



# Policy Paper

## Georgia as a Transit Hub and its Increasing Potential in the Implementation of the Belt and Road Initiative

**Mariam Zabakhidze**

*MA in Globalisation, Business and Development  
Institute of Development Studies at Sussex University*

**Rezo Beradze**

*MA in Economics  
International School of Economics at TSU (ISET)*

*Tbilisi, 2017*

Contents

**Executive Summary** ..... 3

**Introduction**..... 4

**Methodology** ..... 6

**Belt and Road Initiative**..... 7

*BRI Characteristics*..... 7

*Stakeholder Mapping* ..... 8

*Expectations for the Belt and Road Initiative - Future State Analysis*..... 11

**Positioning Georgia in the Belt and Road Initiative Context**..... 14

*Current State and Gap Analysis*..... 18

*Comparative Analysis of BRI Corridors* ..... 20

*Prospects and Challenges for the Georgian Economy* ..... 27

**Recommendations** ..... 29

*Regional Level* ..... 29

*National Level*..... 30

**Conclusion** ..... 32

**References**..... 34

**Abbreviations:**

ACCA - Association of Chartered Certified Accountants  
ADB – Asian Development Bank  
AIIB – Asia Infrastructure Investment Bank  
BRI – Belt and Road Initiative  
CDB – China Development  
CEE – Central and Eastern Europe  
CEFC – China Energy Company Limited  
CRRC – CRRC Corporation Limited  
DCFTA – Deep and Comprehensive Free Trade Agreement  
EBRD – European Bank for Reconstruction and Development  
EIB – European Investment Bank  
EIU – The Economist Intelligence Unit  
EU – European Union  
FEZ – Free Economic Zone  
FIZ – Free Industrial Zone  
FTA – Free Trade Agreement  
GCCCI – Georgian Chamber of Commerce and Industry  
GDP – Gross Domestic Product  
GoG – Government of Georgia  
MoU – Memorandum of Understanding  
NDRC – National Development and Reform Commission  
OECD – Organization for Economic Co-operation and Development  
PRC - People's Republic of China  
ISOE – State Owned Enterprises  
SRCIC – Silk Road Chamber of International Commerce  
SREB – Silk Road Economic Belt  
TEU – Twenty-foot Equivalent Unit  
TRACECA – Transport Corridor Europe Caucasus Asia  
UNCTAD – United Nations Conference on Trade and Development  
UNDP – United Nations Development Programme  
UNFPA – United Nations Population Fund  
UNICEF – United Nations Children's Emergency Fund  
WTO – World Trade Organization

## Executive Summary

The Belt and Road Initiative (BRI) was launched in 2013 by the President of China, Xi Jinping. The BRI comprises two parts: “Silk Road Economic Belt” (SREB) and “Maritime Silk Road of the 21st century” jointly distinguishing set of projects to connect China to Europe through land and sea respectively. Although initially seen as a domestic development strategy to boost China’s underdeveloped western provinces, the BRI has gradually gained global recognition and is currently viewed as one of the most significant initiatives of the 21<sup>st</sup> century. According to the blueprint Vision and Actions document, infrastructure connectivity, trade and investments are considered as ‘priority areas’, whereas financial integration, policy coordination and people-to-people exchange are important complementary aspects of the BRI. Although still ongoing, the BRI is anticipated to provide a massive, capital-intensive and complex series of investments, mainly in infrastructure in dozens of countries over a long-term period. It is expected to cover more than 60 countries that, collectively, represent 69% of the world’s population and account for 51% of global GDP (Baker McKenzie, 2017).

Initially, in 2013, Georgia was not part of the BRI. However, it has gradually become a valuable and reliable partner for China in general. As a result of increased cooperation as of 2017, Georgia has re-positioned itself and has hosted two international forums dedicated to the BRI. Though it is somewhat difficult to accurately list all possible routes through “Belt” and “Road”, six main trade corridors can be identified. One of the anticipated trade corridors connects China, Kazakhstan, Azerbaijan, Georgia, Turkey, and ultimately has Europe as its final destination, and this route presents great opportunity for Georgia.

This paper has identified a clear interconnection between the BRI and Georgia’s economic development strategy in terms of infrastructure development and trade facilitation. Furthermore, this paper has suggested that Georgia could leverage the advantages of its trade agreements (DCFTA with the EU; FTA with China) and favourable business environment to be an important transit hub in the South Caucasus region and beyond. However, the country needs to make several steps forward to utilize its strategic location, facilitate investment and become more than a transit country.

Clearly, Georgia has the political will to become part of the BRI. However, to fully harness the opportunities offered by the BRI, the Government of Georgia (GoG) needs to be proactive and develop a strategy at regional and national level. Drawing on in-depth analysis, this paper has outlined the following policy recommendations for the GoG:

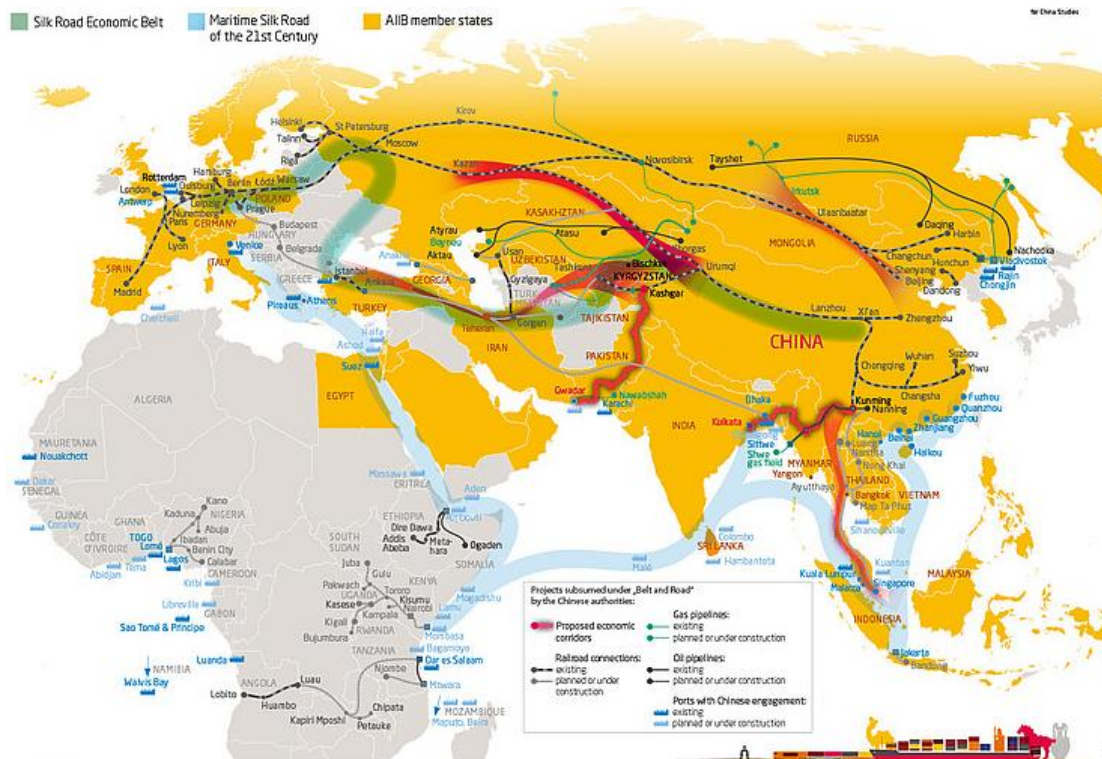
- Establish working groups involving key public and private stakeholders to discuss and establish a common vision about increasing the competitiveness of TRACECA the corridor passing through Georgia;
- Work towards the simplification and mutual recognition of border-crossing procedures through the TRACECA corridor;
- Develop a national transport strategy document to send a clear message underpinning Georgia’s stance on becoming a transit hub to the stakeholders of BRI;
- Establish a BRI harmonization unit under the Ministry of Economy and Sustainable Development of Georgia to explore opportunities beyond being a transit hub.

## Introduction

In 2013, President of China, Xi Jinping, launched the BRI<sup>1</sup>, arguably his most ambitious foreign policy move yet. The BRI promises to have an impact upon more than 4 billion people in over 60 countries across Asia, Europe, Africa and beyond (Swaine, 2015). The aims and motives of the BRI are not conclusive, nonetheless according to official Chinese statements it has been defined as a way towards win-win cooperation, prosperity, peace and friendship by enabling mutual understanding and trust among the participant countries (National Development and Reform Commission, 2015).

The BRI is more of a vision than a set of well-defined projects. Some scholars argue that the BRI showcases China's growing ambition to reposition itself globally and perceive it as a continuation of China's "Going Out" policy. The BRI incorporates two parts: the "Belt", also referred to as the concept of the "Silk Road Economic Belt" (SREB) which aims to build railway and road infrastructure linking China to Europe through Central Asia, Russia and the South Caucasus; and the "Road", or the "Maritime Silk Road of the 21st century" which connects China to Africa and ultimately Europe through Southeast Asia, the Indian Ocean, the Persian Gulf and the Mediterranean Sea, as depicted on the map below. Initially, the BRI was seen as a domestic development strategy to improve connectivity and to boost China's underdeveloped western provinces (Szcudlik-Tatar, 2013).

Figure 1: Belt and Road Initiative: Geographical coverage



Source: MERICS research

<sup>1</sup> To avoid confusion, although in the literature the initiative has been referred as New Silk Road (NSR), One Belt One Road (OBOR), this paper will use the most recent reference -Belt and Road Initiative (BRI).

Gradually, the BRI has gained global recognition and it is now regarded as one of the most significant initiative with global implications of the 21<sup>st</sup> century. Its scope goes beyond addressing China's domestic challenges and it is expected to re-shape global trade patterns and shift the centre of gravity from West to East (Frankopan, 2015).

The “Belt” and “Road” collectively account for six trade corridors, some of which are already functioning and some of which are still under construction. It is not yet possible to exhaustively list all possible routes. One of the anticipated trade corridors - “China-Central Asia-West Asia” - covers several countries and could encompass the TRACECA connecting China, Kazakhstan, Azerbaijan, Georgia and Turkey, and ultimately Europe. This corridor presents numerous opportunities for Georgia to utilize its strategic location and business-friendly environment. Georgia has voiced its desire to position itself as a valuable player along the “Belt” and in 2015 hosted the Tbilisi Silk Road Forum, dedicated to the SREB, co-sponsored by the Chinese government, implying that Georgia was becoming an important partner in the BRI (Pantucci and Lain, 2015). The growing interest of China in the South Caucasus region as a key intersection between Asia and Europe has been reflected in enhanced economic activities. For instance, as of 2017<sup>2</sup>, China has become Georgia's third largest trading partner with a total trade turnover of more than US\$400 million, compared to just US\$10 million in 2002. In addition, in the same year, China has signed a free trade agreement (FTA) with Georgia to further stimulate bilateral trade and, most recently, building upon the success of the Tbilisi Silk Road Forum of two years earlier, in November 2017 Georgia hosted second another major event, Tbilisi Belt and Road Forum focused on the BRI.

However, despite the political will and mutual desire of both sides to enhance cooperation under the BRI, there are a number of obstacles faced by China and Georgia. Apart from the need to modernize and develop hard infrastructure, a range of challenges derive from a lack of soft infrastructure tools. For instance, while examining the efficacy of the connection between Xinjiang province in China to the port of Poti in Georgia, going through Kazakhstan and Azerbaijan, it was revealed that railway cargo loaded in China on 29th January 2015, arrived in Georgia on 6th February 2015. The analysis showed that almost a third of the transit time was spent undergoing bureaucratic procedures (Grey, 2015). Moreover, the corridor passing through Georgia (TRACECA) is facing competition from other major corridors connecting China's hinterland with Europe (Trans Siberia and Central Kazakhstan). The newly launched Baku-Tbilisi-Kars railway could be regarded as a value-added aspect to TRACECA, nonetheless in order to make it functional more work is needed especially towards the development of soft infrastructure tools. In addition, Anaklia Deep Sea port being at the early stages of construction means that Georgia and the corridor as a whole has a little to offer to the major carriers operating on the market.

Encouragingly, Georgia has a welcoming business environment and is consistently ranked high by leading international organizations in the areas of doing business and economic freedom. The country offers a stable and welcoming environment for business, with low rates of corruption, a growth-oriented tax system and liberal trade policy. Thus, Georgia can build upon these advantages to attract more foreign investment and to create more added value within the country.

This paper analyzes the opportunities and challenges for Georgia arising from the BRI. In particular, the authors review the possible role Georgia can play in improving the potential of TRACECA and the possibility of becoming more than a transit country. This paper outlines policy

---

<sup>2</sup> January – July, 2017

suggestions to develop a coherent, coordinated and complementary strategy to enable Georgia to benefit from the opportunities presented by the BRI.

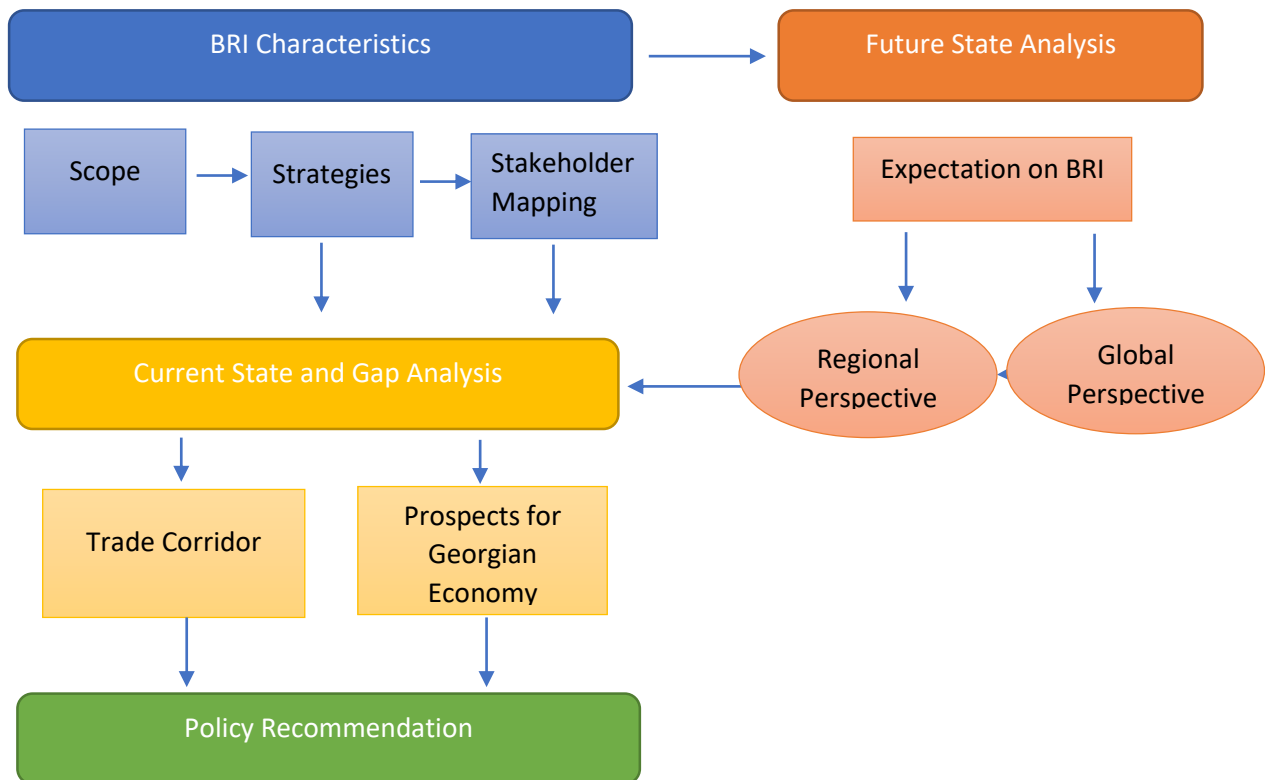
This paper is divided into four sections. The first section presents the methodology used. The second section reviews the characteristics of the BRI and provides stakeholder mapping. This section also explores expectations about the BRI from regional and global perspectives. The third section focuses on Georgia and outlines its current involvement in the BRI. By looking at the regional trade corridors, this section assesses Georgia’s potential to position itself as a transit hub. Furthermore, in this section we compare different railway corridors and explore the prospects for Georgia’s economy. The fourth section offers policy recommendations at regional and national level and draws some conclusions.

## Methodology

The main approach used to explore the opportunities and challenges of the BRI in terms of Georgia’s economic development is gap analysis, which typically provides a comparison between current and future states. This approach encompasses the following steps:

- 1) BRI characteristics;
- 2) Future state analysis;
- 3) Current state and gap analysis;
- 4) Policy recommendations.

*Figure 2: Research Approach: the map of the methodology used for the paper*



*The First Step* provides a brief overview of the BRI to offer a better understanding of its scope, the main stakeholders and its navigation.

*The Second Step* focuses on the expectations connected with the BRI and explores the anticipated implications at global and regional levels.

*Step Three* positions Georgia on the BRI map and analyzes its current state of involvement from the perspectives of regional integration and national economic development. To explore the country's prospects as a regional transit hub, this paper offers a systematic review of the potential corridors from China to Europe. In particular, three main trade corridors will be compared to determine the competitiveness of each route. Moreover, this paper will analyze the possibilities unlocked by the BRI and will analyze how the initiative can advance Georgia's economic development. Meanwhile, the *Fourth Step* will outline policy recommendations.

The following section will outline the BRI's main characteristics.

## **Belt and Road Initiative**

At the 19<sup>th</sup> National Congress of the Communist Party of China, held in October 2017, the importance of the BRI was made clear and the initiative has gained a new currency. The BRI was entered into the Constitution signalling the significance of the initiative for China's development strategy (Chance, 2017). Although well underway already, the BRI is anticipated to provide a massive capital-intensive and complex series of investments over a long-term period. It is expected to cover more than 60 countries that, collectively, represent 69% of the world's population and account for 51% of global GDP (Baker McKenzie, 2017).

### *BRI Characteristics*

A key assumption underpinning the general trajectory of the BRI is outlined in the official policy document "*Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*". The document suggests that for those countries situated between "the vibrant East Asia economy" and "developed European economic circle," there is significant unlocked economic potential. Therefore, the ultimate objectives of the BRI are to "maintain closer economic ties, and deepen political trust; enhance cultural exchanges; encourage different civilizations to learn from each other and flourish together; and promote mutual understanding, peace and friendship among people of all countries" (Cheng, 2016). In this regard, five areas of cooperation have been identified: (1) the formation of mutually complementary policies; (2) transport connectivity; (3) trade facilitation; (4) financial integration; and (5) people-to-people exchanges (Fallon, 2015). Furthermore, China plans to deepen regional ties by building on existing bilateral and multilateral cooperation. In this vein, Beijing has already signed a range of Memorandums of Understanding (MoU).

Although President Xi and other key figures from China have talked about the BRI in the most positive light, five years since its proposal the driving factors behind the BRI are still not totally clear. While assessing the economic rationale of the BRI, some scholars argue that it is a tool to address China's domestic economic issues, such as the development of western provinces



of the country, economic slowdown, overcapacity<sup>3</sup> in production and the high volume of international currency reserves. In addition, some argue that the BRI will enable China to improve its energy security through diversified energy supply chains (Wang, 2016). Furthermore, Callahan (2016) argues that the BRI is a tool to diffuse China's ideas about current the world order.

While these claims are lacking in evidence and merely of a speculative nature, it is certain that an initiative of such magnitude warrants careful and in-depth analysis (Djankov and Miner, 2016). Apart from the lack of clarity in the governance architecture, the varying political and economic conditions among the BRI countries pose a great number of challenges.

### *Stakeholder Mapping*

The BRI is open to all interested parties and requires multi-layered collaboration between governments, businesses, and civil societies (Minghao, 2016). It is difficult to estimate the exact sum of funding required but, according to a study by Baker McKenzie (2017), projects planned in the framework of the BRI could be worth \$350 billion over the next five years. China has already committed substantial financial, human and diplomatic resources to the BRI and multiple projects have already been launched<sup>4</sup>.

According to the Vision and Actions document, infrastructure connectivity, trade and investments are considered 'priority areas', whereas financial integration, policy coordination and people-to-people exchange are important complementary aspects. Furthermore, in line with the Chinese approach to development cooperation, the decisive role in resource allocation is attributed to the market rule, while governments perform valuable functions such as ensuring an enabling environment for the private sector (National Development and Reform Commission, 2015). As announced at the Belt and Road Forum for International Cooperation in 2017, more than 270 tangible results in five key areas have been revealed already. Despite a comprehensive list of deliverables and promising future plans, the forum also unveiled some challenges. Representatives from India were absent and none of the heads of EU Member States attended, reinforcing some of their scepticism towards the sustainability, transparency and fairness of the BRI (Phillips, 2017).

Although China has set up an Advisory Council and a Liaison Office in support of the BRI, coupled with a decision to regularly hold the Belt and Road Forum for International Cooperation, the governance architecture of the initiative is still unclear. To outline the governance system of the BRI, this section outlines the main stakeholders connected to it.

The main actors associated with the BRI include state agencies, financial institutions, international organizations and private entities all of which have varying significant parts to play in the successful implementation of the BRI.

---

<sup>3</sup> China is dealing with a massive excess capacity in many sectors including steel and cement. According to Cai (2016) "China's annual steel production surged from 512 million tonnes in 2008 to 803 million tonnes in 2015. The extra 300 million tonnes are larger than the combined production of the United States and the European Union". To underline the importance of the issue, the Chinese government described it as "sword of Damocles hanging over its head". However, the BRI is not about exporting excess volume but more about moving production capacity where needed. China has already signed agreements with more than 20 countries to initiate industrial capacity cooperation (Honghui and Ting, 2017).

<sup>4</sup> A new city called Colombo is being built in Sri Lanka (Bloomberg, 2017a) and a freight route from China to London is already operating, passing 9 countries and reaching final destination in 18 days (Bloomberg, 2017b).

Figure 3: Stakeholder Mapping



Source: Authors' contribution

### State Agencies

In 2015, the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs and the Ministry of Commerce (both of China) with State Council authorization issued a blueprint document<sup>5</sup> to outline the general course of the BRI. The guiding and coordinating work related to the BRI has been under the responsibility of the NDRC, making it the leading agency responsible for the BRI. Having outlined the general trajectory in the blueprint document, each province of China has its own action plan connected to the BRI (Swaine, 2015). As well as the NDRC, other relevant ministries are also involved in policy cooperation. For instance, the Ministry of Finance of China has endorsed the Guiding Principles on Financing the Development of the Belt and Road with the ministries of finance of relevant BRI countries.

### Financial Institutions

There are six key financial institutions associated with the BRI:

1. Four large state-owned commercial banks: the Bank of China; the China Construction Bank; the Industrial and Commercial Bank of China; and the Agricultural Bank of China;
2. China Development Bank (CDB);
3. Export-Import Bank of China;
4. Silk Road Fund;
5. Asian Infrastructure Investment Bank (AIIB);
6. New Development Bank (also known as BRICS Bank).

<sup>5</sup> Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road

Figure 4: Funding for the BRI by Source. Outstanding loans or equity investment at the end of 2016 (US\$bn)



Source: (Wildau and Ma, 2017)

According to Wildau and Ma's (2017) estimates based on data regarding the outstanding loans or equity investment at the end of 2016, the most important financial institution for the BRI is China Development Bank, the largest of the three so-called “policy banks”.

Another increasingly significant player on the market is the AIIB, a multilateral development bank with 57 member countries. As of 2017, AIIB has approved a total of 21 projects mainly to restore energy, transport and urban infrastructure. Most of the projects funded have been co-financed by other multilateral banks, demonstrating the new finance blending opportunities for developing countries (Honghui and Ting, 2017). The AIIB has showed its commitment to international cooperation by setting a cooperation framework with the World Bank and by signing MoUs with other multilaterals such as ADB, EBRD and EIB, to foster finance mobilization (AIIB, 2016). In addition, in May 2017, President Xi announced a pledge of CNY 250 billion to China Development Bank and CNY 130 billion to China EXIM Bank for BRI projects (around US\$57 billion combined) (Baker McKenzie, 2017).

In addition, China has pledged CNY 380 billion in loans to two Chinese policy banks and has encouraged Chinese financial institutions to increase lending by CNY 300 billion in the coming years with no approximate time period given (China Daily, 2017).<sup>6</sup>

<sup>6</sup> The China Development Bank will set up the Belt and Road Multi-currency Special Lending Scheme for Infrastructure Development (100 billion yuan equivalent), the Belt and Road Multi-currency Special Lending Scheme for Industrial Cooperation (100 billion yuan equivalent), and the Belt and Road Multi-currency Special Credit Lines for Overseas Financial Institutions (50 billion yuan equivalent). The Export-Import Bank of China will set up the Belt and Road Multi-Currency Special Lending Scheme (100 billion yuan equivalent) and the Belt and Road Multi-currency Special Lending Scheme for Infrastructure Development (30 billion yuan equivalent).

### *International Organizations*

The Belt and Road Forum for International Cooperation held in May 2017 saw a significant number of Memorandums of Understanding established between the Chinese government and international organizations. According to the Ministry of Commerce of China, it has signed cooperation agreements with several international organizations on aid programs.<sup>7</sup> In this vein, Yu Jianhua, Vice Minister of Commerce, met with the heads of international organizations, including the United Nations Development Program (UNDP), United Nations Children's Fund (UNICEF) and United Nations Population Fund (UNFPA). Moreover, China has announced that it would provide assistance worth \$8.7 billion in the next three years to developing countries and international organizations as part of the BRI to improve people's well-being (The State Council, 2017).

### *Private Entities*

Although the BRI is a state-led initiative, its success and sustainability largely depends on the interest of private entities. Therefore, it is important to know which sectors are expected to be mostly affected by the BRI and to identify the main players within those sectors.

According to research conducted by the China-Britain Business Council, infrastructure, financial and professional services, agriculture and environment, advanced manufacturing and transport, energy and resources and e-commerce and logistics have been acknowledged as sectors of primary opportunities, whereas, healthcare and life science, tourism and creative and culture were classified as sectors of secondary opportunities (China-Britain Business Council, 2015). Infrastructure and financial services were also mentioned in PwC and EY studies on opportunities and challenges of the BRI (Ernst & Young, China, 2015; PwC, 2017).

According to the Chinese government, around 50 Chinese state-owned enterprises have invested or participated in nearly 1,700 projects in countries involved in the BRI over the past three years. Major players in this regard include China Communications Construction, China State Construction Engineering, PowerChina, Sinomach China Railway Construction Corporation, China Railway Group, CNPC, and the State Grid (Baker McKenzie, 2017).

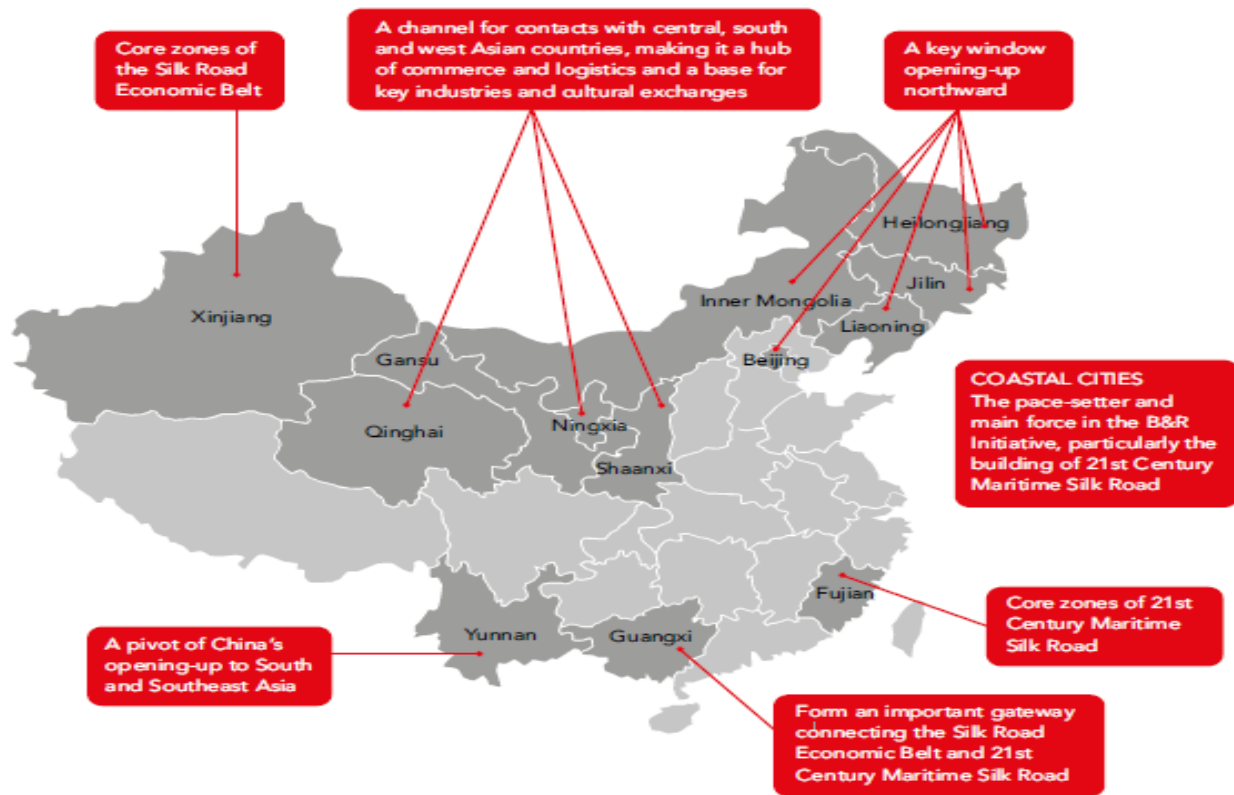
### *Expectations for the Belt and Road Initiative - Future State Analysis*

From a regional perspective, the BRI is expected to contribute greatly to narrowing the infrastructure financing gap in Asia. According to the recent ADB report, Asia requires development of US\$26 trillion from 2016 to 2030, or a US\$1.7 trillion per year investment in infrastructure to maintain its growth trajectory, eradicate poverty, and respond appropriately to climate change (ADB, 2017). In addition, improved connectivity is expected to create favorable conditions to boost trade. According to President Xi, in 2014-2016 total trade between China and other BRI countries exceeded US\$3 trillion coupled with having set up 56 economic cooperation zones in over 20 countries that have generated around US\$1.1 billion of tax revenue and 180,000 jobs (Jinping, 2017). However, what does the BRI bring for China itself?

---

<sup>7</sup> United Nations Development Program, the United Nations Industrial Development Organization, the United Nations Human Settlements Program, the United Nations International Children's Fund, the United Nations Population Fund, the United Nations Conference on Trade and Development, the World Health Organization, the World Intellectual Property Organization and the International Criminal Police Organization.

Figure 5: Expectations for Belt and Road Initiative from China’s Perspective



Source: (The Shanghai Stock Exchange and ACCA, 2017)

Figure 5 illustrates the expectations for the BRI from the perspective of various Chinese provinces. Xinjiang province bordering Central Asian countries is anticipated to be one of the core zones for the SREB.

This expectation is partly linked to the policies of the Chinese government, issued to re-structure its economy. For instance, President Xi’s 2050 program focuses on combating disparities between urban and rural areas, fostering innovation, strengthening the rule of law and providing better living standards. In addition, he aims to shift the economy toward domestic consumption (Heath and Curran, 2017). The BRI serves as a practical tool, supporting this vision. Cai (2017) argues that through massive economic integration China aims to assert its regional leadership. Meanwhile, the BRI will help China to address its recent economic challenges, namely a significant economic development gap between its prosperous eastern seaboard states and western provinces. China hopes to integrate those western provinces through regional economics to tackle their underperformance (Cai, 2017).

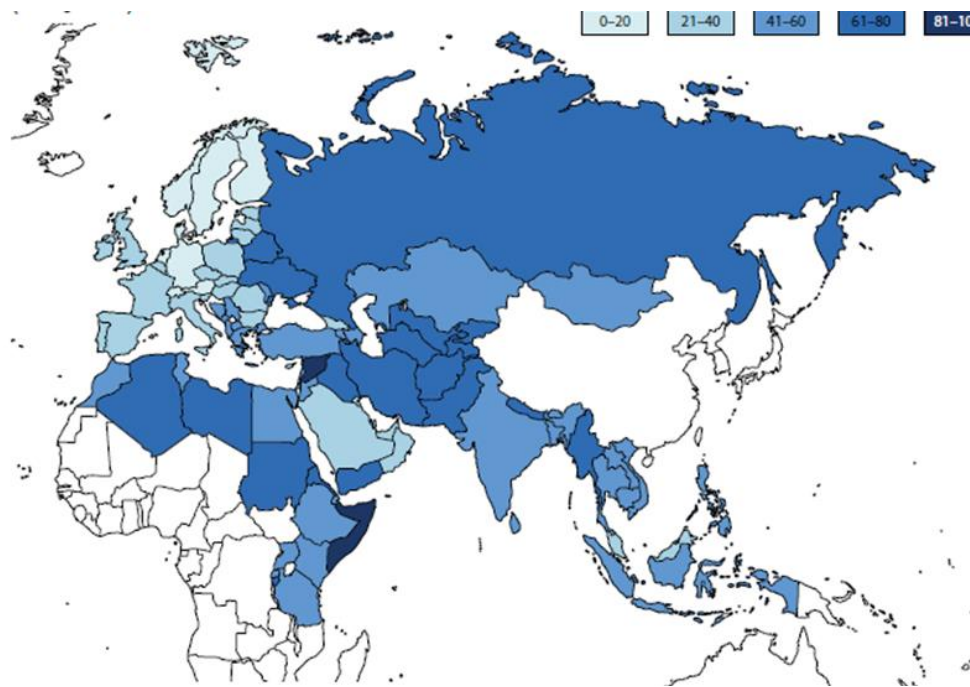
Another challenge for the Chinese government is to upgrade Chinese industry. The country had long had comparative advantages in manufacturing largely due to low labor costs, but such advantages are diminishing. Now some researchers believe that China wants to capture “the higher end of the global value chain” (Cai, 2017). To achieve this, China needs to upgrade its industry to

become more innovation-driven, prioritize quality and set industry standards. A popular saying in China translates as follows: “third-tier companies make products, second-tier companies make technology and first-tier companies make standards”. Thus, world-class companies in China are considered as those that set industry standards. Through the BRI, China aims to push forward its standards in high-speed rail sector, energy and telecommunications.

Lastly, China is dealing with massive excess capacity in many sectors including steel and cement. The BRI initiative is not about exporting excess capacity but more about moving production capacity where needed. As Chinese premier Li Keqiang put it: “moving factories with excess capacity to OBOR countries helps China reduce the supply glut at home while helping less developed countries to build up their industrial bases. In essence, domestic economic liabilities become foreign economic and diplomatic assets”. This could be related to the so-called “green shift” China is planning. The Integrated Reform Plan for Promoting Ecological Civilization (Government of the People’s Republic of China, 2015) is a new policy prepared by 12 relevant government departments under the coordination of the NDRC and is scheduled to be fully established by 2020 (De Boer, 2015). The new policy, among other priorities, made a call for improvements in the use of natural resources, phasing out subsidies for fossil fuels, and controlling carbon emissions. The latter implies a shift away from harmful industrial complexes in countries involved in the BRI. For instance, China accounts for around 60% of all global cement production. It has been estimated that in 2015 the environmental cost of cement manufacturing in China was US\$31.5 billion, with the majority of this attributable to the health problems caused by air pollution (ICCS, 2015). Accordingly, one could argue that the shift in production is due to economic, environmental and social factors as well. While the production shift could be welcomed by countries involved in the BRI for economic reasons, it is important to have a broad understanding of all of the wider implications.

However, there are several challenges hindering the BRI from helping China to solve the above-mentioned problems efficiently. First, there is a significant level of mistrust between China and some of the countries involved in the BRI, with the most vivid example being India. Second, nearly two-thirds of countries involved have a very low credit rating that falls below investable level. Finally, the Chinese financial sector is generally risk-averse. These speculations, already mentioned above, have been reinforced by the Economist Intelligence Unit (EIU) (figure 6 below) which conducted a study entitled “Prospects and Challenges on China’s “the Belt and Road”: A risk assessment report”. Based on risks across 10 categories (security, political stability, government effectiveness, legal and regulatory environment, macro-economic risks, foreign trade and payment, tax policy, labor market, financial risk and infrastructure), the study revealed that most of the BRI countries have high operational risk (Economist Intelligence Unit, 2015). Positively for Georgia, it was given the lowest risk level in the South Caucasus region.

Figure 6: Overall country operational risk on Belt and Road Initiative (100 = highest risk)



Source: *The Economist Intelligence Unit*

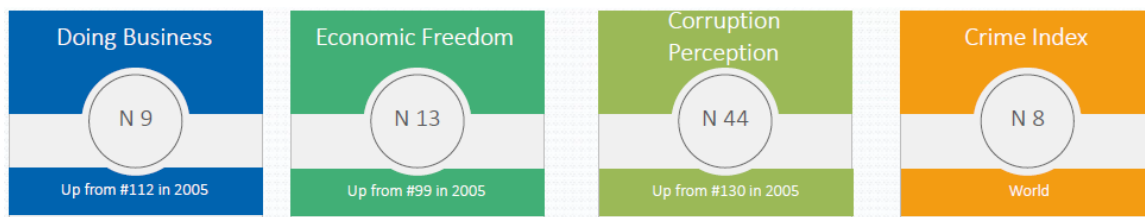
Despite visible challenges, Chinese side has integrated BRI the initiative in its strategy as seen after the 19<sup>th</sup> Party Congress. This leaves countries involved in the BRI with a window of opportunity to find ways to implement the initiative in the given framework outlined by China. Georgia, situated at the heart of the Eurasia region, seems to be a natural fit to bridge Asia with Europe. The following chapter will examine Georgia's current status and involvement in the BRI and will study the competitive advantages of the corridor passing through the country along with the possibility of becoming more than just a transit country for cargo to and from Europe.

### **Positioning Georgia in the Belt and Road Initiative Context**

Initially, Georgia was not part of the BRI, but it has gradually become a valuable and reliable partner for China. Although Georgia has a small economy and lacks natural resources, it is an attractive partner for China as it has made impressive progress towards improving its business environment and is considered a corruption-free investment destination and a strategic location for the BRI (Georgian National Investment Agency, 2016).

Moreover, the GoG has set out a plan for the improvement of poor infrastructure coupled with increasing knowledge and technology transfer to enhance human capital as an integral part of boosting the overall competitiveness of the country (Government of Georgia, 2013).

Figure 7: Business-friendly environment of Georgia expressed in indexes as of 2017



Sources: (World Bank, 2018); (The Heritage Foundation, 2017); (Transparency International, 2016); (Numbeo, 2017)

### Current Economic Development

For at least two decades, Georgia has advanced its political and economic environment, however the country still faces serious economic problems, directly reflected in the living standards of much of the population. According to the ADB, 21% of the population still lives below the poverty rate (ADB, 2017). Unbalanced economic growth and weak export structure coupled with regional political and economic fluctuations have all resulted in slow economic development. In 2016, the real GDP growth rate was 2.8%, however in the first ten months of 2017 real GDP reached 4.9% (Geostat, 2017). The main sources of growth have been the services sector (including tourism, transport, real estate and finance) and construction. Indeed, there has been significant dependence on these sectors. Furthermore, due to its weak industrial and agricultural sectors, Georgia's export portfolio is not particularly diversified. Most of its exported goods are commodities with low added value and vulnerable to volatile world-market prices (Saha and Giucci, 2017). Although Georgia ranks 9th in the world in the Ease of Doing Business Index and 13th in the Economic Freedom Index, high unemployment and challenging socio-economic conditions are dominant features of the current economic environment.

### Development Strategy

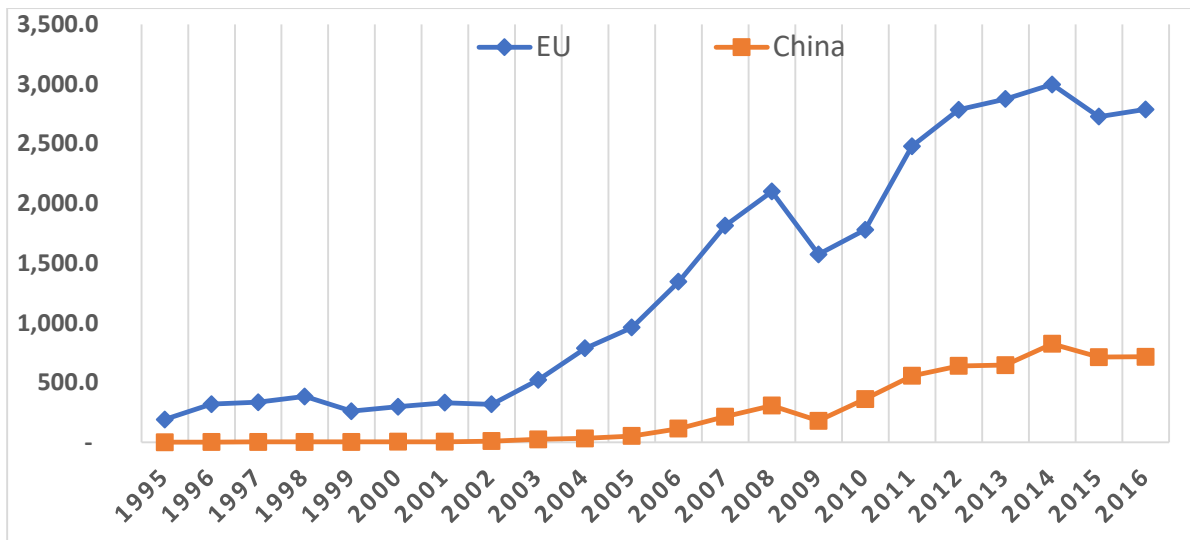
Currently, the GoG uses two guiding strategy documents to tackle economic challenges. A social economic development strategy "Georgia 2020", announced in 2012, is a broad guiding document directed at long-term growth of most economic sectors beyond 2020. Boosting the private sector's competitiveness, development of human capital and improving access to finance are three main areas on which the document focuses. More recently, in 2016 the GoG announced a "4-point plan" focused on 4 pillars, one of which is economic development (Government of Georgia, 2016). Both documents emphasize the need to modernize infrastructure as a key pre-condition to position Georgia as a transit hub and to unlock trade opportunities. Furthermore, both documents mention Anaklia Deep Sea Port, the development of the East-West transport highway and the Baku-Tbilisi-Kars railway as pivotal projects towards achieving those goals. Georgia is an open economy and has signed several important trade agreements, most recently an FTA with China. Furthermore, Georgia is implementing the DCFTA to open access to the EU's single market for Georgian products and ultimately to support export diversification. Nonetheless, this is a long-term process and the results of these agreements will not be fully realized for some time.



### Georgia-China relationship

Over the past decade, Georgia has increased its cooperation with China. For instance, bilateral trade between the two countries in 2002 was around \$US10 million, whereas in 2014 it reached US\$823 million. The graph below shows the trend of Georgia-China trade compared to Georgia's largest trade partner, the EU.

Figure 8: Georgia's Annual Trade Turnover, mln



Source: Geostat

Excluding the EU, China is the third largest export destination for Georgia accounting for 7.9% of total exports (National Statistics Office of Georgia, 2017). In 2016, wine exports to China grew by 98% (Caucasus Business Week, 2017) and this positive trend continued in 2017 as well. China is Georgia's third largest investor as well. Reportedly, Chinese investments target agriculture, banking, telecommunication, infrastructure, hospitality and light industry. Since 2007, Chinese company Hualing Group has made an approximate US\$500 million investment in Georgia, half of which has been in Free Economic Zones (Tskhovrebova, 2016).

In terms of engagement by sector, in 2017 Georgia has been actively cooperating in energy, financial services, and transport and agriculture. For instance, the GoG and Chinese corporation CEFC, a private collective enterprise offering energy and financial services, signed a Memorandum of Understanding (MoU). Within this agreement, the possibility of further developing Poti FIZ by distributing its standard practices and latest technologies have been discussed (agenda.ge, 2017a). In terms of advanced manufacturing and transport, Georgian Railway and China's CRRC signed an agreement to build a new factory in Tbilisi and to purchase 28 freight locomotives. The agriculture sector has also received attention as a MoU was signed to support the revival of tea plantations in Georgia (fund.ge, 2016). Cooperation in tourism and cultural exchange sectors has also risen. For instance, talks are ongoing between the two countries about visa-free travel opportunities for tour groups. Furthermore, since 2016, the Georgian Chamber of Commerce and Industry (GCCCI) has been a member of the Silk Road Chamber of

International Commerce (SRCIC), a Hong Kong-based entity focusing on the development of the BRI, and seeking to advance its members' growth and prosperity by offering trade and investment opportunities.

### *Engagement in the BRI*

In 2015, two notable events took place, taking Georgia-China cooperation to another level. Firstly, Georgia became the 45th member of the AIIB and hosted its 6th Meeting of Chief Negotiators thereby positioning itself as a valuable member of the group (AIIB.org, 2015). Later that year, Tbilisi hosted the Silk Road Forum. According to Djankov and Miner (2016), the Prime Minister of Georgia outlined the following four anticipated projects under the BRI at the 2015 forum:

1. A new deep-water seaport in Anaklia, on the Black Sea, to handle 100 million tons of cargo per year, with the capacity to receive large Panamax-type vessels.
2. Improvement of Georgia's railway network to increase rail speed, leading to the tripling of transit capacity.
3. Constructing the Baku-Tbilisi-Kars railroad (in Azerbaijan, Georgia and Turkey, respectively) to allow 45% faster delivery of containers and freight and passengers from Asia to Europe.
4. Expanding the East-West Highway, Georgia's main road transport route, in cooperation with the World Bank, the ADB, and other donors.

The Baku-Tbilisi-Kars railway opened in October 2017, whereas the other initiatives listed above are in the process of implementation.

In November 2017, Tbilisi hosted the "Tbilisi Belt and Road Forum". The official website of the forum stated that it "aims to serve as a biennial platform for high-level government and private sector dialogues" (Tbilisi Belt and Road Forum, 2017). The forum gathered around 2000 delegates from more than 50 countries including the Prime Ministers of Moldova and Ukraine, the Deputy Minister of Commerce of China and representatives of international financial institutions. During two days of intensive panel discussions, Georgia reinforced its intention to become a transit hub connecting Europe and China. During this event Georgia has signed several important agreements with China, for instance an MoU on developing economic zones and entrepreneurial capacity between the countries (agenda.ge, 2017b). The JSC Partnership Fund has also established several MoUs including one with Chinese engineering company SEDIN Engineering Co to assist the industrialization process (fund.ge, 2017). At the Belt and Road Forum for International Cooperation held in Beijing on 14 May 2017, CEFC China Energy Company Limited signed two important cooperation agreements with the GoG: a Memorandum of Understanding on the Joint Establishment of the Georgian Development Bank; and a Strategic Cooperation Framework Agreement on the Joint Establishment of the Georgian National Construction Fund. These documents were signed by Dimitri Kumsishvili, Georgia's First Deputy Prime Minister and Minister of Economy and Sustainable Development, and David Saganelidze, CEO of the JSC Partnership Fund. The overarching aim of these agreements is to further advance strategic cooperation between CEFC China and the GoG as well as to build the planned "Silk Road Common Market Zone", which is intended to accelerate the development of an innovative Belt

and Road trade model. Furthermore, these agreements state that CEFC China will work with the GoG to set up the Georgian Development Bank. This bank will be controlled and operated by CEFC China and, in order to boost bilateral economic and financial cooperation, focus will be placed on RMB-denominated financial services and cross-border RMB settlement services (CEFC China, 2017).

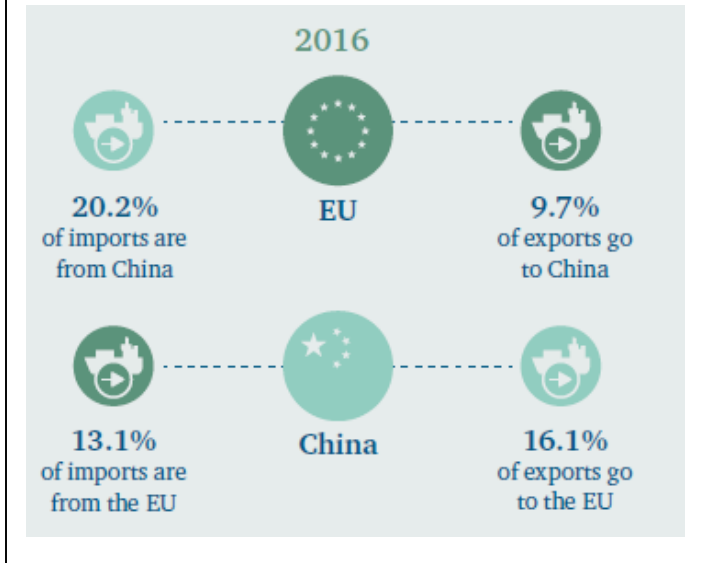
While the results of the forum are still to be realized, another milestone was reached in 2017 when China and Georgia signed an FTA, opening up new possibilities and worthy of analysis within the BRI. As revealed at the recent Tbilisi Silk Road Forum, the FTA between China and Georgia will become effective as of 1 January 2018. A feasibility study showed the potential for an approximate 9% increase in exports from Georgia to China, largely driven by exports of wine (28.5%) and non-alcoholic drinks (28.5%) (University of International Business and Economics (UIBE) and PMC Research Center, 2015). But tariff reductions alone should not be the ultimate goal of the FTA, as harmonizing the country of origin rules with those included in the DCFTA that Georgia has signed with the EU will also be essential if Georgia is to become a transit hub linking Europe and Asia (Fuenfzig, 2016).

### *Current State and Gap Analysis*

China and Europe represent the geographic and political ends of the “Belt and Road”. Analysis of current trends in China-Europe cooperation is instrumental when evaluating possible trade corridors between China and Europe. Therefore, while assessing the potential of Georgia to derive economic gains from being a transit hub, the current situation regarding trade corridors should be investigated. This section provides a brief analysis of China-Europe economic cooperation and outlines currently available physical connectivity options.

Europe and China are very active trading partners in terms of goods. Trade between the two accelerated after 2001 when China became a member of the WTO, later reaching US\$515 billion in 2016. The trade relationship reflected in the graph below shows that China and Europe share a large portion of each other’s exports and imports.

Figure 9: China-EU trade relationship in 2016



Moreover, bilateral trade between the EU28 and BRI countries represents 45% of extra EU trade and 24% of total EU trade. It is anticipated that new and improved connections would generate more trade thereby maintaining and increasing this current trend (Fardella and Prodi, 2017).

In terms of modes of transport, until recently almost 99% of the cargoes moving from the Asia-Pacific region to Europe and vice versa were transported by sea (Davydenko et al., 2012). However, the value of goods shipped by railway increased from €1.6bn in 2011 to €10.2bn in 2016 and

the value almost doubled from 2015 to 2016 with Germany, Poland and the Czech Republic accounting for 80 percent of total European railway trade with China (source: Eurostat).

While analyzing railway imports from China to Europe, it should be mentioned that half of goods imported by European countries by railway are computers, printers, TVs and monitors, while one-third of their exports to China by rail are automotive components. This implies that the development of railway networks will have a great impact on these sectors and on those countries whose export mix is particularly affected by the listed products (Fardella and Prodi, 2017).

According to the OECD (2011), in 2050 Europe–Asia railway routes will be able to absorb between 0.5 and 1 million twenty-foot equivalent units (TEUs) out of a total of 20 million containers or 2.5 to 5 percent of total shipments. In addition, a simulation by Garcia Herrero and Xu (2016, p. 6) using a gravity model revealed that if trade flows between BRI countries are concerned, “a 10 percent reduction in railway, air and maritime costs increases trade by 2 percent, 5.5 percent and 1.1 percent respectively.”

While analyzing the effects of intercontinental railways for the 2011–2015 period on trade between China and its trading partners in Europe, Li et al. (2016) examined nine trade routes connecting China to Europe. They compared trade patterns of countries with and without a railway connection to China. They found positive effects in China’s exports especially for manufactured goods, machinery and transport equipment, while positive effects were also recorded in terms of China’s imports of food and live animals from its trading partners.

Taking into account the potential benefits of an efficient railway corridor for the BRI the prospect railway passing through the corridor, individual countries and corridors are engaged in intense competition. The following chapter will analyze the main railway corridors and compare their advantages, with particular focus on the TRACECA corridor passing through Georgia.

## Comparative Analysis of BRI Corridors

Increased labor costs in coastal areas of China and improved railway connectivity inside the country made it profitable for some companies (for example, Unilever and Hewlett Packard) to move their factories to the hinterland of China (Hefei, Chongqing). This trend implies that reanimation of old land corridors (Silk Road) connecting China's hinterland to Europe is becoming increasingly important for China's economy. In addition, land corridors to Europe are important not only for China but also for neighboring landlocked countries like Kazakhstan (Islam et al. 2013).

For land corridors, one of the most often discussed means of transportation is railway. The issue of railway connectivity between China and Europe had been on the agenda before the official announcement of the BRI. One of the first lines to operate on a regular basis was launched in 2011 connecting Chongqing to Duisburg (Germany) passing through Kazakhstan, Russia, Belarus and Poland. As argued by Li et al. (2016), a significant reduction in transportation time was mainly driven by highly efficient customs services. Furthermore, the transportation costs were reduced to US\$0.6 for one carriage per kilometer in 2013 (Zhong 2015 in Li et al, 2017). This rate is equivalent to sea transport, but with a much shorter transportation time. In addition, there is a train running every 24 hours from Leipzig (Germany) to Shenyang (China) and back, mainly to serve the BMW supply chain. This route is 11,000-km long and takes 23 days. The containers are delivered via the Trans-Siberian route to Belarus before passing Poland and ending up in Leipzig. The travel time is half that of maritime transport (Wright, 2012). Today, dozens of services connect China to Europe in 12-20 days. Most of these routes pass Russia and ultimately arrive in Northern Europe (See table 1 below).

Table 1: Railway routes operating from China to Europe

	Route	Distance	Duration	Start	Frequency
<i>Yuxinou</i>	Chongqing–Duisburg	11,179 km	16 days	July 2011	3 / week
<i>Hanxinou</i>	Wuhan–Mělník (CZ)/Pardubice(CZ)/Turkmenistan	10,863 km	16 days	Oct. 2012	2–3 / week
<i>Sumanou</i>	Suzhou–Warsaw	11,200 km	18 days	Nov. 2012	6–8 / week
<i>Rongou</i>	Chengdu–Łódź	9,826 km	10.5 days	April 2013	1 / week
<i>Zhengou</i>	Zhengzhou–Hamburg	10,214 km	19–20 days	July 2013	1 / week
<i>Yixinou</i>	Yiwu–Madrid	13,052 km	21 days	Nov. 2014	3x until now
<i>Hexinou</i>	Hefei–Germany	11,000 km	15 days	June 2014	2 / month
<i>Xiangou</i>	Changsha–Duisburg/Moscow/Tashkent	11,808 km	18 days	Oct. 2014	Every 10 days
<i>Haou</i>	Harbin–Hamburg	9,820 km	15 days	June 2015	1 / week

Source: (Li et al., 2016)

The above-mentioned trains running from Europe to China are mostly private initiatives. To develop a regular train system, fully functioning corridors are required, which is an ambitious project and necessitates overcoming various the problems incurred by crossing several countries with different socio-economic systems and technological capacities (Woodburn et al., 2010). There are three main railway corridors, with multiple options, which have the potential to compete with the seaways transporting cargoes from China to Europe in a reasonable time and at a competitive price:

1. The Trans-Siberian corridor
2. The Central – Kazakhstan corridor
3. TRACECA rail corridor (passing through Georgia)

Table 2 summarizes the main characteristics of each of these corridors:

*Table 2: Technical Capabilities of the Routes*

<i>Route</i>	<i>Distance (km)</i>	<i>Double track</i>	<i>Electrified</i>	<i>Average Speed (km/hr)</i>	<i>Line Voltage</i>	<i>Loco Changes</i>
Trans-Sib corridor with 3 routes	9288	Most part	Most part	76	50KV AC, 3KV DC	3
Central corridor	3930	One eighth	One eighth	40	25KV AC	3
TRACECA corridor with 2 routes	5000	Less than half	Less than half	40	3kv AC, 6KV AC	2 or 4

*Source: Islam et al. 2013 p. 53*

### 1. Trans-Siberian Corridor

Panova (2011) argues that, of the three routes, the Trans-Siberian railway is the most commonly used, has the best potential and can play an important role as a land corridor from Asia to Europe. This route offers numerous options to connect China's hinterland with Europe as outlined by Islam et al. (2013):

- a) **Trans-Siberian** – via Kazakhstan (Kazakh route). This route is most favorable to connect to western China and offers the shortest distance from Beijing to Moscow;
- b) **Trans-Siberian** – via Mongolia (Mongolian route). This route is also favorable for connections with western China;
- c) **Trans-Siberian** – via Zabaykalsk (Manchurian route). This route is also favorable for connections with western and northeast China;

The transportation time from Moscow to China's border for these three Trans-Siberian routes are 8 days, 10 days and 7 days respectively for a block train. The benefit of these corridors is that all three routes have the capacity for additional freight services. Moreover, an additional benefit is that for Russia, Belarus, Kazakhstan and Mongolia, the technical characteristics (gauge, safety systems, etc.) of the railway are the same. However, these characteristics change when crossing into either China or the EU.

Figure 10: Trans-Siberian Corridor



Source: (Davydenko et al., 2012), p. 90

Strengths and Weaknesses Analysis (SWOT)					
	Shipment Compatibility	Transit Time & Transit Time Variability	Price	Frequency	Theft of Cargo
<b>Trans-Sib corridor and routes</b>	There are different speeds in different countries. Further development of the signaling systems at main routes to be observed.	Many aspects have an impact on the travel time along the route including technical differences (gauge width, power supply), the number of border-crossing points (different rules and regulations, ruling languages) and type of cargo.	The tariffs on transit transportation on Russian railways in 2008 considered the imbalance of freight flows on routes going East-West (\$US900 per loaded 40 TEU container), and West-East (\$US800 per loaded 40 TEU container and \$US400 per empty 40 TEU container).	Every train on the Trans-Siberian corridor consists of 57 wagons, each transporting two 40'- containers. That is equivalent to 228 TEUs per train. The total volume of international traffic amounted to nearly 70 million tons during the first 8 months of 2011.	In 2010, more than 1.9 thousand acts of unlawful interference with rail transport were registered in Russia.

Source: Islam et al. 2013, p. 53

## 2. Central Kazakhstan (Central Corridor)

The main route of the central corridor is depicted on the map below. The railway passes China's border and goes through Dostyk – Almaty – Kandagash – Makat – Ganushkino (KAZ) – Aksaralskaya (RF). This corridor has the fewest borders to cross between China and Europe. The most problematic issue for this corridor is that infrastructure is in a poor condition, the line is not fully electrified and is single track. However, the route has capacity to offer more freight services. Currently, it takes 13 days to reach the Russian border from the Chinese border. The main weaknesses of the route include: different technical characteristics along the route (different gauges, different electrification and signaling systems); infrastructure is old and requires a frequent change of locomotives; and Dostyk (border-crossing point with China) has limited capacity due to insufficient terminals and administrative procedures. Islam et al. (2013) based on a survey of potential clients, identified the risks associated with this route which included poor administrative clarity, lack of harmonized laws and regulations, unreliable transport service, high risk of damage and theft, and an absence of track and trace technology.

Figure 11: Central Kazakhstan (Central Corridor)



Source: (Davydenko et al., 2012), p. 121



Strengths and Weaknesses Analysis (SWOT)					
	Shipment Compatibility	Transit Time & Transit Time Variability	Price	Frequency	Theft of Cargo
<b>Central corridor</b>	Shares common technical, operational standards and rolling stock with Russia.	Obsolete railway infrastructure and rolling stock considerably slow the train speed on the Kazakh network. The estimated transit time from Bratislava (Slovakia, EU) to Lanzhou (China) via this corridor is +/- 36 days.	The market price for the delivery of the 20' container from Bratislava (Slovakia, EU) to Lanzhou via the central corridor by a single wagon load train in January 2012 was US\$6,773-6,892. The current rates for transportation of cargo to Kazakhstan and Belarus are quoted with 0% VAT for the Russian railway transit tariff, due to the Customs Alliance. However, in order to speed up shipment at the Kazakh-Chinese borders, the "acceleration fee" varies from US\$30 to 100 per container.	2011 flows currently using other routes: China to Ukraine: 110,000 tons (labelled as "other goods", e.g. consumer goods, electrical goods, chemicals); Russia to China: 200,000 tons of fertilizers (currently transported through Tobol); China to Russia: 200,000 tons of "other goods" (currently transported through Tobol).	Damage and theft are the main reasons for avoiding transport of cargo along this route. Generally, this is due to the lack of a unified track and trace system and historic organizational heritage.

Source: Islam et al. 2013, p. 53

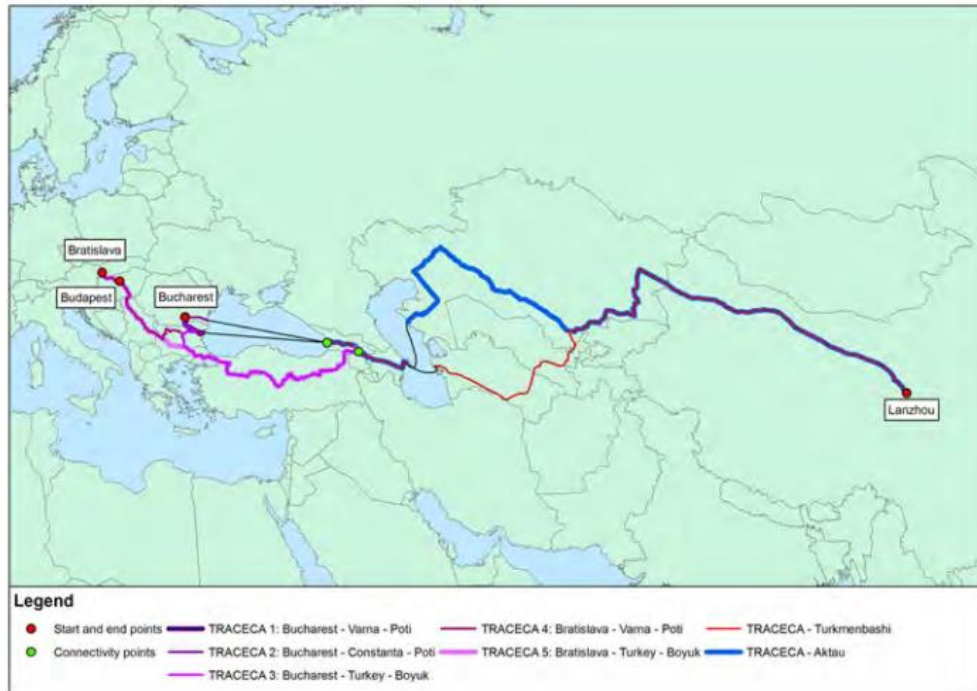
### 3. TRACECA corridor

There are two alternative TRACECA corridor routes connecting Southern Europe and China:

1. **The TRACECA – Turkmenbashi route** from Poti (Georgia) through Azerbaijan, Turkmenistan and Uzbekistan to Dostyk (Kazakhstan) and ultimately to China;
2. **The TRACECA – Aktau route** from Poti (Georgia) through Azerbaijan, the Aktau port in Kazakhstan and then through Kazakhstan to the Dostyk border-crossing to China.

The main advantage of this route is that the operating system for railway transport is the same and there are no shipment compatibility problems along either of the corridors. Also, as a study has identified, the main reason for bottlenecks is mismanagement or mis-operation, e.g. the congestion in the Baku and Aktau ports. In addition, the main problem is that the transit time is unreliable which causes problems for supply chain management. In addition, prices are difficult to assess and damage and theft risks are very high. Due to poor infrastructure, train speed is very low, which in turn increases costs. The estimated travelling times for the block trains on the route are 21 days for the Turkmenbashi route and 24 days for the Aktau route. The conditions of the pickup and delivery service and transshipment operations remain unclear and have low reliability.

Figure 12: TRACECA corridor



Source: (Davydenko et al., 2012) p. 140

Strengths and Weaknesses Analysis (SWOT)					
	Shipment Compatibility	Transit Time & Transit Time Variability	Price	Frequency	Theft of Cargo
<b>TRACE CA Corridor and routes</b>	All of the countries on the TRACECA corridor inherited common operating standards, infrastructure and rolling stock, thus, intermodal transport is possible.	The transit time for a single wagon load train from Poti (Georgia) to Alashankou(China), using the TRACECA – Turkmenbashi route, is a minimum of 24 days; a block train can cover the same distance in 21 days. Reliability of transit time is one of the weakest points for the TRACECA corridor.	The parties to TRACECA signed a number of documents relating to certain benefits and reduced tariffs (e.g. a 50% discount on rail freight and ferry transportation of empty wagons; abolishment of taxes and fees on transit cargoes). In practice, the composition of the rail tariff fluctuates. Tariff establishment is a general concern of all railway operators in the region making it nearly impossible to make any reliable price forecasts.	Theoretically, spare freight train capacity does exist. However, in reality the port of Aktau is already highly congested with wagons waiting to be discharged. Also, critical - as with the other routes described – is the capacity at border-crossings between Kazakhstan and China.	There is a high risk of damage to, and theft of, cargo, which affects the shipper’s decision to transport their cargoes. There is no unified tracking and tracing system.

Source: Islam et al. 2013, p. 53

Based on the SWOT analysis, the authors (Islam et al. 2013) concluded that the Trans-Siberian route had the best potential and already has advantages over the other routes in other corridors. The second-best choice, according to the authors, was the Central Corridor leaving TRACECA as, in their view, the least appealing of the three.

Another study initiated by ACCA and the Shanghai Stock Exchange (SSE) produced the Belt and Road Country Cooperation Index (BRCCDI). The index is calculated by dividing a country's cooperation level<sup>8</sup> by the level of the operational risk. The average score was set at 1.02, with Kazakhstan and Turkey scoring 1.38 and 1.22 respectively, Georgia scoring 0.88 and Azerbaijan scoring 0.68. Table 3 provides an overlook of the current corridors along the 'Belt'.

*Table 3: BECCDI Index for 'Belt' Corridors*

<b>Corridor</b>	<b>Countries</b>	<b>BRICCDI Index</b>
<b>Trans-Siberian</b>	Russia	1.44
	Kazakhstan	0.92
	Mongolia	1.19
	<b>Average Score</b>	<b>1.18</b>
<b>Central Corridor</b>	Kazakhstan	1.44
	Russia	0.92
	<b>Average Score</b>	<b>1.18</b>
<b>TRACECA</b>	Kazakhstan	0.92
	Georgia	0.88
	Azerbaijan	0.68
	<b>Average Score</b>	<b>0.83</b>

Source: The Shanghai Stock Exchange and ACCA, 2017

Although, currently, the TRACECA route has the lowest score compared to the alternative Trans-Siberian and Central corridors, given the low operational risk according to EIU, one could argue that the country's increased cooperation could boost the index for Georgia (The Shanghai Stock Exchange and ACCA, 2017). In particular, as the TRACECA corridor needs to gain a competitive advantage, the simplification and mutual recognition of border-crossing procedures are of the utmost importance as well as infrastructure improvement and renewal of rolling stock. The countries on the corridors must take steps to reduce the loss, damage, theft and delay of cargo in transit. Furthermore, the introduction of electronic data flow and scheduled train operations would be another step forward. Finally, changing the gauge when crossing borders could be addressed in a number of ways. For example, by using a variable gauge system (these systems are already effectively used by Poland). Another possibility is to substitute the bogies of the rail vehicles with a bogie with the appropriate wheel set (Islam et al. 2013).

Addressing all of these problems requires significant investment. Fardella and Prodi (2017) argue that the development of a railway network will bring benefit to those countries who have

<sup>8</sup> Country Cooperation, which has been generated by the Belt and Road Initiative Big Data Report 2016. The report looks at five areas of cooperation defined under BRI. The evaluation takes into account both the international and domestic perspectives as well as non-statistical data.

greater exports of high-value products to China or Europe as this would allow them to create greater economies of scale resulting in long-lasting improvements to their logistics. Meanwhile, developing countries like Georgia will gain more benefit by becoming involved in deeper regional coordination. Thus, the next chapter will assess the prospects and challenges for the Georgian economy arising from the BRI.

### *Prospects and Challenges for the Georgian Economy*

China and Georgia have tightened their economic ties over the past decade, reflected in a deeper trade relationship and substantial Chinese direct investment into the Georgia economy. Now, the BRI presents an opportunity for Georgia, as a potential transit hub between China and Europe, to further strengthen this relationship. The trade corridor passing through Georgia may bring Georgia the benefit of its share of increased trade between China and Europe via rail, but Georgia could gain even more by developing its trade relationships with China and Europe respectively. Briefly put, Georgia could be more than just a transit country.

In this regard, Georgia has four main characteristics that may be attractive for the BRI:

1. Business-friendly environment - Fast growing economy, low corruption rates, growth-friendly tax policy.
2. Liberal cross-border trade - FTA with China and DCFTA with EU, among other agreements.
3. Strategic geographical location - Black Sea, overland links to Turkey.
4. Young, skilled and competitively priced labor force.

Thus, Georgia can offer a platform to China through which it can more efficiently trade with Europe. However, for this platform to become competitive, some complex and interrelated issues need to be addressed. Georgia's success in this regard will largely depend on the success of coordinated hard and soft infrastructure development and taking full advantage of the Baku-Tbilisi-Kars railway link to Turkey and Anaklia Deep Sea Port. In this vein, convergence between the BRI and Georgia's economic development trajectory is linked to infrastructure development. At the same time, Georgia can utilize the advantages of its trade agreements and business environment to become an important transit hub in the South Caucasus region and beyond.

However, despite some encouraging prospects, in the last decade there has been a significant drop in transit going through Georgia and this represents a major challenge if the country is to position itself as a regional hub. In January-August 2017, transit through Georgia declined by 800,000 tons compared to the same period of 2016. This declining trend has been observed every year since 2012. One of the key factors in the declining transit volumes is the low competitiveness of the TRACECA corridor passing through the country. While Azerbaijan and Turkey are developing their infrastructure, and becoming transit hubs in their respective regions, the volume passing through Georgia is constantly declining. This implies that solely upgrading hard infrastructure would not automatically transform Georgia into a transit hub (commersant.ge, 2017).

However, on a positive note, during his speech at the panel discussion entitled “Belt and Road Initiative: Building bonds across Asia, Europe and beyond” held at the World Bank Headquarters (World Bank, 2017), Kazakhstan’s Deputy Prime Minister Erbolat Dossaev spoke about “the shortest way” from China to Europe and noted the importance of the Baku-Tbilisi-Kars project, claiming that it will also open up new possibilities toward the Mediterranean Sea. This 826-km railway project, known as ‘Silk Rail’, was officially opened in October 2017 with the capacity to transport one million passengers and 6.5 million tons of freight per year, with potential to reach three million passengers and 17 million tons of freight by 2034 (Turp, 2017).

Although the Baku-Tbilisi-Kars railway is already operating and its significance has been widely acclaimed, the general problems that apply to TRACECA will also affect this newly launched railway route.

From a long-term perspective, Anaklia Deep Sea Port could boost the overall competitiveness of Georgia as a transit hub. According to the Anaklia Development Consortium, the first phase of construction will start on 20 December 2017, and once the entire project is finished it will make a capacity of 900,000 containers, and a 1.5 million bulk cargo transportation (Gugunishvili, 2017). However, Anaklia Deep Sea Port is facing competition from several other major ports in the region. Such ports include Mersin Port in Turkey, Bender Abas in Southern Iran and Odessa in Ukraine. However, the political situations in Iran and Ukraine respectively may make Anaklia a more favorable choice in comparison. The attractiveness of Mersin Port, meanwhile, will depend largely on the Baku-Tbilisi-Kars railway, the impact of which remains to be seen.

Although it is too early to evaluate the impact of BRI-related infrastructure development on Georgia’s potential transformation into a transit hub, current evidence suggests the existence of clear opportunities for Georgia to modernize its infrastructure. To ensure that the full potential of this new connectivity is achieved, old infrastructure needs to be modernized. In addition, soft infrastructure tools need to be put in place. Georgia has shown impressive progress in this direction. According to the Doing Business Report, Georgia has the simplest customs procedures in the region (World Bank, 2018) and this could be leveraged to improve the competitiveness of this corridor in the future.

As well as conceptualizing the initiative from a regional connectivity perspective, it is important to explore BRI to find ways to boost the national economy. As mentioned earlier, the Georgian economy has experienced unbalanced growth. To address this, according to a study on economic policy, Georgia should focus on sectors with high growth potential by drawing on comparative advantages of the country as well as its potential to upgrade towards producing more value-added goods in the future (Saha and Giucci, 2017). Given the relatively low wages and lack of a highly skilled workforce, one of the two priority sectors identified is labor-intensive light industry that incorporates sub-sectors such as food processing and textiles. As China aims to shift its labor-intensive industries overseas, the preferential business environment and further development of FIZs in Georgia could allow for greater cooperation.

## Recommendations

The BRI is an open and inclusive initiative that follows market operations and international practices and focuses on ensuring an enabling environment for win-win cooperation. In stressing the open and cooperative nature of the BRI, some Chinese officials use the term “symphony,” involving the participation of many countries. This is in line with China’s five principles of Peaceful Coexistence<sup>9</sup> and provides interested countries an opportunity to add themselves to the blueprint of the BRI (Swaine, 2015). Therefore, Georgia needs to be proactive and should determine how to derive maximum benefits from the BRI for its economic development. To do so, a coherent, coordinated and complementary strategy based on national development goals, reflecting the comparative advantages of different development partners, needs to be put in place.

Georgia is a small part of the BRI map. However, taking into consideration its strategic geographical location, open economy and willingness of its government to become a part of the BRI, space for mutually beneficial cooperation could be identified. There is a clear interconnection between the BRI and Georgia’s economic development strategies in terms of infrastructure development and trade facilitation. However, to fully harness the opportunities presented by the BRI, the GoG needs to develop a strategy targeted at regional and national level, both of which are discussed in detail below.

### *Regional Level*

This paper has identified that the success of the BRI in Georgia largely depends on the success of the trade corridor passing through the country. As identified in the trade corridor analysis above, TRACECA has the least potential compared to the other two major corridors against which it is competing. Thus, Georgia should focus on the attractiveness of this corridor. In this vein, the country should take several steps to strengthen regional cooperation and address the main weaknesses of the corridor in collaboration with regional partners.

Firstly, the simplification and mutual recognition of border-crossing procedures are of great importance. It is strongly advised to create a soft infrastructure tool at the regional level such as a unified tracking and tracing system. The countries along the corridor should manage an efficient electronic data flow and run scheduled train operations. These steps are necessary to increase the reliability of the corridor, to significantly reduce the time spent crossing borders, and to minimize cargo delays and theft risk.

Secondly, while investigating the TRACECA corridor it was identified that tariffs are very volatile, making it nearly impossible to make any reliable price forecasts. Despite the fact that the parties within TRACECA have signed a number of documents relating to certain benefits and reduced tariffs, in practice little has been accomplished in this direction.

Thus, it is important to strengthen currently limited regional cooperation and to identify the complementarities of each country through the TRACECA corridor. As suggested by the World Scenario Series report, the South Caucasus and Central Asia regions have “the potential to establish a fresh identity as a center of activity within a new, 21st-century economy” (World

---

<sup>9</sup> For sovereignty and territorial integrity, mutual non-aggression and non-interference in each other internal affairs, equality and mutual benefits and peaceful coexistence

Economic Forum, 2014, p.7). Therefore, Georgia needs to be outwardly supportive of the BRI, while being analytical regarding BRI-related cooperation with partners. In this regard, two already existing formats can be considered important: Georgia, Ukraine, Azerbaijan, and Moldova (GUAM); and the Azerbaijan, Georgia, Turkey group (AGT). These two groups, although strategically very important for the success of the BRI in the South Caucasus region, are weakly institutionalized. However, Georgia can use the incentives arising from the BRI to deepen regional economic ties that, in turn, will give more comparative advantages and allow the region to gain more interest from China.

Furthermore, as China plans to deepen regional cooperation by building upon existing bilateral and multilateral cooperation to navigate the BRI, Georgia should investigate regional blocks relevant to its national interests. In this vein, Central and Eastern Europe (CEE) sub-regional ‘16+1’ framework<sup>10</sup>, launched back in 2012, could be an avenue through which Georgia could boost its regional cooperation. Apart from regional blocks, Georgia needs to strategically access initiatives such as the EU-China Connectivity Platform (CP), launched in 2015. The CP, undertaken by the European Commission, is aimed at identifying synergies between the EU’s connectivity initiatives and the BRI. The CP also seeks to investigate opportunities for possible cooperation in third countries. During the second Chairs’ meeting on the CP, the sides agreed to further increase cooperation towards sustainable infrastructure and connectivity. Furthermore, both sides agreed that the benefits of the CP should go beyond China and EU and extend to the various projects in other countries along the BRI (European Commission, 2017).

Furthermore, Georgia should focus on the competitiveness of the corridor that passes through it. The strengths and weaknesses of each corridor need to be examined very carefully and future actions should be based on the advantages of TRACECA compared to its rivals. Thus, Georgia needs to establish working groups involving key public and private stakeholders within the country and in the region to discuss and establish a common vision. By doing so, focus should be placed on studying already existing hard infrastructure, its improvement and further steps to improve soft infrastructure in order to increase the competitiveness of the TRACECA corridor.

Moreover, Georgia could offer its expertise in administrative reforms, which have already been successfully implemented by the country (Djankov and Miner, 2016). Building on such experiences and leveraging opportunities unlocked by the BRI, Georgia could lead the process of building regional soft infrastructure architecture, which is sorely needed if it is to benefit from the improved connectivity.

### *National Level*

A recent public opinion poll revealed that the top five national issues are: jobs; poverty; territorial integrity; rising prices and inflation; and affordable healthcare. The first three issues in this list have been unchanged since 2009 (Thornton and Sichinava, 2017). To ensure that the BRI is beneficial for Georgia’s economic development and adequately addresses the issues mentioned

---

<sup>10</sup> The 16+1 format is an initiative by the People’s Republic of China aimed at intensifying and expanding cooperation with 11 EU Member States and 5 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia).

above, Georgia needs to avoid being exclusively a transit country and should develop a more holistic policy agenda.

First of all, Georgia should focus on the development of a national transportation strategy document. Focusing on the modes of transportation separately limits the potential benefits for the country. For example, ports cannot be fully efficient, reliable and attractive to companies without a sound and modern railway system connected to it. Thus, Georgia needs to coordinate its ports together with its railway network to take full advantage of the BRI opportunities. The document should harmonize the work done through different government channels and outline the time frame and financial resources needed for the development of major infrastructure projects such as Anaklia Deep Sea Port. The strategic approach to leading infrastructure projects will be pivotal. For instance, in response to the BRI, the EU has identified a pipeline of BRI projects via the strategic document Trans-European Networks (TEN-T) that outlines a list of strategic infrastructure projects. Furthermore, a study <sup>11</sup> has revealed that Greece while exploring possible pullover-effects on BRI discovered a path to an anchor investment. This development has subsequently attracted follow-up investment beyond the transport sector. For instance, investment groups such as Dalian Wanda Group Co. and Greenland Holding Corp. are scanning other sectors and are targeting tourism, commercial real estate, insurance companies and banking (Bastian, 2017).

Moreover, Georgia offers a stable environment in which to do business. However, if the country wants to maximize the opportunities arising from the BRI, it should focus more on the Chinese-European trade relationships and explore what the country can offer to both sides. It is strongly advised that a special BRI harmonization unit be established at the Ministry of Economy and Sustainable Development of Georgia focusing on BRI-related issues. The main objectives of such a unit would be studying the advantages of Georgia and identifying key areas that need to be improved, as well as detecting stakeholders of the BRI and bringing a clear message to them. The proposed unit should be responsible for:

- Understanding deeply the Chinese economic transformation process and the role of the BRI in this process.
- Mapping BRI stakeholders and maintaining close ties with them.
- Constantly studying the advantages of the corridors passing through Georgia and coordinating with relevant countries.
- Analyzing flow patterns of the corridor and offering special business opportunities to the private sector.
- Analyzing Georgian trade relationships and bringing new opportunities to the agenda.
- Monitoring and following up the status of agreements / MoUs established within the Tbilisi Silk Road Forums.<sup>12</sup>

---

<sup>11</sup> The potential for growth through Chinese infrastructure investments in Central and South-Eastern Europe along the “Balkan Silk Road”

<sup>12</sup> During the second Tbilisi Silk Road Forum, sides agreed to hold the forum annually or once every two years, therefore it would be useful to have a unit to monitor the outcomes of the forum.



As mentioned earlier, Georgia could be an attractive partner for BRI countries as it is the only country in the region to have signed a DCFTA with the EU and an FTA with China. This benefit could compensate for the relatively small consumer market offered by the country. Similarly, Serbia has FTAs with the EU, Turkey and Russia. In order to benefit fully, the Chamber of Commerce and Industry of Serbia is establishing a Centre for Relations with China (Bastian, 2017). Therefore, if Georgia anticipated to derive economic gains from strategic FTAs, then similarly proactive steps should be taken. The Ministry of Economy and Sustainable Development of Georgia has already issued a third action plan for the implementation of the DCFTA. A similar action plan should also be prepared regarding the BRI to ensure that the connectivity and policy harmonization processes are well-structured and in accordance with each other. By doing so, Georgia could leverage its geographical location into trade facilitation, which is one of the five areas of the BRI.

## **Conclusion**

In conclusion, the BRI, despite being ambiguous in some respects, is being implemented to address some of China's economic challenges. Indeed, it is evident that China has already invested heavily in the BRI. Given that it is difficult to identify profitable investments in Central Asia and Eastern Europe and the ruling regimes in some countries involved in the BRI are far from reliable, Georgia has a significant opportunity to offer a stable environment in which to do business. As noted by Pantucci and Lain, (2016: p.1): 'Georgia is a strong candidate to host this initiative [BRI] given its good relations with most major players in Europe and Asia. Sitting at the heart of the Eurasian continent, between many countries with troubled relations, Georgia is able to play the role of an honest broker that can bridge the continent and help turn the numerous Silk Road visions into reality'. Drawing on in-depth analysis of the relevant literature, this paper has investigated the BRI from Georgia's perspective to determine the risks and benefits for its economy and the potential Georgia has to transform into a transit hub connecting China and Europe.

The main guiding principle underpinning the BRI is the notion of 'win-win' cooperation opportunities based on market principles. Therefore, to detect a convergence between the BRI and the potential for Georgia to benefit from it, this paper relied on gap analysis. Having outlined the scope and strategies of the BRI, expectations regarding the BRI from global and regional perspectives were investigated. The findings could serve as guidance for Georgia to put an appropriate strategy in place accordingly. Although these expectations are not exhaustive, from Georgia's perspective, the most significant expectation relates to the improvement of its hard infrastructure connectivity. This corresponds with some of the infrastructure projects forming part of Georgia's national development strategy, such as building a new deep-water sea port on the Black Sea, improving Georgia's railways, and expanding road transport in Georgia, thus creating an opportunity for 'win-win' cooperation. However, having explored the current conditions on already active and semi-active railway lines running between China and Europe, this paper has identified two main challenges relevant to the future development of the TRACECA corridor. One of the challenges identified is the inadequate hard infrastructure and a mismatch between Chinese, European and post-Soviet railway infrastructure, whereas the second challenge concerns soft infrastructure and stems from a lack of policy coordination, resulting in excessively slow border-

crossing. In addition, to counter fierce competition from already functioning corridors (for instance, the Trans-Siberian corridor), more structured coordination between relevant countries would be pivotal to promote newly established routes. Georgia could develop a national transportation strategy document and leverage its experience in cutting down bureaucracy to support the establishment of a regional soft infrastructure framework. Furthermore, Georgia should build upon its favorable business environment and take full advantage of being the only country in the region with an FTA with China and a DCFTA with the EU. However, to do so, the GoG needs to take a holistic approach, and create a working group focused on identifying synergies. In this regard, following analysis, this paper has detected two important factors. Due to the rise in labor costs in China and its excess capacity in some industries, China is shifting production to countries involved in the BRI. According to one study, Georgia has an advantage in terms of low wages and has the capacity to develop light industry (Saha and Giucci, 2017). This could be a promising entry point for Georgia to prosper from the BRI, while keeping in mind the need to develop a skilled workforce and to advance value-added production. This paper's other observation in this regard derives from the analysis of railway cargo dynamics between China and Europe and its development along the improved railway links. According to the data, the improved connectivity mainly benefits European countries who have a diversified export portfolio with China and can benefit from economies of scale. While developing appropriate strategy, these observations could provide useful guidance for Georgia.

Finally, it has only been five years since the BRI was launched, therefore it is too early to evaluate its success or otherwise in detail. However, by looking at the convergence of the BRI and the economic development trajectory of Georgia, this paper has outlined some recommendations for policy actors, while also highlighting areas in which further research is urgently needed.

## References

- agenda.ge, 2017a. Chinese corporation to purchase 75% of Poti Free Industrial Zone shares [WWW Document]. www.agenda.ge. URL <http://agenda.ge/news/73252/eng>
- agenda.ge, 2017b. Georgia and China sign new deal to develop economic zones.
- AIIB, 2016. Connecting Asia for the Future: Annual Report and Accounts 2016 (Annual Report). Beijing, China.
- AIIB.org, 2015. Jin Liqun Selected President-designate of the Asian Infrastructure Investment Bank [WWW Document]. www.aiib.org. URL [https://www.aiib.org/en/news-events/news/2015/20150824\\_001.html](https://www.aiib.org/en/news-events/news/2015/20150824_001.html)
- Asia Development Bank, 2017a. Poverty in Georgia [WWW Document]. www.adb.org. URL <https://www.adb.org/countries/georgia/poverty>
- Asia Development Bank, 2017b. Meeting Asia's Infrastructure Needs. Asian Development Bank, Manila, Philippines. <https://doi.org/10.22617/FLS168388-2>
- Baker McKenzie, 2017. Belt & Road: Opportunity & Risk The prospects and perils of building China's New Silk Road.
- Bastian, J., 2017. The potential for growth through Chinese infrastructure investments in Central and South-Eastern Europe along the "Balkan Silk Road." European Bank for Reconstruction and Development, Athens / London.
- Beck, A., Bente, H., Schilling, M., 2013. "Railway efficiency," International Transport Forum, OECD (Discussion Paper No. 12). Organization for Economic Co-operation and Development, Hamburg, Germany.
- Bloomberg, 2017a. First China-U.K. Freight Train Departs as Xi Seeks to Lift Trade.
- Bloomberg, 2017b. Chinese Spending Lures Countries to Its Belt and Road Initiative.
- Cai, P., 2017. Understanding China's Belt and Road Initiative (Analysis). Lowy Institute for International Policy.
- Callahan, W.A., 2016. Chinas "Asia Dream": The Belt Road Initiative and the new regional order. Asian Journal of Comparative Politics. <https://doi.org/10.1177/2057891116647806>
- Caucasus Business Week, 2017a. The Drinks Business: Georgian Wine Exports to China Spike in 2016 [WWW Document]. www.cbw.ge. URL <http://cbw.ge/wine/drinks-business-georgian-wine-exports-china-spike-2016/>
- Caucasus Business Week, 2017b. Georgia-China Free Trade Agreement – New Economic Opportunities or Major Risks? [WWW Document]. Caucasus Business Week. URL <http://cbw.ge/economy/georgia-china-free-trade-agreement-new-economic-opportunities-major-risks/>
- CEFC China, 2017. CEFC China Signs Two Cooperation Agreements with the Government of Georgia to help develop an innovative trade model in the "Silk Road Common Market Zone" [WWW Document]. <http://en.cefc.co>. URL <http://en.cefc.co/detail/news/749>
- Chance, A., 2017. The Belt and Road Initiative and the Future of Globalization.
- Cheng, L.K., 2016. Three questions on China's "Belt and Road Initiative." China Economic Review 40, 309–313. <https://doi.org/10.1016/j.chieco.2016.07.008>
- China Britain Business Council, 2015. One Belt One Road: A Role of UK's Companies in Developing China's New Initiative.
- China Daily, 2017. List of Deliverables of the Belt and Road Forum for International Cooperation [WWW Document]. www.chinadaily.com.cn. URL [http://usa.chinadaily.com.cn/epaper/2017-05/16/content\\_29367726.htm](http://usa.chinadaily.com.cn/epaper/2017-05/16/content_29367726.htm)

commerciant.ge, 2017. Georgia has not Become a Transit Hub for the Region. data.worldbank.org, 2017a. Global Economic Prospects - Forecasts [WWW Document]. URL <https://data.worldbank.org/country/georgia>

data.worldbank.org, 2017b. World Bank Open Data: China [WWW Document]. www.worldbank.org. URL <https://data.worldbank.org/country/china>

Davydenko, I., Landa Maxta, I., Martens, R., Nesterova, N., Wark, T., 2012. Potential for Eurasia land bridge corridors & logistics developments along the corridors (Project Report), F-23032012. EUROPEAN COMMISSION DG TREN.

De Boer, D., 2015. China's Ecological Civilization Sets China on a Greener Course.

Djankov, S., Miner, S. (Eds.), 2016. The Rationale behind China's Belt and Road Initiative, in: The Rationale behind China's Belt and Road Initiative, 16. Peterson Institute for International Economics.

Economist Intelligence Unit, 2015. Prospects and challenges on China's 'one belt, one road': a risk assessment report.

Ernst & Young, China, 2015. Navigating the Belt and Road Financial sector paves the way for infrastructure (No. 02002309).

European Commission, 2017. EU-China Summit: moving forward with our global partnership (Press Release No. IP/17/1524).

Fallon, T., 2015. The New Silk Road: Xi Jinping's Grand Strategy for Eurasia. *American Foreign Policy Interests* 37, 140–147. <https://doi.org/10.1080/10803920.2015.1056682>

Fardella, E., Prodi, G., 2017. The Belt and Road Initiative Impact on Europe: An Italian Perspective. *China & World Economy* 25, 125–138. <https://doi.org/10.1111/cwe.12217>

Frankopan, P., 2015. *The silk roads: a new history of the world*. Bloomsbury, London Oxford New York New Delhi Sydney.

Fuenfzig, M., 2016. *A Quantitative Assessment of the Proposed China-Georgia Free Trade Agreement*. Tbilisi.

fund.ge, 2017. Partnership Fund has signed MoU with Chinese Engineering Company at Tbilisi Silk Road Forum.

fund.ge, 2016. Partnership Fund and Chinese companies signed a Memorandum of Understanding [WWW Document]. www.fund.ge. URL [http://www.fund.ge/eng/view\\_news/718](http://www.fund.ge/eng/view_news/718)

Garcia Herrero, A., Xu, J., 2016. China's Belt and Road initiative: can Europe expect trade gains? (Working Paper No. 5). Brugel, Brussels, Belgium.

Georgian National Investment Agency, 2016. *Investment Climate and Opportunities in Georgia*. Tbilisi.

Georgian Times, 2017. Belt and Road Forum for International Cooperation will be held in Beijing [WWW Document]. Georgian Times. URL [http://www.geotimes.ge/index.php?m=5&news\\_id=45475&cat\\_id=5&lng=eng](http://www.geotimes.ge/index.php?m=5&news_id=45475&cat_id=5&lng=eng)

Government of Georgia, 2016. *Freedom, Rapid Growth, Welfare: State Strategy 2016-2020*.

Government of Georgia, 2013. *Social-economic Development Strategy of Georgia "GEORGIA 2020."*

Government of the People's Republic of China, 2015. *Integrated Reform Plan for Promoting Ecological Progress*.

Grey, E., 2015. *Can the Trans-Caspian Route deliver the next freight revolution? Features*.

Gugunishvili, N., 2017. *Anaklia Deep Sea Port Land Construction Works to start in December*.

Heath, M., Curran, E., 2017. *Trump and Xi Joust for World Economy Crown*.

Honghui, C., Ting, G., 2017. Building a shared vision for the BRI and the SDGs (Scoping Paper No. 2), “Belt and Road”: A New Path to Regional Development. UNDP in China, 2016 High-Level Policy Forum on Global Governance.

ICCS, 2015. Counting the Cost: Assessing the Financial Impact of Air Pollution from China’s Cement Industry.

Islam, D., Zunder, T., Jackson, R., Nesterova, N., Burgess, A., 2013. The potential of alternative rail freight transport corridors between Central Europe and China. *Transport Problems* 8, 45–57.

Jinping, X., 2017. Full text of President Xi’s speech at opening of Belt and Road forum.

Li, Y., Bolton, K., Westphal, T., 2016. The Effect of the New Silk Road Railways on Aggregate Trade Volumes between China and Europe (Working Paper No. 109). University of Duisburg-Essen., Duisburg.

Minghao, Z., 2016. The Belt and Road Initiative and its Implications for China-Europe Relations. *The International Spectator* 51, 109–118.

<https://doi.org/10.1080/03932729.2016.1235819>

National Bank of Georgia, 2014. National Bank Of Georgia Starts Exporting Reforms [WWW Document]. URL <https://www.nbg.gov.ge/index.php?m=340&newsid=2470&lng=eng>

National Development and Reform Commission, 2015. Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road [WWW Document]. [www.ndrc.gov.cn](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html). URL [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)

National Statistics Office of Georgia, 2017. External Trade of Georgia (Statistical Publication). National Statistics Office of Georgia, Tbilisi, Georgia.

Numbeo, 2017. Crime Index for Country 2017 Mid-Year.

OECD, 2011. Transcontinental Infrastructure Needs To 2030/2050, International Futures Programme. Organization for Economic Co-operation and Development.

Panova, Y., 2011. Potential of connecting Eurasia through Trans-Siberian Railway. *International Journal of Shipping and Transport Logistics* 3, 227.

<https://doi.org/10.1504/IJSTL.2011.039381>

Pantucci, R., Lain, S., 2016. Tbilisi Silk Road Forum-Next Steps for Georgia and the Silk Road (Workshop Report). Royal United Services Institute (RUSI).

Pantucci, R., Lain, S., 2015. Silk Road: China’s Project Could Transform Eurasia [WWW Document]. *EU Observer*. URL <https://euobserver.com/eu-china/130762>

Phillips, T., 2017. EU backs away from trade statement in blow to China’s “modern Silk Road” plan [WWW Document]. [www.theguardian.com](http://www.theguardian.com). URL <https://www.theguardian.com/world/2017/may/15/eu-china-summit-beijing-xi-jinping-belt-and-road>

PwC, 2017. Repaving the ancient Silk Routes (Executive Summary), PwC Growth Markets Centre.

Saha, D., Giucci, R., 2017. Towards strong and balanced growth: Georgia’s economic policy priorities in 2017-2020 (Policy Studies Series No. PS/01/17). German Economic Team Georgia / ISET Policy Institute, Berlin / Tbilisi.

Swaine, M.D., 2015. Chinese Views and Commentary on the “One Belt, One Road” (No. 47), *China Leadership Monitor*. Hoover Institution.

Szczudlik-Tatar, J., 2013. China’s New Silk Road Diplomacy. Policy Paper.

Tbilisi Belt and Road Forum, 2017a. About Tbilisi Belt & Road Forum [WWW Document]. <http://www.tbilisibrf.gov.ge/>. URL <http://www.tbilisibrf.gov.ge/>

Tbilisi Belt and Road Forum [WWW Document], 2017b. URL <http://www.tbilisibrf.gov.ge/>  
The Heritage Foundation, 2017. 2017 Index of Economic Freedom: Country Ranking. The Heritage Foundation.

The Shanghai Stock Exchange and ACCA, 2017. The Belt and Road Initiative: Reshaping the global value chain.

The State Council, 2017. China inks agreements with 14 int'l organizations on B&R cooperation [WWW Document]. [english.gov.cn](http://english.gov.cn). URL [http://english.gov.cn/news/top\\_news/2017/05/16/content\\_281475657502382.htm](http://english.gov.cn/news/top_news/2017/05/16/content_281475657502382.htm)

Thornton, L., Sichinava, D., 2017. Public attitudes in Georgia Results of a June 2017 survey carried out for NDI by CRRC Georgia. National Democracy Institute (NDI);

Transparency International, 2016. Corruption Perception Index 2016.

Tskhovrebova, A., 2016. Silk Road of Chinese Investment 60–65.

Turp, C., 2017. Azerbaijan, Georgia, Turkey launch new “Silk Rail” link. Outlook on Georgia.

University of International Business, and Economics (UIBE) and PMC Research Center, 2015. Joint Feasibility Study on China-Georgia Possible Free Trade Agreement (Final Report).

Wang, Y., 2016. Offensive for defensive: the belt and road initiative and China's new grand strategy. *The Pacific Review* 29, 455–463. <https://doi.org/10.1080/09512748.2016.1154690>

Wildau, G., Ma, N., 2017. In charts: China's Belt and Road Initiative.

Woodburn, A., Allen, A., Browne, J., Leonardi, J., van Essen, H., 2010. Globalisation, Transport and the Environment. OECD Publishing. <https://doi.org/10.1787/9789264072916-en>

World Bank, 2018. Doing Business 2018: Reforming to Create Jobs. World Bank, Washington DC.

World Bank, 2017. Belt and Road Initiative: Building bonds across Asia, Europe and beyond. Preston Auditorium, World Bank Headquarters, Washington DC.

World Economic Forum, 2014. Scenarios for the South Caucasus and Central Asia, World Scenario Series.