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**Theme: China's Belt and Road Initiative and Its Impact on the Caspian Basin**

**Graduate student: Maryam Khanbabazada**

**Supervisor: Dr. Gunay Bayramova**

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## **INTRODUCTION**

This thesis examines China's Belt and Road Initiative and its political and economic impact on the countries of the Caspian Basin. The research is structured across three main chapters along with the introductory and concluding parts. The introductory chapter starts with a general overview of the Initiative and continues with a discussion on academic literature by focusing on the development of the project during years. Scholarly works on the Belt and Road Initiative and its effects on the Caspian Basin are examined here. As the region plays a vital role in the implementation of the project for connecting Europe and Asia, the discussion about the impact of the project on the region countries has been added to the work. The Chapter follows to discuss the relevance of the topic and presents the research question that guides the thesis. The first part of the thesis concludes with laying out the theoretical and methodological foundations of the research.

### **General Overview of the Belt and Road Initiative**

Several centuries after the collapse of the Ancient Silk Road, in 2013 Chinese President Xi Jinping proposed the New Silk Way project during his speech at Kazakhstan's Nazarbayev University. He said: "We should take an innovative approach and jointly build an economic belt along the Silk Road" (Witte, 2013). A month later, Xi talked in Indonesia: "The two sides should work together to build a Maritime Silk Road for the 21<sup>st</sup> century" (Centre, 2013). These two phrases were first mentioned by President Xi Jinping. He wanted to restore ancient routes and improve relations and cooperation with not only neighboring countries but also other nations in the world. This initiative is called as "Belt and Road Initiative" or "One Belt One Road" (OBOR) in modern history. The OBOR initiative is considered the largest infrastructure project since the Marshall Plan, aiming to modernize the Ancient Silk Road.

From the liberalism perspective, economic cooperation, trade, and interaction between countries resulted in sustainable peace and security in the world. That is why, the Belt and Road Initiative has been of great significance for the economic and political relations of the countries over history. One part of this project goes through the Central Asia to Europe by crossing the countries along this way. The Caspian region plays a crucial role from this perspective while being a major transportation road for the implementation of the Silk Road Economic Belt. Through this road, countries make cooperation for the transportation of goods and services, energy resources including oil and gas via the network of railways, energy

pipelines, highways, etc. This would increase the international role of China by influencing currency, markets, and technologies around the world (James McBride, 2023).

### **Review of Academic Literature**

In recent times, the rise of China as a global economic powerhouse has garnered significant attention from scholars and policymakers, leading to an increased focus on China's emerging soft power. China's efforts to shape a positive self-image and exert influence on a global scale have sparked extensive critical discourse. Therefore, China's "Belt and Road Initiative" has attracted the attention of many scholars, well-known researchers, and politicians. There are endless books, journals, and articles related to the initiative. As being a broad topic and vital policy, different approaches have been given by researchers. Heng Wang, Alvaro Mendez, Nugent Jeffrey, Julien Chaisse and Jędrzej Górski are considered as the major researchers in this field and they gave their approaches, and expectations by analyzing the economic, and political relations of countries, as well as about the Caspian basin. Together with those scholars, different researchers wrote about the implications and perspectives of the OBOR, but it is normal to see opposite views because of the different points of view. There is a growing academic literature on the project examining the soft power of China, political and economic implications of the OBOR.

The Belt and Road Initiative (BRI), an ambitious project initiated by China, has garnered significant attention due to its potentially substantial and significant impacts. Chinese experts who participated in internal meetings with government departments have indicated that, in the early stages of the BRI, economic concerns took center stage. Many policy discussions revolved around finding a solution to the issue of excessive industrial capacity. The Chinese policy community recognized that financing infrastructure projects in other countries would be an effective approach to alleviate the overcapacity problem since domestic consumption, particularly in the infrastructure sector, was not expected to experience significant growth. However, Chinese policy researchers acknowledged the importance of Beijing avoiding the public perception that the primary purpose of the BRI was to address its domestic economic challenges. Such a stance could undermine the official narrative, which consistently emphasizes win-win cooperation and Beijing's generosity in providing international public goods (Li, 2020).

Considerable attention has been given to comprehending the motivations and repercussions of the infrastructure initiatives propelled by the Belt and Road Initiative (BRI). Based on our

research discoveries, we propose that the discernible patterns in non-infrastructure outward foreign direct investment (FDI) from China to BRI-associated nations correspond to the differing stages of economic development between China and its BRI partners. While certain countries may harbor disagreements within their local populations, Chinese investors and host country governments are actively attentive to the potential unintended consequences stemming from these FDI investments. By proactively addressing these concerns, the positive and mutually advantageous effects of the BRI can be safeguarded and maintained in the long run, ensuring sustained prosperity for all participating countries. (Nugent Jeffrey, 2021).

Scholars like Julien Chaisse and Jędrzej Górski also emphasize the economic dimensions of the initiative. They highlight that the OBOR (One Belt, One Road) project presents an opportunity for developing nations to alleviate poverty and promote economic development. According to them, through enhanced economic cooperation and the establishment of new transportation infrastructure, countries can achieve interconnectedness and a reduction in trade costs, ultimately contributing to global economic growth. Economic connectivity has the potential to mitigate conflicts and tensions between states. However, one consequence is the diminishing role of other countries in international trade, as China's influence increases. This is exemplified by the rising prominence of Chinese technologies in trade at the expense of other brands. Another author points out the growing dependence of other nations on China due to substantial debts owed to the country. For instance, in exchange for debt repayment, Sri Lanka agreed to transfer ownership of a significant portion of its seaport to China. Consequently, China may utilize these debts to exert political leverage and establish political dependence on itself within recipient countries (Julien Chaisse, 2018) (Penglin Zhu, 2019).

In addition to the existing literature that explores the overall economic, environmental, and political aspects of the OBOR project, certain studies delve into the project's impact at a country-specific level, examining how it influences political and socio-economic development in particular nations. Selmier's work focuses on the role of Kazakhstan within the project. As a key country situated in Central Asia, Kazakhstan plays a crucial role in the OBOR initiative, particularly in terms of its route towards Europe. The OBOR project aims to enhance connectivity among nations, and from this perspective, countries like Kazakhstan serve as transit hubs for its implementation. The BRI fosters economic interdependence among participating countries, which in turn promotes sustainable development, security, integration of socio-economic development, and poverty reduction worldwide. Consequently, Kazakhstan and China are engaging in cooperation, as the routes from China pass through Kazakhstan,

namely the New Eurasian Land Bridge and the China-Central Asia-West Asia Corridor. Both of these routes traverse the Central Asian region and underscore the region's significance in the context of the OBOR project (Selmier, 2018).

The literature on the Belt and Road Initiative (BRI) recognizes Kazakhstan as a major player in Central Asia and the Caspian basin, while Azerbaijan is regarded as a strategically important partner in the South Caucasus region. Consequently, there are scholarly works focusing on Azerbaijan's role within the project. One author examines how Baku contributes to and benefits from the initiative. Azerbaijan has been a supporter of the project from the outset, demonstrated by the signing of a memorandum with China in 2015, which marked the beginning of Azerbaijan's support for the BRI. The country holds significance as a strategic partner, both economically and politically, as it actively seeks to enhance economic growth, financial strength, and political stability, particularly through the development of the energy sector. From this standpoint, the author argues that the BRI presents potential benefits for Azerbaijan in terms of trade and transportation fees. Given its strategic location between European and Asian transportation corridors, Azerbaijan has considerable potential to offer opportunities to the project. Additionally, participation in the BRI has attracted increased investments to Azerbaijan. The growing trade turnover between China and Azerbaijan since their cooperation within the Belt and Road initiative serves as evidence that the project has created new opportunities and enhanced cooperation between the two countries. It is noteworthy that Azerbaijan serves as a key transit point for the short railway route between Europe and China. Recognizing Azerbaijan's role and its relationship with China, former Deputy Assistant Secretary of the US State for European and Eurasian Affairs, David A. Merkel, referred to Azerbaijan as the "beating heart of the BRI," citing its strategic location and potential opportunities for the project. Even in the aftermath of the Second Karabakh and Russia-Ukraine conflicts, the future prospects for Azerbaijan and the region have shown signs of growth and development (Flavio Comim, 2020) (Alvaro Mendez, 2022) (Babayev and Ismayilzade, 2020).

Alvaro Mendez examines the impact of the Russia-Ukraine war on the implementation of the Belt and Road Initiative (BRI). China has emphasized that a portion of the project is intended to pass through Kazakhstan, traversing the Caspian region, including the Caucasus. The relations between Kazakhstan and other countries in the South Caucasus region are highly favorable, offering promising opportunities for future cooperation. The onset of the Russia-Ukraine war has brought the Trans-Caspian transportation corridor into focus for both the Caucasus region and Kazakhstan. Simultaneously, Europe has sought closer engagement with

these countries as a means to reduce its dependence on Russia. Given these circumstances, implementing the project through the Caspian region aligns well with Chinese policy objectives. The positive relationships and potential opportunities with countries in the Caspian region indicate favorable prospects for China's connection with the European Union in the future (Alvaro Mendez, 2022).

While considering the important role of Kazakhstan and Azerbaijan as transit countries, the political and economic consequences of the project for these countries have been stressed. Regionally, as a part of the project Caspian countries gain more from the opportunities of the OBOR both as supplier and transfer countries. From the liberalism perspective, the Belt and Road project creates a condition for the participant countries to provide connectivity and dependence on the economic field with each other. As the initiator of the project, China aims to develop regional and global cooperation and mutual development by signing trade agreements with countries. China also provide these countries with investments which fosters economic growth and at the same time, develops its soft power around the participant countries. By making investments and giving loans to the countries, China increase its sphere of influence and as a result, some less developed countries become the victim of debt-trap diplomacy. Some countries are able to be away from this policy according to their economic development strategies.

As the discussion above presents, academic literature primarily focuses on political and economic implications of the Initiative on China's global role. This is complimented by the scholarly works specifically examining the impact on individual countries of the Caspian Basin.

### **THE RELEVANCE OF THE TOPIC**

Today globalization process affects all fields and tries to eliminate barriers among the countries for achieving sustainable peace and security. As the key tool for economic globalization, the OBOR is very essential for both China and participating countries to strengthen trade relations and cooperation. The countries are benefitting from the project and this has a crucial impact on the political relations as well. The Caspian region as a major transportation hub is getting more due to being a part of the project. China is taking the Belt and Road as a symbol of peace, cooperation, economic development, openness, and equal opportunities which will be resulted in the sustainable prosperity of this region.

All the countries which are located through this road are going to be influenced by this project. This project covers most of the world's countries including the Caspian region which affects the economic development of the countries. The Caspian region plays a crucial role in the implementation of the "New Silk Road" and at the same time, these countries are benefitting from the project. After the Ukraine War, the potential role of the project seems to be increased. Because Europe tries to decrease its energy dependence on Russia and wants to cooperate with Asia including Caspian countries to provide for their needs after recent wars. This policy paves the way for the Caspian region to play the role of transportation road between Asia and Europe by considering geostrategic importance of the region. The influence of China in this region is not as much as the US and European countries. While considering the good relations of China with Caspian countries, China can foster economic cooperation within the framework of the OBOR and it can serve the political and strategic goals as well.

### **Research question**

My research will be based on the following question:

*How have Caspian countries been affected by the One Belt, One Road (OBOR) project?*

The **objectives** of the research is to:

- Analyze the development of the Belt and Road Initiative
- Analyze the the role of Caspian region in the implementation of the project
- Emphasize the influence of the project on the Caspian countries
- Conduct the analysis about the influence of the project on the Caspian countries like Kazakhstan and Azerbaijan
- Analyze challenges and advantages as a result of the project

According to the objectives of the study, the following **tasks** have been undertaken:

- Research of the historical development of the New Silk Road
- Monitoring of news and interviews related to the implementation of the project
- Acquiring deep knowledge about the structure and direction of the BRI
- Analysis of different approaches to the impact of the initiative on the Caspian countries
- Examination of the role of the Caspian region in the realization of the BRI



The **object** of the research is the policy of Caspian countries that have been involved in the initiative and their role in the development of the project. Those participating countries cooperate under the Belt and Road Initiative and benefit from the opportunities of the project. This project has a vital impact on the political and economic policy of involving parties which fosters the integration process and increases economic ties among states. After the recent developments, Europe is going to foster its ties with Asian countries for decreasing dependence on Russia which helps the development of the role of the project for the upcoming years, too.

The **subject** of the research topic is the Chinese policy that aims to establish win-win cooperation and achieve sustainable development of nations under the Belt and Road initiative. China has also used this project as a political tool for gaining dominance in the world. As a result of the increasing amount of loans, and investments to the participants within the framework of the project, China increases its influence over these countries. On the other case, countries are going to develop their economies through cooperation and economic globalization. So, an analysis of the economic and political aims of China shows how it can have an impact on the world order and specifically on the Caspian region. To analyze the advantages and challenges of the project, the research has been conducted at the national, regional, and international levels.

## **THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF THE STUDY**

The thesis is built upon the liberalism theory with its sub-theories Nye's Soft Power theory and Complex interdependence theory. As designed for developing trade relations, cooperation, establishing liberalization, and collaboration, the OBOR project is relevant to the liberalism principles. Through the establishment of combined routes and the development of bilateral and multilateral relations, countries are moving away from the specter of wars. This cooperative approach fosters interdependence among nations, thereby reducing the risk of conflict while simultaneously enhancing the economic well-being of the participating countries. Advocates of liberal theory emphasize that increased interconnectedness and communication between nations, coupled with political and economic reforms, can be disseminated globally, facilitating a shared understanding of common global concerns. Moreover, the promotion of free trade among states fosters economic interdependence, which in turn provides peace and cooperation on a global scale (Moravcsik, 2001). By fostering greater interdependence and facilitating increased economic exchanges among states, the conditions are created for collaborative

development and win-win cooperation. The Chinese initiative serves as an example of an approach that promotes mutual economic gains and benefits for all parties involved. While focusing on the Caspian region it can be noted that according to the liberalism principles, increasing cooperation and trade relations with Asian countries as well as China foster communication and helps the countries to achieve integrated ambitions.

In the field of international relations, Joseph Nye has put forth the concept of soft power, which sheds light on China's ambitions through the Belt and Road Initiative project. Soft power refers to the ability of a country to attract and influence others without relying on coercion or force. China utilizes soft power strategies to enhance its impact and achieve its objectives. One of the key aspects of soft power is the utilization of economic tools as a means of attraction. A strong economy not only allows for financial transactions and the imposition of sanctions but also serves as a source of attractiveness. By leveraging its economic resources, China aims to entice and influence other states in the international arena. (Nye, 2011)

Culture plays a significant role in the realm of soft power. It serves as an important tool to shape perceptions, values, and behaviors (Nye, *Soft Power*, 2004). Alongside cultural elements, economic resources, diplomatic efforts, and effective communication are also considered indicators of soft power. Nye argues that economic resources can serve as a magnet, attracting other states and thereby contributing to the generation of soft power. Nye's soft power theory offers insights into the ways in which countries, including China, employ non-coercive methods to increase their influence and shape international relations. By employing economic tools, cultural elements, diplomacy, and effective communication, China strives to enhance its soft power and achieve its strategic goals (Nye, 2011). This is much more influential strategy in order to promote Chinese values and increase its sphere of influence by this policy.

The research analyzes the implications of the project for the Caspian region and how China affects the economic improvement of the developing countries. However, the implementation of the project has a special impact on the relations of neighboring countries which foster economic cooperation and trade relations with each other.

The chosen methodology for this research involved conducting a comprehensive literature review by examining various academic writings, journals, articles, and books pertaining to the

Belt and Road project, specifically its historical development and impact on the Caspian region. Due to the multifaceted nature of the topic, particular attention was given to analyzing the role of the Caspian region and its individual countries within the framework of the project. The research was carried out using a qualitative approach, resulting in the production of this thesis.

The literature review revealed diverse perspectives on the subject matter, and the paper primarily focuses on the political and economic consequences of the Belt and Road project for the countries in the Caspian region. In order to support the analysis, figures and statistical data were incorporated, highlighting Chinese investments and trade relations. Additionally, a comparative method was employed to analyze the national and global interests of the countries involved. Consequently, the research placed a particular emphasis on the national and global policies of Kazakhstan and Azerbaijan. The research problem addressed in this study was to ascertain the impact of the Belt and Road project on the participating states. On one hand, these states derive benefits from the project through the development of trade relations and the establishment of economic interdependence. Therefore, on the other hand, they also express concerns and dissatisfaction arising from the increasing soft power exerted by China. There are many gaps in the existing literature related to this topic.

However, the analysis presented both the positive and negative consequences of the Belt and Road initiative for China and the countries in the Caspian region. Furthermore, the study incorporates recent events to incorporate the most up-to-date developments and realities related to the topic.

## **CHAPTER 1. THE CHANGING ROLE OF CHINA AND THE DEVELOPMENT OF THE BELT AND ROAD INITIATIVE**

### **1.1. DEVELOPMENT OF THE BELT AND ROAD INITIATIVE**

A long time ago, several routes were constructed on this planet, spanning 8000 kilometers on land and sea. They became a vibrant pathway for trade to share goods, people, cultures and ideas were named the "Silk Road" over time. As a result, economic cooperation and trade improved among the countries, and this led to a development in the geopolitical situation of the region as well. The Silk Road aimed to provide interaction among nations, the beginnings of a global community, and the groundwork for the development of the world. After great geographical discoveries, the speed of sea transportation, the cheapness of transportation costs, devastated wars, and other factors resulted in the decline of the Ancient Silk Road.

China has experienced several global and regional initiatives over its history similar to the Silk Road project. It should be mentioned that during the implementation of the Ancient Silk Road project, China developed, lived prosperous ages, and played a great role in the world history. After the decline of the Silk Road project, China gave its leading power over maritime trade and routes to European countries. From time to time, Portuguese, Spanish, Dutch, and British Empires increased their power of influence over the world, respectively. British Empire became a global power over the maritime routes and maritime trade in the world and ruled a quarter of the world's population until the middle of the 20th century. Following this, the United States of America started to take on the status of a hegemonic power in all spheres of geopolitics. In spite of internal strife and conflicts occurring within China, the country managed to uphold Deng Xiaoping's "reform and opening" policy during this time. This policy led to significant progress in less-developed areas of China, bolstering the nation's economic well-being. China's growing influence in the region created a complex situation and posed a significant hurdle for the United States. Following these successful reforms, China emerged as the world's second-largest economy. (Morrison, 2019) Despite its developing power, China was very attentive when implementing foreign policy issues within the rules of the USA. If the rising power of China in the region makes the USA worried and dissatisfied, eventually the USA can respond in some form and prevent such a situation, which is not in its interest. Finally, the 2008 financial crisis has resulted in the increasing power of the USA in this region, and the USA has played the role of the leading country since the Second World War.

In 2011, the USA suggested a new concept named the "Pivot to Asia" (Lieberthal, 2011). The main aim behind this initiative was to maintain dominance over East Asia. The USA also strengthened relations with China's neighbors and positioned them as China's most important rivals in the future. The establishment of the free trade zone, the Trans-Pacific Partnership, announced the open policy of the USA towards China while excluding China from the trade zone. But Beijing also had some plans to recover its power in the region.

According to the tradition in the Communist Party of China (CPC), each new leader is expected to present an updated international strategy, or at least new visions or slogans, based on a comprehensive evaluation of China's new domestic and international circumstances. Xi Jinping followed this tradition. After being elected as Secretary-General at the 18th CPC National Congress in November 2012 (he became President of China in March 2013), China's strategic community believed that China faced three major challenges. Firstly, there was excessive industrial capacity and a slowdown in high-speed economic growth, which required broader international cooperation to access larger overseas markets. Secondly, there was a global economic slowdown and the possibility of a decline in globalization, leading to the initiation of new regional or sub-regional collaborations like the Regional Comprehensive Economic Partnership (RCEP). Finally, the Asia-Rebalancing strategy of the Obama administration resulted in a strategic distancing between China and several neighboring countries, including Japan, Vietnam, and the Philippines, among others (Zhexin, 2018).

Inspired by ancient developments, the new president decided to provide a "peaceful development strategy" and enhance connectivity among nations while recovering its influence in the East. As a result, it caused some doubts and concerns about the intentions of China in the neighborhood. China's economy is mainly dependent on the global economy, and China is also a major trade partner for many countries around the world. To ensure stability and improve collaboration between nations, this project is much more useful and strategically important for China to implement. Indeed, Chinese President Xi Jinping first proposed a unique project, One Belt, One Road," connecting three continents while on an official trip to Kazakhstan in 2013 (Witte, 2013).

After the President of China made official visits to Asian countries to give his proposal and have a discussion about the initiative, positive responses from other parties made the initiative

successful. All these visits and reactions from participant countries demonstrated that BRI is a very ambitious plan. On the one hand, the project is useful for the development of China, while on the other hand, it demonstrates the strategic needs of other countries.

In the years following the introduction of the Belt and Road initiative, Xi Jinping has entered into numerous agreements with various international institutions (such as the Shanghai Cooperation Organization and the Boao Forum) and countries to facilitate its implementation. These agreements can be classified as either bilateral or plurilateral, depending on the number of parties involved in the agreement with China. Examining the main agreements provides several noteworthy observations. Firstly, bilateral memorandum of understanding (MOUs) with other governments are the most prevalent type of agreement, indicating China's inclination towards informal bilateral relationships. Secondly, the primary agreements underscore China's growing engagement with the United Nations (UN). (Wang H. , 2021) China has concluded BRI agreements with around 20 UN agencies, including the UNECE-NDRC MOU, the first China-UN MOU. (Wang H. , 2020) Nevertheless, the Belt and Road became a vibrant international project of China for joint economic development and played the role of an umbrella mechanism behind bilateral trade. Implementation of this project helps to ameliorate hostilities and promote security cooperation in the region, and as a result, sustainable development can be provided among nations.

There were several motivations behind this project that drove China to implement this initiative. Firstly, it was about the rivalry with the United States. A significant portion of China's global trade relies on sea routes that pass through the Malacca Strait near Singapore, an important ally of the US. The BRI's motivations encompass China's desire to establish a more reliable trade network, reduce dependence on potential adversaries, increase its sphere of political influence, soft power, and stimulate economic growth. Through this initiative, China seeks to shape the global order, protect its economic interests, and strengthen its position as a major global power. (Dr Yu Jie, 2021).

When the Belt and Road Initiative was introduced by the Chinese government in 2013, the response from the United States was relatively subdued. While the US declined to join the Asian Infrastructure Investment Bank (AIIB) proposed by China, senior officials in the Obama administration rarely publicly discussed or explicitly criticized the Belt and Road plan.

However, in the past several years, the construction of the Belt and Road Initiative has made significant progress and garnered widespread international support. It has gradually become a crucial component of China's national development strategy and foreign policies. As the Belt and Road construction continues to advance, Washington views the initiative as an essential element of China's overall strategy, which has led to increasing concerns that China may challenge and undermine US interests on a global scale (Zhao, 2021).

Another significant factor driving the initiative is rooted in the aftermath of the 2008 financial crisis. In response to the crisis, the Chinese government implemented a stimulus package worth \$4 trillion, which involved awarding contracts for the construction of railways, bridges, and airports. However, this led to oversaturation of the Chinese market. The Belt and Road framework offers an alternative market for China's extensive state-owned enterprises, extending their reach beyond China's borders (Yu Jie, 2021).

Lastly, the OBOR project is considered a major component of the Chinese government's strategy to invigorate the economies of the central provinces, which have historically faced economic disparities compared to the more prosperous and developed regions. By leveraging the Belt and Road initiative, the government actively promotes and supports businesses in these central areas. They allocate substantial funds and incentivize businesses to compete for contracts related to the Belt and Road projects, thereby fostering economic growth and development in the central provinces (Yu Jie, 2021).

The Belt and Road Initiative (BRI) holds significant importance in addressing the lack of infrastructure facilitating faster movement of goods between China and Europe, as well as from Europe to China. The initiative aims to enhance trade relations along the Europe-China trade route, spanning the Middle East, Central Asia, and Southeast Asia. One of the core objectives of the BRI is to establish a comprehensive network of infrastructure and facilities, ensuring efficient connectivity and seamless trade flows across participating countries. (Wang H. , 2021) The BRI emphasizes that forging infrastructure and facilities networks is crucial in establishing efficient transportation routes, including roads, railways, ports, and airports. These infrastructure projects contribute to reducing transportation costs, improving logistics, and facilitating the movement of goods, thereby promoting trade and economic integration.

In addition, the BRI emphasizes the coordination of development efforts among participating countries. This involves aligning policies, regulations, and standards to create a conducive environment for trade and investment. By coordinating development plans, countries can synchronize their efforts to promote economic growth and regional cooperation. Another area of focus is strengthening trade relations. The BRI seeks to expand and diversify trade between participating countries, encouraging the exchange of goods, services, and investment. By enhancing trade relations, countries can unlock new market opportunities, stimulate economic growth, foster mutually beneficial partnerships and increase interconnectedness.

Financial cooperation is also a key aspect of the BRI. This entails facilitating cross-border investments, promoting financial connectivity, and supporting infrastructure projects through funding mechanisms such as development banks and investment funds. Financial cooperation plays a vital role in ensuring the availability of capital for infrastructure development, enabling countries to realize the full potential of the BRI. The BRI aims to deepen social and cultural exchanges among participating countries. By promoting people-to-people connectivity, cultural understanding, and academic exchanges, the initiative seeks to foster mutual respect, cooperation, and shared development. These social and cultural exchanges contribute to building trust, strengthening diplomatic ties, and creating a solid foundation for long-term cooperation.

Overall, the BRI addresses the need for robust infrastructure and facilities networks, efficient trade routes, coordinated development efforts, financial cooperation, and social and cultural exchanges. By focusing on these key areas, the initiative aims to promote inclusive and sustainable development, strengthen regional connectivity, and create a favorable environment for trade and cooperation among participating countries. As a result of achieved cooperation among states, they became economically dependent on each other which on its own guarantees the security among the participant countries (Wang H. , 2021).

One Belt, One Road, or the Belt and Road Initiative, consists of two major components: "The 21st Century Silk Road" (Maritime Silk Road) and "The Economic Belt of the Silk Road". While paying attention to the name, it can be explained that "the road" actually means a network of maritime lanes starting from China through Southeast Asia and Africa and continuing



towards Europe. "The belt," on the other hand, refers to the land routes running from China through Central Asia to Europe. (Hoffman, 2015)

The land-based "Belt" connects China with Central and South Asia, extending further to Europe. On the other hand, the sea-based "Road" connects China with Southeast Asian nations, the Gulf countries, East and North Africa, and ultimately reaches Europe. The initiative has identified six specific land-based economic corridors: the China-Mongolia-Russia Economic Corridor, the New Eurasian Land Bridge, the China-Central Asia-West Asia Economic Corridor, the China-Indochina Peninsula Economic Corridor, the China-Pakistan Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor. (Group, 2019)

After short time announcement in Kazakhstan, Xi Jinping talked about the Maritime Silk Road in Indonesia which is considered as the other part of the project. The Centuries ago, dating back to 2,000 years, the Maritime Silk Road commenced from the southeastern coastal regions of China, embarking on an extensive journey across oceans and seas, connecting with nations in Southeast Asia, Africa, and Europe. China proposed the initiative to establish a new Maritime Silk Road of the 21st Century in collaboration with countries along the ancient Maritime Silk Road. The primary goal of this initiative is to revive the historical trade route and generate increased benefits for the countries and people involved. (Service, 2020)

The Chinese government asserts that the primary aim of the Maritime Silk Road and the broader One Belt, One Road initiative is purely economic, with a focus on "win-win cooperation" to foster shared development and prosperity. Additionally, the objective is to enhance economic and cultural integration between China and the participating states. However, it is important to note that there are underlying diplomatic, economic, and strategic factors at play beyond these stated objectives. China's maritime diplomacy has shown a growing interest in the Indian Ocean, as evidenced by the signing of agreements with countries like Maldives, Mauritius, Thailand, and Djibouti to connect ports and enhance cooperation among nations. Through a joint effort with participating countries, China has constructed a new railway that will bring prosperity and benefits to all involved. Consequently, China has become a significant player in the Indian Ocean, with a strong naval presence and efforts to ensure free trade through the signing of agreements. These agreements facilitate the removal of trade barriers and tariffs, promoting trade and investment liberalization among countries, including those with islands.

The Maritime Silk Road also offers loans, investments, aid, and the establishment of new markets, contributing to economic development in the participating countries. China's ambitions with the Maritime Silk Road include increasing its soft power and gaining access to the participating countries. The United States is concerned about China's growing influence in both the ocean and land, and has taken steps to assert its dominance in the region. (Péter, 2017), (Xinhua, 2017)

Main strategy of the OBOR is to make investments in the specially, developing countries in order to build new infrastructure, roads, railways, pipelines and etc. Together with some Asian countries, European countries also benefit from billions of dollars in Chinese investments under the umbrella of the New Silk Road. Most of the investments go to the United Kingdom, Germany, France, and Italy as the major European countries for engineering, the construction of infrastructure, facilities, and the energy sector. During the China-Central and Eastern Europe summit in 2013, plans to build a new railway between Hungary and Serbia were announced by China (Staff, 2017). Cooperation in this field has started to develop with other European countries as well. East-West relationships under the framework of the OBOR overlap with some European development programs, such as the Juncker Plan, which provides investments to the countries for eliminating bottlenecks, especially in the region of Eastern and Central Europe. Therefore, China enhanced the efficiency of the initiatives, and it shows that BRI projects can even be coordinated with European programs. Because increasing Chinese investments result in capital flow, growing technology, social-economic modernization, integration, and other positive consequences for Europe, BRI also provides geopolitical and political opportunities for Europe (Wang Z. , 2014).

The implementation of projects under the One Belt One Road initiative, such as railway and road networks, enhances connectivity for Chinese firms with neighboring countries. Naturally, this increased connectivity may lead to heightened competition for certain companies in the European Union (EU). Additionally, the ongoing restructuring of the Chinese economy contributes to this dynamic. Rising wages and stricter internal regulations push China towards high-quality, innovation-driven industrial production, supported by smart industrialization efforts outlined in the government's modernization program. Chinese companies, producing goods with greater added value, inevitably intensify competition for European manufacturing companies. Previously, major trade routes primarily centered around Western European ports, located in countries with significant influence within the EU. However, the new infrastructure

developed through the One Belt One Road initiative favors Eastern EU member states and Mediterranean ports, resulting in another noteworthy economic impact. Finally, European companies interested in participating in these initiative projects may face a competitive disadvantage due to a lack of transparency compared to Chinese companies. (Viktor, 2019)

It is almost clear that the USA has had an influence in the region since the post-World War II period. During World War II, European countries were in ruins, and to recover their economic and political power, they needed financial aid. According to the Marshall Plan of the USA, several European countries have benefited and recovered their economies. After that period, the "Americanization" process started to appear in Europe, and all these factors resulted in the increasing power of the USA in Europe. Today, China's Belt and Road Initiative has some similarities with US policy and offers Europe an opportunity to decrease American influence over the region, which gives the countries a secondary role. It is one of the reasons that Europe is ambivalent about relations with China. But the initiative is providing beneficial investment in Europe and Chinese investments are increasing day by day. There are several acquisitions of European companies take place such as Greece's largest port, Piraeus, by the China Ocean Shipping Company for 369 million euros. According to the statistics, since the cooperation with Chinese companies started, The port has seen dramatic development in container throughput. This indicates the win- win cooperation strategy between Europe and China. (Xinhua, 2023)

China has several strategic goals for the implementation of the One Belt, One Road initiative. Firstly, China aims to provide an integration process and promote cooperation under the policy of peaceful diplomacy towards Central Asia, Europe, and Africa. This huge project gives great opportunities for not only China but also other participating countries. As a result, the connectivity of nations will improve trade relations and provide security among states. Free trade and economic cooperation play a crucial role in the development of countries and provide not only exchanges of goods but also services, cultures, languages, etc. From a liberal perspective, most of the members of the One Belt, One Road initiative believe that this initiative will bring sustainable peace, welfare, security, and economic improvement to their countries. Increasing economic interdependence provides security and sustainable development among the states while decreasing the possibility of the potential conflicts and political confrontations. China also considers the project to be of mutual trust and benefit for all parties, which means all participating countries will benefit from the initiative (Lepinske, 2017). As an initiator and major investor in the BRI, China provides soft power to other countries. Because China's

culture, traditions, and values spread over the world as a part of the globalization process and affected countries, one of the aims of China was to counter the influence of Russia and the USA in the region (Paul J. Bolt, 2018). It is almost clear that those countries were considered major powers, and they wanted to gain dominance over the world. The OBOR initiative has played a vibrant role in raising the power of China in the region since its establishment.

When it comes to the implementation of this project, it should be noted that the most important and visible part of the implementation of the initiative has been the infrastructure. To implement the initiative, new roads, bridges, airports, pipelines, and other facilities must be constructed. It is almost clear that, because of financial difficulties, some less developed countries are not capable of building such facilities. For that reason, to fund the reconstruction initiative and regulate enormous cash flows, the Chinese government has established two new financial institutions: the Silk Road Fund and the Asian Infrastructure Investment Bank. The Silk Road Fund, which operates under the oversight of China's Central Bank, possesses a total of 40 billion dollars. Its primary objective is to contribute to the development of various regions within China, with particular emphasis on the underprivileged western regions. Subsequently, in 2016, the Asian Infrastructure Investment Bank (AIIB) was established as a multinational financial institution with a capital base of 100 billion dollars. The AIIB's primary purpose is to provide loans for economic projects (Yang, 2019). Its organizational structure is similar to that of the International Monetary Fund and the World Bank. The bank was established at the suggestion of China and other member countries. The biggest financial contributors to the Belt and Road are the China Development Bank and the Export-Import Bank of China. Additional funds for the construction initiative could come from China's foreign exchange reserves and other countries' wealth funds, (Corporation, 2018)

As China's ambitious plan for economic integration, implementation of the Belt and Road initiative is an expensive endeavor, costing multi-billion dollars and sometimes called the "Chinese Marshall Plan" by observers. But the major difference between the Marshall Plan and the BRI was that China provides funding with shared economic gains (win-win cooperation), and helps less-developed countries recover their economies. For example, in Kenya, China built a railway costing about \$3.2 billion, connecting the port city of Mombasa with the capital city of Nairobi. It now takes about four hours to get between the two cities, approximately a third of the time it used to take on the old rail system. Not only in Kenya but also across the world,

the Belt and Road project means billions of dollars of investment from China. China will thereby increase its economic and political influence over them (Miriri, 2019).

## **1.2. ECONOMIC INTERCONNECTEDNESS AND CHINA'S INCREASING SOFT POWER**

During the visit of President Xi Jinping to Kazakhstan, he first proposed a land-based project called the "Silk Road Economic Belt," which is an essential part of the initiative connecting Asia with Europe and located along the ancient Silk Road. The main objective of the initiative is to strengthen trade among nations, exchange cultures, and build infrastructure and facilities by constructing railways, bridges, roads, pipelines, hydroelectric dams, and much more. (Kunaka, 2018).

The OBOR has made it possible for countries to expand their economic growth potential. This is explained by the fact that the OBOR offers countries the opportunity to expand their economic activities through trade with other countries. The OBOR has five major cooperation priorities. The first is policy coordination. It involves the promotion of intergovernmental cooperation at several levels, an intergovernmental mechanism for the exchange of macroeconomic policies and communication, mutual political confidence, a common destiny, and a new consensus on cooperation. The OBOR emphasizes the importance of countries' coordination of economic development strategies and policies, working out plans and measures for regional cooperation, negotiating to solve cooperation-related issues, and jointly providing policy support for the implementation of practical cooperation and large-scale projects. The second is plant connectivity. It is OBOR's number-one priority. Based on international law, it stresses the improvement of infrastructure along the OBOR routes to get an efficient infrastructure network connecting all sub-regions in Asia, Africa, and Europe. It improves traditional connections like highways, railways, postal services, aviation, shipping, pipelines, electricity, customs, border defense, quality inspection, and planning. It also assists in promoting green infrastructure and low-carbon building (Commission, 2015). Chinese national economic plans and spatial strategies have two objectives: carrying out national demands for economic development and ecological sustainability as well as constraining what they frame as unhealthy autonomous local competition. Economic development and ecological sustainability can be opposing objectives. Port industries are often already big polluters from this point of

view. Located on lowlands, port cities, and their coastal regions are particularly at risk of water-related environmental catastrophes (Graceffo, 2019).

The third is open trade. The aim within the OBOR is to improve investment and trade facilitation, strengthen customs cooperation, strengthen trade areas, and develop modern trade in services and cross-border electronic commerce. It encourages the removal of obstacles to investment, cooperation in new industries, and the development of mutual investment areas. In addition, it encourages foreign companies to help build infrastructure or invest in the Silk Road. Fourth, tax integration is the essential basis on which the OBOR is implemented. It stressed the importance of further strengthening financial cooperation, the establishment of a stable exchange rate, strengthening customs cooperation, strengthening trade areas, and developing modern trade in services and cross-border electronic commerce. It encourages the removal of obstacles to investment, cooperation in new industries, and the development of mutual investment areas. In addition, it encourages foreign companies to help build infrastructure or invest in the Silk Road. It also highlights joint efforts through the Asia International Infrastructure Bank (AIIB) and the BRICS Development Bank. At the same time, it strengthens cooperation with financial institutions, including the Shanghai Cooperation Organization (SCO) and the China-ASEAN Interbanking Association. Number five is the connection between people. It identifies the social element in the implementation of the OBOR. It promotes friendly cooperation to facilitate cultural exchanges between students. It also contributes to the expansion of tourism by streamlining visa application procedures in the OBOR member countries. It strengthens scientific and technological cooperation and promotes research collaboration, too. In this age of globalization, governments are independent but interconnected, which helps them achieve development through cooperation (Isuru, 2021).

The BRI is a great project that increases the economic globalization process. The globalization process is very important for the development of countries. Developed countries play a crucial role in this process. Economic globalization results in the improvement of economies promotes sustainable growth, and ensures the economic security of all countries. The initiative itself is designed to significantly improve logistics and infrastructure throughout the countries participating in the project. This in turn will create an economic environment in which there will be more trade, more investments, more transfers of technology, and more transparency, which could lead to the development of free trade zones. As a result, tariffs will also be reduced among the various countries involved. It openly demonstrates that the major aims of the Belt

and Road are to provide an open market for free trade and cooperation among the involved parties. This is advantageous for mainly developing countries to improve their economies through cooperation. China has been a major supporter of economic globalization and the "open door policy. Because the Belt and Road Initiative will help China coordinate with other Eurasian countries, provide economic and financial integration, achieve people-to-people connectivity, and expand liberalization of trade among nations, it helps countries create a network of facilities and infrastructure for moving goods, services, people, and money to the countries they want. It can be the nature of connectivity and networks, but with restrictions by some partners; for example, selling goods to only a limited number of countries is allowed, according to the framework. Nevertheless, the Chinese government is against such a policy and creates a condition for ensuring connectivity among all nations without any objection. By adopting this policy, China will benefit not only in the economic sphere but also in political and geopolitical affairs while providing advantageous conditions for other participating countries. China announces that they prefer to import more goods for the rest of the world. From Africa, agricultural products like tea, coffee, and flowers are exported to Europe. China wants to support the less developed countries, especially countries like Kenya, which have traditionally looked towards Europe. So, the Belt and Road can present new market opportunities for such countries. Although these principles are considered the way forward for the economic development of the participating countries, the project implies an increase in the soft power of China around the world. All these activities towards the implementation of the project are goals for attraction and persuasion. Soft power is crucial for facilitating cooperative relations, generating interest in a particular state, and promoting cultural and ideological ideas to foster openness and dialogue between states. As China continues to grow its economy and military, it must also prioritize foreign policies that encourage cooperation and build trust to further its soft power capabilities (Boboc, 2017). China is going to devote around 1 trillion dollars to building roads, pipelines, highways, and other infrastructure within the framework of this project. All these activities, including the development of infrastructure in less developed countries, building new roads and bridges, giving loans, and other activities, improve the prestige of China in the eyes of the participating countries. This attitude serves the interests of China, which can use this opportunity for the development of soft power (Huang, 2017).

With China's rapid economic ascent over the past two decades, its position as a global leader and the world's second-largest economy has propelled it towards a more resolute and engaged foreign policy. Through economic reforms and a shift in its approach to international relations,

China has experienced remarkable growth, emerging as a key player on the global stage. China has initiated several government initiatives to diversify its economic, political, and cultural strategies to promote its regional interests and enhance its image as a political entity and economic partner. Since the announcement of the initiative, China has forged strong partnerships across Asia, Africa, and Europe, with a significant increase in Chinese investments year by year. Politically, it has improved relations with many countries, resulting in strengthened bilateral cooperation across several industries and fields (Boboc, 2017). China is making efforts to disseminate its successful development model, which has played a crucial role in lifting millions of its citizens out of poverty. The project, often regarded as a means of exerting soft power, aims to enhance regional connectivity. It involves the integration of the Silk Road Economic Belt and the Maritime Silk Road by establishing an extensive network of railways, roads, pipelines, ports, and telecommunications infrastructure. This ambitious initiative seeks to foster economic integration from China across Asia, the Middle East, Africa, Europe, and other regions. To finance a portion of these international projects, China has provided contributions towards the funding of the OBOR initiative. (Zou, 2018)

As it is obvious, the Belt and Road initiative is made up of several economic corridors to different parts of Europe. But there is only one corridor connected to just one country, which is the flagship project of the BRI, the China-Pakistan Economic Corridor. Like several countries in the South and Central Asian regions, Pakistan has a stagnant economy and a corruption problem. Before China came along, this place was not popular or favorable for foreign investment. In 2001, China offered to build a brand new port in the small town of Gwadar. By 2018, the port, highway, and railway networks had become a 62 billion-dollar corridor within the initiative (Prasso, 2020). It seemed to benefit both countries and positively impact Pakistan's economic condition. There are some disturbing points as well, which added to Pakistan's troubles and put the country in the Chinese debt trap.

The situation involving Sri Lanka's Hambantota Port showcased an example of debt-trap diplomacy. China provided a significant amount of loans, and when the Sri Lankan government faced difficulties in repaying the debt, China assumed control of the port through a 99-year lease in 2017. In 2018, during a speech at the Hudson Institute, US Vice President Mike Pence raised concerns about the persistent debt-trap diplomacy in Sri Lanka and suggested that the port could potentially serve as a forward military base for China's expanding blue-water navy. (Abeyagoonasekera, 2022) Considering such conditions, some countries are not satisfied with



the project. First of all, they think that to implement the BRI, countries need investments and loans from others, especially China. This means participating sides should take on debt to pay investors, and the mass amount of the borrowed payment can even end up making their vassal states. It can mitigate the countries' dependency on the existing lines. But, most of the countries which are a participant of the project are able to evaluate the situation according to their successful economic policy. In any case, to provide transparency into the BRI loans and protect less-developed countries from the debt trap, the IMF and China should take some steps.

Beijing has also established aid programs that diverge from the traditional standards of international development assistance. Its aid efforts primarily concentrate on partnerships with developing nations in the global South, and they are characterized by their lack of conditionality. These aid programs primarily take on a bilateral nature and encompass various forms of official government funding, including grants, interest-free loans, concessional loans, and other types of support. Numerous training programs have been implemented to enhance public health, agriculture, and governance in recipient countries. However, while Chinese aid programs have been expanding, they still represent only a fraction of the assistance provided by major donors such as the United States, European Union institutions, and Japan (Albert, 2018).

Culture cannot be considered a separate part, even when trading happens, each sold item carries some narratives to other countries. As a result of this, intellectual and spiritual values are spreading, which affects China's soft power strategy positively. For example, Chinese language programs at Confucius Institutes in other countries play a crucial role in this process. As of 2017, 525 Confucius Institutes and 1,113 Confucius Classrooms had been founded in 146 countries (regions), with 118 Confucius Institutes in 33 Asian countries and 101 Confucius Classrooms in 21 Asian countries. (Müge Yüce, 2018) This numbers have increased until today.

Moreover, there are more than 245 examination centers established in countries along the "Belt and Road" initiative. In conjunction with language programs, Beijing has implemented 11 pilot Confucius Institutes across the globe to coordinate 23 professional cultural projects. These projects encompass activities like film festivals, film screenings, concerts, theatrical performances, art exhibitions, and publications, all aimed at assessing the cultural engagement

facilitated by the Confucius Institutes. As a result of these initiatives, over 7,500 cultural exchange activities have been conducted, involving the participation of more than three million individuals (Müge Yüce, 2018). All these activities are going to promote Chinese culture, education, language, and other norms in foreign countries. China has a better opportunity to spread its soft power throughout the world with the help of the Belt and Road initiative. In the realm of politics, particularly international politics, soft power refers to the capacity to entice and persuade rather than force or coerce. Essentially, soft power revolves around influencing the preferences and choices of others through appeal and attraction. What sets soft power apart is its non-coercive nature, relying on cultural, political, and foreign policy aspects to exert its influence.

## **CHAPTER 2: THE CASPIAN REGION AS A MAJOR LINK FOR THE OBOR PROJECT**

### **2.1. ECONOMIC CONSEQUENCES OF THE OBOR FOR THE REGION**

As it is obvious, in his speech at Nazarbayev University, Xi suggested that China and Central Asia cooperate to build "the Belt," the continental part of the Chinese vision, as opposed to "the Road," the maritime segment. The choice to unveil this enormous project in a country with a relatively low international profile suggests the significance that China attaches to Kazakhstan specifically as well as the broader region in which it is situated (Yellinek, 2020).

During the 1990s, following their independence, eight countries in the Caspian region emerged as potential rivals to the Middle East in oil and gas production. The region possesses significant energy reserves, accounting for approximately 2.7% of proven oil reserves and 7% of proven natural gas reserves worldwide. Situated between the Russian Federation, the People's Republic of China (PRC), Iran, and Turkiye, the Caspian region holds a complex geopolitical position. It serves as a focal point for various foreign countries, including neighboring nations, the United States, Europe, Saudi Arabia, Pakistan, Japan, and others, all with their respective political, economic, and business interests at stake. This convergence of interests creates a dynamic environment of competition, cooperation, and occasionally conflicts, making the region both attractive and challenging. Historical factors, alongside commercial and political considerations, play a crucial role in shaping the dynamics of the region (Pomfret, 2021).

President Xi's initiative aims to create a comprehensive network of railways, highways, shipping ports, improved border crossings, and energy pipelines, connecting states across the Eurasian landmass. When examining China's plan to establish rail and road connections between Asia and Europe, it becomes evident that the Central Asian and South Caucasus regions hold significant importance. While there may be other options available to China, this route serves as the most direct path to reach Europe. The Caspian Region plays a crucial role in two potential routes of this initiative. The first route aims to establish a connection between Urumqi, China, and Duisburg, Germany, while the second route plans to link Urumqi with Kars, Turkiye. Both routes would utilize existing and new rail infrastructure. Additionally, the China-Central Asia-West Asia BRI Corridor offers three potential routes, each connecting Kashgar, China, with Tehran, Iran, via countries such as Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan. These ambitious infrastructure projects will effectively bridge Europe and

the Middle East with China, with the Caspian region acting as a pivotal component of China's overland trade route aspirations. (Schulz, 2022)

The OBOR project is so crucial for the countries in Central Asia and the South Caucasus. These landlocked nations can benefit from improved infrastructure and enhanced economic capacity through closer ties with the world's second-largest economy. Being landlocked restricts their trade activities as they lack direct access to oceanic and maritime routes. Thus, this initiative provides an opportunity to boost their economies by facilitating increased trade flows.

A cursory glance at the map highlights the significance of Caspian basin within the framework of an initiative aimed at establishing rail and road connections between China and Europe. China shares its longest western border with Kazakhstan and also borders Kyrgyzstan and Tajikistan. These countries, along with Afghanistan and Pakistan, collectively form China's western border, providing a land route connecting China to the Middle East, the Mediterranean, and onward to Europe. (Yellinek, 2020)

The countries in Central Asia and the South Caucasus have the potential to reap substantial economic and infrastructural advancements through their proximity to the world's second-largest economy, China. With numerous ongoing and potential future projects within their borders, these nations stand to benefit from significant economic growth and improved infrastructure. In terms of the quality, the existing transportation infrastructure in the region is inadequate, and the OBOR has the potential to address this issue by facilitating the movement of goods and people both within and between states. It could also alleviate the financial burden on local governments to fund essential domestic projects. Several projects within the BRI are already in progress or have been completed, showcasing tangible results. For instance, Chinese railway construction enterprises commenced work on the Wahdat-Yovon railroad in central Tajikistan on May 15, 2015, and it was opened for traffic on August 24, 2016. Additionally, these construction firms were involved in the construction of the Angren-Pap Tunnel in Uzbekistan, which became operational in June 2016. These projects are expected to bring about transformative changes. However, it is important to note that maritime transport will remain more cost-effective compared to rail transport, as a large freighter can carry over 20,000 containers, while a train can accommodate only a few hundred. (Yellinek, 2020)

One positive aspect for the countries in the region is the increasing cooperation and competition within the extensive network established as part of the OBOR initiative. This approach represents the most effective means of developing relationships with the global community. Such cooperation not only reduces tensions among the countries involved but also ensures peace and security in the region. By fostering interdependence, these countries are more likely to cultivate mutual understanding and enhance their economic capacities. The connectivity among these nations allows for easy access to neighboring and international markets, presenting valuable opportunities for their economies. This is particularly significant as the economy serves as the foundation for state development and safeguards its sovereignty.

It is worth to mention that the countries located in this region are also considered as the major transport countries, and they gain benefits as transfer countries. Kazakhstan, for example, could receive a potential \$5 billion transfer fee each year from the goods passing through it to other markets. In addition, the projects will have a multiplier effect when it comes to attracting foreign investments, not necessarily just from the Chinese. (Yellinek, 2020) In any case, the region's countries have a crucial role in the implementation of the project, and they both benefit from this initiative. Revenues gained by the project developed the landlocked countries' economies and gave them the chance for mutual understanding and cooperation.

It is not surprising that Central Asia hosts one of the main routes connecting China and Europe under the BRI, known as "the China-Central Asia-West Asia Economic Corridor." This route runs from Urumqi in China's northwest through Almaty, Bishkek, and Tashkent. In Tashkent, the path splits, with one part heading north to Aktau, on the eastern shore of the Caspian Sea, and the other heading south to Ankara and Bandar Abbas, on the southern coast of Iran. This route traverses the South Caucasus countries, too. As part of this corridor, the South Caucasus plays an important geographical role while situating itself at the crossroads between Asia and Europe. This region has become a focus to implement the Belt and Road initiative. Azerbaijan, Georgia, and Armenia have emerged in the region after the dissolution of the Soviet Union. All these countries expressed their interest in being a part of the transportation projects to increase trade relations and develop economic ties with other countries. China does not have any special interest in the region's countries, as there is no border sharing with them. Nevertheless, because of its geopolitical location, the South Caucasus region has been active as a transportation corridor between North and South, East and West, and that is why the region have a significant role in the Belt and Road initiative, too. (Yellinek, 2020)

In 2015, China entered into significant agreements with the countries of Azerbaijan, Georgia, and Armenia in the South Caucasus, marking their involvement in the ambitious New Silk Road project. Among these countries, Azerbaijan holds particular importance in the successful implementation of the China-Central Asia-West Asia economic corridor (CCWAEC) within the broader Belt and Road initiative. This economic corridor offers both maritime and land routes connecting China to Europe, with the most efficient and direct path being the China-Central Asia-West Asia corridor, which passes through Baku an important route to Europe. The route originating in China extends to the port of Aktau, then proceeds to Baku, serving as a crucial link in this corridor. To enhance connectivity and competitiveness, Turkmenbashi, a new alternative port, was constructed in Turkmenistan along this route, adding to the options available on the Caspian Sea shoreline (Lei, 2023). This healthy competition has played a pivotal role in strengthening Azerbaijan's position within this strategic corridor.

The establishment of this new path also holds potential benefits for the European Union, as it offers integration opportunities with European markets. The efficient transportation and trade connections facilitated by this corridor can contribute to increased economic cooperation between China, Azerbaijan, and the countries of Europe. As the China-Central Asia-West Asia economic corridor continues to develop and evolve, Azerbaijan's geographical location and participation in the project position it as a vital hub for regional connectivity and trade, providing mutually beneficial opportunities for all parties involved. (Lei, 2023)

The Belt and Road Initiative has played a significant role as a connecting hub and bridging force, fostering greater regional connectivity through the development of world-class infrastructure, socio-economic integration, and the establishment of middle corridors. Among these corridors, the Middle Corridor (MC) stands out, enhancing connectivity and potential utility within the BRI framework. (Khan, 2023)

The concept of the Middle Corridor was originally conceived by Türkiye in the late 2000s. Türkiye recognized the strategic significance of establishing essential infrastructure, including ferries, ports, railways, and roads across Central Asia and the Caspian Sea, to foster regional connectivity and trade. The Middle Corridor is a trade route that encompasses the green fields of Central Asia, the Caspian Sea, and the Caucasus Mountains. With the advent of the Belt and Road Initiative, its trans-regional connectivity has been further strengthened. The corridor is

part of China's larger vision, known as the China-Central Asia-West Asia Corridor, which serves as a link between China, the markets of East Asia, Georgia, Turkiye, and the European markets. (Khan, 2023)

The ongoing conflict between Russia and Ukraine has presented an unexpected opportunity for regional countries in the surrounding area. Recognizing the potential benefits, leaders from countries such as Azerbaijan, Georgia, and Central Asian states have proactively embraced this emerging opportunity and initiated inter-state cooperation. Through regular bilateral visits and the signing of memorandums, they have been working towards minimizing tariffs and addressing border crossing challenges. Their collective efforts aim to facilitate the development of the Middle Corridor (MC), a vital trade route in the region. (Khan, 2023)

To further strengthen the Middle Corridor, several significant projects have been launched. In 2014, the Trans-Kazakhstan Railway was inaugurated, significantly enhancing transportation capabilities within the country. Additionally, the completion of the Baku-Tbilisi-Kars Railway in 2017 marked a major milestone. This railway provided a crucial rail passage through the challenging terrain of the Caucasus Mountains, reestablishing a vital connection that had been disrupted since the 1990s. (Khan, 2023) The development of the Middle Corridor holds immense potential for regional countries, offering new trade opportunities and economic growth. By leveraging this corridor, these nations aim to enhance regional cooperation, improve connectivity, and strengthen their position within the global trade network. The conflict between Russia and Ukraine, while unfortunate, has inadvertently spurred positive developments and increased collaboration among these countries, paving the way for a brighter future in the region.

In the China- Central Asia-West Asia corridor, two of the OBOR routes pass Turkmenistan. China wants to develop cooperation and increase annual export to China. Therefore, in 2020 Chinese companies entered into 27 new project contracts with a cumulative worth of US\$457 million in Turkmenistan. The majority of these new projects primarily focused on natural gas and development services, with Chinese contractors overseeing their execution and implementation. China is considered the most vital trade partner of Turkmenistan with 70% of the gas export are transported to China. Within the OBOR, Turkmenistan also wants some investments in order to transfer the country to an industrial country. There are some threats in

terms of Chinese loans, low priced gas export and etc. Which are not considered much more important than its gains from the initiative. Therefore, China and Turkmenistan both are benefitting from the initiative which fosters economic cooperation and trade among states. (Briefing, 2023)

If we evaluate the Chinese engagement in the Caspian region, it can be seen that although regional governments perceive Chinese in the region as beneficial for infrastructure development and integration into global trade and transit routes, there are apprehensions expressed by local communities regarding the expanding Chinese presence. Certain groups, particularly in Kazakhstan, have openly opposed projects led and financed by China, frequently organizing protests to express their opposition. In response, regional governments have taken prompt actions to suppress such dissent, aiming to avoid straining their relationship with Beijing. However, despite these efforts, there is a growing undercurrent of resentment towards China within the region. (Schulz, 2022)

Therefore, despite the challenges and problems faced by the Caspian countries, they are capable of increasing economic growth and prosperity. The OBOR project becomes a better opportunity to develop the region and achieve sustainable economic development of the regional countries. As a result of the investments, these countries are going to increase their economic capacity.

## **2.2. THE POLITICAL IMPACT OF THE PROJECT ON THE CASPIAN REGION**

The Caspian Sea holds significant geopolitical importance in the 21st century, and any political or strategic developments in the region have far-reaching implications beyond its immediate vicinity. But while implementing infrastructure projects, the security is much more important for the future. Due to the announcement of Xi Jinping, China has determined available routes to implement this purpose within the security framework. China has made huge amounts of investment in the countries located on these routes, but it preferred to target the safest regions while cooperating. Together with safety, China also takes cooperation and future perspectives with the involved parties into consideration. Because some countries on this route are the primary source of instability, conflicts, or threats in the world, these kinds of problems are being analyzed by China when it cooperate with and makes investments in these countries. By



considering these points as important for the future, China prefers more stable and relatively safe partners to cooperate and think about perspectives.

As the largest inland water resource in the world, the Caspian Sea is located at the crossroads between Asia and Europe. As it has a very important strategic location, the region has always attracted the attention of the Big Powers throughout history. There have been several major reasons for the importance of the region to the world's countries. The Caspian region holds significant value for countries utilizing it as a communication hub. Numerous nations now take advantage of this opportunity to transport their goods and services through the region. Moreover, the abundance of energy resources in the area positions it as a crucial supplier for countries worldwide. The Caspian region's cooperation among Central Asian and Caucasus countries further highlights the positive relations and friendship between them. This cooperative atmosphere serves as a guarantee for safety and stability in the region. Together, these factors contribute to the importance and appeal of the Caspian region to various countries and their economic and strategic interests.

To that end, China prefers to use the Caspian region for connecting with Europe because the region plays a crucial role in the implementation of the project. Therefore, there is a middle line that connects China with Europe via this region and is divided into two branches: The route, which we can define as the northern branch, continues as China-Kazakhstan-Caspian Sea-Azerbaijan. The southern branch proceeds on the China-Kyrgyzstan-Uzbekistan-Turkmenistan-Caspian Sea-Azerbaijan route (KAYA, 2022). The lines converging in Azerbaijan are then delivered to Turkiye via Georgia and eventually to Europe.

From this point of view of the Caspian Sea, there has been a rapprochement between Azerbaijan, Kazakhstan, and Turkmenistan, which are on both sides of the sea, recently because Azerbaijan and Turkmenistan reached an agreement on the friendship zone in the Caspian Sea in January 2021. Kazakhstan has also had various contacts with both Azerbaijan and Georgia since January 2022 (KAYA, 2022). In recent years, significant and dynamic transformations have taken place in the Caspian and South Caucasus regions. After lengthy negotiations spanning two decades, on August 21, 2018, the five Caspian littoral states—Azerbaijan, Kazakhstan, Turkmenistan, Russia, and Iran—successfully signed the Convention on the Legal Status of the Caspian Sea. This milestone agreement paved the way for substantial

developments in the region. One notable outcome of the Caspian Sea Convention was the improvement of bilateral relations between Azerbaijan and Turkmenistan. This progress led to a significant milestone in January 2021, when the two countries signed a Memorandum of Understanding (MoU) for joint exploration and development of an offshore field that had been previously disputed. The field initially referred to as Kepez by Azerbaijan and Serdar by Turkmenistan, was ultimately renamed "Dostluk," meaning "friendship" in both the Turkmen and Azerbaijani languages (Hajiyev, 2021).

These agreements between the Central Asian and Caucasus countries serve a crucial purpose of establishing secure and functional relations in the region. Such cooperative attitudes contribute to fostering strong and stable relationships among these nations, which is highly significant in the context of the Middle Corridor's availability and prospects within Eurasia. The growing cooperation and convergence among the countries surrounding the Caspian Sea provide a secure link between China and Europe. The policies of China and European countries towards the Caspian region, as well as their relationships with Azerbaijan, Kazakhstan, and Turkmenistan, hold great importance.

China maintains significant relations with all region countries. Azerbaijan, in particular, enjoys a robust relationship with China among the countries in the Caucasus region. Kazakhstan, on the other hand, holds vital geopolitical and geoeconomic importance for the Chinese administration. Given that Kazakhstan's territory serves as a crucial passage for the most stable and efficient routes to reach the West, it becomes a key strategic partner for China. Moreover, Turkmenistan shares intense relations with China, particularly in the energy sector, where significant collaborations have been established (Mehdi P. Amineh, 2018).

These multifaceted relationships between China and the Caspian countries not only enhance bilateral ties but also have broader implications for regional and global connectivity, trade, and energy cooperation. The strategic location and resources of the Caspian region make it an essential piece in the puzzle of building interconnected networks and promoting economic development and stability in Eurasia.

It is worth noting that Europe has been actively fostering its relations with Central Asia and the Caucasus regions, driven by various factors. In late 2020, a significant achievement was

realized with the successful completion of the Southern Gas Corridor. This ambitious project serves as a strategic infrastructure endeavor, with the primary objective of directly supplying natural gas from the Caspian Sea region to Europe. By diversifying the energy supply and decreasing reliance on other sources, this corridor plays a vital role in ensuring a more secure and sustainable energy future. (Hajiyev, 2021).

The Southern Gas Corridor is a comprehensive infrastructure project that encompasses various components, including the South Caucasus Pipeline (SCP) and its expansion, the Trans-Anatolian Natural Gas Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP). These pipelines form a network that spans from the South Caucasus region through Turkiye, Greece, Albania, and eventually reaches Italy. TANAP commenced its operations in the middle of 2018, while TAP became operational towards the end of 2020.

The South Caucasus Pipeline, a vital part of the Southern Gas Corridor, acts as a conduit for transporting natural gas across the region. It connects Azerbaijan's Shah Deniz gas field to the Turkish border, where it seamlessly transitions into the Trans-Anatolian Natural Gas Pipeline. TANAP, on the other hand, serves as a key segment of the Southern Gas Corridor, passing through Turkiye from east to west and terminating at the Turkish-Greek border. This pipeline enables the efficient transportation of natural gas across Turkiye, facilitating its onward journey to European markets.

The final segment of the Southern Gas Corridor is the Trans-Adriatic Pipeline, which extends through Greece and Albania before reaching its destination in Italy. This pipeline plays a crucial role in delivering the Caspian region's natural gas resources to European consumers, providing a diversified and secure energy supply.

The successful completion and operation of these subsystems within the Southern Gas Corridor signify significant progress in the development of regional energy infrastructure. The integration of these pipelines enhances the energy security and diversification of supply for both the Caspian region and Europe, promoting economic cooperation and strengthening the energy landscape in the involved countries.

The strategic positioning of Azerbaijan in the Caspian Sea region has significantly contributed to the need for closer ties. The recent stability achieved in the Caucasus following the Second Karabakh War has provided a favorable environment for Europe to establish strong relationships with countries in the region. Therefore, European countries have demonstrated a keen interest in enhancing their engagement with Caspian countries, particularly in the areas of energy and transportation. They have shown support for pipeline projects such as TANAP and TAP. These projects aim to strengthen energy infrastructure and facilitate the transport of natural gas from the Caspian region to Europe (KAYA, 2022). Recent advancements exemplify the remarkable progress and dynamic transformations occurring in the Caspian and South Caucasus regions. They foster greater regional cooperation and present new economic prospects for the countries involved.

Furthermore, European officials actively engage in visits and diplomatic exchanges with countries in the Central Asian and Caucasian regions, such as Kazakhstan, with the aim of fostering stronger cooperation and mutual understanding. These initiatives serve as clear indications of Europe's dedication to cultivating robust partnerships with these nations. The primary motivation behind Europe's involvement in the Central Asian and Caucasus regions lies in shared interests, particularly in the energy and transportation sectors. Europe recognizes the strategic importance of these regions as key players in the global energy landscape, given their abundant resources and potential for energy production. Collaborative efforts in the energy sector aim to ensure a stable and diversified energy supply for both Europe and the Central Asian and Caucasian countries (KAYA, 2022). Overall, Europe's active involvement in the Central Asian and Caucasus regions is driven by a multitude of factors, including energy cooperation, transportation initiatives, and broader regional cooperation. These efforts aim to forge stronger partnerships, deepen economic integration, and promote mutual prosperity and stability in the two regions. Therefore, it can be said that these opportunities and better communication ties of Caspian region countries with Europe pave the way for cooperation with China in order to connect East Asia with Europe.

When it comes to Chinese activities in the Caspian region, The Chinese OBOR initiative will make the most of the improvements to Caspian seaports such as Kuryk and Aktau (in Kazakhstan) and Alat (in Azerbaijan) and will allow the logistical integration of other projects, which, in the end, will connect China and Europe. The growing importance of the Caspian region creates conditions for other world countries, too. For example, Argentine President

Mauricio Macri was invited to participate in the "Belt and Road Forum for International Cooperation", that was held on May 14–15, 2017 in Beijing (China). It could be seen as something odd—a head of state of a South American state attending a meeting with the main objective of discussing future infrastructure and communications projects in Eurasia via the region. It is one of the key priorities for Argentina and other countries in the region (such as Chile, which was invited as well). From a geopolitical point of view, the development of these infrastructure and communications projects will allow Argentina to reach Asia through Europe (the EuroAtlantic and traditional routes) or via the Pacific route. Therefore, OBOR will become the link between China and Europe that will allow Argentinean products to reach Eurasian countries, mainly the states of Central Asia and the Caucasus, through both routes (BOTTA, 2019).

The Caspian region plays a crucial role in China's aspirations for an overland trade route. Furthermore, several countries in the Caspian region have joined the Asian Infrastructure Investment Bank (AIIB), which is led by China. Established in 2016 as a competitor to the U.S.-led World Bank, the AIIB aims to stimulate infrastructure projects and promote development in the Asia-Pacific region through co-financing. Notably, numerous Caspian countries, including Azerbaijan, Kazakhstan, have become founding members of this international development bank. (Schulz, 2022) Therefore, AIIB is considered as an additional avenue for connecting China with the Caspian region, providing a new source of capital for large-scale infrastructure projects and further strengthening ties between China and the countries in the region.

It is worth noting the significant role played by the Russia-Ukraine conflict in shaping the implementation of the project and influencing future perspectives of the Belt and Road Initiative. One of the notable projects within the BRI is the New Eurasia Land Bridge Economic Corridor, which aims to establish railway connections between China and Europe, passing through Kazakhstan, Russia, and Belarus. However, the war between Russia and Ukraine has had a direct impact on this initiative, leading to various consequences and challenges. As it is obvious, the conflict and subsequent geopolitical tensions have resulted in sanctions being imposed on Russia by Western countries, which have affected the smooth progress of the New Eurasia Land Bridge Economic Corridor. These sanctions have hindered certain aspects of the project, including potential financing and cooperation between the involved countries (Pushp, 2022).

Furthermore, the instability and changing dynamics have prompted a reassessment of risk factors and potential obstacles associated with the implementation of the corridor. As a result, there may be a need for adjustments, alternative routes, or increased collaboration to overcome the challenges posed by the conflict. In this complex geopolitical context, stakeholders involved in the BRI, including China, are continuously monitoring the developments and exploring strategies to navigate the changing landscape. Efforts to maintain dialogue, negotiate potential resolutions, and adapt to evolving circumstances are crucial for ensuring the realization of the New Eurasia Land Bridge Economic Corridor and the broader objectives of the BRI.

Overall, the Russia-Ukraine conflict has significantly impacted the implementation of the New Eurasia Land Bridge Economic Corridor, highlighting the interconnectedness of geopolitical events and the need for adaptability and resilience in the pursuit of regional connectivity and economic integration. (Pushp, 2022).

This recent geopolitical situation has increased the importance of the Central Asian region. As a result, the transit importance of Azerbaijan rose. Because it is an important energy producer, it attracts the attention of the world while being located near several global projects (Politicon, 2023). Following the onset of the Russia-Ukraine war, the European Union (EU) adopted a revised approach to its neighboring countries, including the South Caucasus, Eastern Europe, the Western Balkans, and the Black Sea countries. This shift aimed to reduce the EU's dependence on Russia and strengthen political and economic relations with these neighboring states.

The European Union (EU) has adopted a comprehensive approach in upgrading its relations with neighboring countries and implementing an enlargement policy to strengthen its influence in these regions. In light of Russia's involvement in Ukraine, the EU has placed a strong emphasis on enhancing connectivity and maintaining trade relations with other partners in the region. To achieve these goals, the EU has prioritized cooperation in the export of oil and gas from countries in Central Asia and the South Caucasus (Politicon, 2023).

A particular project of great interest to the EU is the TANAP, which plays a significant role as a key component of the Southern Gas Corridor. This corridor encompasses various subsystems, including the Southern Caucasus Pipeline, TANAP, and Trans Adriatic Pipeline. Together,

these infrastructure networks form a comprehensive and interconnected system designed to facilitate the transportation of natural gas from the resource-rich Caspian region to Europe.

By supporting and investing in projects such as TANAP, the EU aims to diversify its energy sources and reduce its dependence on a single supplier. The development of these pipeline networks ensures a more reliable and secure energy supply for Europe while promoting economic integration and cooperation with countries in the Caspian and South Caucasus regions (Ministry, 2023).

Through these endeavors, the EU seeks to foster greater regional cooperation, strengthen energy security, and promote sustainable economic development. The Southern Gas Corridor serves as a tangible manifestation of the EU's commitment to enhancing energy connectivity and fostering closer ties with its neighboring regions. It provides an avenue for the Caspian region to become a vital energy supplier to Europe, contributing to the overall energy diversification strategy of the EU.

In summary, the EU's focus on upgrading relations and implementing an enlargement policy, coupled with its response to Russia's involvement in Ukraine, has driven its efforts to enhance connectivity and maintain trade relations in the region. The EU's support for projects like TANAP and the Southern Gas Corridor underscores its commitment to diversifying energy sources, ensuring energy security, and fostering regional cooperation and economic integration with countries in the Caspian and South Caucasus regions (Ministry, 2023).

By supporting projects like TANAP, the EU aims to diversify its energy sources and reduce its reliance on Russian gas. This strategy aligns with the EU's broader objectives of promoting regional cooperation, enhancing energy security, and strengthening ties with its neighboring countries in the Central Asia and South Caucasus regions (Azimov, 2021). The strategic importance of this project started to increase after the war between Russia and Ukraine. As well as connecting Central Asia with Europe, these pipelines are also crucial for China to strengthen relations with those countries by using the route as a part of the OBOR. Because this is the best way to reach Europe for China. It should be mentioned that, as a result of these initiatives, the economic globalization process will increase Chinese soft power and promote integration in the Caspian region. All these transit routes play a significant role in the geopolitical relations among

countries and would encourage China to make import-export connections to European markets via the South Caucasus region. This is good not only for China but also for the participating countries to strengthen ties with one another by creating win-win situation.



## **CHAPTER 3: IMPLICATIONS OF THE PROJECT FOR AZERBAIJAN AND KAZAKHSTAN**

### **3.1. KAZAKHSTAN AND THE OBOR**

Since the 1990s, relations between Kazakhstan and China have intensified. In the upcoming years, China realized that it is not possible to implement the BRI goals without the participation of Kazakhstan, which makes Kazakhstan a strategically important partner for China. It is not a coincidence that the Chinese president announced the Belt and Road Initiative in Kazakhstan in his speech at Nazarbayev University. China's activities in Kazakhstan are mainly guided by three domestic motivations: energy security, diversifying trade routes, and domestic development and stability. They are underpinned by the fundamental geo-economic logic of the BRI: stability and security, which China tries to establish in its neighborhood, can be achieved through economic development. (Zogg, 2019)

China is widely recognized as a major global energy importer, and it has actively sought to expand its energy resources through cooperation with other countries. Historically, China primarily relied on maritime routes to import energy resources from Africa and the Middle East. However, in the 2000s, China shifted its focus to securing its energy supply overland through the Belt and Road Initiative (BRI).

Kazakhstan plays a significant role in China's energy endeavors within the BRI framework. Kazakhstan is viewed as a crucial partner for both energy supply and transit. It possesses substantial energy reserves, including oil and natural gas, which are of great interest to China. By engaging with Kazakhstan, China aims to secure a stable and diversified energy supply, reducing its reliance on maritime routes. Additionally, Kazakhstan serves as a transit country for other countries located along the BRI route. Its strategic geographical location makes it a vital hub for the transportation of energy resources and goods between China and neighboring regions. As a transit country, Kazakhstan facilitates the flow of energy resources from other countries to China, strengthening regional energy cooperation and enhancing energy security (Zogg, 2019).

Overall, Kazakhstan's significance to China in terms of energy supply and transit underscores the country's strategic importance within the Belt and Road Initiative. China's engagement with

Kazakhstan aligns with its broader objective of securing energy resources and establishing a comprehensive network of transportation and trade routes to support its economic development and energy needs (Zogg, 2019). As Kazakhstan is located at the crossroads between Asia and Europe, most of the Chinese land routes will go through Kazakhstan. This is also a better opportunity for Kazakhstan as a supplier and transfer country in the heart of Eurasia.

In November 2014, the President of Kazakhstan unveiled a transformative economic policy known as "Nurly Zhol" or "Bright Path". This policy sets forth a comprehensive vision for Kazakhstan's development, with a particular emphasis on infrastructure growth. The primary objective of Nurly Zhol is to establish a unified market through territorial expansion and development, guided by the principle of creating hub cities. Under the Nurly Zhol initiative, hub cities are designated as pivotal centers for attracting and consolidating capital, resources, and cutting-edge technologies. These cities will serve as vibrant economic hubs, fostering innovation, entrepreneurship, and investment. The concept of hub cities aligns with the goal of regional connectivity, enabling efficient transportation and communication networks across the country. (Irgaliyev, 2015)

Infrastructure development lies at the core of the Nurly Zhol policy, aiming to improve transportation, logistics, energy, and digital connectivity. This includes the construction and modernization of highways, railways, airports, seaports, and telecommunications networks. The goal is to establish a robust physical and digital infrastructure backbone that facilitates trade, attracts foreign direct investment, and boosts economic growth. By investing in infrastructure, Nurly Zhol seeks to address regional disparities, promote economic diversification, and improve the overall quality of life for citizens. The policy envisions a balanced and sustainable development approach, fostering inclusive growth and reducing regional inequalities. (Irgaliyev, 2015)

However, Nurly Zhol represents a bold economic policy that prioritizes infrastructure development, attract foreign investors, encourage technology transfer, and facilitate trade with neighboring countries and international partners. By establishing hub cities as centers of economic activity, the policy aims to foster regional connectivity and promote balanced growth. Through the implementation of Nurly Zhol, Kazakhstan aims to create a modern and

competitive economy, attract foreign investment, and improve the well-being of its citizens. (Irgaliyev, 2015)

Therefore, Chinese investments in infrastructure and facilities would create the conditions to achieve this mission. By evaluating the gains from this cooperation, Kazakhstan decided to sign a joint plan to unite Nurly Zhol and the Silk Road Economic Belt in 2016 and undertook a partnership towards the implementation of the BRI with China, which was considered a win-win policy (Cinar, 2021). Today, the economic consequences of the project for Kazakhstan are in good shape. Kazakhstan cooperates with several partners and gains more as a supplier and transfer country.

Kazakhstan and China are engaged in a collaborative effort encompassing a range of initiatives, including infrastructure development, investment, trade, business, and tourism. This collaboration aims to enhance connectivity between the two regions, foster political trust, and achieve mutual benefits. Both countries have put forth policies and plans to link the "Bright Road" initiative with the "Silk Road Economic Belt," which will facilitate the effective implementation of various policies and provide political assurances for their economic cooperation. This concerted effort also lays a strong foundation for diversifying bilateral development (Svetlana, 2020).

According to K. L. Syroezhkin, a political scientist from Kazakhstan, this project holds several advantages for the country. It enables Kazakhstan to tap into its transportation and logistics potential, gain access to China's consumer market, and serve as a source of advanced technologies and substantial investments for its economy. Overall, the collaboration between Kazakhstan and China is expected to yield numerous benefits, fostering economic growth and opening up new avenues for development in Kazakhstan (Svetlana, 2020).

As it is obvious, three of the six economic corridors of the Belt and Road Initiative pass through Kazakhstan's territory. Kazakhstan is the next linkage point after China that connects China with Russia, Central Asia, and Europe in the West. Its dry port, Khorgos, emerges as a significant area for the New Eurasian Land Bridge and the China-Central Asia-West Asia Corridor. Furthermore, Kazakhstan is linked to the China-Pakistan Economic Corridor, providing a connection between Central Asia and South Asia (Tekir, 2022).

The New Eurasian Land Bridge corridor comprises seven lines, indicating that Kazakhstan plays a crucial role in connecting China to Europe. Initially, this corridor was a significant component of the Silk Road Economic Belt until the military conflict between Russia and Ukraine emerged. The conflict, along with Western sanctions imposed on Russia and Belarus, altered the global geo-economic situation for the Belt and Road Initiative (BRI). Consequently, the focus shifted towards the Middle Corridor, which involves crossing the Caspian Sea to reach the Black Sea shores. Through this route, Kazakhstan is poised to become a major transit country and energy supplier to the European Union. With energy shortages looming due to the Russia-Ukraine conflict, the European Union began seeking alternative energy supply sources in Central Asia. On June 20, 2022, the EU and Kazakhstan jointly declared that the current geopolitical context highlights the necessity for new alternative routes that connect Asia and Europe. Connectivity has become a strategically important area where both parties share a mutual interest in further cooperation (URCIUOLO, 2023).

The China-Central Asia-West Asia corridor, a key component of the Belt and Road Initiative, encompasses various countries and sub-corridors, including Russia and Kazakhstan. This corridor is divided into central and southern sub-corridors, each playing a crucial role in facilitating regional connectivity and trade. The central sub-corridor commences in Urumqi, the capital of Xinjiang in China. From Urumqi, it extends to Khorgos, a significant dry port located in Kazakhstan. Khorgos serves as a vital gateway for the transportation of goods and commodities between China and Kazakhstan. Moving further west, the central sub-corridor reaches Aktau, a significant port situated in Kazakhstan. Aktau serves as a vital link connecting the Caspian Sea region to the corridor. (Tekir, 2022)

To expand its reach beyond Kazakhstan, the central sub-corridor utilizes trans-Caspian shipments to connect Aktau with Azerbaijan's Alyat port. From Alyat, the corridor continues its journey to Baku, the capital of Azerbaijan. To further extend its connectivity, the Baku-Tbilisi-Erzurum railway is employed, establishing a rail link between Baku and Anatolia in Türkiye. Through Türkiye, the central sub-corridor seamlessly connects with Europe, enabling trade and exchanges on a broader scale. On the other hand, the southern sub-corridor traverses multiple countries, including Kazakhstan, Kyrgyzstan, Uzbekistan, and Iran. This route allows for enhanced connectivity and economic cooperation among these nations. The southern sub-corridor provides a vital transportation link between Central Asia and Iran, fostering trade and cultural exchanges along the way. (Tekir, 2022)

The integration of Russia, Kazakhstan, and other Central Asian and West Asian countries within the China-Central Asia-West Asia corridor highlights the significance of regional cooperation and infrastructure development. These sub-corridors facilitate the movement of goods, enhance trade relations, and promote economic growth and development throughout the region. By capitalizing on the geographical advantages and leveraging transportation networks, the corridor contributes to the deepening of economic integration and fosters closer ties among the participating nations. (Tekir, 2022). This corridor is considered a vital link for reaching Europe by passing through Azerbaijan and Georgia. It also has a sub-corridor that goes from the Central Asian countries to Iran.

Several years after the announcement of the OBOR project, Türkiye put forward a new initiative named "the Middle Corridor," which aimed to create a belt of development in the region by encouraging people-to-people cooperation. This corridor connects Europe to Asia, notably the Caucasus, Central Asia, East Asia, and South Asia; creates connectivity between the East-West corridor and the North-South corridor; expands markets and creates large economic scales; and provides a concrete contribution to the development of regional cooperation in Eurasia (Çolakoğlu, 2019). This corridor is considered the Turkish version of the Silk Road initiative. The Middle Corridor is a crucial initiative for the regional railroad network, which will connect Central Asia (Kazakhstan, Turkmenistan, etc.) by crossing the Caucasus region (Georgia and Azerbaijan). As the first way stopped as a result of the Russia-Ukraine war, the second option for cooperation was the Southern Corridor, which provided a connection via Iran. This route would connect the Trans-China Railway (TCR) to Kazakhstan. Under this scenario, the route would pass through Kyrgyzstan, Uzbekistan, Turkmenistan, and Iran before reaching Türkiye. China's initial vision for the SREB tends to use the Southern Corridor for transportation and logistics links. If the SREB uses the Southern Corridor, it means bypassing the Middle Corridor. (Çolakoğlu, 2019)

Another potential option for connectivity between the Silk Road Economic Belt (SREB) and the Middle Corridor involves establishing a direct route through Central Asia and the Caspian Sea. This alternative pathway offers advantages in terms of distance and cost-effectiveness compared to alternative routes through the northern or southern corridors. To realize this connection, the Trans-Caspian Railway (TCR) can be seamlessly integrated into Kazakhstan's existing railway network. This integration would provide a smooth transition for goods and passengers traveling between the SREB and the MC. From Kazakhstan, the route would extend

to Azerbaijan through a trans-Caspian roll-on/roll-off (RORO) link, enabling the efficient transfer of cargo across the Caspian Sea. (Çolakoğlu, 2019) Upon reaching Azerbaijan, the established Baku-Tbilisi-Kars (BTK) railway would serve as a vital link, connecting this route to Türkiye. The BTK railway has proven to be a significant transport artery, facilitating trade and connectivity between the Caspian Sea region and Türkiye.

The proposed connection between the SREB and the MC through Central Asia and the Caspian Sea offers several advantages. Firstly, it reduces the distance of the transportation route, resulting in shorter travel times and improved efficiency for goods and passengers. Additionally, this alternative route proves to be more cost-effective, reducing transportation expenses and enhancing the economic viability of trade between the SREB and the MC.

By establishing a direct link between the SREB and the MC, countries along this route can leverage the benefits of enhanced connectivity, fostering greater regional cooperation and economic integration. This alternative route holds the potential to unlock new trade opportunities, spur economic growth, and strengthen ties between Central Asia, the Caspian Sea region, and the countries along the MC. (Çolakoğlu, 2019)

Türkiye is not interested in two options: firstly, the route via Moscow is not working as a result of conflict and sanctions, and secondly, Türkiye does not rely on Iran for the implementation of the project. So, the third option is the better way for cooperation and security in the region. The agreement on the creation of the Trans-Caspian International Transport Route (TITR) was signed in April 2016 in Baku by the railway authorities of Azerbaijan, Georgia, and Kazakhstan. The strong collaboration between Kazakhstan and Azerbaijan is a result of agreements between the presidents of the two countries. TITR is a project initiated to improve the transit potential and development of the countries of the Caspian region. This route runs from China through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Türkiye, and further to Europe (Çolakoğlu, 2019).

The establishment of new railway connections between Kazakhstan and the European Union (EU) is bolstering trade relations between the two entities. Currently, the EU stands as Kazakhstan's largest trading partner, representing 29.7% of its total trade volume as of 2020. Imports from the EU account for 16.1% of Kazakhstan's total imports, while 41% of its exports

are destined for the EU market. The overall trade between Kazakhstan and the EU reached €18.6 billion, with Kazakhstan's exports amounting to €12.6 billion and imports from the EU totaling €6 billion. Furthermore, the EU has made significant investments in Kazakhstan, totaling €63.9 billion. In 2015, the EU and Kazakhstan signed the Enhanced Partnership and Cooperation Agreement (EPCA), which encompasses various sectors such as trade, capital movements, energy, company operations, government procurement, and intellectual property rights. This agreement has created a more favorable trade environment for businesses in both Kazakhstan and the EU. Moreover, with strong support from the EU, Kazakhstan became a member of the World Trade Organization (WTO) in 2015. These flourishing trade relations with the EU are expected to contribute significantly to the economic development of Kazakhstan. (Tekir, 2022)

As it is obvious, the role of Kazakhstan in the mentioned routes is very crucial which provides the way for China to reach Europe. While considering the important role of Kazakhstan in the Belt and Road project, it should be mentioned that besides the New Eurasian Land Bridge and the China-Central Asia-West Asia Economic Corridor, Kazakhstan will likely participate in the China-Pakistan Economic Corridor. The China-Pakistan Economic Corridor is considered the flagship project of the BRI, which connects China's Kashgar City in Xinjiang province by offering Central Asian countries access to the Gwadar port in Pakistan. The China-Pakistan Economic Corridor provides investments for energy lines, infrastructure, and the establishment of free trade areas. Meanwhile, over 75 mega BRI projects worth \$35 billion are operating in Kazakhstan, not least because of the country's role as a global transit hub (Rafiq, 2023).

During Nazarbayev's leadership, Kazakhstan pursued a foreign policy of maintaining good relations with all major powers while balancing its relationship with Russia. Kazakhstan's strategy aims to prevent any one country from having exclusive control over its resources. Despite having the longest land border in the world with Russia, Kazakhstan has been cautious not to be dominated by Russian interests. For example, Kazakhstan did not follow Russia's countersanctions against Western countries and opposed the transformation of the Eurasian Economic Union (EAEU) into a political alliance. Kazakhstan is a member of the Russian-led EAEU and Collective Security Treaty Organization (CSTO), as well as the Organization for Security and Cooperation in Europe (OSCE) and the Shanghai Cooperation Organization (SCO). Additionally, Kazakhstan joined the NATO Partnership for Peace Program to preserve its strategic autonomy. By participating in China's Belt and Road Initiative, Kazakhstan gains

another way to hedge against Russia. The initiative provides alternative routes for Kazakhstan to export its products, freeing itself from dependence on Russian transportation roads. Kazakhstan's transportation links with Western countries also strengthen its political connections with them. Moreover, by being at the center of the Belt and Road Corridors that advance toward the West, Kazakhstan's geopolitical importance for China has increased, which has the potential to translate into political and diplomatic support for Kazakhstan in the international arena. (Tekir, 2022)

While taking the economic advantages of the project to Kazakhstan, it should be mentioned that China is increasing its soft power and debt trap. This strategy has been faced by several developing countries since the investments were given to them, such as the port of Hambantota in Sri Lanka. There are many cases related to the risky levels of investments made by China, and they became politically dependent on China. Although there have been worries that the Belt and Road Initiative could lead developing nations to accumulate debts that are not sustainable, the reality is that Kazakhstan's debt owed to China has been decreasing over the last five years.

The situation regarding Chinese foreign direct investment (FDI) in Kazakhstan is somewhat mixed. While the dollar amounts of Chinese FDI have varied over time, with a peak of \$2.4 billion in 2012 before the Belt and Road Initiative (BRI) was announced and dropping to \$959 million by the end of 2020, China still has a relatively large share of Kazakhstan's FDI. However, investments from the Netherlands, the United States, and Switzerland are significantly greater than Chinese investments. As of 2020, China's ranking as an investor in Kazakhstan dropped to fourth place, and its investment levels reached their lowest point since 2015. Consequently, the diminishing debt levels and declining foreign direct investment (FDI) figures indicate a decrease in China's financial engagement with Kazakhstan. Overall, the impact of the Belt and Road Initiative (BRI) on strengthening economic and financial ties between China and the Nur-Sultan has been limited. While it is plausible that Chinese loans could influence Kazakhstan's decision-making to some extent, when considering the broader picture, Kazakhstan's stable financial situation and decreasing indebtedness to China challenge the notion that China has been or can employ its loans to gain political leverage. Although Kazakhstan's economic relations with China may align with Beijing's objectives, it remains uncertain whether Chinese loans constitute the primary avenue for China to expand its influence within Kazakhstan's economy (Louthan, 2022).



Though Chinese loans have been important for Kazakhstan's development projects, they are far from being Kazakhstan's largest source of credit. Additionally, credit rating agencies agree that Kazakhstan has very manageable levels of debt. (Louthan, 2022) According to Moody's June 2020 report on Kazakhstan's sovereign rating, the country's credit profile is stable, characterized by a "strong government balance sheet, a low debt burden, very high debt affordability, and sizable fiscal reserves held in foreign assets". (Moody's, 2020) Therefore, it indicates that Kazakhstan is not among the countries which are suffering from increasing amount of debt. If the countries have so high debt affordability, they will be successfully beneficial as a result of Chinese loans, investments and other activities within the OBOR.

Kazakhstan mainly pursues good relations and foreign policy with all participating countries in the OBOR by balancing ties with others. This attitude is also indicated in the relations with neighboring countries, where competition happens in the region.

### **3.2. AZERBAIJAN AND THE OBOR**

One of the six major corridors is the Central Asia-Western Asia Economic Corridor (CCW), which traverses the South Caucasus countries. As part of this corridor, the South Caucasus plays an important geographical role with its geostrategic location at the crossroads between Asia and Europe. This region has become a focus for implementing the Belt and Road initiative. Azerbaijan, Georgia, and Armenia gained independence in the region after the dissolution of the Soviet Union. These countries expressed their interest in being a part of the transportation projects to increase trade relations and develop economic ties with other countries.

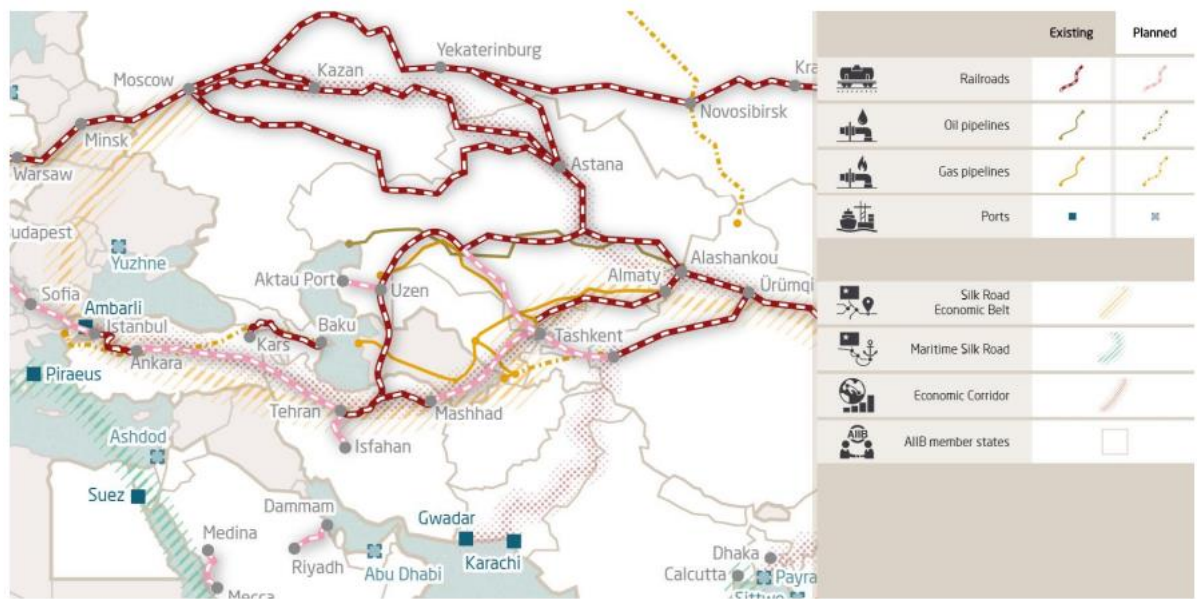
Because of its geopolitical location, the South Caucasus region has been active as a transportation corridor between the North and the South, the East, and the West. That is why the region plays a crucial role in the Belt and Road Initiative. (Yellinek, 2020) While going back to history, it can be mentioned that Azerbaijan, as a Caucasus country, has been interested in the restoration of the ancient Silk Road. Azerbaijan, situated on the ancient Silk Road and has served as a melting pot of diverse civilizations, aims to become a pivotal transport and logistics center connecting Europe and Asia.

Firstly, an international conference on the restoration of the Great Silk Road was held in Baku on September 7-8, 1998, on the initiative of national leader Heydar Aliyev. It was attended by presidents of nine countries (Azerbaijan, Turkiye, Georgia, Ukraine, Moldova, Romania, Bulgaria, Uzbekistan, and Kyrgyzstan), representatives of 13 international organizations, and high-level delegations from 32 countries. The conference ended with the signing of the Basic Multilateral Agreement on International Transport for the Development of the Europe-Caucasus-Asia Corridor within the EU's TRACECA program and the adoption of the Baku Declaration. (President.az, 2023)

Following the provisions of the Basic Multilateral Agreement, a decision was made to establish the Permanent Secretariat of the TRACECA Intergovernmental Commission in the city of Baku. The headquarters of the Permanent Secretariat was inaugurated on February 21, 2001. By contributing to the restoration of the historic Great Silk Road, Azerbaijan has played a crucial role in determining the main development trajectories. Therefore, a memorandum of understanding on joint encouragement of the establishment of the Silk Road Economic Belt was signed between the Government of the Azerbaijan Republic and the Government of the People's Republic of China during President Ilham Aliyev's state visit to China in December 2015. (President.az, 2023)

The "One Belt, One Road" initiative, introduced by the People's Republic of China in 2013, has opened up new avenues for strengthening bilateral ties between nations. In the context of the Caucasus region, Azerbaijan has emerged as an active participant in this transformative project, showcasing its steadfast support since its inception. The country has been actively engaged in implementing various large-scale transport and infrastructure projects, making substantial contributions to the advancement of the initiative. (MFA, 2023)

Azerbaijan's commitment to the "One Belt, One Road" initiative is evident through its robust efforts to develop strategic transportation corridors and enhance connectivity within the region. The country has prioritized the construction of modern highways, railways, and ports that facilitate the efficient movement of goods and people. These infrastructure projects not only benefit Azerbaijan but also contribute to the broader objectives of the initiative by strengthening regional trade links and fostering economic cooperation.



Source: ((MERICS), 2018)

Furthermore, Azerbaijan's strategic geographic location serves as a crucial bridge between Asia and Europe, positioning it as a vital hub along the "One Belt, One Road" route. The country's well-established logistics capabilities and multimodal transport systems enhance its potential as a key transit and trade facilitator. This, in turn, attracts foreign investment and promotes economic development, reinforcing Azerbaijan's role as an active participant in the initiative.

Through its active involvement in the "One Belt, One Road" initiative, Azerbaijan aims to leverage the economic opportunities and collaborative platforms provided by this transformative project. By aligning its national development strategies with the objectives of the initiative, Azerbaijan strives to foster stronger partnerships, expand trade networks, and promote sustainable development not only within its borders but also across the broader Eurasian region. (MFA, 2023) Azerbaijan's principal objective is to strengthen its trade ties with European nations. The strategic aim of Azerbaijan is to establish itself as a central hub for logistics connecting Europe and Asia, thereby earning revenue from transportation and transit fees. Azerbaijan views China's Belt and Road Initiative (BRI) as an opportunity to diversify its economy, which is presently reliant on oil. When President Ilham Aliyev participated in the "Advancing the Belt and Road Initiative: China`s Trillion-Dollar Vision" session in Davos on January 22, 2019, he mentioned that "we are investing in infrastructure inside the country to build roads, highways, airports, gasification, and power generation. We have also invested in

transportation infrastructure. This will enable us to transport cargo from the east to the west, from the north to the south, and from the south to the north (President.az, 2019).

Azerbaijan has great significance for the implementation of the China-Central Asia-West Asia economic corridor of the Belt and Road project. The route starting from China goes to the port of Aktau and continues to Baku. After a new alternative port, Turkmenbashi was constructed in Turkmenistan, this route became a competitor on the shores of the Caspian Sea (Baghirov, 2020). This competition has a crucial role in strengthening the position of Azerbaijan on the mentioned corridor. The corridor also offers huge benefits for the EU and has the potential to contribute to deeper integration with European ports.

Therefore, Azerbaijan is interested in creating the shortest connection between China and Europe. So, the Baku-Tbilisi-Kars and Baku International Sea Trade Ports, initiated by Azerbaijan, formed the Trans-Caspian East-West Transport Corridor, thus providing a short and convenient alternative route for cargo transportation from China to the West which also increase cooperation and trade with Asian countries as well. (MFA, 2023)

The Trans-Caspian route, also referred to as the Middle Corridor, is a global passageway that originates in Southeast Asia and China, crosses Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia, and ultimately reaches European nations. Azerbaijan has signed several agreements with Kazakhstan and Georgia to operate the Trans Caspian International Transport Route (TITR) from China to Europe (Report.az, 2022). The project is highly valued as it provides the most direct path to the West, resulting in reduced logistics expenses for the nations involved, including China, which has a strong interest in the route. From a commercial standpoint, TITR offers China a shorter route to the West, enabling them to reduce transportation costs and save time when transporting their goods.

As the new geopolitical landscape unfolds, the Trans-Caspian corridor has become a crucial transit point, replacing the traditional route via Russia. The number of container units passing through the corridor has seen significant growth, with approximately 19,500 cargo units recorded in the first quarter of 2022, marking a 28 percent increase compared to the same period in 2021. Recognizing the projected economic benefits, Azerbaijan and Kazakhstan have taken additional measures to upgrade their transportation infrastructure, facilitating the movement of

goods. Azerbaijan, for instance, has recently completed the second phase of its seaport development, expanding its transshipment capacity to 25 million tons of cargo and 500,000 TEU containers. Similarly, Kazakhstan plans to construct a new cargo terminal in Aktau, with involvement from foreign companies and container operators such as Switzerland's MSC and China's COSCO Shipping. (Shahbazov, 2022)

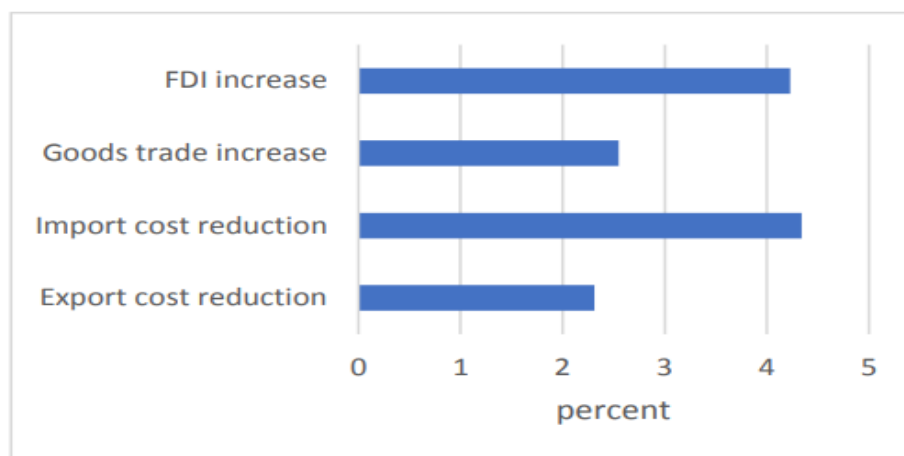
With its pragmatic foreign policy agenda widely acknowledged, Azerbaijan perceives the Middle Corridor project as an opportunity to strengthen its partnerships with China, Kazakhstan, and Uzbekistan, while connecting the landlocked Central Asian region to Turkey and further to Europe. Consequently, it comes as no surprise that Baku is prioritizing the project and utilizing it as a means to foster deeper regional integration. Turkey, as another key partner in this endeavor, has long sought to enhance its engagement with Central Asia as a strategy to revitalize its regional influence. Over the past few years, Turkey has successfully revitalized its relationships with all Central Asian states through the Turkic Council, now known as the Organization of Turkic States. (Shahbazov, 2022)

Azerbaijan sees the Middle Corridor as a way to strengthen its regional transit center status and deepen the Azerbaijan-Georgia-Turkiye strategic triangle. The corridor increases Azerbaijan's strategic importance not only for China but also for European and regional countries. Azerbaijan's involvement in the East-West corridor also makes it more attractive for cooperation along the North-South corridor, particularly with neighboring countries like Iran and Russia. Additionally, the Middle Corridor offers the potential for Azerbaijan to diversify its economy and decrease its reliance on oil. By developing its relationship with China, Azerbaijan may attract more Chinese investment and increase the region's potential as a transport hub by improving the business environment and integrating it into the country's international supply network. (Sharifli, 2020)

For the government of Azerbaijan, cooperation with China within the TITR project will not only enable it to become a logistical hub between East and West but also involve technical support and additional foreign direct investments from Chinese private and public companies. Successful cooperation can help Azerbaijan enjoy transportation and transit fees, diversify its economy, increase profits from the railway sector, improve regional connectivity, and attract foreign capital. Azerbaijan stands to gain significant benefits from the freight route, but to do

so, it must continue with domestic economic reforms and use diplomatic channels to promote regional cooperation and stability. (Miholjic, 2018) Azerbaijan holds a crucial location for executing the TITR initiative and has made valuable contributions to the project. These contributions include the establishment of the Alat port and investments in the Baku-Tbilisi-Kars regional railway (Babayev, 2020).

A gravity model is employed to estimate the impact of the Belt and Road Initiative (BRI) on Azerbaijan's trade and foreign investment. According to the findings, after the cooperation started within the framework of the BRI project, integration into the rail and port network of the Belt and Road Initiative would lead to a 4.2 percent increase in foreign direct investment (FDI) flows to Azerbaijan. Among the countries in the South Caucasus region, Azerbaijan would experience the largest FDI gains, which stands at 4.8 percent. These FDI gains are also projected to contribute to an additional 0.03 percent growth in GDP. However, it is important to note that despite the potential improvements in Azerbaijan's integration into global transportation and value chains and the attraction of foreign investment through the BRI, these gains may not necessarily result in significant local economic development due to existing rigidities in the country's economic structure. (Bogdan, 2020)



Source: (Suprabha Baniya, 2018)

While taking these initiatives into consideration, it can be seen that the objectives of China related to the OBOR overlap with the geopolitical and strategic interests of Azerbaijan, and this becomes a great opportunity for both parties. In terms of the OBOR initiative, the President of Azerbaijan has been on several official visits to China, and in 2019, Ilham Aliyev attended the

second Belt and Road Forum for International Cooperation. During this visit, several Azerbaijani companies signed ten new agreements with Chinese companies. In total, deals worth 821 million US dollars were signed, and the initiatives included the construction of a greenhouse complex and industrial and agro-industrial parks in the regions of Azerbaijan (Azvision, 2019). Even before this occasion, President Ilham Aliyev repeatedly underlined the country's strong interest in Chinese investments and emphasized Azerbaijan's appreciation of the successful operations of Chinese companies in the country. All these projects and routes demonstrate that Azerbaijan is a reliable country for China from both political and economic points of view. As a transit country, Azerbaijan provides a major energy corridor for Europe and promotes peace and security in the energy sector. As disruptions in the Northern Corridor continue to grow, there is renewed discussion about potential alternative routes between China and the EU, with a particular focus on the Middle Corridor. The dominant transportation route for transcontinental rail traffic between China and European markets was the Northern Corridor, which runs through Kazakhstan and Russia and accounts for over 90% of traffic. However, the growing development of infrastructure projects in the Middle Corridor could potentially reduce this percentage. Additionally, the southern route through Iran is plagued by infrastructure issues on both sides of the Turkish and Iranian borders. As regional countries improve their seaports and build a more viable railway system, the Middle Corridor's attractiveness to both Chinese and European markets is expected to increase. (Rusif Huseynov, 2021)

Azerbaijan-China cooperation can also be observed in recent geopolitical changes and developments between them. For example, the second Karabakh War, which happened between Azerbaijan and Armenia, ended with potential changes towards the New Silk Road project. Due to the final agreement of the 44-day war signed on November 10, 2020, economic and transportation connections will be provided between Baku and Kars, Turkiye, by crossing the Nakhchivan region. Azerbaijan and Turkiye are heavily investing in the Zangezur Corridor, an idea that proposes an alternative passage from Turkiye to the Caspian Sea via the planned Kars-Nakhichevan-Meghri-Baku (KNMB) railway. Clause 9 of the agreement requires Armenia to ensure the safety of transportation between Azerbaijan's western districts and the Nakhichevan Autonomous Republic through its Meghri region, with the Russian Border Guard Service of the Federal Security Service (FSB) overseeing transport control. The KNMB rail corridor is 340 kilometers shorter than the BTK, and a combination of road and rail systems could make it more attractive to cargo companies. It is such an important factor that, as a result of the

agreement, links between Baku and Nakhchivan will be ensured, whereas they had only air transportation before. The consequences of the war are going to have an impact on the trade routes of the Belt and Road project crossing Azerbaijan. China has always tried to find effective ways to make transportation routes short and within a reduced time frame. As a consequence, China can use the soon-to-be-operational Baku-Nakhchivan-Turkiye railroad within the OBOR. The Zangezur Corridor could contribute significantly to regional peace by increasing economic interdependence in the region, benefiting not only Azerbaijan and Turkiye but also Armenia, Iran, and Russia. In summary, trade relations between Azerbaijan and Turkiye, Turkiye and Central Asia and China, Russia and Turkiye, Russia and Armenia, and Iran and Armenia will all benefit from the reopening of the Zangezur Corridor. This route is essential for regional cooperation and economic development among South Caucasus countries (Rusif Huseynov, 2021).

It is crucial to acknowledge the impact of the Russia-Ukraine war on the implementation of this ambitious project. The conflict between Russia and Ukraine has resulted in substantial changes and implications for the future prospects of the OBOR, particularly in relation to the New Eurasia Land Bridge Economic Corridor. The New Eurasia Land Bridge Economic Corridor holds strategic importance within the OBOR framework as it serves as a vital transportation link, connecting China to Europe through railways that traverse Kazakhstan, Russia, and Belarus. This corridor plays a crucial role in facilitating the seamless movement of goods, fostering trade relations, and promoting economic integration between the involved countries.

However, the Russia-Ukraine conflict has significantly disrupted the smooth operation of this corridor, primarily due to the sanctions imposed on Russia as a consequence of its actions in Ukraine. These sanctions, imposed by various countries and international organizations, have had a direct impact on the economic activities and trade flow within the region. The restrictions and limitations imposed on Russia's trade relations have affected the efficiency and effectiveness of the New Eurasia Land Bridge Economic Corridor. As a result, the ongoing conflict has necessitated a reassessment of the project's future perspectives. Stakeholders and participants in the OBOR have been compelled to adapt their strategies and seek alternative routes or mechanisms to mitigate the challenges posed by the war and the resulting sanctions. This has led to a reevaluation of trade routes, exploring possibilities that circumvent the affected areas and ensure the continued progress of OBOR's objectives.



It is clear that the Russia-Ukraine conflict has significantly influenced the New Eurasia Land Bridge Economic Corridor and its future prospects. Nevertheless, the determination and adaptability of the participating countries and stakeholders remain pivotal in shaping the course of OBOR, as they strive to overcome the hurdles posed by the conflict and work towards achieving the vision of enhanced connectivity, economic cooperation, and sustainable development between China, Europe, and the regions along the corridor (Pushp, 2022).

This recent geopolitical situation at the same time, has increased the importance of the Caspian region. As a result, the transit importance of Azerbaijan rose. Because it is an important energy producer, it attracts the attention of the world while being located near several global projects (Politicon, 2023). After the Russia-Ukraine war started, the EU also wanted to change its policy towards strengthening political and economic relations with EU neighboring countries, including the South Caucasus, Eastern Europe, the Western Balkans, and the Black Sea countries, to reduce its dependence on Russia. This is the policy of the EU towards upgrading relations with the neighborhood and its enlargement policy to strengthen its role in these regions. The union pursues a policy of cooperation for oil and gas exports from countries located in Central Asia and the South Caucasus. The EU is mainly interested in the TANAP pipeline project, which is a major part of the Southern Gas Corridor and aims to bring natural gas through the Southern Caucasus Pipeline, TANAP, and TAP (Azimov, 2021). The strategic importance of this project started to increase after the war between Russia and Ukraine. As well as connecting Central Asia with Europe, these pipelines are also crucial for China to strengthen relations with those countries by using the route as a part of the OBOR. Because this is the best way to reach Europe for China. All the mentioned transit routes play a significant role in the geopolitical relations among countries and would encourage China to make import-export connections to European markets via the South Caucasus region and increase its soft power. This is not only good for China but also for the participating countries, to strengthen ties with one another and develop themselves.

Overall, Azerbaijan as a Caspian region country gains more benefit as a result of the cooperation with China in terms of the OBOR project. This relations positively affect economic and political relations with China and other countries located on this road. Reducing trade costs, developing trade relations and providing economic connectivity with other countries affect the economy of the state in a positive way while providing security in the region as well. Increasing amount of investments in Azerbaijan is so beneficial for the development in the economic activities.

Within the context of this project, Azerbaijan can effectively expand its access to the global market through the strategic diversification of its economic capacity. If Azerbaijan undertakes infrastructure improvements alongside the necessary regulatory and institutional reforms, and further strengthens its integration within the region, the potential benefits of the BRI could extend widely, encompassing various stakeholders and promoting long-term sustainability.

## **CONCLUSION**

The Belt and Road Initiative (BRI) represents a significant milestone in the ongoing process of globalization, fostering bilateral and multilateral cooperation among nations. From a liberal perspective, the BRI creates conditions that promote connectivity and interdependence among countries in the economic field. As the initiator of the project, China's primary objective has been to foster regional and global cooperation and mutual development, achieved through the signing of trade and regional agreements with participating countries. For that reason China has provided most of the participant countries with loans and investments in order to promote cooperation and develop trade relations with other parts of the world. The implementation of the BRI brings about several benefits, starting with the strengthening of trade relations among countries worldwide, resulting in improved economies and the well-being of nations. Particularly for less-developed countries, the BRI presents a valuable opportunity to enhance their political and economic conditions by accepting investments, loans, and participating in the construction of new infrastructure and facilities. Many countries lack the resources to independently construct new routes, facilities, pipelines, and railways to establish connections with their neighbors or regional nations. Therefore, the investments provided by China fill this gap and facilitate the development of vital transportation networks, thereby bolstering economic growth and regional integration.

Nonetheless, China's ascent and its impact on the world stage cannot be overlooked. The country has successfully transformed its economic assets into improved living conditions for its population, achieving this remarkable feat within a relatively short timeframe compared to previous nations. According to the soft power theory, A country's economic success and its ability to offer trade and investment opportunities can attract other nations. Economic assistance, development projects, and economic partnerships can also enhance a country's soft power.

Therefore, China has skillfully projected its economic prosperity into soft power, effectively projecting its influence and authority on a global scale. The increasing soft power of China has been viewed as a threat by some countries. The growing influence and dependence on China among less developed nations have raised concerns among certain nations about potential political entanglements. But it should be noted that there are a lot of countries benefitting from the project more rather than being worried about the increasing soft power of China. These countries are able to evaluate the possible threats and are gaining advantages by developing

their livelihood conditions as a win-win trade deal. Caspian region countries are from this category.

Within the BRI, several corridors connect Asia with Europe, with the Caspian region assuming a crucial role in its implementation. As a transit part between Asia and Europe, Caspian region plays a crucial role in the implementation of the project. The Caspian region holds a crucial geographical position as it lies at the intersection of Asia and Europe, making it an integral part of the transportation corridor associated with the Belt and Road Initiative. Following the dissolution of the Soviet Union, the countries have demonstrated their interest in participating in transportation projects with the aim of enhancing trade relations and fostering economic ties with other nations. China does not possess any specific territorial interests in the countries of the Caspian region due to the absence of shared borders. However, owing to its geopolitical location, the region holds strategic importance for reaching Europe. As one of the major initiative by Turkiye, the Middle Corridor (MC) stands out for its ability to strengthen connectivity and maximize the benefits when connecting Central Asia, South Caucasus with Turkiye. This project seems significant in order to implement Chinese plans towards Europe. That is why, China is interested in this region for implementing the project with the Middle Corridor.

China maintains significant relationships with all countries in the Caspian region. Among the countries in the Caucasus region, Azerbaijan stands out with its robust ties to China. Kazakhstan, on the other hand, holds crucial political and economic importance for China, as its territory serves as a vital passage for establishing stable and efficient routes to the West, making it a key strategic partner. According to the findings, both of the countries has benefitted from Chinese investments within the framework of the OBOR project. Because, most of the less developed countries become dependent on China as a result of increasing influence over it. But these countries have managed to transform its economic assets into improved living conditions for its population, accomplishing this feat in a remarkably brief span compared to any previous nation. When assessing the impact of the project in the Caspian region, it becomes apparent that while regional governments view Chinese presence as advantageous for infrastructure development and integration into global trade and transit routes, there are concerns expressed by local communities regarding the expanding Chinese influence. In response, regional governments have taken swift measures to suppress such opposition in order to maintain a positive relationship with Beijing. This indicates that the Caspian countries possess the capability to overcome challenges and obstacles, enabling them to enhance

economic growth and prosperity. The Belt and Road Initiative (BRI) presents a valuable opportunity for the region to develop and achieve sustainable economic progress. Through investments and infrastructure projects, these countries aim to increase their economic capacity. These multifaceted relationships between China and the Caspian countries not only strengthen bilateral ties but also have broader implications for regional and global connectivity, trade, and energy cooperation. The strategic location and abundant resources of the Caspian region make it a vital component in the endeavor to establish interconnected networks and promote economic development and stability throughout Eurasia.

This academic paper explores the strategic advantages that Kazakhstan and Azerbaijan, as major transport countries, derive from their involvement in the China–Central Asia–West Asia Economic Corridor. Kazakhstan serves as a crucial strategic point for China, facilitating the establishment of a belt that connects regional countries and acts as a bridge towards Europe. These countries not only benefit from exporting energy resources to China and importing goods from China, but also gain from transfer fees. Moreover, given its location at the crossroads of key transportation corridors towards Europe, Kazakhstan has the potential to generate significant revenue, with estimates suggesting potential annual transfer fees of around \$5 billion. Similarly, Azerbaijan, situated at the crossroads of East-West and North-South routes, represents a promising partner for future cooperation with China in the aftermath of the Russia-Ukraine war.

In conclusion, China's successful transformation of its economic prosperity into soft power has enabled the country to project its influence and authority on a global scale. The Caspian region, serving as a significant transit area, plays a pivotal role in connecting China and Europe. China's effective conversion of its economic success into soft power has allowed the nation to extend its influence and power worldwide. However, it is crucial to acknowledge that the OBOR is formulated as a mutually beneficial trade agreement for the Caspian region countries, providing advantages not only to China but also to those countries.

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