

Introduction

Chapter 1

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Chinese President Xi Jinping first proposed the Belt and Road Initiative (BRI)¹, a massive development program, in September 2013. As of May 2019, the BRI encompassed 133 countries in Asia, the Middle East, much of Africa, and parts of Latin America and Europe that accounted for 60 percent of the global population. In addition to infrastructure connectivity, the initiative also supports agriculture and industrial development, trade and investment, financial flows, and people-to-people exchanges.

Under the BRI, between 2014 and 2018 China committed over half a trillion dollars in BRI countries, at least equaling and possibly exceeding investments by the traditional development assistance agencies worldwide during the same period. This has made the BRI the single largest example of south-south cooperation in history. It is all the more impressive considering that China is still a middle-income country.

Given the size and reach of the BRI and the speed at which it has evolved, there is no dearth of commentaries on it, both within and outside China. Almost every week, if not daily, there are seminars, forums, meetings, and press reports on the subject, some mainly praising its virtues while others primarily highlighting its pitfalls.

Most commentaries are based on high-level assumptions and narrowly limited examples of BRI projects, few of which offer a broadly representative, fact-based analysis of the initiative and its impact. There are also no known systemic studies reflecting the perspectives of the recipient countries. Further, the vast majority of external commentaries on the BRI to date have focused on its geopolitical aspects. There have been few dispassionate analyses of its economics and social impact.

This volume attempts to fill these gaps. It does not touch upon geopolitics. The volume has five distinguishing features. First, it focuses exclusively on the economic and social aspects of the BRI. Second, it presents its analysis on factual data about the BRI rather than on anecdotes.

Thus, it sheds it new light on the subject. Third, it presents a unique “inside-out” perspective of the BRI as brought out by economists from within the Central Asia and South Caucasus region, as distinct from the traditional top-down perspectives of outside experts as to what the BRI means or should mean for the recipient countries. Fourth, it offers policy recommendations aimed to help maximize the positive impact of the BRI on the region and minimize its risks. These policy proposals are also of potential relevance to BRI countries outside of Central Asia and the South Caucasus, as well as to China. And finally, the editors believe that the volume presents a dispassionate assessment of the BRI based on the evidence collected by the team.

The volume is based on a study commissioned by the Emerging Markets Forum (EMF)². The study was carried out over a period of more than one year by a team of 21 economists and development experts, based in 11 different countries. As part of the study, EMF has also conducted an extensive literature survey of what has been written on the BRI in different parts of the world³. It commissioned papers seeking perspectives from selected BRI countries. It has also crosschecked and analyzed various publicly available independent databases on BRI projects. The data collection efforts were supported by four economists at Emerging Markets Institute, an EMF affiliate at Beijing Normal University. Finally, the EMF team interviewed numerous people knowledgeable about the BRI.

Earlier versions of the second chapter of this volume, which gives a global overview of the BRI, were discussed at two meetings of the EMF, in Tokyo (Japan) in October 2018, and all chapters were debated in Gerzensee (Switzerland) in January 2019. They take into account comments and suggestions made therein. Chapter 2 has been updated to take into account the major announcements made at the Second Belt and Road Forum held in Beijing in April 2019.

1. At its inception in 2013, the initiative was called One Belt One Road (OBOR). Subsequently, it came to be known as the Belt and Road Initiative (BRI).

2. www.emergingmarketsforum.org

3. See Zucker (2019), Annotated Bibliography of Sources Relevant to Researching the Belt and Road Initiative, at <http://www.emergingmarketsforum.org/wp-content/uploads/2019/01/Annotated-Bibliography-for-Gerzensee-Compiled-2018-12-19-FOR-PRINT.pdf>

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The findings presented in this report are, however, those of the authors alone.

After this introduction, the volume comprises of fourteen more chapters organized in three parts as below.

Chapter 2 in Part I, by Harinder Kohli and Leo Zucker, gives a global overview of the BRI six years after its launch. This chapter is meant to put the remainder of the book's discussion of the BRI in Central Asia and the South Caucasus in a global context. It starts with a discussion of the background, history, and structure of the initiative, and then describes its evolution between 2013 and the present. The chapter also discusses potential contributions of the BRI to the global community and the many challenges and risks faced by BRI countries and China in realizing its ambitious goals. An important contribution of the chapter to the existing literature on the subject is its estimate of Chinese investments totaling over half a trillion dollars in BRI countries through 2018. The chapter discusses the policy implications of such large financial exposure for both BRI countries and China. Finally, the chapter notes some major improvements in the BRI announced by the Chinese authorities at the Second Belt and Road Forum in China held in Beijing in late April 2019.

This global overview of the BRI is followed by the heart of the book in Part II. It contains the "inside-out" perspective of the Central Asia and South Caucasus region. Part II comprises of five chapters. It opens with Chapter 3 (by Johannes Linn and Leo Zucker), in which they provide an overview and cross-cutting summary of the four country papers that follow. Some of the main points that come out of their chapter are: even though the eight countries in the region have only about 85 million people, they are highly diverse; overall, the BRI could have a substantial positive impact on their economies (particularly as seven of the eight countries are landlocked and suffer from very high transport costs), but there are also significant risks that must be managed; in general, smaller countries face greater risks than the larger ones (Kazakhstan and Uzbekistan); countries closer to China and resource-rich countries

have received much more attention under the BRI so far than countries that are farther away (i.e., Armenia, Azerbaijan, and Georgia); and the best strategies to maximize the benefits of the BRI are to integrate BRI projects into national development plans (Kazakhstan), implement soft infrastructure reforms within the countries, and intensify regional cooperation between the countries. This comprehensive overview of the country studies by Linn and Zucker is followed by five country chapters: Chapter 4 on Kazakhstan by Aktoty Aitzhanova; Chapter 5 on the Kyrgyz Republic by Roman Mogilevskii; Chapter 6 on Tajikistan by Rustam Aminjonov and Matin Kholmatov; Chapter 7 on Uzbekistan by Bahodir Ganiev; and Chapter 8 on the three South Caucasus countries (Armenia, Azerbaijan, and Georgia) by Giorgi Khishtovani, Mariam Zabakhidze, Irakli Gabriadze, and Rezo Beradze.

The above inside-out perspectives are complemented in Part III by the perspectives of six major external actors with an abiding interest in the Central Asia and South Caucasus region. Given the very different perspectives of these external actors (and authors), the editors did not feel it appropriate to write an overview of these chapters. Instead, they feel that the chapters should speak on their own.

Biliang Hu contributed Chapter 9 on China. He tackles the difficult challenge of presenting China's perspective on this massive and ambitious initiative with a philosophical essay on how China's own development experience can benefit BRI countries. He cites examples from his own field research in Central Asia on how the region can benefit and is benefiting from the BRI. His chapter is mainly qualitative in nature, as are most chapters in Part III.

Chapter 10, written by Michael Emerson, follows by summarizing the perspective of the European Union (EU). Emerson expresses grave reservations about the BRI's creeping expansion into the EU's home domain, including through the so-called "16+1" group under which China has been organizing summit-level meetings with 16 Central, Eastern and Southeastern European countries for a few years; all of the participant countries have joined the

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BRI. Brussels sees this as an attempt by China to create a wedge within the EU's membership. Ironically, despite strong opposition to the BRI by Brussels and some of the larger EU countries, in the past year many core EU member countries (including Austria, Italy, and Portugal) have joined the initiative. Also, even though during the last year the EU announced a new strategy for Central Asia, it did not even once mention the BRI or how Brussels plans to address the challenges posed by it in the region. Thus, the EU's stance towards the BRI appears similar to that of India: sharp criticism on geopolitical grounds but no proactive strategy to offer an economic alternative to the countries in the region.

Chapter 11 on India comes next. Written by Rajat Nag, it takes a refreshing approach in two respects. First, it provides an interesting historic background to India's long-standing cultural and economic ties to Central Asia and explains why the country feels upstaged by the prominence being acquired by China in the region under the BRI. And second, while noting the Indian government's official stance of opposition to the BRI, Chapter 11 argues that the official government position is short-sighted and that it is both in India's self-interest and broader interest of the BRI that India accept China's invitation to join the initiative and help improve its future design and implementation.

Next, in Chapter 12 on Japan, Kiyoshi Kodera focuses on two main subjects. First, he traces the history of the long-standing competition between Japan and China over leadership in building infrastructure, particularly high-speed railways, in Asia and Africa that predates the announcement of the BRI in 2013. He puts Japan's recent emphasis on "quality infrastructure" and push for debt sustainability in international fora, such as the G-20, in the context of that competition. He also alludes to the recent tentative steps between Japan and China to collaborate on BRI projects on case-by-case basis. And second, Kodera explains Japan's interest and involvement in the five Central Asian countries since they attained their independence after the collapse of the Soviet Union in 1991. He describes how Japan played

a leading role in coordinating international development assistance to these countries as they initially rebuilt their economies. But Japan stopped playing this leading role in the aftermath of the Asian financial crises in 1997–1998 as it was forced to focus on its immediate neighborhood. Despite Japan's more recent political interest in the region, its financial assistance has remained stagnant and is no match to that of China. As a result, it presents no effective alternative to the BRI in Central Asia. As far as the South Caucasus is concerned, Japan seems to have had very limited interest there in the past or present.

Evgeny Vinokurov's Chapter 13 on the Russian Federation is the most technical contribution in Part III, reflecting the background and experience of the author. Based on detailed studies of the impact of major transport corridors being built under the BRI on transport costs, the chapter concludes that the BRI will result in a significant reduction in transport (rail and road) costs and will yield significant economic benefits to the Russian Federation. Vinokurov also argues that Russia is supportive of the BRI as a result.

Chapter 14—the final chapter of Part III—is written by Fred Starr, an authority both on the history of Central Asia and on the involvement of the United States of America (USA) in this region. Starr concludes that the USA has a very nuanced position on the BRI in Central Asia and the South Caucasus. While overall the USA sees the BRI as a threat to its global geopolitical position vis-à-vis China, in Central Asia and the South Caucasus it does not mind China gaining more influence at the expense of Russia. As a result, the USA has not opposed the BRI there.

Finally, Chapter 15 by Johannes Linn, Harinder Kohli, and Leo Zucker presents a summary and conclusion of the entire volume. In addition to summarizing the principal conclusions of the book, it highlights the main policy recommendations for decision-makers in the Central Asia and South Caucasus region, in China and (indirectly) in the international financial institutions. These conclusions and recommendations are also of relevance to BRI countries in other regions of the world.