

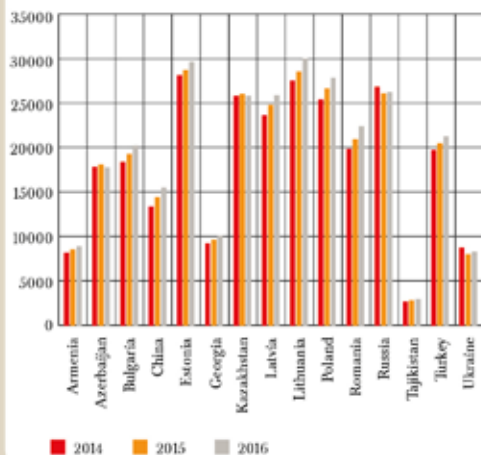
## GEORGIA AND CHINA

“CARRY AWAY SMALL STONES TO MOVE  
A BIG MOUNTAIN”



# IMF WORLD ECONOMIC OUTLOOK\*

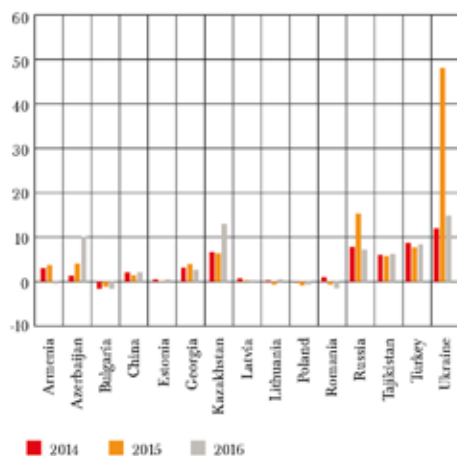
## GDP per Capita, PPP Dollars



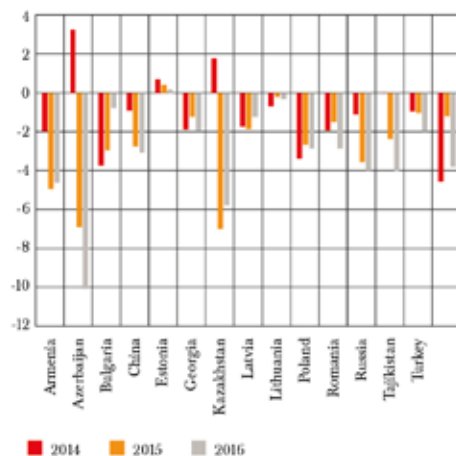
## Current Account Balance, % of GDP



## CPI Inflation, %



## Budget Deficit, % of GDP



\* Figures for 2016 is based on estimated data



**GEORGIA AND THE NEIGHBORS** is an analytic periodical covering economic, financial, and business trends in Georgia's neighboring countries and in the major trade partners. The aim of the brief is to scrutinize the potential implications of the key political and economic developments taking place within the region or in the world. Georgia's policy and business community are the primary audience of the brief. The analyses and projections made by the Georgia and the Neighbors are based on the extensive research and consultations in Georgia and in the countries in focus. It is being compiled by the EPRC's in-house experts and the outsourced consultants.



Armenia



Azerbaijan



Belarus



Bulgaria



China



Estonia



Georgia



Iran



Kazakhstan



Kyrgyzstan



Latvia



Lithuania



Moldova



Romania



Russia



Tajikistan



Turkey



Turkmenistan



Ukraine



Uzbekistan

**GLOBAL COMPETITIVENESS INDEX 2015-2016**

Rank	Country	Value
1	Switzerland	5.75
2	Singapore	5.67
3	United States	5.61
4	Germany	5.52
...		
28	China	4.89
29	Iceland	4.83
30	Estonia	4.74
31	Czech Republic	4.69
32	Thailand	4.64
33	Spain	4.59
34	Kuwait	4.59
35	Chile	4.58
.....		
58	Rwanda	4.29
59	Slovenia	4.28
60	Macedonia, FYR	4.28
61	Colombia	4.27
62	Oman	4.24
63	Hungary	4.24
64	Jordan	4.23
65	Cyprus	4.22
66	Georgia	4.22
...		
139	Chad	2.96
140	Guinea	2.84

**GLOBAL INNOVATION INDEX 2016**

Rank	Country	Score
1	Switzerland	66.28
2	Sweden	63.57
...		
25	China	50.57
26	Malta	50.44
27	Czech Republic	49.40
28	Spain	49.19
29	Italy	47.17
30	Portugal	46.45
31	Cyprus	46.34
32	Slovenia	45.97
33	Hungary	44.71
34	Latvia	44.33
35	Malaysia	43.36
36	Lithuania	41.76
...		34.9
60	Armenia	35.14
61	Mexico	34.56
62	Uruguay	34.28
63	Columbia	34.16
64	Georgia	33.86
65	Serbia	33.75
66	India	33.61
...		
127	Guinea	17.24
128	Yemen	14.55



# GEORGIA AND CHINA

## “CARRY AWAY SMALL STONES TO MOVE A BIG MOUNTAIN”

**Authors: Mariam Zabakhidze, Giorgi Bakradze, Batu Kutelia**

**Issue #6, January 2017  
Tbilisi, Georgia**



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## INTRODUCTION

One of the main characteristics of the changing new geopolitical landscape is new integration/disintegration processes or concepts developing globally. These processes are competitive, sometimes contradictory and even conflicting and very rarely accommodating. Europe and Asia are the world's most important regions, directly or indirectly affecting global economy and security. While being the theatre of the two world wars, these regions are also a vital component of the current liberal international order established after the World War II.

Some of the above mentioned global integration/disintegration processes to be considered are: dissolution of the Soviet Union – perceived as the Greatest Geopolitical tragedy of the twentieth century by Russia; post Cold War process of architecting Europe whole, free and at peace through the EU and NATO expansion led by the US; attempt of Russia to recreate the common political and economic space on the post Soviet Union territory – The Eurasian Economic Union; Economic integration along the New Silk Road led by China, as well as well demonstrated political interests by the US. All of these processes have several key dimensions – economic, political social and security, creating complex

challenges, but also proving an opportunity for stakeholders involved.

There are vital US strategic and economic interests in Europe and Asia, accordingly US – Europe relations and its strategic focuses will largely determine if existing liberal order will be maintained or there will be some new adjustments to it. In this regard major strategic challenge for the Western world today is to manage declining but aggressive revisionist Russian power. In this context ultimate importance has long term and well-streamlined policy towards China – raising power with Global ambitions.

Chinese Global ambitions are well reflected in geopolitics of the New Silk Road. It encompasses economic, political as well as security dimensions of Europe and Asia due to vast geographical stretch of this concept, diversity of political systems and their specifics as well as political goals of all the stakeholders along it. In various degrees it accommodates economic interests of China, US and EU and almost all the states along the New Silk Road, except Russia.

Russia's Eurasian Economic Union is at large extent competing vision with the China's New Silk Road Economic Belt (SREB). Besides economic competitiveness, political motives behind those vi-



sions are creating major conflict between those two – Russia’s political goal is to use its economic dominance in the former Soviet space for resurrecting its political dominance. For China having reliable and secure economic connection with the EU market is the priority and therefore Russia’s restored influence over Central Asia and South Caucasus represents a significant challenge. Similarly, Western political interests are limiting Russia’s ability to exercise its political influence over former soviet space through Eurasian Economic Union. This coincidence could be transformed into the good opportunity for the West and China strategic cooperation.

Georgia’s advanced political position in the region as the most westernized country politically and economically as well as its strategic geographical position, carries the potential to be transformed in tangible economic opportunities for both Georgia and China, but more importantly on the larger political scale. Namely, Georgia has an opportunity to prove that its European and Euro-Atlantic integration process can be successfully accommodated with its quest for the increased role in economic integration under the New Silk Road concept.

There are some significant factors that can positively affect Georgia’s oppor-

tunities in building up strong and truly strategic partnership with China:

— **US factor.** US the major strategic partner for Georgia and accordingly US-China relations under the new US administration would significantly affect Georgia-China relations. There are some shifts anticipated in US-China relations based on some preliminary statements of the US President-elect Trump, but how they will materialize in particular policies needs to be seen.

— **EU factor.** Georgia enjoys associated status and signed the Deep and Comprehensive Free Trade Agreement with the EU, therefore if notwithstanding the outstanding issues (particularly related to human rights issues), the EU will be able to develop well-consolidated strategic economic relations with China, Georgian economy could benefit tremendously.

The EU and US are more important economic partners for China than Russia, therefore if Western-Chinese disagreements could be overcome by economic cooperation, political engagement and dialogue, Russia would be left with the limited space for excursing its influence in the neighbourhood along the New Silk Road.

In case of successful materialization, both of the above mentioned factors would enable Georgia to fully materialize the benefits of being the EU associated country, become more prosperous and acquire significant economic functions in order to be a net contributor to European economic prosperity and security, rather than only a consumer.

There is the highest degree of understanding in Georgia of the strategic importance of close cooperation with China. The biggest challenge for the Georgian government is how to transform this political will into particular competitive policies supported by the bilateral institutionalized mechanisms of implementation, legal and financial infrastructure and human capital.

## **RISE OF CHINA IN THE REGIONAL AND GLOBAL CONTEXT**

China is not a new player in development cooperation. Moreover, it represents the largest emerging economy and currently is attributed to the group of so-called ‘emerging powers’.<sup>1</sup> Interestingly China possesses three simultaneous identities: (1)

China is an emerging economy; (2) China holds position in the UN Security Council and shares responsibility towards global issues with other established powers and (3) China is seen, mainly by the West as a quasi-superpower due to the authoritarian regime<sup>2</sup>.

Due to the identities mentioned above, China is considered to be a ‘threat’ to western-style good governance, protection of human rights and promotion of liberal democracy approach towards aid programmes. This consideration stems from the fact that foreign aid is connected to foreign policy, thus serving donors’ interests. Unlike the pre-requisites of western aid, such as market-oriented economic transformation, good governance, liberal democracy and human rights, Chinese development initiatives do not have the same conditionality. In particular, China’s development aid differs from traditional donor-recipient concept and consists of grants, low-interest and interest-free loans, rather in kind than cash contribution combined with financial and technical assistance.

The intention of China to change its role in global politics is clear, however what

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1 de Renzio, P., Seifert, J., 2014. South-South cooperation and the future of development assistance: mapping actors and options. *Third World Quarterly* 35, 1860–1875. doi:10.1080/01436597.2014.971603

2 Breslin, S., 2007. *China and the Global Political Economy*, 1st ed, International Political Economy Series. Palgrave Macmillan UK.

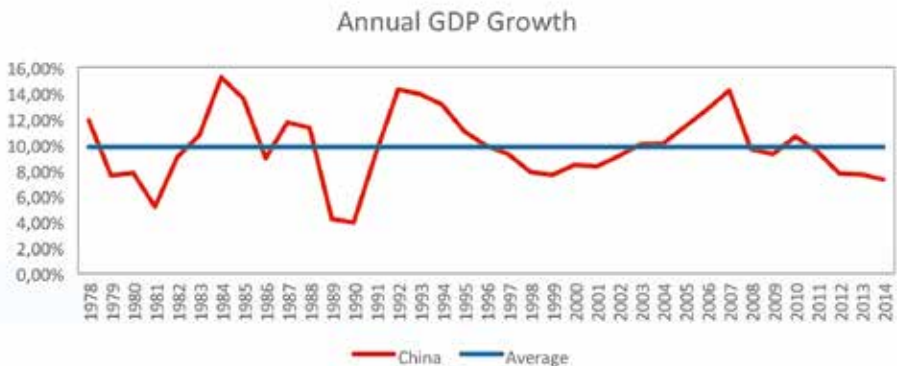
is unclear, is how this intention will be expressed. The outstanding economic growth China has undergone made it a political, economic and cultural pace-maker in the international arena. Therefore, China has become an important potential partner for Georgia in the regional as well as the global context.

## CHINA TODAY

The tremendous economic growth laid a foundation for China to receive an immense attention from the global community. It could be argued that the international significance is not a new phenomenon for China. In 1820 it was the world's largest economy. However industrial revolution and development

of the 'West' has pushed China from its leading position. Nevertheless, as of today China is the second largest economy in the world (and the largest if measured in PPP terms)<sup>3</sup>. China launched its catch-up path in 1978 and had an average annual GDP growth of 10% until 2014<sup>4</sup>.

As a result, China has lifted more people out of poverty than any other country through labour-intensive, export-led production of cheap products, while acquiring skills and gradually shifting towards production of more complex products and services<sup>5</sup>. Furthermore, China has increased the share of services and industry in the GDP, pointing at the shift from production-based economy towards a consumption-based one.



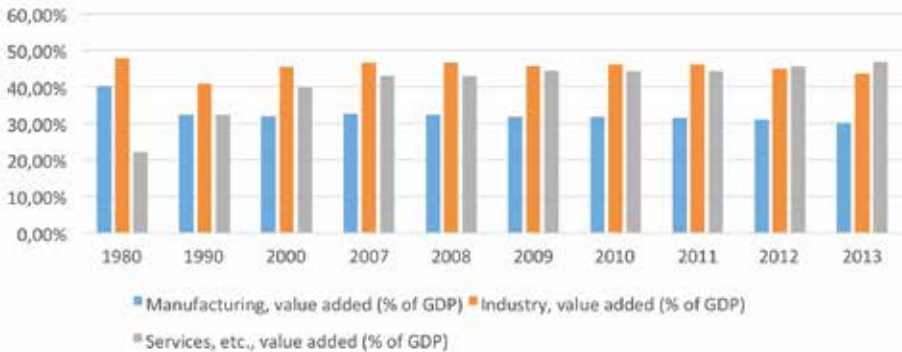
*Source: (Data.worldbank.org, 2016)*

3 Eckart, J. (2016). 8 things you need to know about China's economy. [online] World Economic Forum. Available at: <https://www.weforum.org/agenda/2016/06/8-facts-about-chinas-economy>; [Accessed 27 Dec. 2016].

4 Data.worldbank.org. (2016). China | Data. [online] Available at: <http://data.worldbank.org/country/china> [Accessed 27 Dec. 2016].

5 Ibid.

## Value added % of GDP in China



Source: (Data.worldbank.org, 2016)

In 2001, a new chapter in the story of the rise of China was opened with the grouping of five large developing countries: Brazil, Russia, India, China and South Africa. It was argued that the so-called BRICS economies, led by China as the largest economy among this group, would overtake the G6 economies (France, Germany, Italy, Japan, the UK and the USA)<sup>6</sup>. As suggested by the evidence, trade between developing countries and BRICS was rising twice as fast as the global trade<sup>7</sup>.

Having gained economic significance, China found itself involved in international development activities at a larger

scale. The eight principles of foreign aid first came into force in the beginning of 1960s. These principles were mainly underpinned by the equality and mutual benefits as China perceives it as a mutual aid rather than unilateral philanthropy; as well as notion of non-interference in internal affairs of the recipient country<sup>8</sup>. However, despite the narrative of non-interference and surge for win-win scenarios, some scholars argue that the rise of China and its increasing presence in development practices can work against liberal democracy. This is due to the fact that market-oriented economic transformation, good governance and human

6 Mawdsley, E., 2012. From recipients to donors: emerging powers and the changing development landscape. Zed Books, London;

7 The Economist 2010: 69 (<http://www.economist.com/node/16329442>), cited Sidaway, J.D., 2012. Geographies of development: new maps, new visions? The Professional Geographer 64, 49-62.

8 Zhou, H., 2012. China's Evolving Aid Landscape: Crossing the River by Feeling the Stones, in: Chaturvedi, S., Fues, T., Sidiropoulos, E. (Eds.), Development Cooperation and Emerging Powers: New Partners or Old Patterns? Zed Books, London, p. 276;

rights, all pre-requisites of western aid, are not mainstreamed in China-led development approaches. Therefore, its increasing role and significance in the international development landscape is regarded as a threat to these values.<sup>9</sup>

## CHINA-GEORGIA

### *Trade*

The Georgian-Chinese relationship is not a particularly recent phenomenon. Even long before the present day, a tea-specialist Liu Junzhou came from China's Guangdong province to Chakvi in Adjara region to cultivate tea and can be attributed to creating the first tea culture in Georgia.<sup>10</sup> After the collapse of the Soviet Union, Chinese immigrants to Georgia were driven by the Chinese state-owned investment activities in the region. In the early 2000s, the majority if the migrants were involved in corner shop and market vendors' businesses, as well as restaurant businesses,<sup>11</sup> whereas after 2010, construction workers became the dominant portion of the Chinese migrants.

In 2000-2016 main exports from Georgia to China were copper ores and concentrates (54.7%), copper waste and scrap (28.5%) and wine<sup>12</sup> (6.3%) with the remaining products not exceeding 2% of total exports to China. Given the fact that over this time Georgia has exported around 240 different categories of goods to China, export diversification is not very large. On the other hand, imports from China to Georgia have not been dominated by a single product or product group - out of almost 1000 various product categories imported from China, the largest share belongs to automatic data processing machines with 4.6% of all imports, followed by telephone sets (3.9%) and furniture (2.7%). Despite the fact that China has not been the major trading partner of Georgia (2.1% of exports and 5.9% of imports over 2000-2016), import from China is probably the most diversified. It should also be mentioned that trade turnover has been more or less on rise since 2007. Table 1 below summarizes Georgia total exports and imports for 2007-2015 period focusing on China<sup>13</sup>.

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9 Diamond, L.J., Plattner, M.F., Walker, C. (Eds.), 2016. *Authoritarianism goes global: the challenge to democracy*, A journal of democracy book. Johns Hopkins University Press, Baltimore.

10 Jiyai Zhou, *Chinese in Georgia*, ECMI Working Paper #54, 2012 ([https://www.files.ethz.ch/isn/140734/Working\\_Paper\\_54\\_en\\_corrected.pdf](https://www.files.ethz.ch/isn/140734/Working_Paper_54_en_corrected.pdf))

11 Ibid.

12 The first half of 2016 indicated an increase of 148% of wine exports to China, which has put China in third place of wine export destinations (<http://www.radiotavisupleba.ge/a/ekonomika/27851306.html>)

13 Geostat.ge. (2016). *External Trade*. [online] Available at: [http://geostat.ge/?action=page&p\\_id=133&lang=geo](http://geostat.ge/?action=page&p_id=133&lang=geo) [Accessed 27 Dec. 2016].

*Table 1: Georgia total exports and imports for 2007-2015, focusing on China.*

Year	Total Export	Exports to China	Share in Exports	Total Import	Imports from China	Share in Imports
2007	\$1,232,110.47	\$8,272.50	0.67%	\$5212150.246	\$206,709.43	4.0%
2008	\$1,495,345.24	\$8,992.75	0.60%	\$6301540.343	\$298,331.13	4.7%
2009	\$1,133,630.23	\$5,965.55	0.53%	\$4475724.509	\$174,571.29	3.9%
2010	\$1,677,306.90	\$27,050.41	1.61%	\$5235964.559	\$335,160.02	6.4%
2011	\$2,186,421.21	\$28,970.02	1.32%	\$7072259.779	\$527,701.10	7.5%
2012	\$2,376,635.37	\$25,674.70	1.08%	\$8056379.016	\$614,416.70	7.6%
2013	\$2,910,637.17	\$33,955.97	1.17%	\$8022739.033	\$612,250.18	7.6%
2014	\$2,861,045.18	\$90,393.33	3.16%	\$8601814.355	\$733,467.55	8.5%
2015	\$2,204,684.21	\$125,800.20	5.71%	\$7730103.038	\$587,378.80	7.6%
2016 (10 months)	\$1,701,045.9	\$145,218.9	8.54%	\$5,426,239.9	\$303,895.4	5.6%

*Source: (Geostat.ge, 2016)*

In addition, the fact that as of 2016 China is the third largest trading partner to Georgia and has signed a Free Trade Agreement (the first FTA China has signed in the South Caucasus region), opens the new avenue for the future cooperation with the potentially significant implications for Georgia both on regional and global scale.

### *Foreign Direct Investments (FDI)*

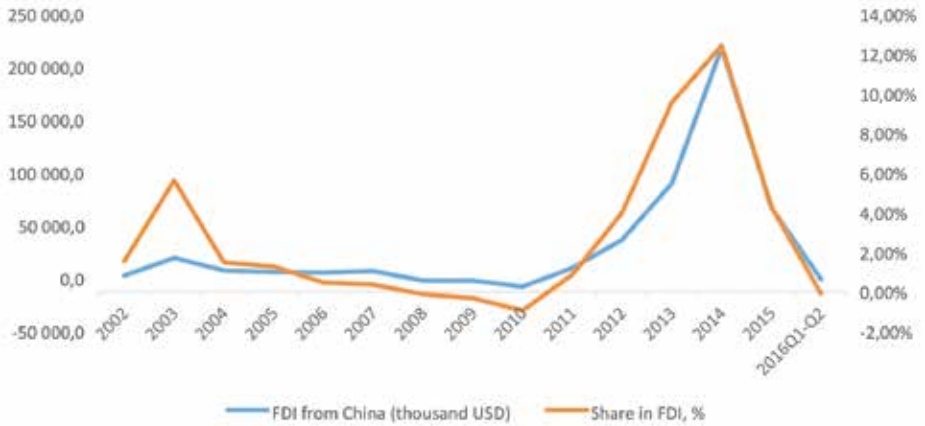
In 2001 Sichuan Electric Power Import & Export Corporation invested \$34 million

to construct the Khadori Hydro plant. At that given moment it was the single largest investment since the independence of Georgia.<sup>14</sup> First investments from China to Georgia started flowing in 2002 (e.g. in 2005, Georgian Timber Processing Corporation and Georgian Wood & Industrial Group, subsidiaries of Xinjiang Hualing Industry and Trade Group has set up a factory in the village Lia, in Zugdidi, Georgia<sup>15</sup>), however, after peaking at 5.61% of total in 2003, investments started to drop and for number of years in 2008-2010 net FDI has been negative.

<sup>14</sup> Georgian Business Consulting Group, (2010). Chinese Business in Georgia 2010. [online] Georgian Business Consulting Group Ltd. Available at: [http://yalejournal.org/article\\_post/new-silk-roads-in-the-southern-caucasus-chinese-geopolitics-in-a-strategic-region/](http://yalejournal.org/article_post/new-silk-roads-in-the-southern-caucasus-chinese-geopolitics-in-a-strategic-region/) [Accessed 27 Dec. 2016].

<sup>15</sup> Zhou, J., 2012. Chinese in Georgia. ECMI, Working Paper.

## FDI from China



Source: (Geostat.ge, 2016)

FDI from China started picking up in 2012, with Hualing Group making approximately USD 500 million investment in Georgia. As one of the pioneer

Chinese company investing in Georgia, Hualing has invested in seven major projects. Table 2 summarizes the Hualing's current investment portfolio<sup>16</sup>.

Table 2: Hualing Investment Portfolio

Sector / Project	Investment (in million)
Banking Sector	USD 70.00
Mineral resource	USD 6.00
Timber processing	USD 52.00
Construction	USD 10.00
International Free Economic Zone	USD 310.00
Kutaisi Free Industrial Zone	USD 43.00
Marble mine and quarry	USD 7.00
<b>Total Portfolio</b>	<b>USD 498.00</b>

<sup>16</sup> Tskhovrebova, A., 2016. Silk Road of Chinese Investment. Forbes Georgia, p. 60-65

Apart from Hualing Group, a telecommunication company ZTE Corporation and Huawei Technology Company Ltd has been present on the Georgian market. In 2010 three significant infrastructure construction projects have been given to Chinese companies Sinohydro Corporation and China Railway 23rd Bureau Group Co., Ltd. The first one was the rehabilitation of Rikoti Tunnel, funded by European Bank for Reconstruction and Development (EBRD) with the budget of EUR 19.8 million. The second - construction project of Adjara Bypass road was also given to Sinohydro Corporation funded by Asia Development Bank (ADB) with total value of EUR 48 million, whereas the third project - Tbilisi Bypass Railway, the largest in the financial terms, was given to the consortium of Chinese China Railway 23rd Bureau Group together with Georgian company Khidmsheni. The value of the contract was EUR 350 million co-funded by the Georgian Railways and EBRD and EIB<sup>17</sup>.

Other than FDI and trade in goods, China's importance for Georgian economy is quite low, both in remittances and number of visitors, China's share in total is

negligible (the largest share for visitors has been 0.23% in 2011-2012, whereas according to statistics from the first 10 months of 2016, remittances from China accounts only 0.33% of the total money transferred)<sup>18</sup>.

Despite the increasing cooperation between China and Georgia, some challenges were observed; in particular, the lack of clear regulations regarding the environment, local workforce employment and funding mechanism processes. For instance, the Tbilisi Bypass Railway project led by China Railway 23rd Bureau Group was operating under the 1999 FIDIC Yellow Book conditions, which gives the contractor the right to hire labour by its own consideration. Therefore, the company had no obligation to employ local workforce. Furthermore, some officials from the Georgian Railway stated that the style of Chinese management is different from that of Western companies. While the latter concentrate on procedures, careful planning and safety matters, Chinese companies are more concerned with hard results<sup>19</sup>.

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17 Green Alternative, 2012. Do Tbilisi Bypass Railway is beneficial for Georgia? (Publication).

18 Nbg.gov.ge. (2016). Statistical Data. [online] Available at: <https://www.nbg.gov.ge/index.php?m=304&lng=eng> [Accessed 27 Dec. 2016].

19 Zhou, J., 2012. Chinese in Georgia. ECMI, Working Paper.



## OBOR AS CHINA'S PUSH TO SET A NEW GLOBAL ORDER

This new global position of China could be summarized by the grand strategy called the New Silk Road or One Belt One Road (OBOR) initiative, which encompasses the revitalization of the ancient Silk Road, fostering cooperation between the countries over the greater Eurasia continent.

Some critics compare this initiative with the Marshall Plan that aided the post WW2 European restoration efforts<sup>20</sup>. It is also argued that the OBOR aims to 'rebalance' global power from the USA to China<sup>21</sup>. From the global perspective, the initiative can be seen through political, economic or cultural lenses. The competing interest in Eurasia could be traced to the announcement made by Hillary Clinton regarding establishing a 'New Silk Road' to integrate Afghanistan into a north-south trade corridor and improve its economy<sup>22</sup>. In terms of economic consideration, some scholars frame it predominantly as a tool to address China's domestic economic challenges, such as the underdevelopment of western

provinces of the country compared to the eastern coast, economic slowdown, overcapacity in production and the high volume of national currency reserves. Furthermore, some argue that OBOR will enable China to improve its energy security through diversified energy supply chains<sup>23</sup>. In regards to cultural lenses, some argue that the initiative is a tool to diffuse China's ideas about world order<sup>24</sup>.

In effect, the OBOR is aimed to affect more than 4 billion people in over 60 countries in Asia, Africa and Europe. The initiative consists of two parts. (see Map 1). The concept of the 'Silk Road Economic Belt' (SREB) focuses on improving and building railway and road infrastructure linking China to Europe through Central Asia, Russia and the South Caucasus, whereas the 'Maritime Silk Road of the 21st century' concentrates on connecting China to Africa and ultimately to Europe through Southeast Asia, the Indian Ocean, the Persian Gulf and the Mediterranean. This serves as the 'one road' part of the OBOR Initiative.

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20 Summers, T., 2016. China's "New Silk Roads": sub-national regions and networks of global political economy. *Third World Quarterly* 37, 1628–1643. doi:10.1080/01436597.2016.1153415

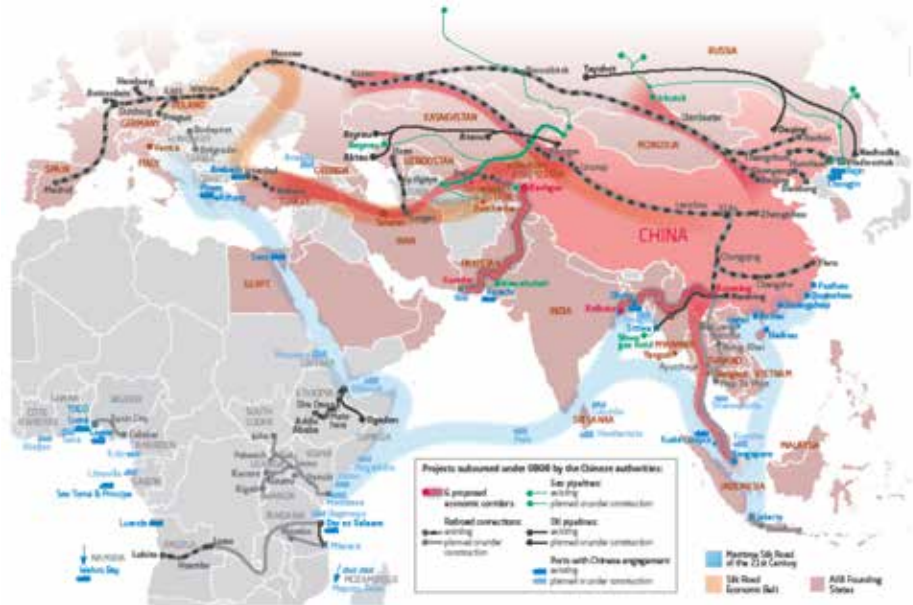
21 Clarke, M., 2016. Beijing's March West: Opportunities and Challenges for China's Eurasian Pivot. *Orbis* 60, 296–313. doi:10.1016/j.orbis.2016.01.001

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

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

24 Callahan, W.A., 2016. Chinas "Asia Dream": The Belt Road Initiative and the new regional order. *sian Journal of Comparative Politics*. doi:10.1177/2057891116647806

Map 1: OBOR initiative



Source: (Mercator Institute for China Studies, 2015).

The OBOR initiative encompasses six trade corridors. The following routes are anticipated under the Economic Belt:

1. China to Europe through New Eurasian Land Bridge;
2. Building China - Mongolia - Russian Corridor;
3. Bridging China to Europe via Central and West Asian countries.
4. Build China - Indochina Peninsula Corridor and link China with the South Pacific Ocean through the South China Sea;
5. Establish China - Pakistan trade corridor;
6. Set up Bangladesh - China - India - Myanmar trade route.

The 21st Century Maritime Silk Road, mainly relies on Chinese coastal ports in order to:

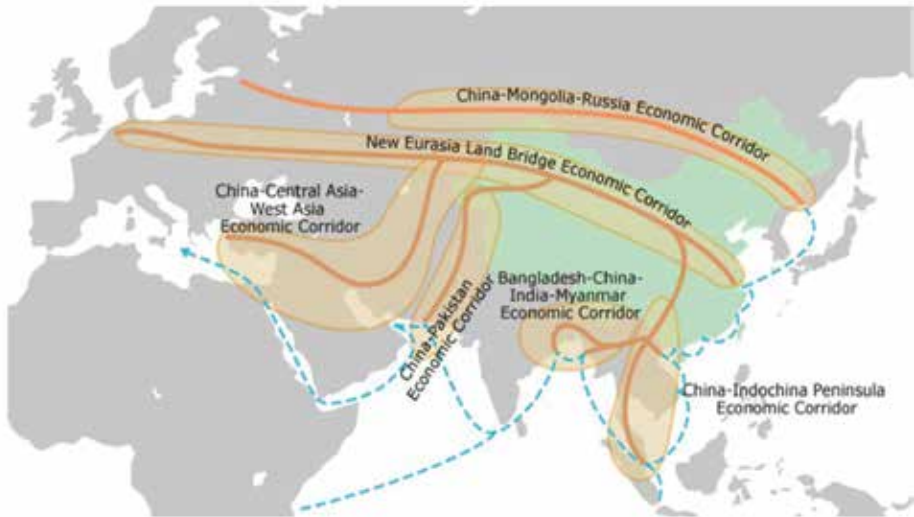
Table 3 presents details of these corridors and Map 2 illustrates the spatial coverage of the corridors.

Table 3: OBOR trade corridors

	Trade Corridor	Countries involved
1	New Eurasian Land Bridge (Jiangsu province to Rotterdam, Netherlands)	Central and Eastern Europe: Albania, Bosnia, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia Western;  Europe: Netherlands, Germany
2	China - Mongolia - Russian Corridor (Beijing/Tianjin/ Hebei/Dalian to Russia)	Belarus, Moldova, Mongolia, Russia;
3	China - Central Asia - West Asia Corridor	Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan;  West Asia: Afghanistan, Armenia, Azerbaijan, Bahrain, <b>Georgia</b> , Iran, Iraq, Israel, Jordan, Kuwait, Qatar, Oman, Saudi Arabia, Syria, Turkey, Yemen;
4	China - Indochina Peninsula Corridor (Pearl River Delta Economic Circle (Guangzhou, Hong Kong and Shenzhen) to Indochina)	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam;
5	China - Pakistan Corridor (Xinjiang province to Gwadar, Pakistan)	Bangladesh, Bhutan, Maldives, India, Nepal, Pakistan, Sri Lanka
6	Bangladesh - China - India - Myanmar Corridor	Bangladesh, India, Myanmar

Source: (Luckock et al., 2016).

Map 2. Six trade corridors connecting Asia, Europe and Africa



Source: (Hong Kong Trade Development Council, 2016).

Three newly established financial institutions are associated with the initiative. In particular:

- Silk Road Infrastructure Fund, established in February 2014 with USD 40 billion in capital;<sup>25</sup>
- Multilateral Asian Infrastructure Investment Bank (AIIB), established in October 2014 with USD 100 billion in capital;
- New Development Bank (also known as the BRICS Bank), established in July 2014 with USD 100 in capital.

Georgia joined the initiative and became the 45th member of the AIIB. Furthermore, in late August, 2015, Tbilisi hosted AIIB's 6th Meeting of Chief Negotiators and positioned itself as a valuable member of the group<sup>26</sup>.

The overall trajectory of the initiative is set out in the blueprint document - *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Mar-*

*itime Silk Road*. Five areas of cooperation have been identified within the OBOR:

1. Coordinating development policies;
2. Forging infrastructure and facilities networks;
3. Strengthening investment and trade relations;
4. Enhancing financial cooperation and;
5. Deepening social and cultural exchanges.<sup>27</sup>

China plans to deepen regional cooperation by building on existing bilateral and multilateral cooperation using them to navigate OBOR. Beijing has signed a range of Memorandum of Understandings (MoU) with the countries along the SREB. Most notably, the 'EU-China Connectivity Platform' is intended to enhance synergies between OBOR and 315 billion EUR of funds allocated by the European Commission (EC) for Investment Plan for Europe<sup>28</sup>. Furthermore, the EU-China Strategic Partnership envisages cooperation beyond the European mainland, in particular to stimulate platforms like the European Neighbourhood Policy (ENP). This opens a window

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25 Chinese banks possess more than USD 15 trillion in deposits and the foreign exchange reserves are over USD 3 trillion. For instance, Chinese state banks have already invested \$ 250 billion in the project under OBOR umbrella (Djankov and Miner, 2016).

26 Jin Liqun Selected President-designate of the Asian Infrastructure Investment Bank [WWW Document], 2015. www.aiib.org. URL [http://www.aiib.org/html/2015/NEWS\\_0824/15.html](http://www.aiib.org/html/2015/NEWS_0824/15.html)

27 Aph.gov.au. (2016). China's 'One Belt, One Road' initiative - Parliament of Australia. [online] Available at: [http://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/Briefing-Book45p/ChinasRoad](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/Briefing-Book45p/ChinasRoad) [Accessed 27 Dec. 2016].

28 China's ambitious Silk Road vision, 2015. . Strategic Comments 21, iv-v. oi:10.1080/13567888.2015.1114212

of opportunity for the ENP countries including Georgia. Therefore, Georgia-China cooperation goes well beyond economic context. The anticipated economic benefits derived from the Georgia-China cooperation could be one side of the medal, as political implications and possible risks of such cooperation should also be taken into consideration to have a broad picture.

### *OBOR - what's in it for Georgia?*

As mentioned above China and Georgia have a well-established if not particularly deep economic relationship, nevertheless this relationship is bound to find a new life under the OBOR initiative. Up to date Georgia China relationship has been defined in the economic and cultural perspective. Sino-Georgia trade

volume has experienced tremendous growth. In 2002, bilateral trade was just about 10 million USD, whereas in 2014 it reached 823 million USD<sup>29</sup>. However, the geopolitical significance and favourable geographical location of Georgia in the light of OBOR initiative puts the Georgia-China cooperation on the different level.

Despite timely reforms, Georgia still struggles with high unemployment and poverty levels. The main challenges Georgia faces in term of its national development are 1) weak competitiveness of the private sector, 2) lack of human capital and 3) limited access to finance.

Table 4 summarizes the developmental trajectory set by GoG.

*Table 4: Georgia's National Development Strategy*

Strategy Direction	Activities
Private sector competitiveness	<ul style="list-style-type: none"> <li>• Improving the investment and business environment;</li> <li>• Innovation and technologies;</li> <li>• Facilitating and diversifying exports;</li> <li>• Developing infrastructure and fully realizing the country's transit potential;</li> </ul>
Human capital development	<ul style="list-style-type: none"> <li>• Developing the country's workforce to meet labour market requirements;</li> <li>• Ensuring the accessibility and quality health care;</li> <li>• Tightening the social security net;</li> </ul>
Access to finance	<ul style="list-style-type: none"> <li>• Mobilization of investment;</li> <li>• Development of financial intermediation;</li> </ul>

*Source: (Government of Georgia, 2013).*

29 Funke, C., 2015. Georgia and China strengthen economic ties. Analytical Articles; it should be mentioned that trade turnover has dropped in 2015-16, compared to 2014

The most recent Public Attitudes Poll revealed that national sentiment regarding five national issues: (1) jobs and unemployment; (2) poverty; (3) territorial integrity; (4) rising prices and inflation; and (5) pensions, have not changed since 2009<sup>30</sup>. Therefore, the goal of GoG is to create a platform to support long-term inclusive economic growth and improve the overall welfare of its population. The economic policy of the country focuses on three aspects: (1) fast and efficient economic growth of the real economy (production); (2) facilitating inclusive economic growth; and (3) a rational usage of natural resources towards economic development.

Towards achieving the aforementioned goals, in October 2015, Georgia hosted a two-day high level meeting of the Tbilisi Silk Road Forum, an annual initiative that gathered interested state and non-state actors from more than 30 countries to discuss the opportunities and challenges of OBOR.

“Georgia can help build a Silk Road of trade from Brighton to Beijing” – an article published by the *Telegraph* on 28 October, 2015 and written by the then Prime Minister of Georgia echoed the thoughts expressed in the Tbilisi Silk Road Forum held in the capital of Georgia in response to China’s OBOR initiative. ‘My government’s goal is to build Georgia into a prosperous country that leverages its geographic location as a vital crossroads connecting East and West, and North and South. A regional hub and centre for exchange, Georgia is Europe’s natural gateway towards Asia’<sup>31</sup>. The prime-minister emphasized the friendly business environment and close ties with the EU, especially after having signed the Association Agreement (AA), including a Deep and Comprehensive Free Trade Agreement (DCFTA), opening opportunities for the private sector in Georgia due to its preferable access to the EU market. In this vein the Prime Minister of Georgia outlined four anticipated projects under OBOR (see Table 5).

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30 Thornton, L., Sichinava, D., 2016. Public attitudes in Georgia Results of a June 2016 survey carried out for NDI by CRRC Georgia. National Democracy Institute (NDI);

31 Garibashvili, I., 2015. Georgia can help build a Silk Road of trade from Brighton to Beijing [WWW Document]. Telegraph. URL <http://www.telegraph.co.uk/news/worldnews/europe/georgia/11959643/Georgia-can-help-build-a-Silk-Road-of-trade-from-Brighton-to-Beijing.html>

*Table 5: Projects anticipated under the OBOR initiative*

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

*Source: (Djankov and Miner, 2016).*

These projects are considered to be part of Georgia’s National Development Strategy as well as being in line with the main areas of cooperation of OBOR, in particular connectivity improvement and trade facilitation.

### *Connectivity Facilitation*

The idea of land connectivity of Europe and Asia dates back to 1993 and is associated with the EU-backed initiative of establishing the Transport Corridor Europe Caucasus Asia (TRACECA).<sup>32</sup> Originally aiming to establish a West-East transport corridor starting from Europe, going through the Black Sea basin and the South Caucasus towards the Caspian Sea, the project intended to stimulate the

sharply declining economies and poor transportation systems in post-soviet countries. The general vision of the project was to strengthen the political and economic cooperation of Commonwealth of Independent States (CIS)<sup>33</sup> countries, support regional cooperation, leading to regional economic development through attracting investments from private and international financial institutions. The main challenge related to TRACECA was the lack of a guiding vision informed by regional consensus, therefore connectivity improvement largely depends on the level of regional cooperation.

As suggested by the World Scenario Series report, the South Caucasus and Central Asia regions have ‘the potential to

<sup>32</sup> Currently there are three rail corridors connecting Asia to Europe. 1) Trans-Siberian running from China to Western Europe via several possibilities via Kazakhstan, Mongolia Belarus/Poland or Ukraine to Western Europe; 2) Central corridor connecting China to the Eastern and the Western Europe though Kazakhstan and 3) Transport Corridor Europe - Caucasus- Asia (TRACECA) an intergovernmental programme focusing on international transport development in the Black Sea, Caucasus and Central Asia aiming to create a transport corridor between Europe, the Black Sea, Caucasus, Caspian Sea and Central Asia (Islam et al., 2013).

<sup>33</sup> As of December 1993 12 former Soviet Union countries represented Commonwealth of Independent States, in particular Armenia, Azerbaijan, Belarus, Georgia Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Tajikistan, Russia, Ukraine and Uzbekistan. Due to Georgia-Russia 2008 war , Georgia has left CIS (Aris and Webber, 2016).

establish a fresh identity as a centre of activity within a new, 21st-century economy<sup>34</sup>. This statement is best underpinned by the recent movement of South Caucasus and Central Asian counties towards regional cooperation, which has been driven by opportunities presented by the OBOR. For instance, connection efficacy between the Xinjiang province of China to the port of Poti in Georgia, via Kazakhstan and Azerbaijan, was tested. Railway cargo loaded in China on 29th of January, 2015 arrived in Georgia on 6th of February 2015; however, almost a third of the time in transit was spent handling administrative obstacles<sup>35</sup>. This rather ambitious new trade route between Chi-

na and Europe has been referred to as the Trans-Caspian International Transport Route (TIRT)<sup>36</sup> (Map 3). Therefore, the hard infrastructure development in terms of connectivity improvement should be supported by establishing a single-window system, a soft infrastructure tool, to reduce the number of procedures required procedures to cross the border. Apart from the slow borders, other issues include technical, operational and geo-political conditions, higher costs of transit, and damage and theft of the cargo, all of these are common issues along all three roads<sup>37</sup>. Clearly these issues should need to be addressed in the regional context.

*Map 3: Trans-Caspian International Transport Route*



*Source: (Rogan, 2016).*

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

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

36 Grey, E., 2015. Can the Trans-Caspian Route deliver the next freight revolution? Features. <http://www.railway-technology.com/features/featurecan-the-trans-caspian-route-deliver-the-next-freight-revolution-4684339/>

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



For Georgia, OBOR can be seen as a potential solution to some domestic issues such as job creation, building infrastructure, and attracting FDI to boost the economy<sup>38</sup>. On the other hand, China's interest in welcoming Georgia is underpinned by economic considerations as it represents the most efficient land connection between China and Europe.

### *Trade Facilitation*

Along with infrastructure development, trade facilitation is one of the five areas of cooperation under OBOR. In March 2015, China and Georgia launched a feasibility study on a Free Trade Agreement (FTA). Such an agreement is important not only because of economic considerations, but it also supports Georgia's desire to position itself as a logistic hub along the SREB. Nevertheless, it is important to analyse where China-Georgia FTA stands in terms of Georgia's national development, in particular in export promotion and diversification - one of the priority set by GoG.

The feasibility study found favourable outcomes of China-Georgia FTA, how-

ever the study did not consider the possible implication for products and services that have not been exported yet. For instance, the study found that the China-Georgia FTA has the potential to increase Georgia's exports to China by approximately 9% mainly in terms of wine (28.5%) and non-alcoholic drinks (36.7%)<sup>39</sup>. Yet, it is difficult to anticipate the impact on export diversification. In addition, an alternative study suggested that the goal of China-Georgia FTA should be to go beyond tariff reductions and focus on facilitation of trade by addressing non-tariff barriers and further harmonizing country of origin rules with those included in the DCFTA that Georgia has signed with the EU. By doing so Georgia can leverage its favourable trade conditions with the EU and match it with further cooperation with China. This is especially important taking into account the desire to act as a logistics hub linking Europe and Asia. This puts Georgia in a good position to develop a symbiotic process with regional actors which would greatly contribute to its own national development<sup>40</sup>.

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38 Cecire, M., 2015. China's Growing Presence in Georgia [WWW Document]. [www.thediplomat.com](http://thediplomat.com/2015/05/chinas-growing-presence-in-georgia/). URL <http://thediplomat.com/2015/05/chinas-growing-presence-in-georgia/>

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

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

## *Main challenges*

Georgia has a favourable geographic location, situated between Europe, Turkey and China, combined with a friendly business environment and strong political will to act as a logistics hub to bridge Asia with Europe. However, despite visible window of opportunity, there is a range of external factors pointing at regional power asymmetries. In this regards the competing interest of China's 'Silk Road Economic Belt' and Russia's Eurasian Economic Union initiative aimed at bringing a number of former Soviet states into a single economic space should be mentioned. Although leader of China and Russia have agreed that these two initiatives will cooperate little progress have been detected<sup>41</sup>. While Georgia has the capacity to enable a favourable domestic business environment and help build regional soft infrastructure, the success of the initiative depends on effective cooperation between large regional state and non-state actors and their ability to acknowledge the prospect of the initiative. More importantly GoG needs to base its strategy on the democratic values. As the most recent public opinion poll indicated, the

majority of the population support these values, expressed in the desire to join the EU and NATO. Therefore, while seeking for economic prospects, Georgia should continue to strengthen institutions and strive towards establishing consolidated democracy.

## **RECOMMENDATIONS AND CONCLUSIONS**

Georgia needs to determine how to become more than just a transit country. The fact that Georgia hosted such a high-level event related to the OBOR puts emphasis on its intension to leverage from its geographic location. However, it needs to develop a coherent, coordinated and complementary strategy based on national interests and reflective of the comparative advantage of different development and strategic partners<sup>42</sup>.

The national development strategy set by GoG prioritizes private sector development to stimulate sustainable economic growth and contribute to the job creation and human capital development that is much needed (as revealed by the Public Attitudes Poll). The five cooperation areas under the OBOR umbrella could serve as

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41 Bond, I. (2016). Russia and China: Partners of Choice and Necessity?. [online] The Centre for European Reform. Available at: [http://www.cer.org.uk/sites/default/files/rpt\\_russia\\_china\\_8dec16.pdf](http://www.cer.org.uk/sites/default/files/rpt_russia_china_8dec16.pdf) [Accessed 27 Dec. 2016].

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

an impetus for GoG to tailor the initiative to support its national development. There is clear interconnection between OBOR and Georgia's national development strategy in terms of connectivity / infrastructure development and trade facilitation. However, these compatibilities are rather general and lack clarity. Thus, to fully harness the opportunities put in place by the initiative, GoG needs to establish working groups involving key public and private stakeholders within the country and in the region to discuss and establish a common vision. This holistic approach should be applied at different levels and should be addressed to different audiences. Firstly, GoG needs to identify critical sectors that will be directly or indirectly influenced as a result of the improved connectivity and trade. By doing so, GoG will maximize the positive spillover effect on these sectors. Secondly, the focus should be made to establish a policy in respect to the near neighbourhood to improve the restricted regional cooperation. Lastly, GoG needs to conceptualize the initiative in regional and global context to ensure the initiative is harmonized with its domestic as well as foreign policy strategies.

## *Sectoral Approach*

As mentioned above, connectivity improvement and trade facilitation are the direct sectors that will be involved. Nevertheless, it opens opportunities for other sectors as well. The in-depth analysis of the OBOR should not only be concentrated on these areas, but rather, GoG should develop other sectors and accumulate human capital to participate in OBOR-related projects in the future.

- *ICT and Digital Technologies*

Development of Information and Communication Technologies (ICT) and digital technologies sector could be seen as one of the key areas that could be indirectly affected by the initiative. In 2015 Georgia ranked 73rd out of 141 in the Global Innovation Index, leaving a space for improvement<sup>43</sup>. Currently the World Bank has approved a loan of USD 40 million to Georgia to increase innovative activities of private sector and individuals as well as their participation in the digital economy<sup>44</sup>. The project has quite ambitious objective, in particular by 2020 to have 40,000 IT

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43 Cornell University, INSEAD, and WIPO (2015): The Global Innovation Index 2015: Effective Innovation Policies for Development, Fontainebleau, Ithaca, and Geneva.

44 The World Bank, (2016). World Bank Supports Georgia's Investment in Innovation-driven and Knowledge-based Economy. [online] Available at: <http://www.worldbank.org/en/news/press-release/2016/03/18/georgia-national-innovation-ecosystem-project> [Accessed 27 Dec. 2016].

export-oriented experts in Georgia, creating USD 1.1 billion worth IT products, placing Georgia among the world's top 10 countries for information and communication technologies. This creates an avenue for Georgia to link its ICT potential to building the so-called Digital Silk Road (DSR)<sup>45</sup>. Thus, GoG should cooperate with China in order to share China's knowledge in these sectors thus enhancing skills related to ICT and innovative technologies sectors.

- *Energy Sector*

Export diversification is another critical goal GoG has included in its development strategy. The FTA between Georgia and China could be a starting point to pursue of export diversification. In this vein, GoG needs to foster export in higher-value-added goods. According to several studies Georgia has a promising potential in energy-intensive products<sup>46</sup>. However, whether Georgia has a potential to develop comparative advantage in low-cost electricity production a range

of factors should be taken into consideration. In particular: 1) sound business environment; 2) well-developed infrastructure; 3) access to foreign market and 4) skilled labour.

Analysis of current conditions reveal that the cost of electricity in Georgia is low by international standards. Partly the reason for this is the low production costs. Nevertheless, according to the Ten Year Network Development Plan for 2015-2022 (TYNDP) designed by TSO of Georgia and JSC Georgian State Electrosystem by 2022 Georgia should develop its energy production with availability to export 40% of production. This calculation is based on the analysis of mainly hydro resources. To attain this goal, estimated USD 9 billion investment is required in the sector - more than half of current GDP. Therefore, there is an urgent need to attract foreign investment. Apart from the financing challenge, Georgia needs to attract energy-intensive consumers to avoid concentrating on export of low-cost electricity<sup>47</sup>. It is obvious that

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45 4 The Digital Silk Road (DSR) seeks cooperation in next-generation mobile technology 5G, cloud computing, the Internet of Things, big data, e-commerce, digital investment, smart cities, and smart energy. The DSR was the subject of a high-level meeting in Brussels in July 2015.

46 Zachmann, G., Saha, D. and Peruzzi, M. (2015). Georgia's economic specialisation: Present and future. Policy Paper Series [PP/01/2015]. [online] Berlin/Tbilisi, April 2015: German Economic Team Georgia. Available at: [http://zachmann.be/wp-content/uploads/2014/06/PP\\_01\\_2015\\_en\\_Georgia%E2%80%99s-economic-specialisation.pdf](http://zachmann.be/wp-content/uploads/2014/06/PP_01_2015_en_Georgia%E2%80%99s-economic-specialisation.pdf) [Accessed 27 Dec. 2016].

47 Zachmann, G. (2016). Can low electricity prices be a comparative advantage of Georgia?. Policy Paper Series [PP/02/2015]. [online] Berlin/Tbilisi, May 2015: German Economic Team Georgia. Available at: [http://www.get-georgia.de/wp-content/uploads/2014/11/PP\\_02\\_2015\\_en.pdf](http://www.get-georgia.de/wp-content/uploads/2014/11/PP_02_2015_en.pdf) [Accessed 27 Dec. 2016].

increased infrastructure development related project will also trigger the rise in energy consumption, therefore GoG need to work with Chinese partners, who possess a solid experience and knowledge in energy sector, to go beyond infrastructure development.

- *Tourism*

Although OBOR is currently a governmental initiative, its future success depends on the involvement of private sector. Thus, GoG needs to enable the business environment to make the renovated trade routes attractive from the market standpoint. Tourism is another sector that could benefit from improved connectivity. Currently, United Nations World Tourism Organization (UNWTO) operates Silk Road Programme that includes 33 states, including Georgia<sup>48</sup>. The OBOR initiative should be seen as an important contributor to further develop the Silk Road Programme and put the Ancient Silk Road on the global touristic map. The private sector has already started working in this direction. For instance, Hualing plans to invest in aviation. As noted by the deputy CEO, Hual-

ing expects increase in Chinese visitors to Georgia. Moreover, in light of SREB initiative, Hualing group believes that this type of investment will be encouraged by China. Hualing has a long-term strategy to have 50 operational planes, conducting direct flights between China and Georgia in 5-10-year period. Therefore, GoG, in particular, Georgian National Tourism Administration (GNTA) should take the lead and build on this opportunity.

### *Near Neighbourhood Policy*

The existence of regional platform is crucial. Therefore, Georgia should take the lead and establish a platform in support of the South Caucasus and Central Asian connectivity projects. The primal purpose of this institution should be to navigate Georgia's Silk Road and Eurasian connectivity activities. Again, in order to strengthen limited regional cooperation in these regions it is important to identify complementarities of each country. What Georgia could offer is its experience in administrative reforms. For instance, the National Bank of Georgia (NBG) has already started exporting

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48 UNWTO's role in promoting the growth of Silk Road tourism dates back to 1994, when 19 countries called for the 'peaceful and fruitful re-birth of these legendary routes as one of the world's richest cultural tourism destinations'. Over the years, UNWTO worked closely with key UN agencies such as the United Nations Educational, Scientific and Cultural Organization (UNESCO) and United Nations Development Programme (UNDP) to advance sustainable development imperatives across the regions of the Silk Road. It was in 2010 that UNWTO developed a specialised programme dedicated to advancing tourism along the Silk Road.

soft infrastructure tools, as its payment system development project with the Central Bank in Tajikistan<sup>49</sup>. In light of OBOR and Georgia-China relationship, it should be mentioned that the NBG and People's Bank of China have signed a framework agreement on a currency swap scheme in 2015.<sup>50</sup> Georgia could and should share its experience further and contribute to the establishment of regional soft infrastructure, an essential element in order to benefit from the improved connectivity.

The main purpose of the regional platform should be to conduct a permanent research on regional needs and establish a common space to share knowledge and experience.

### *Regional and Global Policy*

Apart from the near neighbourhood context, GoG needs to conceptualize the initiative in broader geographical terms. Expanding trade between China and the EU has been considered an important driving force of the SREB. From 2002 to

2013 the trade volume increased from 93 billion USD to 560 billion USD respectively. This has led to the acknowledgment of further increase of trade volume in case of overland infrastructure improvement<sup>51</sup>.

On March 6, 2016 the Ministry of Economy and Sustainable Development of Georgia has issued the third action plan towards implementation of DCFTA. If all the requirements are met, Georgia will be able to have a preferential access to the EU market<sup>52</sup>. The similar action plan should be also prepared regarding OBOR in order to ensure that on the one hand the connectivity and policy harmonization process is well-structured, and on the other hand these two processes are in accordance with each other. By doing so, Georgia could leverage its geographic location into trade facilitation, which is one of the five areas of OBOR.

Furthermore, GoG needs to seek the opportunities to integrate its policy with its strategic partners' interests. Apart from the support from the EU and facilita-

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49 National Bank of Georgia, (2013). The Delegation From The Central Bank Of Tajikistan Visited National Bank Of Georgia. [online] Available at: <https://www.nbg.gov.ge/index.php?m=339&n=&newsid=2221&lng=eng> [Accessed 27 Dec. 2016].

50 Globaltimes.cn. (2015). China, Georgia sign framework deal on currency swap - Global Times. [online] Available at: <http://www.globaltimes.cn/content/944793.shtml> [Accessed 27 Dec. 2016].

51 Starr, S.F., Cornell, S.E., Norling, N., Central Asia-Caucasus Institute and Silk Road Studies Program, 2015. The EU, Central Asia, and the development of continental transport and trade.

52 economy.ge. (2016). DCFTA. [online] Available at: <http://www.economy.ge/ge/dcfta> [Accessed 27 Dec. 2016].

tion of the TRACECA project, the United States of America has also identified South Caucasus and Central Asia connectivity as an important development issue. In 1999 Senator Sam Brownback who at that time was the chairman of the Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs has proposed Silk Road Strategy Act of 1999. It was aimed at the economic and political independence of the countries of the South Caucasus and Central Asia and was referred as a part of the USA's foreign policy. The legislation was not enacted, however, as Senator Brownback is anticipated to be a member of the new establishment, GoG should see the OBOR initiative in strategic terms and further investigate possibilities to harmonize its policies.

It has only been three years since the OBOR initiative was launched, therefore it is too early to evaluate it in any detail. However, by analysing its potential implications in the current infancy stage, will enable a better understanding and an ability to positively navigate this initiative in the future.

## **ABOUT EPRC & GEORGIA AND THE NEIGHBORS**

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## GEORGIA & CHINA IN 2016\*

145 mln

EXPORT TO CHINA

\$464 mln

IMPORT FROM CHINA

11,660.00

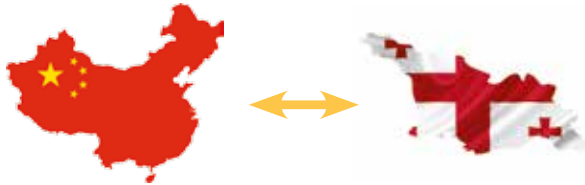
VISITORS ENTERED  
IN GEORGIA FROM  
CHINA

\$3,1 mln


REMITTANCES FROM CHINA

\$1,7 mln

FDI FROM CHINA



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PERCEPTION INDEX  
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ECONOMIC  
FREEDOM INDEX  
2016

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BUSINESS" 2016

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FORUM GLOBAL  
COMPETITIVENESS  
INDEX (GCI)  
2015-2016

\* October 2016

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