Saprezidento Arcevnebshi Sami Sagareo Sakmeta Ministri Miigeb Monatsileobas' [Three Former Ministers of Foreign Affairs Will Participate in this Elections], 27 July. Available at: http://www.resonancedaily.com/index.php?id_rub=4&id_arte=52630 (Accessed: 4 December 2018).

4 Kavkazskiy Uzel (2018). Zurabishvili Salome. 21 November. Available at: <https://www.kavkazuzel.eu/articles/73184/> (Accessed: 4 December 2018).

Zurabishvili's rival, Grigol Vashadze, was representing the coalition of opposition parties "Civil Movement – Unity is Power" (United Opposition), which comprised the Saakashvili-led United National Movement (UNM) with several other minor parties and civic organizations. Vashadze, who managed to gain approximately 40% of votes in the second round, previously had a career in Soviet diplomacy, in the department of Space and Nuclear Power.⁵ Following the demise of the Soviet State, he ran business companies. In 2008 he was appointed as Minister of Culture and, later, as Minister of Foreign Affairs. Vashadze played a key role in pursuing the policy of non-recognition of Abkhazia and South Ossetia following the Russo–Georgian war of 2008. In the 2017 local elections, Vashadze was a mayor candidate for the UNM in Kutaisi, but he managed to gain only 27% of the vote.⁶

The third candidate, David Bakradze, took on the office of Foreign Minister in 2008. He was nominated by European Georgia (EG), the party that separated from UNM following the 2016 general elections. Previously, Bakradze was the presidential candidate for the UNM in 2013, when he received approximately 20% of the vote.

Among other candidates were Zurab Japaridze, representing the extravagant pro-Marijuana legalization party "Girchi"; Shalva Natelashvili from the Labour Party; and the former Speaker of the Parliament, David Usupashvili. However, none of these candidates received more than 4% of the votes cast.

The results of the first round took the ruling party by surprise. Salome Zurabishvili gained 615,572 (38.64%), whereas her rival Vashadze received 601,224 votes (37.74%). The difference, less than 1%, was not a comfortable result for the government party. Third place was taken by David Bakradze, who gained 10.97% (174,849 votes).⁷ In the first round, Grigol Vashadze was leading in all of Georgia's major cities, such as Tbilisi, Batumi, Kutaisi, Zugdidi, Rustavi, and Poti; and in regions like Samegrelo, the lowlands of Imereti, Kakheti, Shida Kartli, and the Azerbaijani-populated settlements of Kvemo Kartli. Zurabishvili, on the other hand, was

⁵ Kavkazskiy Uzel (2018). Vashadze Grigol. 21 November. Available at: <https://www.kavkaz-uzel.eu/articles/328032/> (Accessed: 4 December 2018).

⁶ Radio Tavisupleba (2018) 'Salome Zurabishvili VS Grigol Vashadze'. 14 November. Available at: <https://www.radiotavisupleba.ge/a/სალომე-ზურაბიშვილი-ი-ვ-გრიგოლ-ვაშაძე-/29600309.html> (Accessed: 4 December 2018).

⁷ Election Administration of Georgia (2018). Available at: <https://results20181028.cec.gov.ge/> (Accessed: 4 December 2018).

relying on the central districts of Tbilisi (Vake, Saburtalo, Mtatsminda), Guria, remote regions such as Samtskhe-Javakheti, the mountainous part of Imereti, Mtskheta-Mtianeti, Racha-Lechkhumi-Kvemo Svaneti region, and mountainous Adjara.

In the second round, the situation changed dramatically. On the one hand, Grigol Vashadze, through the incorporation of Bakradze's votes (approximately 170 thousand), gained approximately 780,000 votes. On the other hand, the number of Zurabishvili's voters increased by almost half a million. As a result, in the second round, Zurabishvili gained approximately 1,100,000 votes (49.52%) and won in all municipalities except Rustavi and Telavi.⁸

Electoral campaign

The major feature of the campaign was the heavy reliance of both candidates on negative campaigning. The United Opposition focused on Salome Zurabishvili's rhetoric, in which she accused Georgia of starting the war of 2008.⁹ Zurabishvili was also labeled

The major feature of the campaign was the heavy reliance of both candidates on negative campaigning.

the "cannabis queen" due to her support of marijuana legalization.¹⁰ Throughout the whole campaign the former president of Georgia, Mikheil Saakashvili, was hyperactive in his frequent appearances on TV and his personal Facebook page. Similar to previous elections, both sides attempted to discredit their rivals by releasing footage or documents. The opposition-supporting TV Rustavi 2 released a secret recording of a conversation between Georgian businessman Zaza Okuashvili and high-ranking Georgian officials, which revealed a large-scale corruption deal.¹¹ Rustavi 2 also released an audio recording of a mid-level official, Mirza Subelian, who was talking about how he assisted in the prosecution of several former

8 Election Administration of Georgia (2018). Available at: <http://results.cec.gov.ge/> (Accessed: 4 December 2018).

9 Civil.ge (2018) 'Sakartvelos Omis Datskebashi Dadanashaulebis Gamo Opozitsias Salome Zurabishvils Akritikebs' [The Opposition Criticises Salome Zurabishvili due to Accusing Georgia in Starting the August War]. 9 August. Available at: <https://civil.ge/ka/archives/248891> (Accessed: 4 December 2018).

10 Netgazeti (2018) 'Kanapis Dedopali ar Var. Salome Zurabishvili Samgvdeloebis Pozitsias ar Iziarebis' [I am not a Cannabis Queen. Salome Zurabishvili Disagrees with the Clergy]. 20 September. Available at: <http://netgazeti.ge/news/305738/> (Accessed: 4 December 2018).

11 Transparency International (2018). 'A Secret Recording of a Conversation between Zaza Okuashvili and Levan Kipiani Points to a Possible Case of Corruption'. 19 September. Available at: <https://www.transparency.ge/en/post/secret-recording-conversation-between-zaza-okuashvili-and-levan-kipiani-points-possible-case> (Accessed: 4 December 2018).

ruling party officials through the torture of key witnesses.¹² In addition, Rustavi 2 released footage of the luxurious mansions belonging to high-ranking members of GD.¹³ A similar tactic was employed by the ruling party. Before the first round, the negative campaign of the ruling party was relatively passive and was solely focused on Grigol Vashadze's Soviet past. More precisely, due to his service in the Soviet Ministry of Foreign Affairs, he was accused of being a KGB agent and pro-Russian. Anonymous activists even wrote the word KGB at the candidate's regional offices.¹⁴ The situation changed dramatically after Zurabishvili's failure to win in the first round. There were several new attributes to the campaign. Firstly, the ruling party removed Salome Zurabishvili from most of its billboards and replaced her with Bidzina Ivanishvili and some other male leaders of GD.¹⁵ Apparently, Bidzina Ivanishvili took the initiative for this campaign. Secondly, GD reinforced the negative propaganda against the UNM party, and especially Misha Saakashvili. The campaigns "no to Misha" and "no to Natzi" (a pejorative term referring to the UNM) were widely circulated through social media and billboards.¹⁶ The pro-government TV station Imedi even announced an emergency pre-election regime in order to prevent the return of "the criminal regime of the United National Movement."¹⁷ According to the opposition, GD hired a well-known Israeli specialist in black PR technologies, Moshe Klughaft, who assisted GD to improve their campaign.¹⁸ Thirdly, GD received support from the Alliance of

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12 Radio Liberty (2018). 'Sex, Lies, and Audiotape: Just Another Election Campaign in Georgia'.

24 October. Available: <https://www.rferl.org/a/sex-lies-and-audiotape-presidential-election-campaign/29561804.html> (Accessed: 4 December 2018).

13 Rustavi 2 (2018). 'Udzravi Koneba, romelits Otsnebis Tsevrebma 2012 Tslis Shemdeg Daagroves' [Real Estate of the members of "Dream", earned after 2012]. 13 September. Available at: <http://rustavi2.ge/ka/news/116029> (Accessed: 4 December 2018).

14 1TV (2018). 'Rustavshi Grigol Vashadzis Sareklamo Banerze KGB Daatseres' [The Word KGN was Written in Grigol Vashadze's Banner in Rustavi]. 16 September. Available at: <https://1tv.ge/news/llrustavshi-grigol-vashadzis-sareklamo-banerebi-witlad-sheghebes/> (Accessed: 4 December 2018).

15 PirveliRadio (2018). 'Bilbordebidan Gamkrali Zurabishvili' [Zurabishvili Disappeared from the Billboards]. 15 November. Available at: <http://pirveliradio.ge/?newsid=116596> (Accessed: 4 December 2018).

16 1TV (2018). 'Ara Mishas, ara Natsebs. Kutaissi am Sloganit Aktsia Imarteba' [The Demonstration was Held in Kutaisi under the Slogan - No to Misha, no to Natssi]. 17 November. Available at: <https://1tv.ge/news/ara-mishas-ara-nacebs-qutaissi-sloganit-aqcia-imarteba/> (Accessed: 4 December 2018).

17 Agenda (2018). 'TV Imedia Announces Emergency Pre-Election Regime'. 31 October. Available at: <http://agenda.ge/en/news/2018/2280> (Accessed: 4 December 2018).

18 Jerusalem Post (2018). 'Israeli Strategists Sway Georgian Upset Elections Win'. 28 November. Available at: <https://www.jpost.com/Israel-News/Israeli-strategists-help-sway-Georgian-upset-election-win-573093> (Accessed: 4 December 2018).

Patriots party, known for its pro-Russian and xenophobic rhetoric. This party even organized the rallies against Saakashvili in Tbilisi few days before elections.¹⁹ Fourthly, GD-associated media resources were stressing the assumption that Vashadze's victory would lead to instability and even civil war. A narrative of a Saakashvili-orchestrated revolution attempt was also prevalent.²⁰ Finally, Georgia's Prime Minister promised to write off bank debts for 600 thousand Georgian citizens.²¹

Assessing the elections

The oppositional spectrum of Georgia was dissatisfied with the results of the second round. During the opposition rallies held on 2 December, Grigol Vashadze described the election as a “criminal farce” and refused to recognize its legitimacy.²² The opposition

The opposition leaders accused the government of massive fraud by using methods such as so-called “Armenian carousels”

leaders accused the government of massive fraud by using methods such as so-called “Armenian carousels”²³ and printing fake IDs.²⁴ Furthermore, the opposition emphasized the intimidation of voters by the local authorities or security services, involvement of organized crime, and so-called “*dzveli bichi*,”²⁵ bribing voters with money or products (potatoes, onions) and distributing drugs among drug abusing people in exchange for votes.²⁶ The opposition also em-

19 1TV (2018). ‘Patriotta Aliansi Aktsia Tavisuplebis Moedanze’ [The Rallies Held by Alliance of Patriots in the Liberty Square]. 25 November. Available at: <https://1tv.ge/live/patriotta-aliansi-aqciatavisuflebis-moedanze/> (Accessed: 4 December 2018).

20 1TV (2018) ‘Gedevan Popkhadze. Grigol Vashadze tu Archevnebs Moigebs es Samokalako Omis Datskebis Realuri Nabiji Ikneba’ [Gedevan Popkhadze. Grigol Vashadze’s Victory Could Lead to the Civil War]. 30 October. Available at: <https://1tv.ge/news/gedevan-popkhadze-grigol-vashadze-tu-archeve-nebs-moigebs-es-samoqalaqo-omis-dawyebis-realuri-nabiji-ikneba/> (Accessed: 4 December 2018).

21 OC Media (2018). ‘PM Promises to Write off 1.5 Billion in Debts for 600,000 Georgians’. 19 November. Available at: <http://oc-media.org/pm-promises-to-write-off-1-5-billion-in-debts-for-600-000-georgians/> (Accessed: 4 December 2018).

22 Reuters (2018). ‘Thousands of Georgians Protest Against Presidential Election Results’. 2 December. Available at: <https://www.reuters.com/article/us-georgia-protest/thousands-in-georgia-protest-against-presidential-election-results-idUSKBN1O10KG> (Accessed: 4 December 2018).

23 Armenian Carousel - an illicit method of controlling the voting process. The voter takes a ballot with an elected candidate outside the polling station and pass it to another voter, who enters the polling station, puts this ballot to the ballot box, but takes another ballot outside the polling station and so on.

24 <http://pirveliradio.ge/?newsid=117467>.

25 Dzveli Bichi - members of the crime groups, supporters of so-called thieves-in-law.

26 Rezonansi (2018). ‘Otsnebam Archevnebshi etc Dveli Bichebi Charto’ [Georgian Dream Included so-called Dzveli Bichi in the Electoral Process]. 28 October. Available at: http://resonancedaily.com/index.php?id_rub=4&id_arte=58850 (Accessed: 4 December 2018); Tabula (2018), ‘ENM’s Tsevris Gavrtsebuli Piradobebi Tsina Khelisuplebis Dros Gaukmida’ [The ID cards Released by the Member of UNM have been Expired During Previous Administration]. 2 December. Available at: <http://www.tabula.ge/ge/story/140838-servisebis-saagento-enm-is-tsavris-gavrcelebuli-piradobebi-tsina-xelisuflebis-dros> (Accessed: 4 December 2018); GHN (2018). ‘2000 Laramde Valis Chamotsera da 5 kg Kartopilis

phasized the violence during the campaign, such as the wounding of the leader of the United Opposition in Oni municipality, Nodar Burdiladze, by a GD activist, as well as throwing a so-called Molotov cocktail at one activist's house.²⁷

The western reaction to the election was reserved. The matter of concern was the pre-election period. The US state department congratulated Salome Zurabishvili:

"We welcome the assessment by the OSCE/ODIHR Election Observation Mission that Georgia's presidential runoff was competitive and that candidates were able to campaign freely. We also share the Mission's concerns and those of other international and domestic observers about instances of misuse of state resources for partisan campaigning, among other issues. These actions are not consistent with Georgia's commitment to fully fair and transparent elections, and we urge Georgian authorities to address the shortcomings raised by OSCE/ODIHR and other observers."²⁸

In a similar fashion, the misuse of administrative resources was the major concern of the OSCE mission in Georgia.

"In the campaign there were incidents of the misuse of administrative resources and the announcement of a series of social and financial initiatives, in particular debt relief for 600,000 individuals by a private financial institution linked to the chairperson of the ruling party."²⁹

Regarding Russia's reaction, there were several statements by Russian officials, who were concerned about Vashadze's good performance in the first round.³⁰

The United Opposition achieved its highest vote since 2012. In

Darigeba Kanondargveava' [Writing off the Debts up to 2000 Lari and Distributing 5 Kg of Popatos is Illegal]. 20 November. Available at: <http://ghn.ge/com/news/view/215667/> (Accessed: 4 December 2018).

27 Netgazeti (2018). 'Onshi Dachrili Nodar Burdiladzis Mdgomareoba Stabilurad Mdzimea' [Health Condition of Wounded in Oni Nodar Burdiladze is Critical]. 23 November, Available at: <http://netgazeti.ge/news/323497/> (Accessed: 4 December 2018); RegInfo (2018) 'Rustavshi grigol Vashadzis Mkhardamcheris Binashi Molotovis Kokteili Sheagdes' [The Molotov Coctail Was Thrown to Grigol Vashadze's Supposers Appartment in Rustavi]. 26 November. Available at: <https://reginfo.ge/people/item/10959-rustavshi-grigol-vashawis-shtabis-xarmomadgenlis-binas-%E2%80%9Emolotovis-kokteili%E2%80%9C-esroles> (Accessed: 4 December 2018).

28 US Department of State (2018). 'Georgia's 2018 Presidential Elections'. 30 November, Available at: <https://www.state.gov/r/pa/prs/ps/2018/11/287714.htm> (Accessed: 4 December 2018).

29 International Election Observation Mission (2018). p. 1. Available at <https://www.osce.org/odihr/elections/georgia/404642?download=true> (Accessed: 4 December 2018).

30 Rosiskaya Gazeta (2018). 'Kosachev Prokomentiroval Itogi Viborov Prezidenta Gruzii'. 29 November. Available at: <https://rg.ru/2018/11/29/kosachev-prokomentiroval-itogi-vyborov-prezidenta-gruzii.html> (Accessed: 4 December 2018).

the first round, Grigol Vashadze gained approximately 600 thousand votes, which is more than the approximately 500 thousand votes gained by the UNM in the 2016 general election, when the members of EG were still party members.³¹ Another important factor was the reconciliation between the former allies, UNM and ED. Although in pre-election campaign both parties attacked each other, as soon as the results of the exit polls of the first round were released, the presidential candidate from EG, David Bakradze, expressed unconditional support for the presidential candidate from United Opposition, Grigol Vashadze.³²

Post-election period

Despite the limited function of the president in Georgia, the ruling party used all of its resources to achieve a victory. The victory was a matter of prestige for Bidzina Ivanishvili and his

Despite the limited function of the president in Georgia, the ruling party used all of its resources to achieve a victory.

party, and the ruling party was even forced to incorporate all pro-Russian political organizations.

On the other hand, the opposition refuses to recognize the result of the presidential elections and has organized protest rallies. The main demands are changing the elec-

toral system from proportional-majoritarian to proportional or regional-proportional, along with early general elections.³³ The government has refused to negotiate with the opposition on this issue.³⁴ Nevertheless, the opposition realizes that it has about 800 thousand supporters, which in 2016 was enough for GD to gain the constitutional majority. Despite the unprecedented number of supporters, no UNM-associated official is represented either in central or in regional government. The UNM even does not have the head of a village. Such a misbalance of power, combined with the current socio-economic conditions,

31 Election Administration of Georgia (2018). Available at: <https://results20181028.cec.gov.ge/> (Accessed: 4 December 2018)

32 Civil.ge (2018). ‘Bakradze Admits Defeat, Pledges Support to Vashadze’. 28 October, Available at: <https://civil.ge/archives/262006> (Accessed: 4 December 2018).

33 Liberali (2018). ‘Grigol Vashadze: Gaertianebuli Opozitsia Movitkhovt Vadamdel Saparlamento Archevnebs’ [Grigol Vashadze: The United Opposition Demands an Early General Elections]. 29 November. Available at: <http://liberali.ge/news/view/41552/grigol-vashadze-gaertianebuli-opozitsia-movitkhovt-vadamdel-saparlamento-archevnebs> (Accessed: 4 December 2018).

34 ITV (2018) ‘Eka Beselia: Sabednierod Chvens Gundshi Grigol Vashadzis Standartebisa da Gemovnebis Politikosebi ar Arian’ [Eka Beselia: Hopefully, the Politicians Suitable for Grigol Vashadze’s Political Style Do not Exist in our Team]. 3 December, Available at: <https://itv.ge/news/eka-beselia-sabednierod-chvens-gundshi-grigol-vashadzis-standartebisa-da-gemovnebis-politikosebi-ar-arian/> (Accessed: 4 December 2018).

could create a new wave of protest in Georgia.

The opposition will most likely focus on changing the electoral system and early general elections. This offer is very attractive for the minor opposition parties, who have fewer chances to gain parliamentary seats in the existing electoral system. The existing electoral system theoretically allows a party to achieve a victory with a minority of overall votes but by winning the vast majority of majoritarian districts. For instance, in 2016 GD proportionally gained 48%, but won all 75 majoritarian districts and achieved a constitutional majority.³⁵ In addition, it is highly unlikely that GD will solve the economic crisis in Georgia, especially halting the devaluation of Georgia's national currency. All these factors could work in favor of the opposition.

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The ruling party, on the other hand, will try to maintain the status quo by holding elections in 2020 with the existing proportional-majoritarian system. Simultaneously, GD will continue informational warfare against the UNM and Mikheil Saakashvili with an emphasis on the “bloody nine years.”³⁶ The GD leadership, and especially Bidzina Ivanishvili, paid a high price for their victory, and in 2020 the stakes will likely be increased. We should also take into account that, unlike the presidential elections, all pro-Russian and conservative parties, such as the Alliance of Patriots, will participate in parliamentary elections as independent entities, which could divide the GD electorate.

Regarding Salome Zurabishvili, the limited functions of the president mean that she will never be able to make any tangible decisions at the domestic or international level. Taking into account her background, her influence will most likely be used by the ruling party to achieve rapprochement with the EU states, especially with France, of which is Bidzina Ivanishvili himself is a citizen.

Conclusion

In conclusion, the recent presidential elections were extremely tense and unpredictable. Forecasting the final results was extremely difficult. The UNM managed to fully recover after failure

³⁵ Election Administration of Georgia (2016). Available at: <http://results20161008.cec.gov.ge/> (Accessed: 4 December 2018).

³⁶ Bloody nine years - the phrase, used by GD supporters, referred to the years of Saakashvili's administration.

in the local elections in 2017 and currently represents a considerable number of voters. Such a good performance shows the potential for a further increase of votes for the next general election. The next few months will shed light on the long- and short-term trends in Georgia's domestic politics. For the ruling party, on the other hand, the presidential elections were extremely costly. Its dependence on administrative resources has increased significantly. One thing is clear: GD will need extraordinary efforts and resources to maintain its existing level of support in Georgian society.

Commentary: Analysis of the Domestic Political Situation in Armenia

Gela Vasadze*

This article discusses the causes and dynamics of events occurring in Armenia from April to October 2018. The events described did not simply change the power regime, but practically reformatted the entire political field of Armenia, which in turn could not but affect the entire region. On the one hand, the new authority that came to power through the revolutionary wave cannot neglect addressing the political reality in which Armenia at present exists; on the other hand, it cannot try to impose the social order of the "street" from where the people brought Pashinyan and his team to the power. The six months of Pashinyan's command of power have laid the practical foundation for the further rule of this political force. Now, the process of forming a new Armenian political elite is of great interest, since it is that elite, which will include both absolutely new people and representatives of the former elite, that will determine the policy of Armenia in the foreseeable future. This article will respond to the questions of "how Pashinyan came to power," "why the ruling Republican party could not resist street protests," "what the first steps of the new government were," and "how Pashinyan managed to lead the situation in Armenia towards early elections."

Key words: Armenia, Pashinyan, Revolution, Sargsyan, Elections



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Introduction

The events that have occurred, and are continuing to occur, in Armenia have been very difficult to predict, even for the most well-informed and seasoned experts on Armenia. At the beginning of 2018, just a few months before the events, the regime of personal power of then-President Serzh Sargsyan seemed unassailable. He had built up his regime over ten years while quashing almost all political and financial forces in the process. Therefore, the so-called transition of power, by which was meant Serzh Sargsyan's move from the President's to the Prime Minister's office, was seen as a formality that could not be prevented. However, what started as a protest by a small group of people led by opposition politician Nikol Pashinyan turned into mass demonstrations against the Sargsyan regime and ultimately resulted in the change of government.

This article will argue that the process is, nevertheless, far from over, because, with the revolution entering its final stage in October, a much bigger battle is ahead for Armenia. Therefore, the results of the early parliamentary elections in December made everything clear. Much more important is what will happen next, when the period of power transition to the Pashinyan team is over, and those who brought him to power will be waiting for promises to be fulfilled; and everyone has different expectations, such as, notably, addressing the poverty, economic problems, and corruption issues deeply entrenched in Armenian society and politics during the rule of Sargsyan's government. In this regard, it is important to consider the first steps of Pashinyan in power, and not only concrete actions, but also leadership style will be important here. The active use of social networks along with extravagant political steps are today working to increase the popularity of Pashinyan, however, this cannot last forever. In the near future, Pashinyan will need concrete results that can be sold to supporters as a success story. Therefore, it is very important to understand not only how he is going to achieve results, but also how he is going to sell them to his supporters.

Reason for Serj Sargsyan's departure

Many experts have called the events of spring 2018 in Armenia a revolution, even though it was not. In May, there was a change

of executive power in Armenia, but the parliamentary majority still remained with the Republican Party. This has led to an unusual situation in which a party in a parliamentary republic that holds a majority of seats has been forced to cede power, not even to a political force, but to a single politician who enjoys the unwavering support of most politically active Armenians. To understand how this happened, it is first of all important to answer the question of who was interested in the removal from power of the all-powerful Serzh Sargsyan.

The overwhelming majority of Armenian citizens were invested in the removal of Serzh Sargsyan from power. Only a minority of the Armenian population could actually reap the benefits of the system created by Sargsyan during his term in the Presidential Office. The quasi-feudal social ladder that emerged in Armenia favored only those at the top who, due to their political influence, received considerably more than those at the bottom. The latter group, in turn, in the total absence of social elevators, was deprived of any serious opportunity to change their lives for the better. Although the system itself was not created by Sargsyan, in the case of Armenia, he was the one who perfected it.

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The transition from presidential to parliamentary system of government did not leave any doubt among the members of the lower classes that Serzh Sargsyan intended to stay in power for life, and therefore the system was not going to change for a very long time. Hence, when the moment came, many residents of Yerevan and other cities of Armenia did not hesitate to take to the streets to protest against Sargsyan.¹ That was perceived as the only way to mandate change for the better. For the protesters, the most important goal was not Sargsyan's resignation, but ensuring real change, and Pashinyan became the conduit for these sentiments.

However, the aspirations of politically active people alone are usually not sufficient to change the regime in a country. The inability of the ruling regime to fight back and carry on in the old way are both crucial factors in ensuring the transition of power. In Armenia, the old guard was more than capable of fighting back. The system of governance built by Serzh Sargsyan in

¹ Golos Ameriki (2018), Oppozitsiya Armenii Zayavila O «Revolyutsionnoy Situatsii, Available at: <https://www.golos-ameriki.ru/a/4352051.html> (Accessed: 9 October 2018)

Armenia was largely based on a combination of the “vertical of power” – the top-down command structure that included not only his own political party, but to a great extent also the opposition forces – and tight control over the main sections of economic and financial flows. This system, coupled with the widespread use of so-called “administrative resources” to generate desired election outcomes, was perfectly attuned to Armenia’s local circumstances. What’s more, the use of the “enemy at the gates” scaremongering tactic, designed to urge people to rally around the “defender of the flag,” in other words around Sargsyan, also helped Sargsyan to consolidate his power in Armenia by presenting any attempt to challenge the political status quo that he created as an attack on the very existence of the state.

Serzh Sargsyan was convinced that he had designed a perfectly balanced system to preserve his power by taking into account the interests of all stakeholders, both internal and external.

Serzh Sargsyan was convinced that he had designed a perfectly balanced system to preserve his power by taking into account the interests of all stakeholders, both internal and external. As a result, it created a misperception that the system could withstand any challenge and was not in danger. However, in practice, that turned out to be a miscalculation on the part of Sargsyan.

The fact that none of the political parties represented in the parliament, except for Pashinyan’s party, joined the protests at the initial stage of the “revolution” seemed to confirm the resilience of the system. However, in retrospect, it seems that the absence of systemic political forces behind the protests was not the strength of the system, but its weakness, proving to be Sargsyan’s undoing. If there had been a traditional political force behind the protests, there would have been a chance to negotiate and make a deal. However, Nikol Pashinyan, who assumed the leadership of the protests, was for a long time essentially “excluded” from the political system and, as such, was not willing to make a deal or reach any compromise. As a result, Sargsyan outplayed himself and, following the infamous meeting with Pashinyan at the Marriott Hotel, essentially lost control of the situation. An attempt to realize a scenario in which the situation could be resolved by force also failed and eventually Sargsyan had to resign, declaring that “Nikol Pashinyan was right; I got it wrong.”²

Sargsyan’s resignation became the turning point of the Armenian

² BBC News (2018), “YA Bil Ne Prav”: Premyer Armenii Podal v Otstavku iz-za Protestov, Available at: <https://www.bbc.com/russian/news-43868140> (Accessed: 9 October 2018).

revolution. That Sargsyan had enough power to quash the protests is an objective reality, and its denial can only be seen as a part of revolutionary mythology, and not as a serious analysis. Arguments based on Sargsyan's personality as a major factor in his reluctance to fight back can hardly be considered as having sufficient explanatory power either. Moral considerations are not in such cases the overriding concern, since there is too much at stake and the decision is hardly taken single-handedly.

The major role in the situation was played by external factors. During the protests in Yerevan, the embassies of the United States and the European Union constantly expressed their “grave concern and worries” over the situation. Their “concern and worries” were understandable considering the fact that the EU–Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) could have been endangered. The agreement is crucial for cash-strapped Armenia, not least because it also provides access to substantial funds from the EU. Hence, this factor should also be taken into account, but it was not decisive. In the end, the final say on the matter belonged to Russia – the power that controls almost everything in Armenia.

Why then did Moscow not support Sargsyan? Why did the Kremlin not give him carte blanche to use force against the protesters? The answer is simple: by the time of the revolution, Serzh Sargsyan had ceased to be a convenient and even acceptable figure for Russia. Sargsyan, who gradually amassed and strengthened his “vertical of power,” became too complacent and independent from Moscow. Back in the day, when there was no sharp confrontation with the West, and particularly with the American establishment, such “small dents” in the relationship probably would have not mattered much. But times have changed, as demonstrated by the fact that Sargsyan’s removal from power was actively supported by Russian oligarchs of Armenian origin, particularly by Samvel Karapetyan, the owner of the Tashir Group of companies. Without approval at the highest levels of the Russian government, such support would hardly have been possible. In the end, Sargsyan found himself politically isolated, without external support, which led to his downfall.

After the protests reached the irreversible stage for the authorities, many experts concluded that through the protests Moscow

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actually intended to bring its protégé Karen Karapetyan to power and thus finally switch Armenia to the “manual control” mode. However, Karapetyan’s swift and unexpected departure from the political stage, following shortly after Sargsyan’s resignation, rendered all those conclusions invalid.

Pashinyan’s coming to power

The second turning point of the May events was rather unexpected refusal of Karen Karapetyan, the former Prime Minister and Acting Prime Minister following Sargsyan’s resignation, to run for the office of Prime Minister. The decision not to run for office was unexpected because it was announced immediately after the rally in Gyumri and, more importantly, following a phone conversation with Vladimir Putin in which the Russian president practically supported Karen Karapetyan. During the conversation it was noted that “the crisis in Armenia must be resolved within the legal framework, in line with the existing constitution and on the basis of the results of the legitimate parliamentary elections held in April 2017.”³ “[T]he importance of electing a new Armenian prime minister by the parliament on a planned date of May 1, 2018” was also emphasized.⁴ That is why Karapetyan’s refusal to run for Prime Minister after such a conversation seemed a bit strange.

Karapetyan’s refusal can be explained by the fact that “his own” Republican Party of Armenia, at the time still controlled by Sargsyan, actually boycotted the prospect of his premiership. Here, in its own strange way, the desires of the protesters and the leaders of the Republican party actually corresponded. At the same time, it is important to note that everyone understood very well that with the advent of Karapetyan to power Armenia would have been switched to “manual control” mode by the Kremlin.⁵ This, in theory, should have satisfied Moscow. Given

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Moscow’s resource depth and capacity in Armenia, it would have not been a big issue for Russia to convince Armenia’s political

³ President Rossii (2018), Telefonnyy Razgovor S Ispolnyayushchim Obyazannosti Prem’yer-Ministra Armenii Karenom Karapetyanom, Available at: <http://kremlin.ru/events/president/news/57368> (Accessed: 9 October 2018)

⁴ *Ibid.*

⁵ Golos Ameriki (2018), Pravyashchaya Partiya Armenii Soglasna Na Kandidaturu Pashinyana. Available at: <https://www.golos-ameriki.ru/a/armenian-ruling-party-agreed-to-vote-for-pashinian/4374861.html> (Accessed: 9 October 2018)

establishment, including the Republicans, to support Karen Karapetyan's candidacy. With the remaining question of what to do about the protesters, there is a whole set of political methods that would have permitted dealing with the situation without having to resort to a coercive course of action. Those methods would have taken time, however, and Karapetyan, apparently not wanting to take a risk and fight back, gave up very quickly.

The series of events that would later be dubbed the “Velvet Revolution” in Armenia was centralized. It had a concrete leader, the opposition politician and journalist Nikol Pashinyan, who was a fringe figure on the Armenian political stage before the revolution. In a matter of a month, Pashinyan managed to transform himself from a marginal opposition figure to the leader of the revolution.⁶

Pashinyan’s swift transformation from a human rights journalist to a major revolutionary figure with a hard-line stance and an image of having an uncompromising leadership style led to the birth of a phenomenon termed “Nikolism” in Armenia. He is genuinely adored by ordinary Armenians, who pin their high hopes on him, which is quite natural in the wake of the revolution. The high degree of popular legitimacy that Pashinyan currently enjoys in Armenia is his strongest suit. It was “the street” that gave Pashinyan power with a sort of unlimited vote of confidence. At the same time, it is clear that Pashinyan’s ascension to power would not be possible without the consent of external actors, especially Russia. However, consent does not equal support, which is even more true in the case of Moscow.

Pashinyan came to power as a result of events that fit neatly into the pattern of the “color revolutions.” While he was not affiliated with the Russian oligarchs and had no people hailing from Karabakh in his team, that team did contain many who in the past worked for Western NGOs and human rights organizations. For this reason alone, Moscow could not have much confidence in Pashinyan and Pashinyan himself understood this perfectly well, constantly emphasizing that nothing threatens Armenia’s relations with Russia.⁷

And most importantly, Pashinyan perfectly understood that

Pashinyan came to power as a result of events that fit neatly into the pattern of the “color revolutions.”

⁶ BBC News (2018), Kto Takoy Nikol Pashinyan: Pyat’ Faktov O Lidere Revolyutsii V Armenii, Available at: <https://www.bbc.com/russian/features-43886648> (Accessed: 9 October 2018).

⁷ Russia Today (2018), «Khoroshiye i pryamyye otnosheniya»: Pashinyan o partnerstve s Rossiyyey, peregovorakh s Putinym i reformakh v Armenii, Available at: <https://russian.rt.com/ussr/article/522880-pashinyan-putin-armeniya-rossiya> (Accessed: 9 October 2018).

without Moscow he would not be able to consolidate his power in Armenia.

Although people's trust and ardent desire for change brought Pashinyan to power, his position as Prime Minister was not secure since the Republican Party still held a majority in the parliament, which meant that, in fact, they could have replaced Pashinyan with their own candidate at any point, and only "the street" was stopping them from ousting Pashinyan. Thus, Pashinyan's main task became resolving this immediate issue in front of him.

The power question

The fact that the question of power is the main issue in any revolution is a textbook truth. Pashinyan and his team, which mainly consisted of people who were young and ambitious but inexperienced in government affairs, believed that the main way to address this issue was through taking control of government institutions and the country's financial and political resources from the old elite.

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With rare exceptions, changing the top leadership and senior management was enough to make middle and lower-level bureaucrats loyal to the new authorities. There were two reasons for this: first, middle and lower level officials are representatives of the people, like everyone else. The revolutionary fervor dominating the streets of Yerevan had also affected them. Thus, the desire to faithfully serve the new government among low and middle level officials was in most cases quite sincere. In addition, most civil servants understand that they are not in immediate danger of being fired and whether or not they will be able to keep their jobs will largely depend on how effectively they perform their functions and duties.

Unlike government institutions, however, taking control of financial groups with political influence was a harder task. These groups can be divided into three parts. The first group includes those who are affiliated with the old regime. Taking control over them was out of the question. The most viable option to deal with them would be through confiscating their assets and other

similarly tough measure. However, Pashinyan's team did not have enough power to realize that option. Following the revolution, however, trials relating to the events of March 2008 served, to a certain extent, to neutralize those groups. At some point during the trials, it seemed like Robert Kocharyan, the second president of Armenia, given his personal relationship with the president of Russia, was Pashinyan's main rival. Kocharyan's arrest and the events that followed showed that, on the one hand, Pashinyan was ready to take tough measures and follow through on his promise to "restore justice" in Armenia; on the other hand, it also demonstrated that Pashinyan's team was not all-powerful and intervention by external players, especially Russia, could still significantly impact the direction of political processes in Armenia.⁸ At the same time, it is worth noting that no matter how unexpected the arrest and release of Kocharyan were, the measures taken by the National Security Service of Armenia to neutralize the resistance of the old guard looked quite effective. However, it is also worth noting that Pashinyan's intention to go after Kocharyan could be misplaced. We will elaborate on this point a little later.

The second financial group with substantial political influence comprises representatives of Russian business in Armenia, including both Russian state-owned enterprises and Russian businessmen of Armenian origin. The main issue for Pashinyan was to ensure the neutrality of these groups during the transition period in Armenia. Pashinyan's approach in this regard could also be characterized as the bargaining strategy of "a wolf's mouth and a fox's tail." Tough decisions such as searches in the offices of a subsidiary of the state-owned Russian Railways Company "South Caucasus Railway" or decisions on the transfer of high-voltage power grids to Tashir company repeatedly led to negotiations and attempts to reach a compromise.⁹ This became a fairly simple and effective – albeit a risky – way of tearing up old and securing new agreements. It was not of primary importance whether those agreements were beneficial to the country or not – the main task was to take the management of those agreements away from the old guard and deprive the latter from being able to influence those agreements, in the process also

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⁸ Ekho Moskvy (2018), SMI: Osvobozhdeniye iz-pod strazhi eks-prezidenta Armenii Roberta Kocharyana vyzvalo effekt razorvavsheysya bomby, Available at: <https://echo.msk.ru/news/2258776-echo.html> (Accessed: 9 October 2018).

⁹ NEWS.am (2018), Obyski v YUKZHD: V kompanii nedoumeyayut, Available at: <https://news.am/rus/news/466492.html> (Accessed: 9 October 2018).

showing the partners that from now on they can only negotiate with the new government. Somewhat similar dynamics can be observed in the case of the arrest and release on bail of CSTO Secretary General Yuri Khachaturov. However, since that case is more about foreign policy than Armenia's domestic affairs, it goes beyond the scope of the issues we are currently considering.

Finally, the third group includes those Armenian financial and political groups that, although not close to the Sargsyan regime, were not keen to support Pashinyan either. It is the support of this group, which is the biggest in the country and hence has the “decisive vote,” that Pashinyan wanted to secure. With this group the bargaining strategy employed by Pashinyan was about the same as with the previous cases. The campaign against these groups progressed under the banner of the destruction of “gray” schemes and dismantling of the shadow economy, which is indeed a real problem in Armenia, followed by negotiations with these

To sum up, Pashinyan and his team managed in the end to build a vertical of power in Armenia and to some extent neutralize the negative impact of hostile financial and political groups in the process.

groups on securing new agreements on new conditions. For instance, inspections conducted by Armenian authorities at the “Yerevan-City” supermarket chain owned by the member of parliament Samvel Alexanyan followed the previously tested and familiar pattern: systematic probes launched against these entities, dismantling of old gray schemes, and, finally, negotiations on the new way of doing business in Armenia.¹⁰

To sum up, Pashinyan and his team managed in the end to build a vertical of power in Armenia and to some extent neutralize the negative impact of hostile financial and political groups in the process.

Transition of power in Armenia

What happened in Armenia in May was not a revolution, not a change of power, but a change of the executive branch by revolutionary means. Armenia is a parliamentary republic and, without a majority in the parliament, Pashinyan and his team could not be considered to be fully “in power.” Thus, the completion of the process of power transition to Pashinyan’s team in Armenia was entirely linked to the holding of snap parliamentary elections.

¹⁰ RIA Novosti (2018), Spetsluzhby nachali proverku armyanskoy torgovoy seti “Yerevan-siti”, Available at: <https://ria.ru/economy/20180530/1521701137.html> (Accessed: 9 October 2018).

Under the current Constitution, the Armenian parliament could not dissolve itself and call for snap elections. However, the parliament could be disbanded in case of failing to elect a new Prime Minister twice within 14 days following the incumbent Prime Minister's resignation. For obvious reasons, Pashinyan's resignation would have carried serious risks since there was no guarantee that the parliament, in which the majority is in the hands of the Republican Party, would keep their end of the bargain and intentionally reject his nomination in order to force the snap election. Moreover, after the elections to the Council of Elders (municipal assembly) of Yerevan, Pashinyan also lost the support of the "Prosperous Armenia" party and ARF-Dashnaksutyun, parties that are represented in the parliament. In such a situation, persuading the parliamentarians themselves to agree to a snap election and virtually sign a political "death sentence" was an extremely difficult task.

It is also worth noting that, following his appointment, Pashinyan promised to hold parliamentary elections in a "logically short time," at the same time stressing that he would not intentionally hinder the work of the government to force early elections.¹¹ From May till September, the issue of early parliamentary elections was not raised by Pashinyan. However, the issue was reopened before the elections to the Council of Elders of Yerevan, in September 22, at Pashinyan's meeting with the voters from his electoral bloc "My Step."¹² Having swept municipal elections in Yerevan, with the "My Step" block receiving more than 81 percent of the votes,¹³ Pashinyan made the issue of snap elections a priority. However, he immediately ran into opposition from the parliamentary majority and had to resort to calling people to the streets of Yerevan again in order to demonstrate his power to the parliament.

The parliament was also considered dissolved if it did not convene for two weeks. Whether it did not convene due to the

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¹¹ Sputnik Armenia (2018), Ne budem provalivat' programmu pravitel'stva radi vneocherednykh vyborov – Pashinyan, Available at: <https://ru.armeniasputnik.am/politics/20180511/11974080/ne-budem-provalivat-programmu-pravitelstva-radi-vneocherednyh-vyborov---pashinyan.html> (Accessed: 9 October 2018).

¹² Lragir (2018), Nikol Pashinyan obyavil referendum po suverenizatsii, Available at: <https://www.lragir.am/ru/2018/09/21/134114/> (Accessed: 9 October 2018).

¹³ Deutsche Welle (2018), V Yerevane vybrali Sovet stareyshin i mera, 24 Sentyabr, Available at: [https://www.dw.com/ru/в-ереване-выбрали-совет-старейшин-и-мэра/a-45611562,](https://www.dw.com/ru/в-ереване-выбрали-совет-старейшин-и-мэра/a-45611562) (Accessed 9 October 2018).

absence of a quorum or for other reasons was not stipulated by the law. It was reasonable to assume that the executive branch could have simply blocked the parliament building and prevented the members of parliament from convening, thus creating a legal ground for the dissolution of the parliament. However, in this case the parliamentary majority tried to get ahead of the curve. On October 2, the National Assembly of Armenia adopted on its second and final reading an amendment to the law “On the Regulations of the National Assembly.” In accordance with the amendments, if the parliament could not convene due to the absence of a quorum or obstacles hindering the participation of MPs, it was proposed to suspend the meeting and continue the work of the parliament after these obstacles were removed. The bill also ensured the functioning of the parliament in case of the Prime Minister’s resignation. Thus, Pashinyan’s plans to hold snap elections by bypassing the parliament were blocked. Representatives of the Republican Party of Armenia, as well as ARF-Dashnaksutyun and the “Tsarukyan” bloc voted in favor of the amendments. Representatives of Pashinyan’s “Yelk” (Way Out) bloc did not participate in the voting.¹⁴ In response to the voting, Pashinyan brought people to the streets of Yerevan and demanded that the Republicans leave Armenia’s political stage.¹⁵

Under the prevailing circumstances, Pashinyan had almost no choice but to ensure support from MPs for the self-dissolution of parliament while resigning himself, or to resort to the use of force, which was fraught with ending up outside the constitutional realm. The Prime Ministerial nominee approved by the parliament would have been the legitimate head of the Armenian government under the Constitution, which would have left Pashinyan with no choice but to resort to the power of “the streets” to return the power to himself. However, it is not a given that in such a case the protests would have been as massive as they were in May. In May, Pashinyan fought against Sargsyan and Karapetyan, with whom people were fed up. This time the Republican party could have easily nominated someone more appealing to the masses, and, more importantly, to Moscow.

However, by all indications, unlike the Russian constitutional

¹⁴ Sodruzhestvo (2018), Vopreki prizyvam Pashinyana: parlament prinjal nashumevshiye popravki, Available at: <http://sodrugestvo.info/?p=860813&lang=ru> (Accessed: 9 October 2018).

¹⁵ Sputnik Armenia (2018), V Armenii nachalas’ kontrrevolyutsiya: Pashinyan obvinil respublikantsev, Available at: <https://ru.armeniasputnik.am/politics/20181002/14838864/v-armenii-nachalas-kontrrevolyuciya-pashinyan-obvinil-respublikancev.html> (Accessed: 9 October 2018).

crisis of 1993, when a deadlock between the Russian president, Boris Yeltsin, and the Russian parliament was eventually resolved through the use of force, the current situation in Armenia will not lead to a similar scenario. Moreover, the Republican Party is clearly not inclined to use violent methods to fight back since they want to remain a viable political force in Armenia, assuming that, sooner or later, the unconditional support of the population that Pashinyan currently enjoys will gradually fade away. Considering the differences between the current situation in Armenia and the Russian constitutional crisis of 1993, one more important detail should be taken into account. In 1993, Boris Yeltsin had the unconditional support of the world community and did not have to contend with what we call the “Russian factor” in Armenia. It may be useful to elaborate on the latter point a little further.

Although having only 31 seats out of 105 in the National Assembly of Armenia, until recently, the “Prosperous Armenia” party, created by one of the most famous Armenian oligarchs, Gagik Tsarukyan, was considered the second biggest political force in the country. The party was built into Serzh Sargsyan’s political system and joined the protests only after it became clear that Sargsyan was resigning. However, soon afterwards the political paths of Pashinyan and “Prosperous Armenia” diverged. In the elections to the Council of Elders of Yerevan, despite all the expectations, “Prosperous Armenia” received about 7 percent of the vote, winning the second spot, but clearly below what they expected. Immediately after the events of October 2nd, the leader of “Prosperous Armenia,” Gagik Tsarukyan, went to Moscow, where, as reported in the press, he held a number of meetings with members of the Russian government and the Armenian diaspora in Russia. Upon Tsarukyan’s return to Armenia, the situation changed. First, “Prosperous Armenia” supported Pashinyan and gave their consent to the dissolution of the parliament. Second, not only representatives of “Prosperous Armenia” in the parliament, but also fifteen MPs from the Republican Party, agreed to hold snap parliamentary elections. It is difficult to say how much of this is related to Tsarukyan’s trip to Moscow. But the fact is that, in the end, Pashinyan received much-needed guarantees that an alternative Prime Minister would not be approved in case of his resignation and that the parliament would be dissolved. On October 16, in order to trigger snap parliamentary elections, Pashinyan resigned from the post of Prime Minister.

...unlike the Russian constitutional crisis of 1993, when a deadlock between the Russian president, Boris Yeltsin, and the Russian parliament was eventually resolved through the use of force, the current situation in Armenia will not lead to a similar scenario.

Conclusion

Considering the course of events in Armenia, it is necessary to understand that we are dealing with a revolutionary process that began in April of this year and is still unfinished. Unlike the Rose Revolution in Georgia, and the Orange Revolution and the Revolution of Dignity in Ukraine, the events taking place in Armenia are, firstly, stretched out in time, and, secondly, they have their own internal logic stemming from the country being under the influence of Russia. In contrast to the revolutionary events in Georgia or Ukraine, it is also telling that those who are currently in power in Armenia are not part of the old elites splintered from the latter at some point in time, but are members of the counter-elite, whose goal is to completely eradicate the old guard from power. This makes it impossible for not only the Republican Party, but also for parties like “Prosperous Armenia” and ARF-Dashnaktsutyun to cross the aisle and stand on the “side of the revolution.”

Moreover, for financial groups it was also difficult to embrace the revolution since none of them are secure from major troubles in case Pashinyan and his team obtain full power. After all, almost all of them participated in the corrupt schemes of the previous government, leaving them vulnerable to investigations by the new authorities. Despite all of this, Pashinyan managed to overcome the resistance of the old guard and enter the final stretch of the Armenian revolution. What the role was of external factors – and by external factors, we mainly mean the Russian factor, since none of the other major foreign policy actors, including the United States, the European Union, and even Iran, has serious political influence in Armenia – remains an open question.

Pashinyan’s party won a landslide victory (with 70%) in the parliamentary elections. The party of oligarch Gagik Tsarukyan “Prosperous Armenia” (whose main goal is to ensure the political roof for himself) took 2nd place (8%). The 3rd political force entering the parliament is the “Bright Armenia” (formerly part of the “Elk” bloc), under the leadership of Edmond Marukyan. The previously-dominant Republican Party failed (4.7%) to get seat in the parliament. The Dashnaktsutyun party (supported by the Diaspora), failed (3.89%) too. The last two [most militant] parties failed because the level of militancy in the society has noticeably decreased.

BOOK REVIEW: “The Long Game on the Silk Road: US and EU Strategy for Central Asia and the Caucasus”

S. Frederick Starr & Svante E. Cornell



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The Long Game on the Silk Road features an overview of the 25 year-long policies of the US and the EU toward Central Asia and the Caucasus. Twenty-five years later it is fair to evaluate the results of the policies they adopted and also to take a fresh look at the assumptions on which they were based. Have the policies in place served American and European interests? Where they have not, how can they be improved? And above all, after a quarter century have these countries become more relevant to western interests, or less so? These are the questions this book will address, focusing on the South Caucasus and Central Asia, or the so-called “southern” region of the former Soviet Union. The book insightfully addresses the significant role of the region in world politics, lays out the problems in Western policies toward the region, and provides concrete recommendations on how to ameliorate them.

Dr. Frederick Starr is the founding chairman and Dr. Svante Cornell is the director of the Central Asia-Caucasus Institute & Silk Road Studies Program, a Joint Center whose components are affiliated, respectively, with the American Foreign Policy Council in Washington, D.C., and the Institute for Security and Development Policy in Stockholm. A Distinguished Fellow at the American Foreign Policy Council, the founding director of the Kennan Institute, and a former President of Oberlin College and the Aspen Institute, Dr. Starr also contributed to the establishment of the University of Central Asia of the Nazarbayev University in Astana, and of the ADA university in Baku. His expertise covers the issues of social and economic development in Central Asia, particularly the salience of continental transport and trade. Dr. Cornell, a co-founder of the Institute for Security and Development in Stockholm, Sweden, and a Senior Fellow at the American Foreign Policy Council, in turn, focuses on national security, regional politics, and conflict management issues in the Caucasus, as well as in Turkey and Southwest and Central Asia.

Conducting – in the words of the authors – a “medical check-up” on American and European policies toward Central Asia and the

Caucasus, the book argues that these policies suffer from both conceptual and structural impediments. It traces the framework of Western policies to the 1975 Helsinki Final Act, which resulted in the stove-piping of relations into political, economic, and democracy categories – and in often uncoordinated or contradictory policies. While the authors embrace the goal of promoting human rights and democracy, they argue that the antagonistic methods adopted to advance this goal have proven counter-productive. They propose that Western governments work with the regional states rather than on or against them; and that instead of focusing directly on political systems, policies should focus on developing the quality of governance and help build institutions that will be building blocks of rule of law and democracy in the long term.

The authors also argue that Western leaders have largely failed to grasp the significance of this region, relegating it to a subordinate status and thus damaging Western interests. The development of sovereign, economically strong, and effective self-governing states in the Caucasus and Central Asia is an important goal in its own right. For all the West has achieved in the Caucasus and Central Asia to date, according to the authors, it has yet to reap the full benefits that a more active and carefully directed relationship with these regions can offer. Conversely, the authors claim that the eight countries in question have had great expectations for their relations with America and Europe but they have yet to garner more than a fraction of these in practice. A major conclusion of this study is that the legitimate aspirations of both parties in this relationship – Central Asia/Caucasus and US/EU – are fully congruent and fully attainable. The book stresses the necessity of stepping up in promoting cooperation in several fields where the West has barely touched the surface – issues such as good governance, the development of secular laws, courts, and schools, and defense-based security – which can bring great benefits to both parties in the relationship, as can the untapped economic interests in trade and transport, among others.

The book is divided into seven chapters. The introductory chapter lays out the case for the book. It argues that these countries, because of their intrinsic characteristics and of

developments in the regions surrounding them, matter more to America and Europe today than they did twenty-five years ago. While these states differ greatly from one another, their commonalities and interdependencies are sufficient for America and Europe to treat them regionally, as well as bilaterally. And while Western policies toward these countries have given rise to impressive achievements, structural and conceptual mistakes have hampered and diminished them. These flaws have caused the West to mishandle some opportunities and to miss others. As a result, the West has yet to realize the full potential of positive relations between the West and countries of the region.

Chapter 2 sketches the region's development from independence to the present. It recalls the conditions under which these countries became independent, maps the achievements of the new states, and sets forth the key challenges to their further development. The authors illustrate how the countries of Central Asia and the Caucasus have made important strides during the quarter century since independence. "First and foremost, they have become real and functioning states that are recognized as such internationally. They have built viable state institutions and have, to a significant extent, worked to combat poverty. They have begun to build systems of modern education, and have maintained secular systems of laws and government. Finally, they have proven adroit at establishing themselves on the international scene and navigating between the great powers that surround them." While serious issues, such as overcoming landlockedness, the legacy of Soviet mentality, and a challenging regional environment still remain, the nations of Central Asia and the Caucasus have come a long way since independence. Meanwhile, the authors emphasize, "western leaders and analysts alike have grossly underestimated the challenges to the development of modern democratic statehood across this region. As a result, the U.S. and Europe also underestimate what the countries have in fact accomplished without unleashing social strife, and have been overly impatient with their slow progress toward better and more open governance and hence ineffective in assisting them in that process."

In Chapter 3, the authors acknowledge that serious efforts were made by the West to shore up the sovereignty and security of

these new states, with the development of the Caspian oil and gas resources in particular being the most significant single accomplishment of the United States and Europe in the region in the past two decades. Besides the Baku–Tbilisi–Ceyhan pipeline project, the authors also mention among many vital initiatives in the economic sphere: The World Bank's CASA-1000 electricity export initiative, transport projects to link the region to the South and West under the EU's TRACECA, the ADB's CAREC program, and the American New Silk Road. Additionally, the West's engagement in the political and diplomatic spheres (e.g., the US and France becoming involved in the Minsk Process to defuse the Nagorno-Karabakh conflict between Armenia and Azerbaijan) allowed the regional states to achieve a balanced relationship vis-a-vis their major neighbours. In light of all this, the authors claim, "it is no overstatement to say that no other country or grouping of countries comes close to either the U.S. or the EU, let alone the two of them together, in the amount of their assistance, the range of fields to which it has been applied, or the amount and quality of expert know-how made available to the new states of Central Asia and the Caucasus since their establishment as new sovereignties."

However, according to the authors, Western commitments did not extend to providing functioning forms of collective security for the countries of the region. As Russia's geopolitical weight increased, "this created a highly volatile security situation for all the regional countries, and especially those to the West of the Caspian that refused to accept a Russian security umbrella, as Armenia and Belarus had done." Instead, the US came to increasingly view the region mainly through the prism of its Afghanistan policy rather than as a place where the US had long-term interests in its own right. As a result, Washington failed to arrest the decline of relations with Uzbekistan in 2005 and, subsequently, with Kyrgyzstan, which led to the end of the US military presence in both countries and a sharp decline in US influence. In addition, referring to the authors, both the US and EU implemented divergent policies with respect to the Caucasus and Central Asia from the late 2000s, which had a detrimental effect on Trans-Caspian communications and transportation. Both America and Europe also failed to grasp the importance of conflict resolution. For years following the Key West summit,

America did not take seriously its role in the Minsk Group, and this neglect contributed to the escalation of the conflict after 2008. Nor did America and Europe play a serious role in Georgia's conflicts until it was too late – after the 2008 war, when Russia had created a new reality on the ground. Western powers also allowed a growing disparity to arise between the commitment to territorial integrity they voiced in various conflicts, with strong support for Moldova and Ukraine, with the much lower commitment they displayed in the case of Nagorno-Karabakh.

While fully acknowledging in Chapter 4 the immensity of Western support and assistance to Central Asia and the Caucasus and the many concrete advances they achieved over a quarter century, the authors go on to once more emphasize some of the principal shortcomings of Western policies in the region. These include: the West's false assumption about civil society's independence from government; their underestimation of the importance and complexity of building open, effective, and incorrupt state institutions; holding the new states of the region to a stiffer standard than other parts of the world; neglect of the cultural context and deep history of the people of the region; ignoring the importance of secular states and secular systems of law; their constant temptation to deal with the regional states as objects to be manipulated on political or cultural chessboards; their underestimation of the existential threat to the sovereignty of the regional states; and complete ignorance of the view of regional governments that the preservation of sovereignty and security was the *sine qua non* for the advancement of all other Western goals. As a result, the general structure of U.S. and EU engagement with both Central Asia and the Caucasus remained largely intact throughout the first quarter century of their involvement there, and continues today. "For all the positive steps they have taken with respect to these two important regions," note the authors, "the West has hobbled itself through impatience. It conveniently forgets the time that was necessary to rebuild Germany, Japan, South Korea and Taiwan and establish them as functioning democracies with open systems of law and government. Instead, they have conducted themselves like the impatient farmer who plants in May and then stalks the fields in June, pulling out seedlings to see how they are doing."

In light of the above-mentioned vivid pitfalls of Western engagement in the region, the following chapters identify areas in which the effectiveness of Western programs in the region are limited and practical improvements might be achieved in the future, presenting those findings in some kind of systematic order. Ultimately, the authors provide five key conclusions regarding the challenges, and the associated recommendations to follow, in the structural and organizational realm, and ten in the conceptual and strategic.

Concerning structural reforms, above all, the authors recommend Western policymakers to overcome the mutual isolation of central bureaucracies from one another that was the legacy of the Helsinki accords, and to institute mechanisms to restore coordination of the West's policies toward the South Caucasus, on one hand, and Central Asia, on the other, remedying the artificial dividing line created in their bureaucracies that effectively makes the Caspian Sea a barrier rather than a bridge. The authors also call for: assigning a senior US official to be responsible for coordination between the issue areas, or "baskets," of Western interests in the region; strengthening their internal analytical capability to understand the regional developments; calibrating the public language of Western leaders to a more constructive and collegial approach to these partners; and moving beyond unilateral mandates in each field toward high-level negotiations with the regional countries. These issues, according to authors, can be addressed and corrected by the executive agencies themselves, without either amending or supplementing existing additional legislation.

Chapter 6, in turn, identifies strategic issues that require rethinking, suggests better alternatives, and presents practical steps for implementing them. First and foremost, referring to the authors, "Western governments should devote serious attention to the sovereignty and security of the countries of the Caucasus and Central Asia as the necessary and inescapable foundation of long-term and many-sided relationships in both regions, and to this end play a more deliberate and active role as part of the 'balances' that define the strategies of many, but not all, regional states." Furthermore, the US and the EU should reduce their one-sided reliance on NGOs, re-examine the false

romanticism of “civil society,” and “work with governments, not on them,” promoting good governance, supporting secular laws and modern educational systems, as well as helping the regional governments to improve their access to news and information through a variety of channels. While maintaining their strong web of bilateral relations in both the Caucasus and Central Asia, the US and EU should also increasingly focus on regionalism as an emerging and necessary structure for the advancement of Western interests there.

The authors also recommend the US and Europe to avoid making demands on these countries that they have not sought to impose on countries in Asia and Africa, and apply to Central Asia and the Caucasus the same kinds of standards that have shaped recent approaches to countries such as Vietnam, Cuba, and Iran. Referring to impatience as the greatest enemy of American and European strategy in the region, the chapter calls for Western programs to adopt a more realistic time horizon for their end goals. Western assistance, in turn, should not be seen as a reward for approaching the finish line in a “race to democracy” but as an investment in countries that are important to a range of American or European interests. Concerning voting and citizen participation, the authors emphasize that the West should recognize that free and fair elections of national leaders are more likely to be the culmination of a democratization process rather than its starting point.

To sum up, the Caucasus and Central Asia provide a valuable case study of how the often divergent interests of Western policy relate to one another and how they can reinforce or contradict each other. At various times in the past quarter century Western powers have been intimately engaged in security affairs; economic and energy matters; and the promotion of democracy and human rights. This book argues that these areas of interest are not inherently contradictory. Yet, in practice, the lack of coordination and leadership in the development and implementation of policy has all too often caused it to appear that way. In the absence of clear direction from leaders, bureaucrats have engaged in turf wars, clashed over priorities, and allowed themselves to be influenced by special interests with narrow agendas. We can think of few world regions where these phenomena are as clearly

and vividly manifested as in America's and Europe's relations with the Caucasus and Central Asia. "Political and economic development is not a sprint but a distance run, in which clarity about ends and means, leadership and, above all, tenacity are the key determinants of success," the authors recall, "and if the West, in this long game, can now muster these qualities and apply them to its relations with the countries of the Caucasus and Central Asia, it will prevail. And all parties to the relationship will benefit far more even than during the past quarter century."

Reviewed by: Polad Muradli

CAUCASUS UNDER REVIEW RECENTLY PUBLISHED BOOKS

Geopolitics and Security: A New Strategy for the South Caucasus

Edited by Kornely Kakachia, Stefan Meister, & Benjamin Fricke

The South Caucasus is a region at the nexus of various economic, political, and energy interests. Strategically, this region sits at the crossroads of vibrant global markets: Central Asia and China to the east; Turkey and Europe to the west; Russia to the north; and Iran and the Middle East to the south. It is also a prism for fundamental challenges to the international system, including separatism, security, energy transit, and infrastructure. Meanwhile, the lack of regional unity, unresolved frozen and protracted conflicts, and, according to Kornely Kakachia, Stefan Meister and Benjamin Fricke, the absence of a “regional identity,” “with its ill-defined borders, weak economic links, absence of realization of the region’s potential and lack of the ‘us’ feeling of a shared identity” remains the biggest hurdle to developing a functioning regional security architecture. This unique condition changes the strategic picture in the South Caucasus and has significant implications for relations with the EU.

Bearing this in mind, the book *Geopolitics and Security: A New Strategy for the South Caucasus*, authored by a group of international and local scholars, offers first-hand accounts of the current regional situation. The following questions are asked: What do the geopolitical changes in the wider region and the growing activities of other regional powers like Iran, Russia, and Turkey mean for the European ENP? And, how can the EU undertake a strategic shift to widen its view of the region to include the wider Caucasus, Caspian, and Black Sea region? The book also analyzes regional changes in the broader framework of geopolitical shifts, discussing their impacts on the success and direction of the ENP. It also seeks to address not only where the region has been, but also where it is headed in terms of security, intra- and extra-regional relations, and political and economic development.

The EU in the book is considered an important player, but only one of several, and one that is currently facing its own internal crises. Within this context the EU's approach to region building is put under even more pressure. While the Eastern Partnership takes a single approach toward different countries with different ambitions toward the EU, all the countries of the region face an increasingly challenging geopolitical environment. Security is thus the central challenge facing many of these countries. Within that framework, specific attention is given to energy security and Azerbaijan is described as the most important country in the region in that regard. Ultimately, the volume concludes with the recommendation that the EU must reconsider its ENP and EaP initiatives and needs to outline a new, credible political vision as opposed to continuing to handle matters in its familiar technocratic manner. "The chessboard is in the period of reshuffling. Either the EU will manage to reinvent the European project opening a place for the South Caucasus states in Europe, which would have direct positive impacts in the region, or the alternative would be a South Caucasus in limbo in an increasingly fragmented and volatile environment."

Central Asia in the Era of Sovereignty: The Return of Tamerlane?

Edited by Daniel Burghart and Theresa Sabonis-Helf

In the early years of independence, preservation of sovereignty in Central Asia was far from certain. Now, twenty-five years later, there is little doubt that the five states will not only persist as states, but that they will increasingly differ from each other in many ways, and make their mark on global politics. Whereas the states were once connected only to Moscow (and not always even to neighbors), they are now connected to Afghanistan and South Asia, to China, and increasingly to Iran. Thus, it is time to reassess Central Asia's prospects for the future, and at the same time to review what the Central Asian states now make of their past. By introducing this volume, Daniel L. Burghart, Professor of National Security and Eurasian Studies at the National Intelligence University and Theresa Sabonis-Helf, Professor of National Security Strategy at the National War College endeavor

to address the absence of sufficient scholarly literature on this area. This book is a sequel to *In the Tracks of Tamerlane: Central Asia's Path to the 21st Century* published by the National Defense University in 2004. Both volumes refer to Tamerlane in their titles, acknowledging the most internationally renowned personage from the region.

Central Asia in the Era of Sovereignty: The Return of Tamerlane? is a comprehensive, expertly written, and well-documented book on the complex and multifaceted policies of Central Asia. Twenty-one scholars – the best in the field – provide a fascinating account of the rivalries and tensions, the friendships and enmities, the areas of cooperation, and the potential for conflict among this group of countries. The essays cover all the key issues: geopolitics, international relations, security, economic development, social and cultural challenges, and natural resources, especially the vast hydrocarbon deposits of the Caspian basin. Rather than looking at individual countries, the editors decided to work thematically, asking authors to contribute chapters on the most important topics, then put it together in a way that would allow for comparison between the five countries.

The book is divided into three broad sections: Social Issues; Economics and Security; and Case Studies. The authors in the first two sections examine how their issue unfolded in two or more states of Central Asia: in some cases, they give equal time to multiple countries, while in others they focus on one country, but discuss implications for the broader region. Covering a wide range from HIV/AIDs to social media, the rebirth of Islam, outmigration, and problematic borders, the first section follows two main currents: political development in the region and states' responses to transboundary challenges. The second part provides analyses of new infrastructure, informal economies (from bazaars to criminal networks), energy development, the role of enclaves in the Ferghana Valley, and the development of the states' military structures. This section illuminates the interactions between economic development and security, and the forces that could undermine both. The final part, comprising five case studies, offers a “deeper dive” into a specific factor that matters in the development of each Central Asian state. These cases include Kazakhstan’s foreign policy identity, Kyrgyzstan’s

domestic politics, Tajikistan's pursuit of hydropower, foreign direct investment in Turkmenistan, and the perception of everyday corruption in Uzbekistan. Taken as a whole, this volume provides an excellent introduction to an historic and increasingly strategic region that has both confounded and fascinated those who have sought to know it better.

China's Eurasian Dilemmas: Roads and Risks for a Sustainable Global Power

By R. James Ferguson

This book provides a critical overview of China's engagement with Eurasia, focusing on major issues that are emerging in the 21st century – issues that will need careful management over the next two decades. R. James Ferguson, director of the Centre for East-West Cultural and Economic Studies, focuses on the challenges obstructing China's path to becoming a sustainable global power. Engagement across Eurasia presents China, its leaders and policymakers with intensified contact with regional and national conflicts, posing environmental, developmental, and strategic dilemmas.

The Eurasian aspects of China's evolution into a global power (and its attendant risks) have not been systematically or sufficiently analyzed in popular or academic publications, owing in large measure to a tendency to position these debates alongside recurring China-threat narratives. China's emerging role goes well beyond the standard "geopolitics" of the Eurasian "chessboard." China is seeking to evolve new agendas and relationships that avoid the dilemma posed by its "maturing" (and slowing) economy and potential containment by the United States. Similarly, China's current leadership has no wish to be captured by Russia's assertive security policies. This gives the People's Republic of China (PRC) a tight timeframe to establish itself as an essential arbiter in Eurasian integrative processes. The sustainability of this transition rests largely on how well China manages its "Eurasian footprint," including economic, environmental, and security factors.

The book addresses these issues by, first, assessing how well

China's abovementioned "Eurasian footprint" can serve as a basis for its evolution as a cooperative global power without ensnaring it into security dilemmas attendant on the need to reform regional and global institutions (Chapter 1). Chapter 2 assesses two crucial organizations that provide important but limited security roles, the Russian-led CSTO and the SCO, where China has more influence. The need for these groups, and their operational insufficiency, is demonstrated in Chapter 3, where great power miscalculations have led to ongoing conflict in Afghanistan, uneven or fragile governance across Central Asia, and have set limits on Eurasian economic integration. These limits are influenced by the different visions of the future order held by China and Russia, in spite of their strategic partnership and evolving leadership dynamics (as explored in Chapters 4 and 5).

Chapter 6 analyzes the Belt and Road Initiative (BRI) as an economic and geopolitical project, now linked to security, sustainability, and environmental concerns in an expanded network that will have enduring influence on the future global economy. An important aspect of this dynamic is the deepening engagement with Europe as a potential co-balancer in Eurasian affairs, thereby reducing tensions that have emerged with both Russia and the US (Chapter 7). The outcomes of these processes are explored in Chapter 8 and Chapter 9, with China needing to engage in serious institutional learning to avoid a dystopic Eurasian future or a new bipolar order dividing Eurasian networks from US alliances. All in all, Ferguson's detailed and insightful analysis of China's Eurasian dilemmas establishes critically needed space for considering the global implications of this neglected region.

Informal Nationalism after Communism: The Everyday Construction of Post-Socialist Identities

Edited by Abel Polese, Oleksandra Selivertsova, Emilia Pawlusz, and Jeremy Morris

Since the collapse of the Soviet Union, nation building and identity construction in the post-socialist region have been the subjects of extensive academic research. The majority of these studies have taken a "top-down" approach – focusing on the variety of

ways in which governments have sought to define the nascent nation states – and, in the process, have often oversimplified the complex and overlapping processes at play across the region. *Informal Nationalism after Communism*, however, shows the importance of everyday practices and rituals in constructing and (re)shaping national identities. Drawing on research on the Balkans, Central Asia, the Caucasus, and Eastern Europe, this book focuses instead on the role of non-traditional, non-politicized and non-elite actors in the construction of identity. There are only a few studies on the topic that advocate a holistic approach to nation-building analyses. This book fills this gap in the literature.

According to the book, the “everyday” is a slippery concept that reflects what people choose to do and not to do, consciously or unconsciously. Qualitative research is hence necessary to grasp the concept’s complexity, which other methods have failed to address. The authors of this volume adopt different strategies to assess “informal nationalism,” ultimately retracing nation-building to its foundations. The book consists of eight chapters discussing how the “nation” is normally experienced, talked about, and framed in educational institutions, mass media, and cultural practices.

Across topics as diverse as school textbooks, turbofolk and home decoration, contributors – each an academic with extensive on-the-ground experience – identify and analyze the ways in which individuals living across the post-socialist region redefine identity on a daily basis, often by manipulating and adapting state policy. The volume fulfills its objective of providing evidence to support theories of everyday nation-building. The studies manage to convince the reader on the complexity of the phenomenon, suggesting the necessity to understand the public’s perception of policies to determine how identities are changed in line with or in spite of such policies. In separate cases, popular understanding of what “national” means is contrasted with the (ethno-) national views propagated by states, and while individual identity is defended, hidden or adapted, the collective one is negotiated. In the process, *Informal Nationalism after Communism* demonstrates the necessity of holistic, trans-national and inter-disciplinary approaches to national identity

construction rather than studies limited to a single-state territory. Ultimately, this reading provides a much-needed analysis of the gap between state policy and on-the-ground reality that will be invaluable to both academics and policymakers.

European Union's Influence in Central Asia: Geopolitical Challenges and Responses

By Olga Alinda Spaiser

Olga Alinda Spaiser, Associate Scholar in the Center for European Studies at Sciences Po and project manager for the Directorate-General for Crisis Prevention, Stabilisation and Post-Conflict Reconstruction in the German Federal Foreign Office, has provided a valuable addition to the scarce academic literature on EU-Central Asia relations. *The European Union's Influence in Central Asia* offers a rich overview of Central Asia as a “Far Neighbourhood” of Europe where relations have been intensified since 2007 via an EU strategy for the region. Spaiser critically assesses the European Union as a normative actor and realistically analyzes Europe’s interests in a region where Brussels is a “second-tier” actor after Beijing and Moscow, but is valued as a partner by Central Asian regimes.

The book aims to analyze the potential and the limits of the EU’s external approach in the specific context of geopolitical norm contestation and competition. Hence, the guiding question addressed in this study is: How does the EU exert influence in a context in which its norms are contested and in which it risks being marginalized by other actors? Three sub-questions emanate from this main research question: 1) How does the EU position and project itself as a global actor? 2) Which instruments and strategies does the EU apply in order to exert influence in Central Asia? 3) To what extent is the EU acknowledged as a significant and legitimate partner in Central Asia? Through an analysis of the EU’s discourse, instruments, and the reception of its policies in Central Asia, this study argues that the EU consciously takes the position of a second-tier actor which acts as a consultant and projects a picture of itself as an honest broker with no geopolitical agenda. The EU’s influence is confined to niche domains in the security sphere that are nevertheless important for regional

security. The EU is not a great power in the region nor is it willing to become one. It does, however, according to the author, have comparative advantages in being perceived as inoffensive and for occupying areas that are neglected by the other actors, such as governance and water security.

The book is divided into three parts. Part I addresses the conceptual challenges in analyzing the EU action and develops the analytical framework for the study. Parts II and III empirically examine the EU's policy in Central Asia. Part II aims at understanding the principal parameters, guidelines, and challenges of EU engagement in Central Asia. In order to concretely examine the EU's influence in Central Asia and, more precisely, in the security sector, part III provides three case studies that reveal the limits of EU engagement stemming from the Central Asian domestic context and from internal inconsistencies of the program. This study is an important read for scholars and policymakers focusing on EU foreign and security policy, as well as Central Asia watchers.

The Dawn of Eurasia: On the Trail of the New World Order

By Bruno Maçães

In this original and timely book, Bruno Maçães, a political scientist and Portugal's former minister for European affairs, argues that the best word for the emerging global order is "Eurasian," and shows why we need to begin thinking on a supercontinental scale. While China and Russia have been quicker to recognize the increasing strategic significance of Eurasia, even Europeans are realizing that their political project is intimately linked to the rest of the supercontinent – and, as Maçães shows, they will be stronger for it.

For six months, Maçães travelled across a portion of Eurasia to see how the world is changing. The future, he argues in this startlingly original assessment, will be dominated by an emerging Eurasian "supercontinent," shaped by China's, Russia's, and the EU's competing visions. The Arctic will become one of its superhighways, and the roads and railways envisaged in China's vast Belt and Road Initiative will tie it together. The fusing of

Europe and Asia, he contends, is already far more advanced than most realize. The drama is over what form this integration will take, but he is confident that it will be different from the political and economic models familiar in the West. In the second part of the book, Maçães gives texture and immediacy to his broader argument by sharing images and discoveries he made during his many diversions from familiar paths, skillfully integrating his travel stories into the larger trends he discusses: trade flows, megaprojects, changing lifestyles, new transport links, and the visions of those designing the future in Beijing and Moscow.

Weaving together history, diplomacy, and vivid reports from his six-month overland journey across Eurasia from Baku to Samarkand, Vladivostok to Beijing, Maçães provides a fascinating portrait of this shifting geopolitical landscape. As he demonstrates, we can already see the coming Eurasianism in China's bold infrastructure project reopening the historic Silk Road, in the success of cities like Hong Kong and Singapore, in Turkey's increasing global role, and in the fact that, revealingly, the United States is redefining its place as between Europe and Asia. Considerable attention is also devoted to Russia as "a wounded power with an identity crisis that is revising the global order to suit its own position," while the final chapter ponders the current divisions within Europe itself. An insightful and clarifying book for our turbulent times, *The Dawn of Eurasia* argues that the artificial separation of the world's largest island cannot hold, and the sooner we realize it, the better.

The Return of Marco Polo's World: War, Strategy, and American Interests in the Twenty-First Century

By Robert Kaplan

This volume compiles 16 major essays on America's foreign policy from national security commentator Kaplan. All but one was originally published in outlets such as *The Atlantic* and *National Interest*. The title essay was originally written for the Department of Defense's Office of Net Assessment. In the first section, entitled "Strategy," Kaplan argues that, since the end of the Cold War, the global map has fundamentally changed: "Europe disappears, Eurasia coheres." The result is

an “increasingly crowded and interconnected world” whose linkages are becoming so complex that the U.S. will be unable to exert pressure in the ways it has since WWII.

Kaplan contends that we can learn much about the emerging geopolitics of Eurasia by recalling the travels of the late-13th-century Venetian merchant Marco Polo. He observes that China’s ambitious new land and maritime “Silk Road” proposal duplicates exactly the Silk Road that Marco Polo travelled. Kaplan views this initiative as an effort to attain political primacy on the World-Island, and twenty-first century geopolitics will be defined by how other Eurasian powers and the United States respond to China’s moves. As the Westphalian system weakens in Europe, Kaplan claims, the struggles among Eurasia’s old empires – Russia, China, Turkey, and Persia/Iran – will take on increased importance. “The unipolarity that defined the Post-Cold War is over, the West itself is dissipating, and we are back to classical geography – particularly in Europe.”

How does the United States cope with the new geopolitics of Eurasia? Drawing on decades of first-hand experience as a foreign correspondent and military analyst, Kaplan outlines the timeless principles that should shape America’s role in a turbulent world: a respect for the limits of Western-style democracy; a delineation between American interests and American values; an awareness of the psychological toll of warfare; a projection of power via a strong navy; and more. Kaplan believes that American security can be maintained by investing in sea and air power to ensure U.S. command of the sea in the Eastern Hemisphere. “Here,” Kaplan writes, “is where the ideas of Alfred Thayer Mahan meet those of Halford Mackinder.”

Kaplan is an unapologetic foreign-policy “realist,” and this volume features a series of essays on important realist thinkers, including Henry Kissinger, the late Samuel Huntington, and John Mearsheimer. For Kaplan, realism is not a strategy so much as what he calls a “sensibility” rooted in the “mature sense of the tragic.” The realist recognizes that he must work *with* the elemental causes of war as identified by Thucydides – honour, fear, and interest – rather than *against* them. Realists understand, notes Kaplan, that in an anarchic world of states order precedes freedom and interests trump values. All in all, these essays

constitute a truly path-breaking, brilliant synthesis and analysis of geographic, political, technological, and economic trends with far-reaching consequences.

Great Transformation in Eurasia

By *Filiz Katman*

Filiz Katman, a political scientist from Turkey, in her new book *Great Transformation in Eurasia*, provides information on the ongoing transformation of the continent, offering a theoretical background and a discussion of the security complex characteristics of Eurasia, the roles of the “New Great Game,” and recent opportunities and challenges in the region, such as the New Silk Road initiative. The book examines the changes that are taking place beyond the dissolution of the Soviet Union, independence, and the energy and security parameters in the Eurasian region.

Eurasia, in the book, is understood as the vast geographic space stretching from the western borders of the former Soviet Union to East Asia and encompassing the sub-regions of Eastern Europe, South Caucasus, as well as Central, South and North-East Asia. With its various historical, geographic, economic, and socio-political characteristics, its energy resources, transportation routes, and unresolved conflicts, the region is undergoing dramatic and complex change. The book also analyzes the background of the de-securitization and integration of the region, exploring the geographical, economic, and socio-political characteristics of the region and the nature of the involvement of both regional and external powers. It explains NATO involvement in the region based on an analytical “Great Transformation” framework.

Reviewed by: Polad Muradli

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