A Review on the Position of South Caucasus in China’s Belt and Road Initiative

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Abstract

On the “Belt and Road Initiative (B&R)” (Chinese: 一带一路), which is recognized as a global infrastructure development strategy by the People’s Republic of China, for the first time in his speech in Kazakhstan on 7 September 2013, Chinese President, Xi Jinping, spoke about the ancient ‘silk road’ and mentioned the establishment of the ‘Silk Road Economy Belt’. As of June 23, 2021, China had signed 206 cooperation documents which covered communications infrastructure, interconnection, investment, trade, finance, technology, people’s livelihoods, and oceans with 140 countries and 32 international organizations to join the “Belt and Road Initiative”. In 2020 alone, Chinese investors made direct investments of US$ 18.61 billion in 58 countries along the “Belt and Road Initiative” route. In China’s “Belt and Road Initiative”, the South Caucasus region, known as the middle corridor, is of great significance in the process of transition to Europe. Although Azerbaijan, Armenia and Georgia officially supported this Chinese initiative, the conflict, instability and changing geopolitics in the South Caucasus region made investors uneasy. In this study, global factors, the future of the “Belt and Road Initiative” in the region and the position of the South Caucasus were studied. And, the advantages and disadvantages of the initiative are evaluated.

Keywords: Chinese Dream, B&R, Belt and Road Initiative, Politics, China, South Caucasus.

1. Brief Insight Regarding The Silk Road

UNESCO has included the Routes Network of the Tian Shan Corridor, which has been the main route of the ancient Silk Road with a history of approximately 2800 years, into its World Heritage List as of June 22, 2014 (UNESCO, 2014). It is the 5,000 km segment of the extensive Silk Road network that stretches from Chang’an
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(Chinese: 长安, now Xi’an), the capital of the Han and Tang dynasties of China, to the Zhetysu (Kazakh: Жетісу; Turkish: Yedisu) region of Central Asia.

1.e.1-03 “Silk Roads: Initial Section of the Silk Roads, the Routes Network of Tian-shan Corridor”, China Section


The Uzbeks have clearly implied the magnificence and length of the road at that time by stating, “There are two great roads in the universe, the Milky Way in the sky, and the Silk Road on the earth”. Richthofen, German geographer and researcher, has used the term “Silk Road” for the first time in 1877, in reference to the history of the route (FRYE, 2009). The Ancient Silk Road was not only used for spice, silk, glass and porcelain, but also was the busiest intercontinental transportation network for the transfer of armies, sages, ideas, religions, cultures, civilization, historical elements and techniques from east to west and from west to east. For instance, Buddhism which originated from India, has spread to China, Korea, and Japan, where it became the dominant religion. Islam, on the other hand, spread by means of Arab traders to East Turkistan, the Hui (Chinese: 回族). The unique Dīwān Lughāt al-Turk, which was presented as a gift to the Turkish world by Mahmud Kashgari, turned out to be the product of research and thought along the Silk Road. The Silk Road has been reshaped in accordance with the political and economic conditions which have developed and changed over time, and has witnessed many political and human developments, wars and destruction that have ensured its functionality and uninterruptedness. It has been observed that the control and
security of the Silk Road route, and its protection from pirates, are a state policy of the regional superpower.

Turks are the people who are identically intertwined with the Silk Road. The inner Asia region, which is the gateway to the road, has been the main target that Turkey and China politics wanted to dominate for approximately 1000 years from the Huns to the end of the Uyghur Khanate (Kafesoğlu, 2015). With the abandonment of the old settlements due to the devastating Mongol invasion in the early 13th century AD, climate change, and increasing drought, the Silk Road changed its direction several times, especially in the Central Asia-Turkistan region.

The period between 1400 and 1600, which started in Europe and is described as the Age of Geographical Discoveries, witnessed great changes in the history of humanity. The active use of the compass, interoceanic voyages with large sailing and steamships led to the discovery of new routes. These routes, which started to replace the Terrestrial Silk Road, were named “Marine Silk Road” in the 17th century.

With the emergence of the train, the discovery of oil and mineral deposits, the need for low-cost transportation, and the increase in touristic travels, the popularity of the Silk Road as the “Iron Silk Road” was revived with its popularity as the “Iron Silk Road”. It took 20 to 40 days for Chinese goods to reach the European market by sea. However, as a positive manifestation of this project, it now takes 11 days for the goods to reach Eastern Europe from East Turkistan (YİĞENOĞLU, 2018).

2. Xi’s “Chinese Dream” and The Birth of the “Belt and Road Initiative”

The Chinese people have long struggled with war, turmoil, poverty and hunger. After the civil war victory of the Chinese Communist Party, the People’s Republic of China (PRC) was established on October 1, 1949, and a communist society imitating the Soviet social policies and industrialization model quickly emerged. China had “Land Reform Movement” (Chinese: 土地改革运动) from 1946 to 1954, “Great Leap Forward” (Chinese: 大跃进) from 1958 to 1961, “People’s Commune Movement” (Chinese: 人民公社) from 1958 to 1984, “Great Proletarian Cultural Revolution” or “Cultural Revolution” in short (Chinese: 无产阶级文化大革命) from 1966 to 1976.

“On December 18, 1978, the Third General Assembly of the Eleventh Central Committee of the Communist Party of China (Abbreviation: CCP) (Chinese: 中国共产党) was held. Having come to power, Deng Xiaoping (Chinese: 邓小平) officially initiated a period of important economic reforms and elimination of isolation. This marked China’s transition from a planned economy to a mixed
economy with an increasingly open market environment, which is a system called “market socialism” by some, and officially called “socialism with Chinese characteristics” (Chinese: 具有中国特色的社会主义) by the CCP.

In China, which officially joined the World Trade Organization in 2001, Hu Jintao (Chinese: 胡锦涛) was elected as the general secretary at the 16th National Congress of the CCP in 2002, and the fourth generation of the CCP’s central leadership came to power. A series of reforms were made in the fields of diplomacy, politics, technology and investment, and per capital national income and foreign exchange reserves increased significantly. China was now known as the “World Factory” and became one of the countries with the greatest development potential in the world. On November 15, 2012, after the 19th National Congress, Xi Jinping (Chinese: 习近平) became General Secretary of the Central Committee of the Communist Party of China, marking the rise of the CCP’s fifth generation leadership. Officially named “Core Leader” from the CCP in 2016, Xi serves as President of the People’s Republic of China (PRC) and chairman of the Central Military Commission (CMC).

The “Chinese Dream” (Chinese: 中国梦), which was first frequently mentioned by the CCP General Secretary Xi on November 29, 2012, is the term which became popular in Chinese politics after 2013, reflecting the views of the Chinese Community Party in line with Chinese values and socialism goals (石, 2013). The Chinese Dream is based on the goal of Xi to become one of the leading developed countries in the world in the production of superior technology, in addition to the military and economic fields, in order for the PRC to take the place it deserves in the system and gain full respect (TURAN, 2020).

“Realizing the Chinese Dream, the great revival, is the biggest dream of Chinese citizens in modern times,” said Secretary-General Xi, and noted that this dream will “definitely come true” (中新网, 2013). The “Chinese Dream”, proposed by Xi Jinping, known for his nationalist identity, and was accepted as the guiding ideology, became a very attractive collective vision for Chinese society and put XI in a different position from his predecessors.

The main purpose of the “Chinese Dream” can be summarized as “two centennial” goals, the goal of the 100th anniversary of the founding of the Communist Party of China in 2021, and the goal of the 100th anniversary of the founding of the People’s Republic of China in 2049, to achieve the supreme resurrection of the Chinese Nation, step by step and successfully, by rearing up to this date.
Exclusive manifestations of this matter: the prosperity of the country, the awakening of the nation and the happiness of the citizens.

Way to achieve this: following the path of socialism with Chinese characteristics, sticking to the system of socialism with Chinese characteristics, raising the national spirit and integrating China’s power.


China, which has become the second largest economy in the world, needed a transnational economic generation in order to raise its political and economic profile in global competition, to diversify its export and import networks, to carry excess manufacturing capacity abroad, to open new markets for its products, to provide cross-border employment opportunities for its citizens, and to guarantee the energy security it needs. China has started to adopt the transoceanic trade model established by England and Spain four centuries ago in order to realize the “Chinese Dream” that will make China a superpower. The aforementioned New Silk Road Project is syncretism by blending classical geopolitical ideas such as the well-known Sea Domination Theory (Admiral Alfred Mahan), Land Domination Theory (Halford

During the visit of the Chinese President to Indonesia in 2014, the “21st Century Maritime Silk Road”, which is expected to stretch across Asia, the Indian Ocean, the Persian Gulf, and the Mediterranean, was brought to the agenda. The first “Belt and Road Forum for International Cooperation” was successfully held on May 14-15, 2017 in Beijing. This was the highest level and largest multilateral diplomatic platform launched and hosted by China since the founding of the People's Republic of China. On April 26, 2019, Xi attended the opening ceremony of “The Second Belt and Road Forum for International Cooperation” and gave the opening speech titled “Belt and Road Cooperation: Co-Shaping a Brighter Future”. He also emphasized that the joint construction of the “Belt and Road Initiative” provides new opportunities for the development of all countries in the world, and opens new horizons for China's expansion and development.

3. **Current Status of the “Belt and Road Initiative”**

Today, with the encouragement of Chinese President Xi Jinping, the “Belt and Road Initiative”, which aims to integrate transportation infrastructure, trade, and investment between Eastern and Western countries, is defined as a historical step to accelerate the global economy. It also has political, military, social, cultural, technological, and ethnic dimensions. For this, the Chinese government is constantly making efforts in areas such as investment and cooperation in order to ensure the healthy and orderly development of the “Belt and Road Initiative” issue, even though it is faced with complex international and local situations. According to the 2020 World Investment Report of the United Nations Conference on Trade and Development (UNCTAD), countries’ Foreign Direct Investment (FDI) increased by 33.2% compared to the previous year and reached 1,313.77 billion USD in 2019. China, which ranks second after Japan (US$ 226.65 billion), invested US$ 136.91 billion. However, as the Chinese Foreign Direct Investment graph, covering a period from 2010 to 2019, shows, Chinese investment in 2019 peaked in the years from 2014 to 2017, 30.2% lower than in 2016, approaching US$200 billion (商务部, 2020).
If we examine the distribution of China’s foreign direct investments in 2019, according to the Chinese Ministry of Commerce and the State Foreign Exchange Administration’s data, the distribution of investments by sectors is as follows:

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Amount of Direct Foreign Investment (USD)</th>
<th>Percentage of Total Investment</th>
<th>Compared to Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Sector</td>
<td>2.44 billion</td>
<td>1.8%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Secondary Sector</td>
<td>20.24 billion</td>
<td>14.8%</td>
<td>+ 6%</td>
</tr>
<tr>
<td>Tertiary Sector</td>
<td>114.23 billion</td>
<td>83.4%</td>
<td>-5.9%</td>
</tr>
</tbody>
</table>
Primary Sector (Raw material sector): Includes any industry related to the extraction and production of raw materials such as farming, logging, hunting, animal husbandry, fishing and mining.

Secondary Sector (Manufacturing sector): Refers to any industry related to the production of finished and usable products such as textile, automobile, aerospace, chemistry and engineering industries, construction and shipbuilding, power plants, and agro-based industries.

Tertiary Sector (Service sector): In this field, the main focus is on providing services than manufacturing products such as transportation, storage, computers and software, food and beverage, entertainment, sports, education, health, law, tourism, and finance.

In 2019, China made investments in 63 countries along the “Belt and Road Initiative” and established nearly 11,000 businesses/companies. The investment amount was 18.60 billion USD, an increase of 800 million USD, or 4.5%, compared to the previous year. The manufacturing sector is the main sector in which China will invest, reaching 6.79 billion USD with an annual increase of 15.5% (商务部, 2020).

According to the data of the Chinese Ministry of Commerce and the State Foreign Exchange Administration, the global distribution of China’s Foreign Direct Investments (FDI) in 2019 was as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Investment Amount (USD)</th>
<th>Compared to Previous Year</th>
<th>Percentage of Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>110.84 billion</td>
<td>5.1%</td>
<td>80.9%</td>
</tr>
<tr>
<td>Latin America</td>
<td>6.39 billion</td>
<td>-56.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>North America</td>
<td>4.37 billion</td>
<td>-49.9%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>10.52 billion</td>
<td>59.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Oceania</td>
<td>2.08 billion</td>
<td>-6.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Africa</td>
<td>2.71 billion</td>
<td>-49.9%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total</td>
<td>136.91 billion</td>
<td>-56.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The Covid-19 or coronavirus pandemic, which emerged on December 1, 2019 (许雯, 2020) in the city of Wuhan, Hubei Province of China, and rapidly affected the whole world in a short time, was not only a health crisis, but also a modern-day epidemic that affected the whole world, turning into a global economic and social crisis. Due to the epidemic, human mobility, production, and trade have come to a standstill from time to time. The socio-economic damage caused by the epidemic is much greater than the global crises and disasters that have taken place in the last half-century. In the “Global Economic Outlook Update Report” published on January 26, 2021, the International Monetary Fund (IMF) estimated global growth as -3.5%, World Trade Volume (Goods and Services) as -9.6% for 2020 (IMF, 2021). Even today, we still witness the shock effects of this epidemic and the economic and social uncertainty it caused.

Although worldwide trade and foreign investments have shrunk due to the pandemic, the Chinese government continues its investments to maintain the “Belt and Road Initiative” in a healthy way, while on the other hand, it continues to invest in fields such as artificial intelligence, telecommunications, cloud technologies, 6G technology, and big data analysis, and developed the infrastructure to build a new global “Digital Silk Road”. Founded in 1985, the global telecommunications giant Chinese ZTE (Chinese: 中兴通讯) currently covers more than 160 countries and regions in terms of service area and serves more than a quarter of the world's population. Thus, China has laid the solid foundations of the “3D [Turkish: Deniz (sea), Demiryolu (railway), Dijital (digital)] Silk Road” for the realization of the “Chinese Dream”, which has influenced the world and whose influence will increase even more.

According to the “China’s Overseas Investment and Cooperation Development Report” published by the Ministry of Commerce of the People’s Republic of China in December 2020, as of October 2020, China signed cooperation agreements in the “Belt and Road Initiative” with 138 countries and 30 international organizations. In 2020, non-financial direct investments of Chinese companies in 58 countries along the “Belt and Road Initiative” amounted to 17.79 billion USD, an annual increase of 18.3%. From January to July 2021, non-financial direct investments of Chinese companies in 56 countries along the “Belt and Road Initiative” amounted to 73.07 billion Yuan (11.29 billion USD) with 9.9% annual increase, and Chinese companies have invested in countries such as mainly Singapore, Indonesia, Bangladesh, Vietnam, Malaysia, Thailand, Kazakhstan, Saudi Arabia, United Arab Emirates and Laos (中商部, 2021).
Briefly put, since the Chinese government put forward the “Belt and Road Initiative” in 2013, they have signed cooperation agreements with 138 countries and 30 international organizations to jointly build the project, increasing the trade volume to 9.2 trillion USD. In this way, the project covers 65% of the world's population, half of the global GDP, 25% of all cross-border trade and 75% of the energy reserves in the world (EGIAD, 2020).

According to the most recent data, as of January 2023, the 10th anniversary of the “Belt and Road” initiative, China has signed more than 200 cooperation documents on the joint construction of the “Belt and Road” with 151 countries and 32 international organizations. More than 3,000 cooperation projects have been signed, with an investment scale of nearly US$1 trillion (中商部, 2023).

4. China’s Relationship with Azerbaijan and Armenia in the Framework of the “Belt and Road Initiative”

When referring to the Caucasus, countries such as the South Caucasus-Azerbaijan, Armenia and Georgia, which are important for the “Belt and Road Initiative”, come to the fore. This study focuses on Azerbaijan and Armenia, the two main actors of the long-running Karabakh conflict.

4-1. Azerbaijan’s economy and Azerbaijan’s relationship with China

Azerbaijan and China, which both enjoy two thousand years of history and today’s relations between modern states, established diplomatic relations on April 2, 1992 for the last time. Although the relations between these two countries have had ups and downs, the geographical location of Azerbaijan, the passage of the “Middle Corridor”, which is one of the routes in the “Belt and Road Initiative”, and its rich energy resources have attracted China’s attention to this region. In 1994, the two parties signed the “Agreement on the Promotion and Mutual Protection of Investments between China and Azerbaijan”. In 1992, the two parties established the China-Azerbaijan Intergovernmental Economic and Trade Cooperation Committee. Bilateral trade volume, which was 1.5 million USD at the beginning of diplomatic relations, increased 990 times to 1.486 billion USD in 2019 (China Statistics) (王春刚, 2020). Looking at the current data, China has become Azerbaijan’s fourth largest trading partner, third largest source of imports, and sixth largest exporting country. The areas of cooperation have also continuously evolved and diversified from the initial export-import trade to today’s oil and gas development, investment, project undertaking, tourism, information and communication technology, logistics and transportation, etc.
China sold 8 “Typhoon” missiles with a range of 60-80 km to Armenia in May 1999 (Arayış, 2020). However, China’s commitment to train Armenian soldiers and signing a free military aid agreement negatively affected the relations between Azerbaijan and China. However, China’s opening up to the West through the “Belt and Road Initiative” and its strategy in that direction favors Azerbaijan. This has been a catalyst for the further development of Azerbaijan-China relations and the safe and rapid progress of economic cooperation. Ten countries in Central Asia, including China, came together at a high-level meeting in Baku in November 2011 and signed the “Central Asian Regional Economic Cooperation 2020 Strategy” (CAREC 2020). Juan Miranda, Director of the Central and West Asia Department of the Central Asian Bank summed it up as follows: “The member states of the Central Asian Regional Economic Cooperation are more united than ever before, and the ‘Central Asian Regional Economic Cooperation 2020 Strategy’ will accelerate this process. Thanks to this strategy, Central Asia will regain its important position as an international trade and commercial transport hub, and seize future opportunities.’ (卡里莫夫·拉沙德, 2011). President of Azerbaijan Ilham Aliyev expressed his political will on this issue as follows: “Azerbaijan fully supports China’s ‘Belt and Road Initiative’”. There are very good prospects for cooperation in the field of transportation between our country and China.” (BAYRAMOVOV, 2019).

Today, Azerbaijan’s economy, which is among the top 10 most reformist countries in the world, grew by 4.6 percent in 2022 and reached 78.7 billion dollars (Xəbərlər, 2023). In recent years, 260 billion dollars has been invested in the development of modernized infrastructure in Azerbaijan, half of which is foreign investment. In this process, 15,000 kilometers of roads and highways were built with the aim of building bridges between Asia and Europe, and being a logistics top, by taking advantage of the geographical location of Azerbaijan. Aiming to become a world-class intermodal logistics center in the center of Eurasia, the new international Baku Port reached a capacity of 15 million tons of cargo and 100,000 containers in 2019. Having the second phase of the construction of the port complex completed, the total carrying capacity of Baku Port will increase to 25 million tons of cargo and containers up to 500,000 TEU (BakıLimanı, 2020). The Baku-Tbilisi-Kars railway network, which was put into service in 2017, is not only a regional project connecting three countries, but also an important part of the Eurasian transportation corridor that connects the continents by land.

Preferring communication through Azerbaijan in order to facilitate faster transportation between the Far East and Europe by land and rail means that China pays billions of dollars to Azerbaijan. This communication can also be the beginning
of the return on local investment in this area. With its sustainable development and appealing investment policies, Azerbaijan has entered a growth period and has become a key country in China’s “Belt and Road Initiative”. American Diplomat, David Merkel, referred to this matter while giving a speech at the VII. Global Baku Forum in March 2019, as follows: “Azerbaijan is the heart beat of the ‘Belt and Road Initiative’ (ONA, 2019).” For this reason, political ties between Beijing and Baku began to strengthen and investments began to increase. China has directly invested 800 million dollars in the Azerbaijan economy, and Azerbaijan has invested 1.7 billion dollars in China (Arayış, 2020). Asian Infrastructure Investment Bank (AIIB), which was established with the initiative of China, gave a loan of 600 million USD to the Trans-Anatolian Natural Gas Pipeline Project (TANAP) on 21 December 2016 (REPORT, 2016). At “The Second Belt and Road Forum for International Cooperation” held in Beijing on April 26, 2019, Azerbaijani and Chinese companies signed contracts with a total value of 821 million USD in various fields (Azadlıq, 2019). Investments and business partnerships of Chinese private companies in Azerbaijan are increasing day by day. Azerbaijan has become China’s largest trading partner in the South Caucasus.

4-2. Armenia’s Economy and Its Relationship With China

Armenia, which is referred to as “God’s backyard flower garden” by Chinese tourism organizations, and also referred to as “Silicon Valley of the Soviets”, is a country with limited economic development in the South Caucasus, relatively poor, whose main source of income is agriculture and animal husbandry. Armenia, which has more than 670 proven reserves of underground wealth such as iron, copper, molybdenum, lead, zinc, gold and silver, and large amounts of pumice, marble, tuff, limestone, basalt and salt deposits, supplies its basic energy needs from Russia. The state economy is largely dependent on the investment and support of diaspora Armenians and foreigners. After the collapse of the Soviet Union in 1991, Russia, struggling with its own economic difficulties, withdrew its support from Armenia. Concurrently, Armenia devastated its economy getting stuck between Armenia and Azerbaijan of which its diplomatic relations deteriorated due to the Karabakh conflict.

Armenia’s GDP decreased by about 60% in 1992-93 from its 1989 level. The national currency, the dram, was hyper inflated for the first few years after its launch in 1993 (Stringfixer, 2019). (Note: Hyperinflation is when inflation exceeds 200 percent per year.)
Armenia, which has been far from prosperity since the day it gained its independence and has sought a way out, has pursued an active development policy, facilitated investment procedures, and made permanent reforms in order to revive the country's economy, strengthen its foreign trade network and economic ties with other countries, and attract foreign investors. The Armenian economy, which joined the World Trade Organization in December 2002, grew rapidly in 2004 and the GDP growth rate reached 10.1%. In 2005, it encouraged businesses to privatize, attracted strong foreign investment, and effectively maintained the momentum of economic growth. According to official data from the World Bank, the Gross Domestic Product (GDP) in Armenia has increased by nearly eight folds, from US$ 1.6 billion in 1996 to US$ 12.65 billion in 2020. Output (GDP) increased 8.46 times from US$ 504.06 in 1996 to US$ 4,265.45 in 2020 (ECONOMICS, 2022). Today, Armenia’s GDP value represents 0.01% of the world economy.

Armenia’s Gross Domestic Product (GDP) 1996-2020

(Billion USD)


China is Armenia’s second largest trading partner after Russia. In order to expand cooperation through the “Belt and Road” project, Armenian President Sarkisian and the Prime Minister Abramyan visited China consecutively in 2015. Chinese leaders have repeatedly stated that Armenia has become an important strategic partner of China in the Trans-Caucasus region and attaches great importance to including Armenia in regional projects. Armenia has always followed a “diplomacy priority”
and a clear friendly policy towards China. Today, the two countries have come to a series of ideas and collaborations within the framework of the “Belt and Road Initiative”. The companies of the two countries cooperated in the construction of highways, power plants, production capacity and new energy fields in Armenia, and achieved significant results. After Azerbaijan, Armenia became a dialogue partner of the Shanghai Cooperation Organization (Chinese: 上海合作组织) on April 16, 2016 (上合组，2016). Thus, it has become a diverse platform for bilateral cooperation, an effective collective strength and provides new opportunities. In March 2017, the Asian Infrastructure Investment Bank (AIIB) approved Armenia’s membership.

The bilateral trade and investment cooperation between Armenia and China has developed over the years. This was seen as an exciting development for both sides.

**Mutual Trade Balance of Armenia and China 2003-2018**

(X thousand USD)

![Graph showing mutual trade balance between Armenia and China 2003-2018](Image)

**Source:** CEIC Data (东方金诚, 2020).

According to the China’s Ministry of Commerce (中商部, 2020):

In 2003, Armenia’s exports to China had decreased by at least 73.25% compared to the previous year and amounted to 1.78 million US dollars, while imports from
China amounted to 4.71 million USD with an increase of 142.97%, and the trade volume decreased by 24.5% annually to 6.40 million USD.

In 2019, bilateral trade volume increased by 43.5% annually to 759 million USD, Armenia’s imports from China increased by 2.94% to 220 million USD, and its exports to China increased by 71.12% to 539 million USD. Compared to 2003, Armenia’s trade volume has increased 116 folds, exports to China 302 folds, and imports from China 46.8 folds in 2019.

Between January and October 2020, bilateral trade volume between China and Armenia increased by 33.18% yearly to 747 million USD. Chinese exports to Armenia increased by 6.38% yearly to 193 million USD, and imports from Armenia increased by 45.98% yearly to 554 million USD.

The main exports of China to Armenia include: machinery and electronics, steel, household appliances, building materials, furniture, medical equipment, communication tools, computers, accessories, textiles, spices, etc. The main products exported from Armenia to China are: copper and copper concentrates, ore, scoria, gold and precious stones, alcoholic and mineral beverages. Between January and October 2020, 95.97% of Armenia's exports to China consisted of copper and refined copper. Chinese private companies are often interested in promising investment projects in Armenia, including renewable energy, infrastructure, mining and processing industries.

Although Armenia does not show a good economic development in general, the country can be tracked sort of economic development move in the country in recent years. Struggling to survive in turbulent period after the 44-day Second Karabakh War and the COVID-19 pandemic, which caused heavy losses in the army and the budget, the Armenian government not only gave importance to strengthening economic cooperation with China, but also gave importance to the military, defense industry, modern production, culture, and also endeavored to deepen cooperation in tourism, R&D (research and development), and information technology exchange. Armenian government has attached special importance to its relations with China, believing that the “Belt and Road Initiative” will benefit the country’s development both in the medium and long term, reduce its dependence on Russia by attracting China to the region, and open new doors for comprehensive relations with the world.

In the words of Armenian Prime Minister, Nikol Pashinyan, who was re-elected on June 20, 2021, “We believe that the opening of the region’s economic and transport link can qualitatively change the content and structure of the Armenian economy (AJANSI, 2021).”
According to China, the insurmountable risks for investment and cooperation in Armenia are manifested in the following five factors:

- **First, Historical risk:** The historical “Karabakh” problem with Azerbaijan and the involvement of Turkey, Russia, USA and EU forces in this.
- **Second, Dependency risk:** The relationship between dependency on Russia and inability to get out of Russia’s control. It should be said that Armenia has a tendency and danger to “depend” on Russia in terms of military, politics and economics.
- **Third, Geographical risk:** Significant worsening of the geo-security situation. Armenia, which has no coasts, is stuck between Azerbaijan in the east, pro-US Georgia in the north and Turkey in the west, and is diplomatically isolated with these states. As the former Prime Minister of Armenia, Serzh Sargsyan said, only Iran acts as “lungs” for Armenia from the south (BABAOĞLU, 2020).
- **Fourth, Notion risk:** Although Armenia is “feeding” from Russia and “breathing” through Iran, its heart beats for the EU and the USA.
- **Fifth, Main risk:** The main problems in the legal system, the deficiencies in the state authority, the current bad situation in the communication and transportation infrastructure, etc.

The above-mentioned Armenia’s risk factors disturb China very much, and cause uncertainty and negative consequences regarding China’s geostrategic, investment-cooperation policy towards Armenia. On the other hand, in terms of China’s transit value, it is seen that the value of Armenia has decreased.

In short, in the last 15 years, China’s trade with Azerbaijan has increased 4 folds, its trade with Georgia 19 folds, and its trade with Armenia 21 folds (ATLI, 2020). Although this trade volume in the South Caucasus region does not look so promising, compared to China’s trade volume in other regions, China’s attitude towards entering the South Caucasus region is very clear. Aiming to increase its influence in the South Caucasus and ensure the smooth progress of the “Belt and Road Initiative” passing through the region, China has started to have a say in the region through logistics infrastructure, telecommunications, hydroelectric power plants, TANAP, US Sixth Fleet region, and Anaklia Port and other projects with superior strategic dimensions through Asian Infrastructure Investment Bank, Bank of China and private company establishments.
5. Conflict In The South Caucasus, Regional Powers and Chinese Approach

South Caucasus is the name of a region with a total geographical area of approximately 186,100 square kilometers, located on the border line between Eastern Europe and Western Asia, between the Black Sea and the Caspian Sea. South Caucasus (Trans Caucasus) region is located in the heart of Eurasia and consists of three countries which are Azerbaijan, Armenia and Georgia. There are some war-prone areas in the world that often have special geographic locations and important geopolitical values. For this reason, this region has been the focal point of military strategists since ancient times and has witnessed numerous conflicts throughout history. South Caucasus region has the same characteristics. When these features are combined with its complex ethnic structure, the region can be referred to as “a sleeping volcano of war” or a “frozen conflict” area. While the Karabakh problem was considered as an internal matter of the Soviets until 1991, after 1992, with the membership of both Armenia and Azerbaijan to the UN, and the Organization for Security and Cooperation in Europe, the problem turned into an international issue (ASLANLI, 2001). The 44-day Second Karabakh War, which broke out on the morning of September 27, 2020 and resulted in the military and diplomatic victory of Azerbaijan, was the reason for the irregular and untimely eruption of this “sleeping volcano of war”. Today, although the sounds of gunfire in the region are completely ceased, it is obvious that the problem has not been fully resolved. Will there be a bigger conflict? Providing a definite response to this question may seem a bit far from reality. When we look at the world history, the wishes of the small states are insignificant at all times before the interests of the big states. When we look at it today, it is quite clear that Russia did not focus on finding a solution to this historical problem during the conflict, and that it exhibited a policy of keeping Azerbaijan and Armenia by creating more uncertainty.

Traditionally Influencing Russian Approach in the South Caucasus Region

Moscow, which took a “wait and see” position at the beginning of the Second Karabakh War, broke its silence after 13 days later. Russia knew that this region had a former Soviet geography, an institutional memory, and a right to say. Russian Ministry of Foreign Affairs summoned the foreign ministers of Azerbaijan and Armenia to Moscow, and an agreement was reached as a result of a ceasefire meeting that took nearly 11 hours. This means that Putin’s Russia is the most influential actor in the region, and Putin’s Russia sees NATO’s expansion to the east of Russia, that is, its arrival in the South Caucasus region as a red line, and insists on this red line. Thus, Putin prevented Armenia from suffering a decisive defeat by pacifying Azerbaijan and Armenia. Although Azerbaijan remained loyal to the ceasefire,
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Armenia repeatedly violated the ceasefire. Russia stepped in and a ceasefire was re-established, Armenia violated again. Here, it should be explained that there are nearly 5000 Russian soldiers and advisers in the Armenian army under the control of the Russian army. It is not possible for any action of the Armenian army to be made without the knowledge of the Russian army. Azerbaijan managed to liberate an occupied part of its homeland, and Russia tested the dependence of Azerbaijan and Armenia on itself.

Putin’s redline is to hinder NATO’s siege from the south. For this reason, conflict between Azerbaijan and Armenia is believed to be remained unresolved during Putin’s era. Putin’s intent is to magnify the problem rather than solving the territorial conflict since the existence of such conflict between two countries will reinforce Russia’s power in the mentioned territories.

USA, another significant factor in global spectrum as well as the South Caucasus region, has pursued an active policy in the region since 1991. USA’s geopolitics regarding South Caucasus became more active and eager after the emergence of Russia’s frailty especially after the Second Chechen War. It would be possible to state that the USA, in some way, had pursued a pro-Armenia and Georgia, and anti-Azerbaijan policy in the region. Washington had put effort into establishing a diplomatic relationship of ordinary nature between Ankara and Yerevan. The effort of the USA to sign the protocol prepared for the normalization of relations between Turkey and Armenia on October 10, 2009, was commendable. However, this protocol has not entered into force due to Turkey’s preconditions for possible positive developments in the Karabakh conflict. The USA has been content with only diplomacy in the region and has not taken effective military, investment, and economic initiatives.

It is necessary to emphasize that some actors with significant strategic insights will play a more active role than the military budget in order to be successful on the global chessboard. We can clearly see how Moscow used tactics in the 2008 South Ossetia War, and the helpless USA left Georgia alone. The US could not even act as an effective diplomatic mediator in the Second Karabakh War. As a result, it has been proven to the whole world that the USA cannot get its own way as it wishes in an important arena like the South Caucasus.

**Chinese Approach To This Conflict**

China sought a shorter and faster alternative route to Russia’s Siberia railway to reach Europe by land, and as mentioned above, China carried out important diplomatic activities in the South Caucasus, the “heartbeat” of China’s “Belt and
Road Initiative”. This is the primary reason for China’s interest in the region. In May 2019, Chinese Foreign Minister, Wang Yi, made a historic visit to Azerbaijan, Georgia and Armenia, reaffirming the important position of these countries in the “Silk Road Economic Belt” and strengthening their diplomatic relations.

Beijing predicts that if the dynamics in the South Caucasus are disturbed, a high “wall” that is difficult to overcome for its diplomatic interests will be formed and this instability will threaten everyone’s peace and security. For this reason, China wants to boost its relations with the Caucasian countries, which big states such as Turkey, Russia and Iran historically have a say, and are in a geographical and geostrategic position today. (TULUN, 2017)

Turkey, Iran, Russia and the South Caucasus have a special importance in the West Asian Corridor that is the “Belt and Road Initiative”, and these countries make a different contribution to the progress of the project. Although economic powers such as Turkey, Iran and Russia contribute much more to this project, the economically poorer small countries in the South Caucasus cannot provide the desired contribution. However, although the developments in the region are not very important for China economically, they are very significant geopolitically. The South Caucasus region has a decisive role through which direction China’s “Belt and Road Initiative” will evolve in the future, and the Second Karabakh War concerns China more. (AYBAR, 2020)

Among the huge infrastructures in the South Caucasus, the most sensitive relationship with the “Belt and Road Initiative” is the “Trans-Caspian International Transport Route” (TITR). This route, called the New Eurasian Land Bridge and bypassing Russia, has a total length of 4,766 kilometers. This route, which is connected to the Baku-Tbilisi-Kars railway from Kazakhstan, reaches European countries such as Ukraine, Romania and Italy. Since the route does not pass through Russia, China can reduce the impact of Russia’s embargo on EU goods. With the completion of the project, shipments from China to Europe will only take 15 days, which will be faster than sea freight and much cheaper than air freight.

Although these are known as great advantages for China, it is still too soon to argue that Beijing is the main player in the region. The economic opportunities offered by China are significant from the South Caucasus countries’ point of view. At the same time, if we look from the geopolitical perspective, these countries see China as an alternative to their relations with Russia and America at a time when the world is again shaped by the power struggle. Beijing seems to have built an attractive foreign policy framework with a soft diplomacy scorecard for the countries of the region, as
the countries in the region need diplomatic diversity, and to break off from the
traditional influence of other states. Here, China adheres to its classic diplomatic
understanding of international relations and non-interference in the country’s
internal affairs, and to its image that says, “I am a comfortable partner”. However, it
is also possible that China will avoid standing against the “Great Powers” such as
Turkey, Russia and Iran, which have an influential role in the region for these “Small
States”.

6. Disadvantages of Regional Geopolitics In The “Belt and Road Initiative”

The South Caucasus is a region whose reconstruction and revitalization has remained
in the background since history. The “Belt and Road Initiative” is an opportunity for
the development of the South Caucasus, the revival of the economy, and minimizing
the development differences with the non-Caucasus. While some experts view it
positively, some experts see it as a danger for the region. As a result, it is a fact that
despite all kinds of negativities, there is a process that progresses as the “Belt and
Road Initiative” (YILMAZ, 2020). However, given the background of the global
powers in Afghanistan, Kashmir, Kyrgyzstan, Myanmar and Ukraine, the passage of
tanks through these roads and the docking of warships and submarines at the ports
will be a disaster for the region. It is inevitable that the South Caucasus region will
be one of the hottest spots of our age. Another important point is that the historical
conflict between Azerbaijan and Armenia in the future may not be resolved in the
short term, just like China’s problem with Taiwan and India. Although Azerbaijan
made serious gains in the war, it is estimated that this region cannot remain calm for
some reasons. This can be considered the biggest advantage of China’s “Belt and
Road Initiative”. The Belt and Road Initiative was interrupted by the Ukraine war.
The Chinese government urgently needs to revive the Middle Corridor (MC). For
this reason, China should be able to keep the Southern Caucasus states, including
Turkey, Russia and Iran, together, expand its influence in the region and make
extensive investments in the Southern Caucasus.

Beijing’s soft policy and heavy investments and its increasing influence in the South
Caucasus will not benefit Moscow in the long run. Therefore, Russia does not want
China’s authority in the region to weaken its political and economic influence.
Although Russia’s relations with China are good, the intensification of China's
presence in the region will begin to be seen as an expected problem in the China-
Russia relationship in the future.

The hidden aims of the “Belt and Road Initiative” and the help of small countries
struggling in debt to China have started to be heard day by day. According to China,
the “Belt and Road Initiative” should be processed from east to west, that is, from themselves to Europe, and not from west to east (KARACA, 2020). With this mentality, it seems difficult for China to follow a policy of mutual respect, mutual benefit, and mutual utilitarianism and to find support for the continuation of the project.

The rise of China and its “New Silk Road” initiative also threatens the global hegemony of the United States of America, which emerged victorious from the Second World War and the Cold War that followed (TEKİR & DEMİR, 2018). Donald Trump’s tough stance on his policy towards China in the recent period and the Biden administration's effort to create a worldwide alliance in order to be in a strong position against China are known as efforts to reduce China's global influence. The biggest concern of China is the formation of a global bloc led by the USA, and its opposition to the “Chinese Dream”. Here, it is useful to remember the EU and its power of influence, which is stuck between the USA and China.

The policies implemented by the Beijing government in East Turkistan for years have also found their way in the international arena. Human rights organizations closely follow the situation in the region and express it at every opportunity. With the joint statement signed by 43 countries, including Turkey and Germany, at the UN on October 21, 2021, China was condemned for the oppression and violence applied to the Uyghur Turks and other minorities in the Xinjiang Uyghur Autonomous Region (Welle, 2021). For this reason, and with China’s harsh approach in Hong Kong in 2020, China's rising image was damaged in the international arena, and it has disappointed democratic countries. For this reason, China's ongoing “Belt and Road Initiative” may also face unexpected challenges.

Due to the year-long Russia-Ukraine conflict, China’s investments in the area have been squandered, the global supply chain has been interrupted, and the “Belt and Road Initiative” has been negatively affected. Because of this unforeseen reason, China has halted additional investments in the section of the “New Eurasian Land Bridge” that will travel through Russia. In order to expedite the implementation of alternative paths, the Xi administration began to prioritize the South Caucasus. However, China’s support for Russia, which is acknowledged as an occupier in the international arena, is undermining China’s name and image overseas. This is likely to make Beijing’s “Belt and Road Initiative” more challenging to implement.
7. Conclusion

1. As an important player in the region, Turkey and its sister country Azerbaijan will play a decisive role in the progress of the “Belt and Road Initiative”. The Beijing government should give importance to this, while determining its regional policy and maintain a balance between Iran and Russia. Otherwise, these three “enemy” friends can upset the balance at any moment and spark great destruction.

2. It is obvious that the US defines the vision of the “Belt and Road Initiative” as China's expansion policy, a rationale for a new generation invasion plan, and a risk that will pose a threat to America in the future (YILMAZ, 2020). Blocking the “3D Silk Road” is the White House's national security strategy. Therefore, the most active points in the near future will be Central Asia and especially the South Caucasus region. In the face of this situation, countries in the region with a high probability of a secret or open US-China “war” need to produce a new medium and long-term, comprehensive foreign policy.

3. The policy of the Chinese central government in the Uyghur region, and its stance on other historical and traditional issues concerning the Turkish world may have a negative impact on the Central Asia and South Caucasus region.

4. Russia, which is experiencing economic difficulties due to the EU and US embargo, plans to overcome the difficulties through close cooperation by supporting the “Belt and Road Initiative”, but it will not allow China's influence to grow in the neighboring countries.

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