



Foreword

Switzerland has enjoyed a special relationship with the Central Asia and the South Caucasus (CASC) region ever since the eight fledgling states emerged from the disintegration of the Soviet Union in 1991. With the restoration of their independence for the first time in generations, these states confronted in earnest urgent tasks such as building national identities, maintaining and raising the living standards of their populations, establishing effective domestic institutions, and asserting their sovereignty while building brand new international relations.

Most of these states chose Switzerland to represent their interests in the Bretton Woods Institutions. Thus began Switzerland's close relationship with the CASC region and the former's abiding concern for the economic and social development of the latter. In the intervening years, Switzerland has looked on with great attention as CASC countries strived to establish stable regimes, put their economies on a growth path, strengthen their self-confidence, and consolidate their independence.

With these critical tasks now well underway, the countries face a new set of challenges. Having long thrived on a steady flow of primary export revenues and remittance receipts, their reliance on these sources of growth is a vulnerability that the collapse of the super commodity cycle in 2014 made so evident. And, in developing alternative bases of economic growth, countries in the region are constrained by their deficits of both physical infrastructure at home and soft infrastructure with their neighbors.

In this context, the countries are naturally intrigued by China's Belt and Road Initiative (BRI). Offering a program of investments that could reach as high as \$3 trillion–\$4 trillion by 2049, the BRI has great potential to foster growth and development in the CASC region. But, as with any large-scale economic initiative, the BRI may also bring many challenges for the countries of the region. Policymakers in the CASC region who seek to help their countries prosper from the BRI have two main questions to answer. First, what are the major benefits and potential risks of the BRI for the CASC region? Second, how can the BRI's benefits

be maximized while addressing its potential economic and financial risks like the debt trap?

After presenting an overview of progress globally with the BRI to date, this book answers these questions for the CASC region with unusual and most welcome clarity by drawing on detailed analysis by experts from the region, and thus offering a unique “inside-out” perspective. It describes how investments under the BRI in the CASC region stand to improve the stock of infrastructure, open access to new markets for the region's exporters, and strengthen ties between the region's countries through increased physical connectivity and improvements in soft infrastructure such as governance, education, health, finance, and legal system. These benefits in turn can boost trade and investment flows, ultimately raising productivity and economic growth. At the same time, the book also highlights how BRI projects' reliance on external financing may have implications for host countries' fiscal and debt sustainability, especially if the economic benefits and financial viability of BRI projects are not properly measured *ex ante*, projects are not implemented properly, and the resulting assets are not effectively operated and maintained.

The book goes on to list specific policy measures that offer individual countries and the region as a whole a blueprint for maximizing the BRI's benefits while managing its major risks. In this regard, the authors of the book highlight the need for simultaneous action at the national and regional levels: on the one hand, countries must ensure that BRI investments are consistent with their own development priorities; on the other hand, countries must work together to achieve effective coordination of cross-border connectivity and avoid duplication of efforts under the BRI. Working both independently and cooperatively, the countries in the region need to ensure that BRI projects and the corridors they support create opportunities for domestic firms to participate in global commerce: they should not content themselves with the status of being merely transit countries.

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The BRI has the potential to reshape and revolutionize the role of the region in global commerce, much as the ancient Silk Road did. This book provides the insights and policy recommendations that will allow decision-makers to fully realize this potential in their countries.

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I warmly commend the authors and editors for enriching the policy space with their candid and dispassionate assessment of the economic and social impact of the Belt and Road Initiative. I am confident that their policy recommendations will be absorbed and acted upon in the CASC countries, in China, in Switzerland, in multilateral development banks, and around the world.



Jean-Daniel Gerber
Chairman, Swiss Sustainable Finance (SSF)
Former State Secretary for Economic Affairs, Switzerland