

RETERRITORIALIZATION OF POST-SOVIET EURASIA

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ABSTRACT

RETERRITORIALIZATION OF POST-SOVIET EURASIA

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This study attempts to analyze the new spatial configurations in Eurasia. It scrutinizes territory and territoriality, challenging the view that territory as a frozen and static concept. While observing changes in territoriality in Eurasia, the thesis considers the Belt and Road Initiative as the main factor in deterritorializing and reterritorializing Eurasian space by laying out economic corridors, which will transcend the boundaries of nation-states on Belt and Road route. Out of six economic corridors this thesis chooses the New Eurasian Land Bridge and the China-Central Asia-West Asia corridors as case studies in which deterritorialization and the new spatial configurations take place in Eurasian space.

KeyWords: deterritorialization, reterritorialization, the Belt and Road Initiative

ÖZ

AVRASYA’NIN POST-SOVIET DÖNEMİ YENİDEN YAPILANMASI

Tekir, Gökhan

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Bu çalışma Avrasya’da yeni mekansal düzenlemeyi ele almaktadır. Bu tez, alan ve alanlılığın gelişimini sorgulamaktadır. Avrasya’daki alansallığın değişimini incelerken, bu tez, Kuşak ve Yol Girişimini Avrasya’daki yertsiz yurtsuzlaşma ve yeniden yapılanma açısından ana faktör olarak değerlendirmektedir. Kuşak ve Yol Girişimi, ulus devlet sınırları yerine, ulus devlet sınırlarını aşan ekonomik koridorlar projeksiyonu yapmaktadır. Bu tez altı koridor içerisinde Yeni Avrasya Kıta Köprüsü ve Çin-Orta Asya-Batı Asya koridorlarını vaka çalışması olarak almaktadır. Bu iki koridorun Avrasya’daki yersiz yurtsuzlaşma ve yeniden yapılanmanın gözleneceği koridorlar olması bu seçimin nedenidir.

Anahtar Kelimeler: Yersiz yurtsuzlaşma, yeniden yapılanma, Kuşak ve Yol Girişimi

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CHAPTER 1

INTRODUCTION

Eurasia is experiencing a dynamic transformation process which results from the post-Cold War environment. For much of its history, Eurasia is considered as an isolated space whose borders have been separated from the rest of the world politically, economically, and culturally. This is particularly a consequence of the subservience of the parts, which comprise Eurasia to the Russian Empire and later the Soviet Union in modern history. During this dependence period, Russia's political yoke over the most of Eurasia had to be justified through political and cultural theories. There has been much literature and analysis produced on how Russia and Eurasia form a different kind of civilizational and political unity different from the rest of the world.

In the Cold-War international system, indeed, Eurasia remained isolated from the rest of the world. The republics comprising Central Asia were part of the Soviet Union. The Eastern and Central European countries were orbits of the Soviet Union. The Cold War polarization kept interactions limited. The Eastern flank of Eurasia embraced communist ideology, which distanced these countries from countries which had capitalist economic system. Thus, during the Cold War ideological and political setting prevented Eurasia from integrating global economy and politics. The end of the Cold War signified a transformation of Cold-War geopolitical system. The Soviet orbit set up in Central and Eastern Europe collapsed. The dissolution of the Soviet Union led to the emergence of 15 republics. The period in the aftermath of the Cold War marked integration of these countries and definition of their place in the new world politics.

The countries in Eurasia are searching ways to connect with the rest of the world in post-Cold War era. The idea of connection implies spatial-global proximity in

metaphors of the smaller world which is pertinent to concept of globalization. The concept of globalization embodies wide web of interconnections and networks. This is related with space production. Global capitalist dynamics reshape and reconfigure space in a continuous process. Space must be understood as dynamic and motion, an active movement rather than static frame.¹ While trying to connect with global economy, post-Cold War environment offered strategic opportunity to companies and states in reshaping space in Eurasia.

The main purpose of the study is to examine the effects of globalization and deterritorialization in post-Eurasia. Complex connectivity characterized by the networks and interdependencies shades into idea of spatial proximity. Yet, globalization manifests itself in different ways in different regions. Paradoxically, while deterritorialized boundaries are expanding, the ability of stronger states in shaping their neighborhoods persists. I attempt to discuss Eurasian engagement with globalization and the obstacles of globalizing tendencies in the region.

Within this context, the Belt and Road Initiative announced by the President of the People's Republic of China Xi Jinping is the most ambitious project, which affects Eurasia's spatial reconfiguration. China's economic and political resurgence have worldwide consequences. These consequences are mostly felt in its immediate neighborhood. The proposed Belt and Road Initiative envisions infrastructural linkages and economic corridors, which aim to connect China with many regions. The great powers such as the United States, the European Union and Russia have taken interest in the development and results of the initiative. On the other hand, the countries, which are involved in this initiative experience a dilemma: while attracting Chinese investment, they want to defend their sovereignty.

The academic study of the Belt and Road is also booming. There are numerous articles, books, and policy reports to assess China sponsored Belt and Road Initiative. Two distinct evaluations are relevant for the academic literature. First, the economic dimension of the initiative is taken into account. This view discusses

¹ David Harvey, 'Cartographic Identities: Geographical Knowledges under Globalization', in *Spaces of Capital: Towards a Critical Geography*, ed. by David Harvey (New York: Routledge, 2001), pp. 208–33 (p. 222).

economic benefits of the initiative by focusing on investments within the initiative, China led economic institutions, and projects led by these institutions. The second, the geopolitical view contends that the economic activities would eventually bring political influence. This view is particularly expressed by state officials, policy making circles, and academics who are close to realist camp. The concern is widespread among China's neighbors and great powers, which fear that their influence will be challenged by the Belt and Road Initiative, which is a symbol of China's new active foreign policy.

This study attempts the spatial dimension of the Belt and Road Initiative. In line with David Harvey's space production argument, Neil Brenner suggests that territorial rescaling is states' response to the economic globalization.² Tim Summers advances this argument by looking at subnational level connections along the Belt and Road route. Networks, which the Belt and Road Initiative promotes is consistent with global capitalist networks.³ Maximillian Mayer and Daniel Balasz argue that territory is organized as corridors rather than regions or nation states in the Belt and Road Initiative.⁴ Indeed, the Belt and Road Initiative envisages six economic corridors and over 50 special economic zone (SEZ)s. Still, besides these two studies conducted by Summers and Mayer, which partially examine Belt and Road's territorial consequences, the spatial reconfiguration that the Belt and Road articulates is overlooked.

With the lack of central focus on the Belt and Road's geographical aspect, it is both timely and necessary to understand the changes in Eurasia's geography brought about by the Belt and Road Initiative. Therefore, this thesis aims to analyze the effect of intense connection between East and West through infrastructure

² Neil Brenner, 'Global Cities, Global States: Global City Formation and State Territorial Restructuring in Contemporary Europe', *Review of International Political Economy*, 5.1 (1998), (p. 1).

³ Tim Summers, 'China's "New Silk Roads": Sub-National Regions and Networks of Global Political Economy', *Third World Quarterly*, 37.9 (2016), p. 1628

⁴ Maximilian Mayer and Daniel Balazs, 'Modern Silk Road Imaginaries and the Co-Production of Space', in *Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations*, ed. by Maximilian Mayer (Singapore: Palgrave Macmillan, 2018), pp. 205–27 (p. 212).

development promoted by the Belt and Road Initiative in deterritorializing and reterritorializing space.

The core research questions focus on the forces that came into effect in compressing geography traversing the world's largest landmass. Specifically, what are about the exoskeleton of railways and roads that connect cities across Eurasia, and their effect on comprising boundaries. Thus, this thesis is based on two specific questions:

- 1- How does Belt and Road Initiative corridors deterritorialize and reterritorialize Eurasia?
- 2- What are the main impediments in the flow of goods, people, finance, and ideas that constitute deterritorialization across the Belt and Road route? How are these obstacles tried to be overcome?

While answering these questions, I follow the following analytical framework: a description of Eurasia as a region and an extensive deliberation of concepts used to describe spatial change in Eurasia. The subsequent chapters will examine the Belt and Road Initiative and its effects on spatial reconfiguration in Eurasia. The projects in the initiative offers an account of deterritorialization and reterritorialization thanks to the Belt and Road Initiative.

My hypothesis for this thesis follows as: As deterritorialization marked by radical connectivity transforms Eurasian space, creative reterritorialization projects that move beyond the bounded boundaries of nation state political model are taking place. The Belt and Road Initiative offers economic corridors connected by transportation networks transcending nation state boundaries.

This study starts from evaluating Eurasia as a region. My aim here is to demonstrate the evolution of Eurasia in the minds of thinkers. Instead of one Eurasia whose boundaries are clear, Eurasia has been defined according to either geopolitical or ideological concerns. Eurasia's changing boundaries are apprised by drawing upon conceptions of leading thinkers will be presented.

The following chapter conceptualizes deterritorialization and reterritorialization to clarify these rather ambiguous terms as they are used frequently in this thesis.

Although it was firstly used by Gilles Deleuze and Felix Guattari's *A Thousand Plateaus*. It is "is the movement by which "one" leaves the territory."⁵ My concern in this chapter is to operationalize deterritorialization in world politics. I try to investigate these concepts' relations with globalization and territory.

The next chapter offers a detailed account of the Belt and Road Initiative. This chapter examines how the existing literature evaluated the Belt and Road Initiative. The liberal accounts which focus on economic aspects, the realist accounts, which focus on geopolitical consequences, and critical accounts, which focus on environmental impacts will be offered. Furthermore, the initiative's priorities, economic dimension, geo-strategic implications, and challenges are addressed

Fifth chapter deals with how the Belt and Road Initiative deterritorializes Eurasian geography by presenting two corridors on Eurasia: The New Eurasian Land Bridge and China-Central Asia-West Asia. I chose the New Eurasian Land Bridge and China-Central Asia-West Asia corridors as cases to show deterritorialization and reterritorialization in Eurasia because these corridors are mostly relevant with Eurasian space. These corridors form the Silk Road Economic Belt which focuses on land connection between China and Europe. The former passes through territories of Kazakhstan, Russia, and Eastern Europe before being connected to European cities. The latter bypasses Russia by passing through Kazakhstan, South Caucasus, and Turkey. These territories are connected with each other and other regions through sub-lines within these two corridors. Thus, I argued that these two corridors are responsible in deterritorializing Eurasian space through railways, roads, pipelines, ports, and special economic zones.

Sixth chapter discusses networks comprised by city nodes, ports, and special economic zones on these corridors and how these infrastructure trends reterritorialize Eurasia. In this chapter, I chose to observe the transportation nodes on Chongqing-Duisburg because 60 percent of cargo traffic occur on this line.⁶ It is

⁵ Gilles Deleuze and Felix Guattari, *A Thousand Plateaus: Capitalism and Schizophrenia* (Minneapolis: University of Minnesota Press, 1987), p. 508.

⁶ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential* (St.Petersburg: Eurasian Development Bank, 2018), pp. 41–42.

reasonable to expect that the lines on this line on the New Eurasian Land Bridge are the most developed so it allowed me to analyze the transformation on this line, evidently. I also included Chengdu-Lodz line because except from Chengdu and Lodz, this line uses same nodes, which Chongqing-Lodz line uses. I included Chengdu and Lodz because these cities also assume prominent roles on the New Eurasian Land Bridge.

The concluding chapter of the thesis synthesizes the arguments from previous chapter to answer explicitly the research question, and also attempt to ascertain the changes in Eurasian space, and the impact on the Belt and Road on this reconfiguration process.

CHAPTER 2

EURASIA

There is some contiguous space, which has the character of entity of defined by some special qualities. The region is defined in terms of physical qualities of terrain, loyalties, a sense of belonging, structures of feeling, and memories or history. Simultaneously, the boundaries of a region are clearly demarcated, and they are ambiguous.⁷ The material and ideational boundaries of Eurasia is highly ambiguous and vast.

Eurasia, as its name refers, consists of two parts of the world: Europe and Asia. The earliest conceptualizations of Eurasia were invented by natural scientists. Initial use of Eurasia was made by the Russian explorer and statistician Pyotr Semyonov-Tyan-Shansky according to connection of the Turkestan region and the Altai, and the Baykal-Amur Mainline with Nikolaevsk on the Amur. He vehemently opposed artificial division between Europe and Asia along the Ural mountains.⁸ Austrian geologist Eduard Suess's definition of Eurasia is more inclusive and expanded than Shansky's usage. He articulated that the collected mass of Europe and Asia can be called as Eurasia, separated from Indio-Africa mass.⁹ Eurasia, however, apart from its natural-geographic character is manifested through ideological, political, and social underpinnings. The vagueness of physical description has led to various interpretations and different conceptions based on political calculations in defining Eurasia.

⁷ Harvey, p. 225.

⁸ Milan Hauner, *What Is Asia to Us? Russia's Asian Heartland Yesterday and Today* (London and New York, 1992): p. 156.

⁹ Eduarde Suess, *The Face of the Earth* (Oxford: The Clarendon Press, 1904), p. 509.

2. 1. Halford Mackinder

The most important and impacted conceptualization was made by Sir Halford Mackinder who referred Eurasia with the World Island in his paper *The Geographical Pivot of History* in 1904. Although Mackinder recognizes that the amalgamation of Europe and Asia as a continuous land, he finds east, south, and west of this continent, which forms a crescent, as marginal parts of Eurasia. The Pivot Area of Eurasia is comprised of continental mass and almost corresponds to the Russian empire, which inherited territories occupied by the Mongol Empire. “In the present condition of balance of power, the pivot state Russia, is not equivalent to the peripheral states and there is room for equipoise in France.”¹⁰ As a successor of the Mongol Empire, Russia exerts same pressure on European flanks, which the Mongol Empire had exerted in the Middle Age. The development of rail-roads would enable Russia to increase its influence on Eurasia, which would evolve into a huge political capital. If Russia succeeds in using Eurasia’s vast resources, achieved through a possible alliance with Germany, which might threaten British Empire.¹¹

In a subsequent book *Democratic Ideals and Reality*, he called Euro-Asia as the World Island, and its control depended on the control of the pivot area, renamed as the Heartland.¹² (The heartland theory contains the famous dictum:

Who rules East Europe commands the Heartland
Who rules the Heartland commands the World-Island
Who rules the World-Island commands the World

In this analysis, the control of the heartland would make any power insusceptible even if all sea powers unite against this heartland state. The Heartland’s control, however, depends on holding Eastern Europe. Mackinder focuses on the implication

¹⁰ Halford Mackinder, ‘The Geographical Pivot of History’, *The Geographical Journal*, 23. December (1904), 421–37 (p. 436).

¹¹ Mackinder, ‘The Geographical Pivot of History’, p. 428.

¹² Halford Mackinder, ‘Democratic Ideals and Reality: A Study in the Politics of Reconstruction’, *The Library of The University of California*, 2007 <https://archive.org/stream/democraticideals00mackiala/democraticideals00mackiala_djvu.txt> [accessed 10 May 2017].

of German expansion to Eastern Europe and German alliance with Russia.¹³ Mackinder's analysis of Eurasia, therefore, assumes power struggle among major nation states over the control over Eurasia.

Mackinder, however, did not specify exactly the geographical area named as the pivot and the heartland. In 1943, in a paper published in *Foreign Affairs*, he makes a rather vague description of the Heartland. "The Heartland is the northern part and the interior of Euro-Asia. It extends from the Arctic coast down to the central deserts and has as its limits the broad isthmus between the Baltic and Black Seas."¹⁴ This is a very broad area, which includes huge European and Asian landmass.

Mackinder's address to Eurasia is very significant. First, he has influenced successive geographers and theorists who conceptualized Eurasia regardless of their ideological or political beliefs. Whether these thinkers criticize or develop Mackinder's conceptualization, they build their analysis on Mackinder's work. He has also recognized the changes over the control over Eurasia through military conquest, political alliance, and development of transportation technology.

2. 2. Classical Eurasianists

Mackinder's conceptualization had an impact on Eurasianist thinkers who emerged in 1920s and 1930s in defining the space of Eurasia. Instead of viewing the destructive aspect of Mongol invasion of Russia, they searched for common civilizational aspects of Russians and Mongols. Thus, civilizational aspect weighted in defining Eurasia. These thinkers' perception of Eurasia had mythical and messianic character.

The geographer Petr Savitski contends that the Eastern Europe, Western Siberia, the Caucasus, Central Asia, Asia Minor, Eastern Siberia, and Turkestan can be considered as intervening world region between Europe and Asia and can be named

¹³ Mackinder, 'Democratic Ideals and Reality: A Study in the Politics of Reconstruction', 2007.

¹⁴ Halford Mackinder, 'The Round World and the Winning of the Peace', *Foreign Affairs*, 1943 <<https://www.foreignaffairs.com/articles/1943-07-01/round-world-and-winning-peace>> [accessed 7 May 2017].

Eurasia. This indivisible continent merges with its people creating a geographical individual.¹⁵ Lev Gumilev made a clearer geographical distinction of Eurasia. It consists of three main regions: High Asia (Mongolia, Djungaria, Tuva, and the trans-Baikal area), the Southern region (Central Asia), and the Western region (Eastern Europe).¹⁶ Prince Nikolai Trubetzkoy's Eurasia includes Russia, Fin area, Volga Basin, Siberia and Central Asia. This area form distinct character from Europe. He perceived Eurasia as an integral whole, which is a self-contained geographical, economic and ethnic whole distinguishable from Europe and Asia. Forming Eurasian unity is a historical mission firstly achieved by Genghis Khan.¹⁷ George Vernadsky also noted traits shared by Turanian and Russian culture stressing the Mongol period in the establishment of political and geographic contours of Eurasia. In this cultural area, he argues, currently Russia plays central role.¹⁸

Mackinder and early Eurasianist thinkers viewed Eurasia as an insular area. Mackinder focused on inaccessibility of the Heartland by sea powers whereas Eurasianist thinkers emphasized Eurasia's unique civilizational aspects. Mackinder's geographical analysis concerning Eurasian unity was replaced by civilizational mission by classic Eurasianists. Yet, these elements make Eurasia as a peculiar and distinctive region separated from the rest of the world. Although geopolitical viewing of Eurasia halted during the Cold War, the break-up of the Soviet Union caused power vacuum in Eurasian space. This power vacuum revitalized the discussion of Eurasia concerning which country will control its resources.

¹⁵ Petr Savitski, *Kontinent Evrazia* (Moscow: Agraf, 1997), pp. 295–98.

¹⁶ Marlène Laruelle, *Russian Eurasianism: An Ideology of Empire* (Washington D.C.: Woodrow Wilson Center Press, 2008), pp. 50–52.

¹⁷ Mark Bassin, 'Classical Eurasianism and the Geopolitics of Russian Identity', 2003 <http://cesran.org/Dosyalar/MAKALELER/MARK_BASSIN_CLASSICAL_EURASIANISM_AND_THE_GEOPOLITICS_OF_RUSSIAN_IDENTITY.pdf> [accessed 10 May 2017].

¹⁸ Charles j. Helperin, "George Vernadsky , Eurasianism , the Mongols , and Russia", *Slavic Review*, 41.3 (2017), 477–93 (p. 479).

2. 3. Zbigniew Brzezinski

Brzezinski elevated Eurasia into a main geopolitical prize. He comments that “about 75 percent of the world’s people live in Eurasia and most of the world’s physical wealth is there as well, both in its enterprises and underneath its soil. Eurasia accounts for 60 percent of the world’s GNP and about three-fourth of the world’s known energy resources.”¹⁹ Thus, Eurasia is the chessboard on which the USA struggles for global primacy. For Brzezinski, Eurasia includes all of the territory Poland, Russia, China, the Middle East, and the Indian subcontinent. The Eurasian Balkans where power vacuum exists a potential prize. The USA, Europe, Russia, Iran, China and Turkey are competitors for supremacy over Eurasia. This area includes five Central Asian states: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan; three South Caucasus states: Azerbaijan, Georgia, and Azerbaijan; and Afghanistan.²⁰ Ukraine, on the other hand, constitutes a geopolitical pivot. He contends that “without Ukraine Russia ceases to be a Eurasian empire.”²¹ The chessboard allegory hints evolution of regional into global struggle.

Brzezinski’s identifications served as guide for American policy makers. For instance, according to Brzezinski, the key to controlling Central Asia is Uzbekistan. The independence of Uzbekistan is critical to the survival of Central Asian republics. In the post 9/11 scenario, for the United States Uzbekistan was considered a key state for basing rights.²² Brzezinski views Eurasia essential for global control. Countering Russian domination over Russia is crucial for the USA whereas he warns against China’s ambition. In this respect, Brzezinski resembles Mackinder’s considerations pointed out ninety years ago by viewing Eurasia as a region where

¹⁹ Zbigniew Brzezinski, *The Grand Chessboard, American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1997), pp. 30–31.

²⁰ Brzezinski, pp. 123–25

²¹ Brzezinski, p. 92.

²² Anita Sengupta, *Heartlands of Eurasia The Geopolitics of Political Space* (Maryland: Lexington Books), p. 18.

power struggle among major powers in the world occurs. Russian views, on the other hand, are shaped in response to Brzezinski's suggestions concerning US hegemony over Eurasia.

2. 4. Russian Views on Eurasia

Another interpretation of Mackinder is offered by Alexander Dugin, who is the leading figure neo-Eurasianism movement. For Dugin, Eurasia corresponds to Mackinder's Heartland. The geography of Eurasia is coincided with the space occupied by the Russian Empire and the Soviet Union. Dugin's perspective is more complex in that he thinks that Eurasia's heartland extends Russia's boundaries. That compels Russia to extend its influence into and across these continents.²³

Gennady Zyuganov and Nikolai Nartov view Russia as a self-sufficient economic, political and social unit in Eurasia. They suggest Russian civilization's isolation from the harmful Western influences. Zyuganov and Nartov think that the borders of the Soviet Union represent the ideal and natural form of historic Russia; thus the belt around post-Soviet space should be maintained.²⁴ For Zyuganov, Mackinder's heartland confirms Eurasian unity. Thus, political reintegration of post-Soviet state under Russia's guidance must be reasserted.²⁵

The views of Dugin, Nartov and Zyuganov concerning Eurasia hint imperialist assertion of neo-Eurasianist thinkers. In their writings, Eurasia is considered as Russia's natural expansion areas. The reference to Mackinder is the geographical justifications of their imperialist tendencies. Still, Eurasia is viewed as an isolated area and the protection of this isolation is insisted.

On the other hand, Dmitrii Trenin, who represents Westernist perspective, states that Russian theorists consider Eurasia as a vast land mass in central part of the

²³ Sengupta, p. 13.

²⁴ A. P. Tsygankov, 'Mastering Space in Eurasia: Russia's Geopolitical Thinking after the Soviet Break-Up', *Communist and Post-Communist Studies*, 36.1 (2003), p.120.

²⁵ Sengupta, p. 12.

world commanded by Moscow or St. Petersburg. However, he argues that Eurasia no longer can be conceived synonymous with Russia. Instead, Russia is a European country instead of a Eurasian country.²⁶ Nevertheless, the idea of Eurasia is very much alive in Russia. The official policy documents prepared in 2000 places Russia as the largest Eurasian power.²⁷ 2016 foreign policy document points out Russia's active participation in realizing Eurasian Economic Union.²⁸ Although no explanation was given by the Russian official concerning what Eurasia's defined borders, the Foreign Minister Sergei Ivanov highlights Russia's historical and civilizational gravity:

Composition of its population, spirit, culture and prevailing religions make Russia a European country. But two thirds of its territory and the main part of economic potential are situated in Asia. We base our analysis on the postulate of Eurasian location of Russia, its role of a natural bridge between Europe and Asia, between two civilizations, the role Russia has been playing for more than one century.²⁹

In addition to viewing the influence of Mackinder over Russian conceptions over Eurasia, it may be useful to revisit another important figure of geopolitics Nicholas Spykman as he offers a more complex view on Eurasia with his Rimland conception, which supposes Eurasia's connection with other regions.

²⁶ Dmitri Trenin, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization* (Washington D.C. and Moscow: Carnegie Endowment for International Peace, 2002), p. 34.

²⁷ ‘The Foreign Policy Concept of the Russia Federation’, *The Ministry of Foreign Affairs of the Russian Federation*, 2000 <<https://fas.org/nuke/guide/russia/doctrine/econcept.htm>> [accessed 5 June 2017].

²⁸ ‘Foreign Policy Concept of the Russian Federation’, *The Ministry of Foreign Affairs of the Russian Federation*, 2016 <http://www.mid.ru/en/foreign_policy/official_documents-/asset_publisher/CptICkB6BZ29/content/id/2542248> [accessed 5 June 2017].

²⁹ David Svarin, ‘The Construction of “geopolitical Spaces” in Russian Foreign Policy Discourse before and after the Ukraine Crisis’, *Journal of Eurasian Studies*, 7.2 (2015), 129–40 (p. 131).

2. 5. Nicholas Spykman

Nicholas Spykman, put forward a theory more complex than Mackinder. He pointed out that: “It should be emphasized that geography has been described as conditioning rather than as determining factor...The geography of a country is rather the material for, than the cause of, its policy.”³⁰ Although he accepted Mackinder’s classification of the Heartland and the Inner Crescent, he asserted that the continental periphery, which he renames as the Rimland, is the critical zone rather than the Heartland. The Rimland is comprised of the European coast, the Arabian desert areas, and the Asiatic monsoon area.³¹

The most important contribution of Spykman is not, however, his definition of the Rimland, but his emphasis on transport connectivity in evaluating geopolitical position of an area. The isolated position of Central Asia and the Caucasus due to its subdued position by the Soviet Union contributes its marginality.

It cannot be ignored that this area is ringed to the north, east, south, and southwest by some of the greatest obstacles to the transportation in the world... A large part of the rimland areas that touch the heartland have even poorer transportation facilities. Afghanistan, Tibet, Sinkiang and Mongolia are regions with no railroads, no motor roads, and only tortuous caravan routes of the most primitive sort. the law of the inverse ratio of power to distance remains valid within the same political unit as well as between political units. Within the immediate future, Central Asia will undoubtedly remain a region with fairly low power potential.³²

Without connection with the rest of the world, Central Asia autonomously cannot become a power center. It gains importance depending on its connection with the Rimland. Nonetheless, the geopolitical position of a region is not static, but it is transformed by human endeavor. This endeavor manifests itself in the development of transportation.

³⁰ Nicolas J. Spykman, ‘Geography and Foreign Policy’, *The American Political Science Review*, February (1938), 28–50 (p. 30).

³¹ Nicolas J. Spykman, p. 39.

³² Nicolas J. Spykman, pp. 39–40.

The transportation lines between Russian Turkestan and Northwest India are certainly interior if compared with the sea route from Southampton to Karachi [but] interior lines function in terms of two points of reference rather than one. The relations between the center and the circumference may easily be changed if a point on the circumference becomes in turn the center of another circle of communication.³³

Nevertheless, it should be noted that Spykman's analysis is based on only states and empires. The connectivity is set up between states. The effects of globalization, the roles of non-state actors, cross-border activities, and the flow of goods and services are disregarded in his analysis. Spykman's analysis is significant in that it allows the production of new paradigms about space by offering a possibility of connection between the Rimland and the Heartland instead of viewing Eurasia as closed system. The dissolution of the Soviet Union opened up a possibility of connectivity of Eurasia and emergence of new ideas concerning Eurasia.

2. 6. New Paradigms on Eurasia

Even after the break-up the Soviet Union, the borders of Eurasia are perceived as the borders of the former Soviet Union. The usage of post-Soviet space was linked to the issues of international security, inter-ethnic conflicts and geopolitics.³⁴ This paradigm suggests "Moscow's role as a sun around which the post-Soviet planets orbit."³⁵ However, as Brzezinski pointed out the United States, a non-Eurasian power, which enjoys primacy in international arena projects influence on Eurasia. Russia and China are other primary contenders for influence. He includes Iran and Turkey as secondary actors for competition.³⁶ Thus, Eurasia is not a space where Russia holds exclusive influence anymore. States and people have gotten

³³ Nicolas J. Spykman, p. 40.

³⁴ Vsevolod Samokhvalov, 'The New Eurasia: Post-Soviet Space between Russia, Europe and China', *European Politics and Society*, 17 (2016), 82-96 (p. 82).

³⁵ Adam Balcer, 'A New Eurasian Paradigm', *Eurozine*, 2016 <<http://www.eurozine.com/a-new-eurasian-paradigm/>> [accessed 2 June 2017].

³⁶ Brzezinski, p. 135.

themselves out of Soviet orbit. The Russian Federation is a much weaker entity to reverse this loss. The unity of post-Soviet space is fragmentary and fleeting.³⁷ The post-Soviet space has little usage anymore. New states have survived and have reorganized themselves. Three new zones have been formed after the collapse of the Soviet Union. One is Central Europe composed of Ukraine, Belarus, and Moldova. Second region is the South Caucasus, with Armenia, Azerbaijan, and Georgia and the breakaway territories of Abkhazia, Nagorno-Karabakh, and South Ossetia. Third is Central Asia composed of five republics. Many links remain but many links are being created. For example, the Baltic states are in NATO and the EU.³⁸

Despite Europe's inability to integrate countries which were once a part of the Soviet Union, deepening post-Soviet integration is also blocked by internal forces. Georgia, Moldova, and Ukraine choose to lean to the European Union politically and China economically. Even most inward-looking countries Azerbaijan, Turkmenistan, and Uzbekistan seek to balance their dependence on Russia.³⁹ Farhkod Tolipov, Uzbek political scientist at the National University of Uzbekistan, suggests that Mackinder's heartland has been revised. The geopolitical transformation of Central Asia after the dissolution of the Soviet Union has accelerated after 11 September 2001 with US military operation in Afghanistan. Central Asia is a strategically important area as an independent entity due to not just economic pluralization but also geopolitical pluralization.⁴⁰

A new geopolitical paradigm concerning territorial contours of Eurasia have been offered by various scholars. Transforming world after the collapse of communism caused new space configuration. Doutlatbek Khidirbekughli, a

³⁷ Abbott Gleason, 'Eurasia: What Is It? Is It?', *Journal of Eurasian Studies*, 1.1 (2010), 26–32 (p. 31).

³⁸ Dmitri Trenin, 'What Russian Empire?', 2011 <<http://www.nytimes.com/2011/08/24/opinion/24iht-edtrenin24.html>> [accessed 8 July 2017].

³⁹ Samokhvalov, p. 87.

⁴⁰ Sengupta, p. 157.

Kazakh researcher notes that western China and greater Middle East are also parts of the Eurasia.⁴¹

In this respect, geo-economic considerations overweight geopolitical interests in delineating Eurasia. Geo-economics was firstly used by Edward Luttwak in 1990. He described it as:

Everyone, it appears, now agrees that the methods of commerce are displacing military methods- with disposable capital in lieu of firepower, civilian innovation in lieu of military- technical advancement, and market penetration in lieu of garrisons and bases. States, as spatial entities structured to jealously delimit their own territories, will not disappear but reorient themselves toward geo-economics in order to compensate for their decaying geopolitical roles ... 'geo-economics' is the best term I can think of to describe the admixture of the logic of conflict with the methods of commerce.⁴²

Indeed, the last decade of Eurasian struggle is characterized over conflict of economic projects. In 2015, the analytical report prepared by the Valdai Discussion Club states that the main driving forces behind the transformation of Eurasia into a zone of development area are Eurasian Economic Union led by Russia and the Silk Road Economic Belt projects initiated by China.⁴³ Trenin also analyzes current dynamics in Eurasia among various actors such as Russia, China, the US, and Japan in context of economic struggle. This struggle not only is among great powers such as the USA, China, and Russia. It invites other powers such as Japan, India, and South Korea.⁴⁴

Economic projects become important concept in redefining Eurasia. Adam Balcer, who is the Programme Director demosEUROPA - Centre for European Strategy, calls Central Eurasia which is the geographic space between China and the

⁴¹ Sengupta, p. 67.

⁴² Edward Luttwak, 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce', *National Interest*, 1990, 17–23 (p. 18).

⁴³ S. Karaganov and others, 'Creating Central Eurasia: The Silk Road Economic Belt and the Priorities of the Eurasian States' Joint Development', Valdai Discussion Club, Moscow 2015, 1–25 (p. 6) <<http://karaganov.ru/content/images/uploaded/a7a117d7310c6e15bf14bf0f6d2f56ae.pdf>>.

⁴⁴ Dmitri Trenin, 'Revising the Concept of Eurasia', *Russia Beyond* <https://www.rbt.com/opinion/2013/01/29/revising_the_concept_of_eurasia_22305.html> [accessed 1 July 2017].

European Union. It includes the “wider” version of Central Asia including Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, a “Greater” Mongolia that includes the Far Eastern Russian republics, China’s western Xinjiang and Qinghai regions, northern Afghanistan, north-eastern Iran, the Volga Region, the Caucasus, Iran, Turkey, Manchuria, north-western China and the Russian Far East, as well as the Black Sea region, which includes Ukraine, the Balkans and Moldova.⁴⁵ Eurasia in this new era encompasses Central Europe, Central Asia, and the Caucasus as intersection region that connects them.⁴⁶ Another spatial description of Central Eurasia includes the immense area from Siberia to Russia’s Pacific coast, the South Caucasus countries (Armenia, Azerbaijan, Georgia), the Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), Mongolia, Afghanistan, Xinjiang, and Kashmir.⁴⁷

Thus, the terms Central Asia, Central Eurasia can be used to apply to various areas. Central Asia corresponds to modern-day Uzbekistan, Kyrgyzstan, Kazakhstan, Tajikistan, and Turkmenistan. Central Eurasia is vaster area than Central Asia, encompassing non-littoral Eurasia, which includes the Black Sea steppe in the west, and the mixed steppe of Manchuria in the east.⁴⁸

There is emphasis on process of integration among these regions in this vast area through political and economic projects. Nursultan Nazarbayev, the President of Kazakhstan, writes:

If we look at a geographical map then it is easy to notice there is a consecutive vertical row of countries of Eurasia from Russia in the north India in the south (Central Asian countries, Iran, Pakistan) that does not yet link with the east or

⁴⁵ Adam Balcer, ‘A New Eurasian Paradigm’, *Eurozine*, 2016 <<http://www.eurozine.com/a-new-eurasian-paradigm/>> [accessed 2 June 2017].

⁴⁶ Eldar Ismailov and Vladimer Papava, *Rethinking Central Eurasia*, Central Asia-Caucasus Institute & Silk Road Studies Program, 2010, p. 95.

⁴⁷ Sébastien Laruelle, Marlene; Peyrouse, *Globalizing Central Asia Geopolitics and The Challenges of Economic Development* (Armonk: M.E. Sharpe, Inc., 2013), p. xiv.

⁴⁸ Christopher Mott, *The Formless Empire A Short History of Diplomacy and Warfare in Central Asia* (Yardley: Westholme Publishing, 2015), pp. xi–xii.

with the west. I would call this continuous belt of countries situated along the meridian of the central of Eurasia the “belt of anticipation.”⁴⁹

Nazarbayev’s belt of anticipation is interesting in that it offers a north-south definition of Eurasia in which Kazakhstan in the center, rather than a horizontal expanse. In this vertical definition a north-south linkage was conceptualized that would connect Russia, Iran and India. The corridor was conceived starting from Indian ports traversing the Arabian Sea to Iranian port of Bandar Abbas where goods would transit Iran and the Caspian Sea ports then to northern Europe through the Volga River.⁵⁰ Islam Karimov, the late President of Uzbekistan, also emphasized routes from Europe and the Middle East to the Asia Pacific region crossing Uzbekistan. He highlights Uzbekistan’s role in the ancient Silk Road in connecting the East and the West:

More than that we are a part of the region where exist uncoinciding interests of Russia, China, India and other eastern and western states. Actually, being located on the conjunctions these potentially very powerful Eurasian centre of forces still in the process of formation and which undoubtedly will determine that these are the countries where the image of twenty-first century, our territory, the territory of the whole region will also remain an object of interests for such powerful countries of the Islamic world as Turkey, Pakistan, Iran, and Saudi Arabia.⁵¹

Both Nazarbayev and Karimov recognized the presence of various power centers in Eurasia other than Russia. They prompt their countries’ position as centers for possible economic projects. Interestingly, theme of connection is stressed.

Thus, Eurasia is reevaluated as its interaction with other regions instead of an isolated landmass. Greater Eurasia concept is put forward to stress increasing integration with Europe and Asia. In addition to countries considered part of Eurasia, China, Japan, and south-eastern countries are included to Greater Eurasia concept.⁵² This proposition might be pompous but less pretentious suggestion was also made by Vladimir Putin. The free trade area from Lisbon to Vladivostok was

⁴⁹ Sengupta, pp. 158–59.

⁵⁰ Sengupta, p. 159.

⁵¹ Sengupta, p. 111.

⁵² Michael Emerson, *Towards a Greater Eurasia: Who, Why, What, and How?* (Astana, 2013), p. 6.

first coined by Putin in September 2010 and reiterated in November 2016. His aim was to abolish barriers to trade between the Eurasian Economic Union (EEU) and the EU.⁵³

The term of Pax-Mongolia in facilitating trade and exchange across Eurasia is revisited. Abu Loghod comments that supplying security, peace, and law and elimination of intermediaries, and reduction of costs through unification of trade enabled trans-Eurasian connectivity.⁵⁴ Economic historian Robert Skidelsky argues that “unique conjuncture of economic and political developments has created an opportunity for Eurasia to emerge from its historical slumbers.”⁵⁵ The Valdai Discussion group reiterated the birth of Central Eurasian concept, which suggests unique cooperation model among states through political and economic connection. The important part of the development is realized around the Silk Economic Belt’s connection with Russia and openness to Europe.⁵⁶ Eurasia has begun to be connected to global economy through transit infrastructures and trade. Commerce and migration enabled connections between east from Ukraine to western Manchuria and much more narrowly from southern Siberia to the mountains of the Caucasus and Afghanistan as well as deserts of Xinjiang and Turkmenistan. This enables establishment of a unified geopolitical network.⁵⁷ The Central Asia and the Caucasus are not islands in the world map, but they have connections to Europe and the Middle East. Within the framework of the New Silk Road Eurasia’s significance has increased.⁵⁸

⁵³ Christian Bluth, *Free Trade from Lisbon to Vladivostok* (Gütersloh), p. 6

⁵⁴ Stephan Barisitz, *Central Asia and the Silk Road: Economic Rise and Decline over Several Millennia* (Cham: Springer International Publishing, 2017), p. 123.

⁵⁵ Robert Skidelsky, ‘Eurasia Is an Idea Whose Time Has Come around Again’, *The Guardian*, 2015 <<https://www.theguardian.com/business/2015/jun/21/eurasia-idea-time-come-again-china-russia>> [accessed 17 August 2017].

⁵⁶ Karaganov and et al., p. 6.

⁵⁷ Mott, p. xii.

⁵⁸ Balcer, 2016.

Nevertheless, within Eurasia, Central Asia's development is hampered by the transportation question. In tsarist empire, the Trans-Caspian railway opened up the region. Although later the Soviet regime invested in construction of railroads, the elevated cost of Central Asian products in the market was largely due to their transportation costs. After the independence from the Soviet Union, the situation became worse, high transport costs prevented Central Asia's economic integration into the global market.⁵⁹ Thus, the status of being a crossroad is meaningful only through infrastructure development. The large boost of infrastructure development has been emerging since the President Xi Jinping announced China's enhanced participation with trillion plus dollars investment and active political will. This initiative actually tries to overcome spatial barriers through "new transportation, energy and telecommunications grids- which included over 19,000 kilometers of new high-speed rail lines, 60,000 kilometers of new expressways, and over 100 new airports-a series of massive Economic and Technological Development zones."⁶⁰

Therefore, Eurasia has transformed into interconnected economic and political concept in relation with economic globalization. The reference to the ancient Silk Road ascribes Eurasia's traversed trade and communication roads where silk and other goods were exchanged. The revival of this concept places Eurasia in global market. Over the past years, driving the concept of interconnectedness of Eurasia through infrastructure development named as the Belt and Road Initiative accelerated Eurasia's connection to the world. Karl Gheysen, the former-CEO of the Khorgos Gateway dry port on the Kazakh/China border said that: "Five years ago that didn't exist: you had Europe and you had Asia. Somewhere in the middle was Central Asia, where they have the camels and the funky people, and that was it. But now people are really talking about Eurasia as a continent."⁶¹ Thus, peripheral

⁵⁹ Laruelle, Marlene; Peyrouse, p. 125.

⁶⁰ Wade Shepard, 'Eurasia: The World's Largest Market Emerges', *Forbes*, 2016 <<https://www.forbes.com/sites/wadeshepard/2016/10/21/eurasia-the-worlds-largest-market-emerges/#59c40134f904>> [accessed 10 March 2017].

⁶¹ Shepard, 'Eurasia: The World's Largest Market Emerges'.

status of Central Asia would disappear through infrastructure development and integration.

While observing changes, which affect Eurasian region, theoretical conceptions related with territory will be offered in the next chapter. The presented authors' views of interconnectivity of Eurasia requires understanding concepts of globalization and deterritorialization as they affect the restructuring of the space, transcending contained and static form of organization. Thus, these terms should be conceptualized.

CHAPTER 3

TERRITORY AND TERRITORIALITY

Territory is defined as “a unit of contiguous space that is used, organized and managed by a social group, individual person or institution to restrict and control access to people and places.”⁶² Stuart Elden defines territory as a bounded space under the authority of a state.⁶³ For Jönssen *et al.* “a territory is defined as a cohesive section of the earth’s surface that is distinguished from its surroundings by a boundary.”⁶⁴

Territory is related with, but distinct from, two concepts: land and terrain. Land is a relation of property, which is a finite resource distributed, allocated, and owned. Strategic and military calculations become significant in controlling and distributing this resource. A concept of terrain with its relationship with geology and military power allows the establishment and maintenance of order. In his interview published in *Herodote* journal, Foucault states that: “Territory is not a geographical notion, but it’s first of all a juridico-political one: the area controlled by a certain kind of power.”⁶⁵ Territories are not frozen frameworks but territories are where social life occurs. They are social processes in which social space and social action are

⁶² Sarah Gregory, Derek; Johnston, Ron; Pratt, Geraldine; Watts, Michael; Whatmore, *The Dictionary of Human Geography* (West Sussex: Wiley&Blackwell, 2009), p. 746.

⁶³ Stuart Elden, *Terror and Territory: The Spatial Extent of Sovereignty* (Minneapolis and London: University of Minnesota Press, 2009), p. xxvi.

⁶⁴ Stuart Elden, ‘Missing the Point: Globalisation, Deterritorialisation and the Space of the World’, *Transactions of the Institute of British Geographers*, 30.1 (2005), p. 11.

⁶⁵ Stuart Elden, *The Birth of Territory* (Chicago: Chicago University Press, 2013), p. 9.

inseparable. They are made, given substance, and destroyed in social and individual action.⁶⁶

Sack defined territoriality as “the attempt by an individual or group to influence, affect, or control objects, people, and relationships by delimiting and asserting control over a geographic area.”⁶⁷ William Connolly points out the relations between violence and territorialization by looking at etymological roots of territory. He suggests that:

Terra means land, earth, nourishment, sustenance; it conveys the sense of a sustaining medium, solid, fading off into indefiniteness. But the form of the word, the [Oxford English Dictionary] says, suggests that it derives from *terrere*, meaning to frighten, to terrorize. And *Territorium* is a “place from which people are warned.” Perhaps these contending derivations continue to occupy territory today. To occupy a territory today is to receive sustenance and exercise violence. Territory is a land occupied by violence.⁶⁸

Yet, violence is only one aspect of territorial control. Other elements involve in production of territoriality: popular acceptance of definition of boundaries by considering a piece of land ours versus yours; by giving meaning to these territorial markers and boundaries; and by administrating this particular space by surveillance and legitimation.⁶⁹ Henri Lefebvre suggests that “the production of a space, the national territory, a physical space, mapped, modified, transformed by the networks, circuits and flows that are established within it—roads, canals, railroads, commercial and financial circuits, motorways and air routes, etc.”⁷⁰ The territoriality of states is planted in the production of symbolic and material dimensions. In material side, the construction of boundaries comprises the basic element in the construction of territories and control of people within boundaries. The symbolic shape includes the process of naming, establishment of symbols such as flags, coats

⁶⁶ Anssi Paasi, ‘Territory’, in A *Companion to Political Geography*, ed. by Katharyne & Gerard Toal Agnew, John, Mitchell (Oxford: Blackwell, 2003), pp. 109–22 (p. 110).

⁶⁷ Robert D. Sack, ‘Human Territoriality: A Theory’, *Annals of the Association of American Geographers*, 73.1 (1983), 55–74 (p. 56).

⁶⁸ David Delaney, *Territory: A Short Introduction* (Oxford: Blackwell, 2005), p. 14.

⁶⁹ Gregory, Derek; Johnston, Ron; Pratt, Geraldine; Watts, Michael; Whatmore, p. 745.

⁷⁰ Neil Brenner and Stuart Elden, ‘Henri Lefebvre on State , Space , Territory’, *International Political Sociology*, 2009, (p. 362).

of arms and statues, and social practices includes culture and education. Administration, politics, education, economy, and culture solidify the production and reproduction of territorial meanings.⁷¹

This production and reproduction of territoriality calls for investigation on the concept of territoriality, often overlooked in studies. Ruggie laments that “it is truly astonishing that the concept of territoriality has been so little studied by students of international politics.”⁷² Elden points out that “territory is often assumed to be self-evident in meaning, allowing the study of its particular manifestations – territorial disputes, the territory of specific countries, etc – without theoretical reflection on ‘territory’ itself.”⁷³ Kratochwil argues that: “territoriality, like property, is not a simple concept, but comprises a variety of social arrangements that have to be examined in greater detail.”⁷⁴ Therefore, an inquiry is needed to denaturalize state territoriality.

Territory as a bounded space raises questions about the calculation of space and the role of measurement tools in the establishment of borders and management of these defined borders. Scientific revolution in the sixteenth and seventeenth centuries in developments in cartography and land surveying and improvements in the accurate measurement of time through more advanced clocks, which would allow longitude to be determined more accurately calculated and measured the material world. These scientific developments enabled states to bound their lands for political reasons and assign the boundaries.⁷⁵ Thus, the bounded state territoriality has gained its status only after the seventeenth century. Indeed, the medieval system of rule was characterized by non-exclusive form of territoriality. Authority was personalized and compartmented. The medieval ruling class was migrant in that it assumed sovereignty from one end of the continent to the other without difficulty

⁷¹ Paasi, p. 113.

⁷² John Gerard Ruggie, ‘Territoriality and beyond: Territoriality in Modernity Problematising International Relations’, *International Organization*, 47.1 (1993), p. 174.

⁷³ Stuart Elden, ‘Land , Terrain , Territory’, *Progress in Human Geography*, 34.6 (2010), p. 800.

⁷⁴ Friedrich Kratochwil, ‘Of Systems, Boundaries, and Territoriality: An Inquiry into the Formation of the State System’, *World Politics*, 39.1 (1986), pp. 27–28.

⁷⁵ Elden, *Terror and Territory: The Spatial Extent of Sovereignty*, p. xxvi.

because public territories formed a continuum with private estates. The notion of firm boundary lines between public and private sovereignty had not been drawn until the thirteenth century.⁷⁶ Even after 13th century, the pre-Westphalian system was not based on territorial states alone. It was grounded in a more pluralistic order in which city-states, league of city-states, principalities, duchies, and the Holy Roman Empire had intertwined sovereignties.⁷⁷ In 1555, the Diet of Augsburg promulgated the principle of *cuius regio, eius religio*, which means whose realm, his religion; thus, religion had been subordinated to the territorial control of sovereign. Even the Augsburg principle depended on the decisions of individual rulers instead of institutionalization of sovereignty. With the Peace of Westphalia jurisdiction and sovereignty is held over territory. The Treaty of Munster and the Treaty of Osnabrück, which constitute the Peace of Westphalia in 1648, stressed “free exercise of territorial right in both spiritual and political affairs.”⁷⁸ People were subjected by rulers, depending on territories that they lived. This caused the transformation of personally defined sovereignty into territorially defined sovereignty.⁷⁹

The link between state and territoriality has, thus, become so dominating since the Peace of Westphalia, it is possible to discuss intimate connection between state power and territory, which Agnew (1984) calls ‘territorial trap’. Territorial trap is based on three assumptions. First, it suggests the sovereignty depends on bounded territorial spaces. Second, it assumes precise distinction between inside and outside. Third, it assumes territory as geographic container of modern society. These assumptions disregard socially constructed and contested elements of territory by taking granted territories as bounded and static.⁸⁰ Academic scholars consider only states as territorial container without taking into account the constant reproduction

⁷⁶ Ruggie, p. 150.

⁷⁷ Flavio G. Inocencio, *Reconceptualizing Sovereignty in the Post-National State: Statehood Attributes in the International Order* (Bloomington: AuthorHouse, 2014), p. 4.

⁷⁸ Elden, *The Birth of Territory*, p. 313.

⁷⁹ Dieter Grimm, *Sovereignty The Origin and Future of a Political and Legal Concept* (New York: Columbia University Press, 2015), p. 77.

⁸⁰ John Agnew, ‘The Territorial Trap’, *Review of International Political Economy*, 1 (1984), 53–80 (p. 53).

of territories.⁸¹ Before a decade ago, Lefebvre, also touched upon this fallacy. He argues that by presenting territories as pre-given and self-evident the states attempt to manipulate political and economic relations more effectively. However, he claims, territory, like the state and space, has a history rather than an absolute determination.⁸² In his analysis, the production of space is related with the mode of production. Since the 19th century when capitalism became intrinsically linked with socially produced territorial infrastructures for production, distribution, and consumption. Thus, the transformation from things in the space to production of space occurred.⁸³ The spatial practices of capitalism focused on establishing homogeneity and pulverization of everyday life. In order maintain this homogeneity space destroys its historical conditions and differences.⁸⁴ Thus, nation-states are perceived as natural and static rather than constructed.

Conceiving nation-states as a bordered power container is both superficial and static. The units of global territorial system are and have always been historically dependent processes. Therefore, they are in perpetual state of becoming and being transformed.⁸⁵ While revisiting the territoriality trap, Agnew also points out that territory is historically specific and partial. People are natural place-makers as they defend, assist, and develop places. More importantly, politics is not simply suppressed in territorial containers, state-based or place-based. Politics can operate networked spaces which do not conform to territorial borders of state. Therefore, politics of territory making should be conceived in a more pluralistic way.⁸⁶ Neil Brenner argues that “the current wave of globalization is leading to: 1) the transcendence of the state-centric configuration of capitalist territorial organization

⁸¹ David B Knight, 'Identity and Territory: Geographical Perspectives on Nationalism and Regionalism', *Annals of the Association of American Geographers*, 72.4 (1982), p. 517.

⁸² Brenner and Elden, 'Henri Lefebvre on State , Space , Territory',p. 371.

⁸³ Neil Brenner, ““The Space of the World: Beyond State-Centrism?””, in *Immanuel Wallerstein and the Problem of the World: System, Scale, Culture.*, ed. by David Palumbo-Liu, Bruce Robbins, and Nirvana Tanoukhi (Durham: Duke University Press, 2011), p. 126.

⁸⁴ Brenner and Elden, 'Henri Lefebvre on State , Space , Territory', p. 358.

⁸⁵ Paasi, p. 114.

⁸⁶ John Agnew, 'Revisiting the Territorial Trap', *Nordia Geographical Publications*, 44.4 (2015), 43–48 (p. 47).

that prevailed throughout much of the twentieth century; and 2) the production of new configurations of territoriality on both sub- and supra-national geographical scales.”⁸⁷ The retreat of important agents of territoriality give rise to the emergence of other agents in processes of territorialization. The transformation did not cease. Only actors replace one another in forming territory. The dynamic process of human affairs changes existing territorial hierarchies.

3. 1. Deterritorialization

Deterritorialization suggests moving away from hierarchically and rigidly organization to multiplicity and fluctuant organization where change of interconnected entities is observed.⁸⁸ Peter Lenco tries to operationalize deterritorialization concept in international politics. Lenco argues that the kind of geometric space discovered by Euclid and developed by Newton means homogenous and divisible space. However, deterritorialization leads to cross-border interaction and interdependence between actors, national and international. The result is that space is becoming non-territorial.⁸⁹

Contemporary usage of the term implies lessening the constraints imposed on territory. McGrew argues that deterritorialization defines the process of “social, political, and economic activities are increasingly stretched across the globe, they become a significant sense no longer organized solely according to strictly territorial logic.”⁹⁰ Ma and Timberlake describe deterritorialization as “the process in which the territorial state increasingly cedes to transnational corporations its control of the

⁸⁷ Neil Brenner, ‘Beyond State-Centrism? Space, Territoriality, and Geographical Scale in Globalization Studies’, *Theory and Society*, 28 (1999), p. 41.

⁸⁸ Gilles Deleuze and Felix Guattari, *Anti-Oedipus Capitalism and Schizophrenia* (Minneapolis: University of Minnesota Press, 1983), p. 195.

⁸⁹ Peter Lenco, *Deleuze and World Politics: Alter-Globalizations and Nomad Science* (New York: Routledge, 2013), p. 99.

⁹⁰ Anthony McGrew, ‘Globalization and Global Politics’, in *The Globalization of World Politics: An Introduction to International Relations*, ed. by John Baylis, Steve Smith, and Patricia Owens (Oxford: Oxford University Press (OUP), 2011), p. 19.

accumulation process on its territory.”⁹¹ Isaacman and Isaacman use deterritorialization as “the process of an external polity appropriating and exercising authority over a land or bounded place previously part of a pre-existing spatial entity – most often another polity.”⁹² The meaning of clear borders once built upon material and symbolic meanings and social activities falls apart. Numerous actors, which cross and question the boundaries of formal state territories by extending their activities. For instance, movements such as the emancipation of women, human rights, or environmental questions cross the existing territories.⁹³ The lines between foreign and domestic have become blurred. National governments face increasing difficulties in managing situations, which have often transnational dimensions.⁹⁴ This suggests dismantling historically constructed scalar order.⁹⁵ The activities over some problems transcend nation-state boundaries. As an example, Castree argues that environmental challenges of the twenty-first century represent dialectic of territorialization/deterritorialization, a mixture spatial fixity and unfixity. The problem occurring one defined space actually concerns the other actors.⁹⁶

Deterritorialization is associated with the increased speed of transactions and transcending nation state barriers. David Harvey coined the term of time-space compression which expresses the conquest of spatial barriers by the pace of life. It is a feature of globalized world.⁹⁷ Scholte equates deterritorialization with globalization.⁹⁸ Similar to Scholte’s definition, Hayden and el-Ojeili describe globalization as:

⁹¹ Xiulian Ma and Michael Timberlake, ‘World City Typologies and National City System Deterritorialisation: USA, China and Japan’, *Urban Studies*, 50.2 (2013), p. 259.

⁹² Allen F. Isaacman and Barbara S. Isaacman, ‘Extending South Africa’s Tentacles of Empire: The Deterritorialisation of Cahora Bassa Dam’, *Journal of Southern African Studies*, 41.3 (2015), p. 542.

⁹³ Paasi, p. 118.

⁹⁴ Contributors Gabriel Popescu, ‘Encyclopedia of Geography Deterritorialization and Reterritorialization’, 2017, 723–24 (p. 723).

⁹⁵ Brenner, ““The Space of the World: Beyond State-Centrism?””, p. 123.

⁹⁶ Noel Castree, ‘The Geopolitics of Nature’, in *A Companion to Political Geography*, ed. by John Agnew, Katharyne Mitchell, and Gerard Toal (Oxford: Blackwell, 2003), pp. 423–40 (p. 427).

⁹⁷ Eric Sheppard, ‘The Spaces and Times of Globalization: Place, Scale, Networks, and Positionality’, *Economic Geography*, 78.3 (2002), p. 309.

⁹⁸ Jan Aart Scholte, *Globalization: A Critical Introduction* (New York: St. Martin’s Press, 2000), p. 55.

intensification of cross-border interaction and a growing interdependence between national and transnational actors through a ‘deterritorialization’ whereby social spaces, distances and borders lose some of their previously overriding influence as political, cultural, social and economic relations become more global over time.⁹⁹

Globalization processes suggest formation of bonds and interactions, which transcend contained territory and establishment of transnational economic, social, and political space.¹⁰⁰ The most illustrative example of this formation is experienced in financial area. Krueger and Ha’s study demonstrates that “foreign currency notes in the mid-1990s accounted for twenty percent or more of the local money stock in as many as three dozen nations inhabited by at least one-third of the world’s population.”¹⁰¹ This suggests high degree of monetary transportability throughout the world.

Allen Isaacman and Barbara Isaacman examine deterritorialization using the example of Cahora Bassa Dam. The dam, constructed by Portugal, is in Central Mozambique far from the South Africa. In 1969, Portugal and South Africa signed an agreement in which the energy that Cahora Bassa would produce has been decided to be sold at a discounted price to South Africa to enhance South Africa’s energy security. Thus, South Africa extended its influence to the southern Mozambique, where it had been a dominant force since the middle of the 19th century. It is generally perceived that South Africa appropriated the wealthy energy source, which belongs to Mozambique, deprived agricultural production, and devastated environment. In the case of Cahora Bassa, however, deterritorialization meant more than South Africa’s economic and political control but also the introduction of highly racialized attitudes which demonstrated South Africa’s discrimination against black employees. Additionally, the South African military supported Portuguese colonial administration against Mozambique Liberation Front.

⁹⁹ Peter Lenco, *Deleuze and World Politics: Alter-Globalizations and Nomad Science* (New York: Routledge, 2013), p. 101.

¹⁰⁰ Jacob Potsalski, ‘Deterritorialization of the World as a Challenge for Contemporary Political Geography’, *Journal of Geography, Politics and Society*, 3.2 (2003), 34–43 (p. 35).

¹⁰¹ Benjamin Cohen, *Monetary Governance in a World of Regional Currencies* (Santa Barbara, 2003), p. 3.

Thus, Cohora Bassa became part of apartheid South Africa's defense apparatus against its enemies far from its borders.¹⁰²

As another example, the process of European integration represents a process of deterritorialization. The Shuman declaration on May 9th, 1950, put forward the replacement of broader European space with the obsolete national borders. Thus, it rejected geographical containment, which had held captive European political space. This projection is simultaneous deterritorialization and reterritorialization in that this discourse deterritorializes European identity from the borders, and reterritorializes it establishing broader European space.¹⁰³

Therefore, deterritorialization does not signify the ending of geography, but it signifies its reorganization. The perception of aterritorial social relations fail to capture complexity of territorial changes. Deterritorialization refers to production, transformation, and reconfiguration of spaces. Therefore, as Harvey notes “spatial organization is necessary to overcome space”¹⁰⁴ End of geography thesis fails to demonstrate how deterritorialization is also a reterritorialization. Geography is not so much disappearing, but it is being restructured, rearranged and rewired.¹⁰⁵ Deterritorialization is more meaningful when it is situated in context of reterritorialization.

3. 2. Reterritorialization

Deterritorialization is always accompanied with reterritorialization. “Deterritorialization on a stratum always occurs in relation to a complementary

¹⁰² Isaacman and Isaacman, pp. 542–43.

¹⁰³ Marie-Eve Belanger, ‘Deterritorialization and Europeanization: A Deleuzian Reading of EU’s Enlargement’, in *The 2nd Annual International Relations Meeting Critical Policy Studies Conference* (Milan, 2015).

¹⁰⁴ Neil Brenner, ‘Globalisation as Reterritorialization: The Re-Scaling of Urban Governance in the European Union’, *Urban Studies*, 36.3 (1999), p. 433.

¹⁰⁵ Gearóid Ó Tuathail, ‘Borderless Worlds? Problematising Discourses of Deterritorialisation’, *Geopolitics*, 4.2 (1999), p. 147.

reterritorialization.”¹⁰⁶ Reterritorialization implies a restructuring a place that has been deterritorialized. “Territory is in the first instance territorialised earth, but it produces its own movements of deterritorialisation, while conversely the earth gives rise to processes of reterritorialization and the constitution of new territories.”¹⁰⁷ Reterritorialization does not mean reproduction of old territory, but it refers to new assemblages built by deterritorialized elements. This argument is closer to Elden’s claim. “The continual remaking and reshaping of spatial relations may take on—indeed must take on—different forms in different times and places, but this is not a vision of a static world of fixed territories suddenly thrown into flux.”¹⁰⁸

Today’s processes of reterritorialization are inherently linked to globalization. Thus, the concept of globalization is necessary as poor conceptualization is the most common problem while using the term globalization. It is best conceptualized as the transcendence of the territoriality of state capitalism, but not territoriality itself.¹⁰⁹ Globalization is reterritorialization of spread of socioeconomic and political-institutional spaces on overlapping geographical areas.¹¹⁰ Jessop also comments that:

far from globalization being a unitary causal mechanism, it should be understood as the complex, emergent product of many different forces operating...Instead globalizations themselves need explaining in all their manifold spatio-temporal complexity. This does not exclude specific hypotheses about the impact of clearly specifiable processes on particular sets of social relations on many scales.¹¹¹

At the current round of globalization may have exposed states permeable to transnational flows but this does not mean states’ demise. It refers its

¹⁰⁶ Deleuze and Guattari, *A Thousand Plateaus: Capitalism and Schizophrenia*, p. 54.

¹⁰⁷ Stuart Elden, ‘The State of Territory under Globalization’, *Thamyris/Intersecting*, 12.12 (2006), p. 57.

¹⁰⁸ Elden, *Terror and Territory: The Spatial Extent of Sovereignty*, p. xxvii.

¹⁰⁹ Gearóid O. Tuathail, ‘The Postmodern Geopolitical Condition: States, Statecraft, and Security at the Millennium’, *Annals of the Association of American Geographers*, 90.1 (2000), 166–78 (p. 167)

¹¹⁰ Brenner, ‘Globalisation as Reterritorialization: The Re-Scaling of Urban Governance in the European Union’, p. 433.

¹¹¹ Bob Jessop, ‘Globalization: It’s about Time Too!’, *Reihe Politikwissenschaft, Political Science Series*, 2003, p. 3.

reterritorialization onto sub- and supra-national geographical scales.¹¹² Rosenau contends that:

States are changing, but they are not disappearing. State sovereignty has been eroded, but it is still vigorously asserted. Governments are weaker, but they can still throw their weight around. At certain times publics are more demanding, but at other times they are more pliable. Borders still keep out intruders, but they are more porous. Landscapes are giving way ethnoscapes, mediascapes, ideoscapes, technoscapes, and finanscapes, but territoriality is still a central preoccupation for many people.¹¹³

Thus, globalization does not invoke territory's erosion or dissolution but its reconstitution. The roles of nation-states, therefore, should be reevaluated in this new context.

Sassen inquires where nation states end, and globalization began. Although globalization diminishes state capacity, it is channeled and directed through institutions and networks based in the state. Thus, it is not a zero-sum game, but globalization is absorbed in national state.¹¹⁴ Brenner brings two dimensions of reterritorialization: "The movement of commodities, capital, money, people and information through geographical space is continually expanded and accelerated; and, relatively fixed and immobile spatial infrastructures are produced, reconfigured and/or transformed to enable such expanded, accelerated movement."¹¹⁵ Infrastructure projects facilitated by state institutions enable creative movements of capital or goods, which cause spatial reconfiguration. This represents states' participation in the process of transformation of territoriality.

Instead of viewing global space and state territoriality mutually exclusive, conceiving them mutually reinforcing processes captures the concept of reterritorialization. The features of reterritorialization entail the advancement of micro-nationalism, the spread of cities and connection among big cities globally,

¹¹² Brenner, 'Beyond State-Centrism? Space, Territoriality, and Geographical Scale in Globalization Studies', p. 50.

¹¹³ Yale H. Ferguson and Richard W. Mansbach, *No Globalization: The Return of Borders to a Borderless World?* (New York: Routledge, 2012), p. 32.

¹¹⁴ Saskia Sassen, *Territory, Authority, Rights From Medieval to Global Assemblages* (Princeton: Princeton University Press, 2006), pp. 380–81.

¹¹⁵ Brenner, 'Beyond State-Centrism? Space, Territoriality, and Geographical Scale in Globalization Studies', p. 43.

and the boost of offshore financial activities.¹¹⁶ Reterritorialization is combination of state territoriality, international or supranational institutional organizations such as the EU, NAFTA, global urban connections, and transnational networks. State institutions are themselves rescaled at once upward, downward, and outward. Thus, the space is characterized as a complex mosaic of superimposed and interpenetrating nodes, scales, and systems instead of Cartesian model of homogenous, static bloc of territory.¹¹⁷

The network society metaphor has been developed by Manuel Castells to analyze this restructuring. Networks are units, organized on segments of firms, segments of governments and segments of the public sector.¹¹⁸ In parallel with arguments outlined in previous paragraphs, it is important to note that network society does not exclude the participation of states in this process. “They are creating associations of nation states that share sovereignty, that is, give up sovereignty as individual states but share the capacity to influence the global networks by getting together in conational, supranational and international institutions.”¹¹⁹ Treating states as a political force and globalization as an economic process and considering the relations as zero-sum in nature is false. States participate in constituting economy by acting as a regulator. Moreover, economic globalization continues to depend on politics. They heavily involved in this creation both directly and through their modulation of other extra-economic modes of regulation.¹²⁰ Wallerstein argues that this new system is product of European capitalism. The penetration of the entire world became possible only after the European powers had given up on the creation of a world empire and embraced economic networks.¹²¹ Thus, reterritorialization implies interaction between state and

¹¹⁶ Jan Aart Scholte, ‘Defining Globalisation’, *The World Economy*, 31.11 (2007), 1471–1502 (p. 1427).

¹¹⁷ Brenner, ‘Beyond State-Centrism? Space, Territoriality, and Geographical Scale in Globalization Studies’, p. 69.

¹¹⁸ Manuel Castells, ‘The Contours of the Network Society’, *The Journal of Futures Studies, Strategic Thinking and Policy*, 2.2 (2000), p. 154.

¹¹⁹ Castells, ‘The Contours of the Network Society’, p. 155.

¹²⁰ Jessop, p. 7.

¹²¹ Kratochwil, p. 42.

networks. Although states lose some powers, they also reinvent themselves by sharing some of power with non-state actors in materializing networks.

Still, network society represents less hierarchic and rigid form of organization. Eschle and Stammers stress the spread of networks which involves:

an apparent flattening of hierarchies so that authority and legitimacy flows more horizontally and interactively, rather than vertically in a pyramidal command structure. Further, it is suggested that networks are ‘lighter,’ less bureaucratic, more flexible and mobile than traditional organisational forms. There are also strong hints that the network form is inherently more egalitarian and democratic.¹²²

World politics is increasingly becoming about flows of capital, people and activities between cities and across boundaries through networks. The regulation is *ad hoc* and spontaneous instead of imposed by an absolute sovereign power over spaces.¹²³ However, networks do not refer pure market economy, either. They constitute a separate and different mode of exchange system. In networks, transactions depend on neither through discreet exchanges nor on a hierarchical structure and formal decision-making procedures.¹²⁴

The fact that production networks cross nation-state boundaries refers to territories’ insertion into networks. Connectivities between economic activities stretched across geographical space but embedded in particular space. Thus, two mutually constitutive processes are underway: while networks are embedded within territories, territories are embedded into networks.¹²⁵ National borders may have little control over financial flows, but nation states retain their status in organizing and regulating financial markets. For instance, digital information undermines a government’s monopoly over information, but governments still have power to regulate domestic Internet content. Transfer of state powers to sub- supra- levels does not necessarily mean end of state power. Instead, it can signify the emergence

¹²² Lenco, p. 26.

¹²³ Agnew, ‘Revisiting the Territorial Trap’, p. 47

¹²⁴ W Powell, ‘Neither Market nor Hierarchy: Network Forms of Organization’, *Research in Organizational Behavior*, Vol. 12, 1990, (p. 302).

¹²⁵ Peter Dicken and others, ‘Chains and Networks, Territories and Scales: Towards a Relational Framework for Analysing the Global Economy’, *Global Networks*, 1.2 (2001), p. 97.

of a new architecture of political territoriality.¹²⁶ In this new architecture, instead of implementing a direct and absolute power, the states' power is translated into influence networks in a way that they can participate, regulate, and organize networks.

Economic activity, therefore, cannot be viewed as operating only in global scale. Instead, scales including the individual, neighborhood, nation-state, region, and globe are mutually constitutive parts of networks. One of the strengths of this conception is that network transcends various scales and does not privilege one of these scales.¹²⁷ Michael Hardt and Antonio Negri call this new form of organization as Empire. Empire is not organized around territorial center of power and it does not rely on fixed boundaries. It is a decentered and deterritorializing apparatus of rule which incorporates the entire global realm. It is composed of hybrid identities, flexible hierarchies, and pluralist exchanges. Modulating network of command manages those elements. A network power that is emerging includes the dominant nation-states along with supranational institutions, major capitalist corporations, and other powers connected by nodes. Despite inequalities among powers in network, the cooperation of these players for creation and maintenance of the networks regardless of their internal divisions and hierarchies.¹²⁸ Power should be conceived as practice rather than a position within a network. Thus, it is important to focus on the exercise of power by actors in networks instead of focusing on power fixed and hierarchical.¹²⁹

The most important strategic type of place for these developments is the city. Introducing cities allows us to situate complex economic processes in specific places. Sassen argues that global cities are characterized by global capital in their organization and operations, and immigrant work force. They are service, financial,

¹²⁶ Popescu, p. 723.

¹²⁷ Dicken and et al., p. 95.

¹²⁸ Michael Hardt and Antonio Negri Empire, *Empire* (Cambridge and London: Harvard University Press, 2000), p. xii.

¹²⁹ Dicken and others, p. 101.

investment centers, and headquarter of operations of global companies.¹³⁰ Brenner interprets that global city formation is a result of states' adaptation to reterritorialization processes. These cities emerge as political and financial gathering nodes.¹³¹ Territorial states are rescaled towards sub-national levels in the form of major urban nodes where they can promote foreign investments. This trend is particularly traceable in European countries. In Germany, for instance, the traditional post-war project of "equalizing life conditions on a national scale" was abandoned in urban regions were promoted as the most essential "level of policy implementation." Throughout Europe, from London, Amsterdam, Rotterdam, Brussels, Lyon and Paris to the Ruhr complex, Hannover, Frankfurt, Stuttgart, Munich, Zurich, Bologna and Milan, urban economic policy is being linked to investment and regulation on regional scales.¹³² Thus, the spatial reconfiguration of networks on territorial scale occur through connected major urban nodes which are also commercial centers.

Ma and Timberlake evaluate deterritorialization and reterritorialization with respect to city systems by looking at ties between world cities and their connection with domestic urban systems. They categorize market-based bourgeois such as London and New York, whose relation to world economy is market-rational and primary objectives are wealth and profit-maximization; and state-centered political bureaucratic such as Tokyo and East Pacific cities, whose relation to world economy is plan-rational and primary goals are national power and market-share maximization. Market-based cities' ties with national economy is low and they become more global. State-centered cities will less likely deterritorialize as their development is depended on state apparatus. Yet, there exist also cities like Shanghai, which receives foreign capital but is controlled by strong state bureaucracy, are placed somewhere between global and state-centered cities. These

¹³⁰ S. Sassen, 'Whose City Is It? Globalization and the Formation of New Claims', *Public Culture*, 8.2 (1996), p. 206.

¹³¹ Brenner, 'Global Cities, Global States: Global City Formation and State Territorial Restructuring in Contemporary Europe', p. 1.

¹³² Brenner, 'Globalisation as Reterritorialization: The Re-Scaling of Urban Governance in the European Union', p. 445.

cities' connection with their domestic system will weaken as they become more connected to the global capital.¹³³

Saskia Sassen comments that global cities are situated as independent zones in the world economy. Major urban economies collaborate with other major urban centers rather than its immediate surroundings or national cities. For example, New York needs London instead of a city in the USA. They are detached from national linkages, integrating themselves into global connections.¹³⁴ Another example can be found in connection between Chongqing, located in western region of China, and Duisburg, German city. Since 2009, giant notebook makers, giant notebook computer makers, such as HP, Acer, and ASUS, have produced their notebooks in Chongqing. One of three computers sold in the world are from Chongqing, and around half of computers produced in Chongqing are sold in European markets rather than in Chinese cities.¹³⁵ This example demonstrates the network established among Silicon Valley, Chongqing, and Duisburg. The hinterland of Silicon Valley is in Chongqing instead of its adjacent region in the USA or Chongqing targets European market instead of Chinese market.

Yet, world cities' ties to their states' territoriality remain even though the degree of this link changes. Thus, the globalization of cities is related with states' new territorialization stressed throughout the chapter. In the state territory, cities play contradictory roles. On the one hand, these cities are situated in bounded state space. On the other hand, states transfer and devolve many of their tasks to regional and local scales to attract more foreign capital.¹³⁶ Communication and transportation improvements has promoted investment flows, making export of capital and labor surpluses to new territories speedier and cheaper. Many multinational firms choose

¹³³ Ma and Timberlake, p. 260.

¹³⁴ Emily Badger, 'What Happens When the Richest U.S. Cities Turn to the World?', *The New York Times*, 2017 <<https://www.nytimes.com/2017/12/22/upshot/the-great-disconnect-megacities-go-global-but-lose-local-links.html>> [accessed 23 December 2017].

¹³⁵ Mario Esteban and Luan Yi, *Demystifying the Belt and Road Initiative: Scope, Actors and Repercussion for Europe* (Duisburg, 2017), p. 28.

¹³⁶ Brenner, 'Global Cities, Global States: Global City Formation and State Territorial Restructuring in Contemporary Europe', p. 4.

cities located in developing countries to move their factories and production sites because of their lower cost of labor.¹³⁷

Observing territorial implications caused by the Belt and Road Initiative on Eurasian space required these concepts to be introduced, discussed, and analyzed. In general, the primary result of these discussions is to point out that a) territory is not a fixed but it is in constant production and reproduction, b) deterritorialization refers to transformation of strict territorial logic to a less rigid form of territory, c) deterritorialization does not suggest the end of geography but it makes most sense when it is used with reterritorialization, d) reterritorialization is related with globalization which envisages multiple and overlapping geographical scales, e) although concept of networks dominates in reterritorialization discussion, states do not simply disappear but they become parts of the networks with major urban nodes, f) states help networks to materialize through infrastructure that connects urban centers. Many of these theoretical conclusions have already been materialized in Western part of hemisphere where effects of globalization have penetrated into economic and political life. Nevertheless, due to its lack of linkage with the rest of the world, Central Asia, South Caucasus, and relatively Eastern Europe, which comprise Eurasia lagged behind of these developments.

Newly emerging transportation networks would truly enable interconnectedness of Europe and Asia. The Belt and Road Initiative is the most important infrastructure, financial, political, and civilizational project, which seeks to set up interconnected transportation network between China, Central Asia, South Caucasus, Europe, South Asia, and the Persian Gulf. Therefore, the new alterations on Eurasian space very much depends on the success of the Belt and Road Initiative. However, before analyzing the implications of the Belt and Road Initiative, the literature review of the project will be offered in the next chapter.

¹³⁷ Igal Charney, ‘Spatial Fix’, in *Encyclopedia of Geography*, ed. by Barney Warf (Thousand Oaks: SAGE Publications, Inc., 2010), pp. 2638–40 (p. 2639).

CHAPTER 4

THE BELT AND ROAD INITIATIVE

The route called Silk Road is a route which Chinese merchants had used for trading with western regions during Han Dynasty.¹³⁸ The term of Ancient Silk Road, firstly was used by Baron Ferdinand von Richthofen in 1877. It refers trade route from China to Europe across Eurasia. It was composed of several connected networks markets instead of single continuous road. It had started in Xinjiang to previously referred as Xiyu, which means Western regions continued to the western direction, traversing different landscape.¹³⁹

The President of People's Republic of China Xi Jinping expressed his desire to revive Ancient Silk Road route in Astana on September 7, 2013. When Xi Jinping visited Indonesia in October 2014 he announced the start of Maritime Silk Road. The Silk Road Economic Belt unveils the land connection among China, Central Asia, the South Caucasus, Russia, and Europe as well as the Persian Gulf, and South Asia. The Maritime Silk Road is, on the other, planned to connect the ports of China to the ports of Europe, the South China Sea, the South Pacific, and the Indian Ocean.¹⁴⁰

Although this new project considers itself as a revival of the ancient Silk Road, it is not immediately named as New Silk Road. The invention of name ‘New Silk Road’, indeed, originally belongs to Hillary Clinton, who first referred it in 2011. In her vision, the main focus was Afghanistan through the creation of north-south trade

¹³⁸ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 8.

¹³⁹ Valerie Hansen, *The Silk Road: A New History* (Oxford: Oxford University Press (OUP), 2012), p. 9.

¹⁴⁰ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’, *National Development and Reform Commission of People’s Republic of China (NDRC)*, 2015 <http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html> [accessed 13 February 2017].

networks. Chinese officials were disappointed with the usage of Silk Road term. According to one Chinese diplomat, “When [the] U.S. initiated this we were devastated. We had long sleepless nights. And after two years, President Xi proposed [a] strategic vision of our new concept of Silk Road.”¹⁴¹

This appropriation of the term New Silk Road led to the search of new phrases to describe the project. Officially the phrase of “One Belt, One Road” was used at initial stage. But the term One Belt, One Road is created awkwardness in the meaning of the phrase in that structure “one..., one...” is usually used to emphasize the meaning of “each” or “the same”, such as “one person, one vote” or “One World, One Dream”. Therefore, both such as Fu Ying, Vice-Minister of China’s Foreign Affairs Ministry, and Kevin Rudd, former Prime Minister of Australia, suggested change in the official name. In September 2015, Chinese government adopted the name of the Belt and Road Initiative in official English statements, taking its final form.¹⁴² Beijing explicitly refuses to call this project as a strategy, but it refers to as an initiative. According to Xie Tao, a political science professor at Beijing Foreign Studies University, initiative refers to a unilateral move which requires willing cooperation from others to provide public good; strategy, on the other hand, is a deliberate plan of action to achieve goals which are exclusive.¹⁴³

The project has been referred differently in various usages. In European countries, for example, the term ‘New Silk Road’ is used. In French, the project is referred as ‘*Nouvelles routes de la soie*’ whereas in Spanish *nueva ruta de la seda*.¹⁴⁴ It is necessary to adopt one usage among these various usages to provide uniformity in the paper. I will use the term of the Belt and Road Initiative, which is the official English translation used by Chinese administration in documents in the rest of this

¹⁴¹ Theresa Fallon, ‘The New Silk Road: Xi Jinping’s Grand Strategy for Eurasia’, *American Foreign Policy Interests*, 37.3 (2015), p. 141.

¹⁴² Yuan Li, ‘Belt and Road: A Logic Behind the Myth’, in *China’s Belt and Road: A Game Changer?*, ed. by Alessia Amighini (Milano: ISPI, 2017), pp. 13–35 (p. 16).

¹⁴³ Zhao Hong, *Trends in South Asia China’s One Belt and One Road: An Overview of the Debate* (Singapore, 2016), p. 3.

¹⁴⁴ Frans-Paul van der Putten and others, ‘Relations, The Role of OBOR in Europe–China’, in *Europe and China’s New Silk Roads* (The European Think-tank Network on China, 2016), pp. 3–12 (p. 3).

study. The first step of identifying the Belt and Road Initiative is to offer priorities of the initiative.

4. 1. The priorities of the initiative

In construction of the priorities of the Belt and Road Initiative, four important policy layers exist. The President is the ultimate decision-maker. Local provinces provide input to decisions made by the President. The State Council and a Small Leading Group are responsible for strategic planning. The secretariat is run by National Development and Reform Commission (NDRC). Individual ministries, departments like the State Administration of Sovereign Assets (SASAC), policy banks, like the China Development Bank, and provinces specify guidelines.¹⁴⁵

The document called “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road” prepared by Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council, and issued by the National Development and Reform Commission is the most important and coherent paper that describes the framework of the Belt and Road Initiative. It states the priorities of the Belt and Road Initiative as ensuring policy coordination, facilitating infrastructure connectivity, providing unimpeded trade, establishing financial integration, and increasing people-to-people bonds.

Policy coordination suggests intergovernmental cooperation, expanding common interests, enhancing political trust, and building an intention of cooperation desire. Facilitating connectivity involves developing infrastructure systems, upgrading technical standard, jointly leading the way of construction of international trunk passageways, and connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step, removing transport bottlenecks, advancing safety along the roads road, cooperating in energy project, improving international communications connectivity, and creating an Information Silk Road. Providing unimpeded traded calls for removing barriers, improving investments, enhancing

¹⁴⁵ Jonathan Holslag, ‘How China’s New Silk Road Threatens European Trade’, *International Spectator*, 52.1 (2017), p. 48.

customs cooperation such as information exchange, recognizing common regulations, ensuring cooperation among law enforcements, implementing WTO Trade Facilitation rules, innovating forms of trade, and developing cross-border e-commerce. Financial integration includes deepening financial cooperation, making joint efforts to establish the Asian Infrastructure Investment Bank and BRICS New Development Bank, conducting negotiation among related parties on establishing Shanghai Cooperation Organization (SCO) financing institution, and setting up the Silk Road Fund, strengthening cooperation of China-ASEAN Interbank Association and SCO Interbank Association, and carrying out multilateral financial cooperation in different financial tools. People-to-people connectivity means promoting cultural and academic exchanges, personnel exchanges and cooperation, media cooperation, youth and women exchanges, and volunteer services.¹⁴⁶

Thus, Vision and Actions paper states that the Belt and Road Initiative aims to link China with the rest of the world and promote regional connectivity in Eurasia. China's this integration plan involves flows of goods, finance, and people across Eurasia. Practical implementation of these goals articulates creation of economic corridors and maritime roads at geographical scale. There are six economic corridors in the Belt and Road Initiative.

4. 2. Six Economic Corridors

The Belt and Road envisioned creation of six economic corridors. Premier Li Keqiang firstly expressed the development of the China–Pakistan Economic Corridor and the Bangladesh– China–India–Myanmar Economic Corridor. In May 2014, Chinese Vice Premier Zhang Gaoli announced additional corridors: China Mongolia–Russia, the New Eurasian Land Bridge, China–Central and West Asia, and China–Indochina.¹⁴⁷ These corridors actually transcend nation state boundaries,

¹⁴⁶ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’.

¹⁴⁷ ‘China’s Ambitious Silk Road Vision’, *Strategic Comments*, 21.6 (2015), p. iv.

creating new kind of territorialization across Belt and Road route. The Figure 1 shows these corridors.

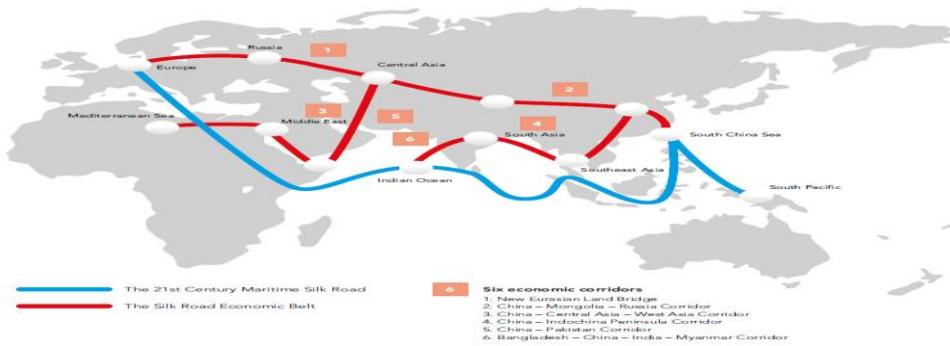


Figure 1. Economic Corridors along Belt and Road Route¹⁴⁸

These corridors are significant in spatial reorganization of Eurasia in that they deterritorialize Eurasian space through transcending nation states' boundaries across Eurasia. The nodes situated on these corridors simultaneously reterritorialize the space. Although the review is presented in this chapter, the detailed picture will be argued in the subsequent chapter.

4. 2. 1. The New Eurasian Land Bridge

The New Eurasian Land Bridge, composed of seven lines, connects Chinese cities located in coastal and inland parts of the country to various European cities. Like ancient Silk Road, this line is also comprised of many transportation networks. The New Eurasian Land Bridge is the main route, which transforms Eurasian space. Therefore, it will be dealt in great detail while analyzing its effects on deterritorialization and reterritorialization in Eurasia. In this chapter, it will be sufficient to give the general idea for the lines. The Figure 2 demonstrates the route of the New Eurasian Land Bridge

¹⁴⁸ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 11.



Figure 2. The New Eurasian Land Bridge¹⁴⁹

4. 2. 2. The China-Mongolia-Russia Corridor

The China-Mongolia-Russia Corridor is divided into two major routes: Beijing/Tianjin/Hebei to Russia line passes through Hohhot, Inner Mongolia whereas Dalian to Chita in Russia passes through Shenyang, Changchun, Harbin, Manzhouli, and Inner Mongolia. Guangzhou, Shenyang, Suzhou, and Tianjin line opened. A northern passageway will be built to connect the Beijing, Dalian and Tianjin, with Western Europe through this corridor. It is also compatible with Russia's Transcontinental Rail Plan, which plans to build railroad between Moscow and Beijing; and Mongolia's Prairie Road Programme which plans construction of railroads, natural gas and oil pipelines.¹⁵⁰ The Figure 3 shows the China-Mongolia-Russia Corridor.

¹⁴⁹ Richard Pomfret, ‘No The Eurasian Landbridge: Linking Regional Value Chains’, *Analytical Media ‘Eurasian Studies’*, 2018 <<http://greater-europe.org/archives/4932>> [accessed 19 July 2018].

¹⁵⁰ *One Belt One Road: A Role for UK Companies in Developing China’s New Initiative*, p. 10.



Figure 3. China-Russia-Mongolia Corridor¹⁵¹

4. 2. 3. The China-Central Asia- West Asia Corridor

China-Central Asia-West Asia Economic Corridor connects the Chinese province of Xinjiang to Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkey, following ancient Silk Road route. This corridor aims to better connect all the regional economies to international economy by offering an intercontinental communication network.¹⁵² Besides the New Eurasian Land Bridge, it is the second most important corridor for Eurasian space as through this corridor Central Asian countries are connected with each other and with other regions such as the South Caucasus, Europe, and the Persian Gulf. The Figure 4 presents the route and cities involved in the China-Central Asia-West Asia Corridor.

¹⁵¹ ‘Russia-Mongolia-China Road Corridor to Be Ready in 2018 No Title’, *Silk Road Briefing*, 2017 <<https://www.silkroadbriefing.com/news/2017/09/08/russia-mongolia-china-road-corridor-ready-2018/>> [accessed 15 October 2017].

¹⁵² ‘The New Silk Road Corridors’, *One Belt One Road Europe*, 2017 <<http://www.oboreurope.com/en/beltandroad/one-belt/>> [accessed 15 October 2017].

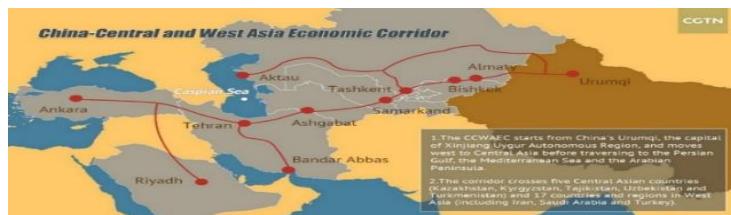


Figure 4. The China-Central Asia-West Asia Corridor¹⁵³

4. 2. 4. The China-Indochina Peninsular Corridor

This corridor will link the Pearl River Delta Economic Circle with the South-East Asian countries of Cambodia, Laos, Myanmar, Thailand, Vietnam, and Singapore. This corridor's goal is to increase economic cooperation in South Asia through the development of infrastructure networks.¹⁵⁴



Figure 5. The China-Indochina Peninsular Corridor¹⁵⁵

4. 2. 5. The Bangladesh-China-India-Myanmar Corridor

The aim of the Bangladesh-China-India-Myanmar Corridor is to connect China with the various economic centers of the Gulf of Bengal by linking cities Kunming

¹⁵³ ‘Why Is Caspian Sea Security in China’s Interest?’, CGTN, 2017 <https://news.cgtn.com/news/3349544f31557a6333566d54/share_p.html> [accessed 15 October 2017].

¹⁵⁴ *One Belt One Road: A Role for UK Companies in Developing China’s New Initiative*, p. 13.

¹⁵⁵ ‘The New Silk Road Corridors’, *One Belt One Road Europe*, 2017 <<http://www.oboreurope.com/en/beltandroad/one-belt/>> [accessed 15 October 2017].

to Kolkata (Calcutta) via Mandalay and Dhaka. This project also involves removing trade barriers and decreasing poverty in this region.¹⁵⁶ The Figure 6 shows the Bangladesh-China-India-Myanmar Corridor.

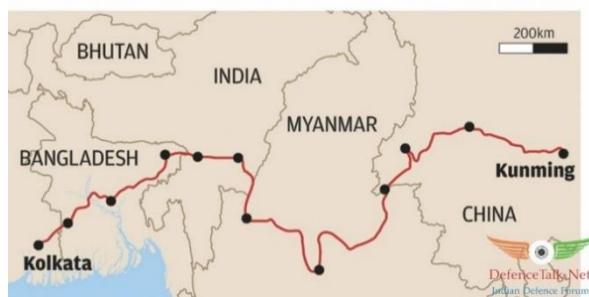


Figure 6. The Bangladesh-China-India-Myanmar Corridor¹⁵⁷

4. 2. 6. The China-Pakistan Economic Corridor

The China-Pakistan Economic Corridor links the city of Kashgar in China's Xinjiang province to the port of Gwadar in Pakistan's Balochistan province. This project includes energy projects, transportation/infrastructure networks, and economic free zones within Pakistan. The investments amount to approximately \$46 billion. It offers China an alternative route to Malacca Strait.¹⁵⁸ The Figure 7 shows the China-Pakistan Economic Corridor.

¹⁵⁶ *One Belt One Road: A Role for UK Companies in Developing China's New Initiative*, p. 13.

¹⁵⁷ 'The Bangladesh- China-India-Myanmar (BCIM) Economic Corridor', *SGTalk*, 2017 <The Bangladesh- China-India-Myanmar (BCIM) Economic Corridor> [accessed 13 October 2017].

¹⁵⁸ *One Belt One Road: A Role for UK Companies in Developing China's New Initiative*, p. 14.



Figure 7. The China-Pakistan Economic Corridor¹⁵⁹

As these corridors within the Belt and Road Initiative demonstrate, the initiative covers the vast geographic area. It unveils infrastructure connectivity and economic investments so it is not surprising that the most visible impact of the Belt and Road Initiative is experienced in the field of economics. The literature concerning the Belt and Road mainly examines the economic impact. The foremost significance is to offer the benefits that the Belt and Road Initiative will bring. The literature, which analyzes the economic impact is divided into the Belt and Road's effects on the participant countries, its role in development of China's economy, and internationalization of renminbi.

4. 3. Economic Significance of the Belt and Road Initiative

In Vision and Action Paper the goal of the Belt and Road Initiative is described as

to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite

¹⁵⁹ ‘The China-Pakistan Economic Corridor Gets Even More Ambitious’, *Cpec News*, 2015 <<http://cpecnews.com/the-china-pakistan-economic-corridor-gets-even-more-ambitious/>> [accessed 14 October 2017].

connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries.¹⁶⁰

It is in China's best interest to promote development in its neighborhood, to counter protectionism, and to advocate free trade to expand opportunities for its exporters and solve its overcapacity problem. Thus, Belt and Road Initiative aims at reducing infrastructure deficits of Belt and Road countries and helping their economies to develop.

The extensiveness of the Belt and Road is emphasized by the reports published by international organizations. The Belt and Road Initiative encompasses over 60 countries, which account for 60 percent of the world's population. A collective GDP of the participant countries is equivalent to 33 percent of the global GDP.¹⁶¹ The population approximates 4.4 billion people, corresponding 63 percent of the world's population.¹⁶² Although the countries which participated in the Belt and Road Initiative are listed above, this list is not final as Vision and Action Plan articulates: "The Initiative is open for cooperation. It covers, but is not limited to, the area of the ancient Silk Road. It is open to all countries, and international and regional organizations for engagement, ... The Initiative is harmonious and inclusive."¹⁶³ Thus, the official document states that new countries which want to participate in the Belt and Road Initiative will be welcomed. The number of countries, which participated in the Belt and Road Initiative are increasing due to the participation of new countries. This list only shows the preliminary participants of the Belt and Road Initiative. Nevertheless, the initial list of the countries is presented below:

¹⁶⁰ 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road'.

¹⁶¹ *One Belt One Road: A Role for UK Companies in Developing China's New Initiative*, p. 9.

¹⁶² 'Investing in Belt and Road: Dialogue', in *Belt and Road: From Vision and Action Executive Summary From The 2nd Belt and Road Summit* (Hong Kong: Hong Kong Trade Development Council, 2017), p. 19.

¹⁶³ 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road'.

Table 1. List of Countries which participated in the Belt and Road Initiative¹⁶⁴

East Asia	China, Mongolia
Southeast Asia	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East and North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, United Arab Emirates, Yemen
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

These countries differ in terms of their degree of participation of the Belt and Road Initiative. China's neighboring countries are the ones which receive most of the benefit. The degree of the spillover effect of the Belt and Road over remote places depends on the success of the improvement of infrastructure and economic development in the neighboring countries.¹⁶⁵ In examining Africa's place in the Belt and Road Initiative, Chen argues that although China's direct investments into Africa has increased, its amount holds a small percentage in its total FDI flow as Africa is not a major region for the Belt and Road Initiative.¹⁶⁶

¹⁶⁴ Industrial Cooperation between Countries along the Belt and Road, China International Trade Institute cited in *The Belt and Road Initiative*, 2017, pp. 10–11.

¹⁶⁵ Naoki Umehara, *China's 'Belt and Road Initiative': Its Features and Future* (Tokyo, 2017), XIV, p. 4.

¹⁶⁶ Huiping Chen, 'China's "One Belt, One Road" Initiative and Its Implications for Sino-African Investment Relations¹', *Transnational Corporations Review*, 8.3 (2016), 178–82 (pp. 179–80).

The major focus is on the economic impact over China's adjacent regions. The trade connectivity between China and Belt and Road countries soared. Trade volume reached \$1.3 trillion in 2018. This volume signifies increase of 16.3 percent compared to 2017.¹⁶⁷ In 2019, trade volume between China and Belt and Road Initiative countries is expected to grow by \$116 billion. This corresponds 0.3 percent addition to global commerce and 0.1 percent to global growth.¹⁶⁸

The studies reflect how the newly established roads contribute to flourishing of the trade. Toops probes three countries' economic relations with China, examining the contribution of the role of infrastructure development. Through new linkages China surpassed Russia in terms of trade relations with Kazakhstan in 2015. The construction of direct railway was an important catalyst for the increasing trade relations. Although there are developments in roads between Kyrgyzstan and China, the lack of direct links inhibit trade between two countries. Finally, Pakistan is the second export and first import partner of China. The building of the Gwadar port further would allow China to transfer energy resources from the Middle East through this port.¹⁶⁹ This study reveals the positive effects of infrastructure over economic relations but the negative aspects of China's economic presence in Belt and Road countries are neglected.

Jaborov's study about Chinese investments in Tajikistan within the Belt and Road Initiative fills this gap. China is number one investor for Tajikistan economy with approximately \$1 billion. Nevertheless, China's desire to become a central

¹⁶⁷ 'Annual Trade between China, B&R Countries Reaches 1.3 Trln USD', *Belt and Road Portal*, 2019 <http://eng.yidaiyilu.gov.cn/qwyw/rdxw/78341.htm?utm_source=Belt+and+Road+Advisory+Newsletter&utm_campaign=ab374dec4a-EMAIL_CAMPAIGN_2018_06_11_02_10_COPY_02&utm_medium=email&utm_term=0_ad78ca35dd-ab374dec4a-460085789> [accessed 27 January 2019].

¹⁶⁸ 'China's Belt and Road Initiative Will Add US\$117 Billion to Global Trade This Year, a New Study Shows', *South China Morning Post*, 2019 <https://www.scmp.com/economy/china-economy/article/2183253/chinas-belt-and-road-initiative-will-add-us117-billion-global?utm_source=Belt+and+Road+Advisory+Newsletter&utm_campaign=ab374dec4a-EMAIL_CAMPAIGN_2018_06_11_02_10_COPY_02&utm_medium=email&utm_term=0_ad78ca35dd-ab374dec4a-460085789> [accessed 2 Febrary 2019].

¹⁶⁹ Stanley Toops, 'Reflections on China's Belt and Road Initiative', *Area Development and Policy*, 1.3 (2016), 352–60 (pp. 356–57).

player in natural resource extraction is also an important factor in its investments in that natural resources are swapped for infrastructure investments. The official data demonstrates Chinese companies own 60 percent of half of gold mines.¹⁷⁰

The issue of predatory lending has been articulated in the literature since 2018. The date is important because the effects of borrowing huge amounts of money started to be felt. A report prepared by a retired Indian army officer accuses China of stealing natural resources of Central Asian countries through lending.¹⁷¹ A sounder and more scientific study examines countries, which borrowed China due to Belt and Road Initiative. This study reveals that 68 countries, which are potential borrowers are likely to experience problem in paying their debts. Eight countries out of 68 are identified belonging to the risk group: “Djibouti, the Kyrgyz Republic (Kyrgyzstan), Lao People’s Democratic Republic (Laos), the Maldives, Mongolia, Montenegro, Pakistan, and Tajikistan.”¹⁷² These concerns are taken seriously by some of these countries. The report prepared by *the Economist* tells the backlash to the Belt and Road projects in some countries. Pakistan, which is the strategic partner of China in South Asia, curtailed the scope of the China-Pakistan Economic Corridor. The newly elected Prime Minister of Malaysia Mahathir Mohamad halted some Belt and Road related project, fearing rising debts. In Sri Lanka, dissatisfaction about China’s economic and political life in Sri Lanka led to overthrow of the government.¹⁷³ These studies indicate the political implications of Belt and Road’s economic benefits.

¹⁷⁰ Safovudin Jaborov, ‘Chinese Loans in Central Asia: Development Assistance or “Predatory Lending”’, in *China’s Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 34–41 (p. 37).

¹⁷¹ Narender Kumar, *Belt and Road Initiative: A Potential Threat to the Region and Eurasia* (Centre for Warfare Studies, New Delhi, 2018), p. 4.

¹⁷² John Hurley, Scott Morris, and Gailyn Portelance, *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective* (Center for Global Development, Washington D.C., 2018), p. 11.

¹⁷³ ‘China’s Belt-and-Road Plans Are to Be Welcomed—and Worried About’, *The Economist*, 2018 <<https://www.economist.com/leaders/2018/07/26/chinas-belt-and-road-plans-are-to-be-welcomed-and-worried-about>> [accessed 28 February 2019].

Nonetheless, developing infrastructure deficit of the countries on the corridors surpass the concerns about debts. The officials' statements and the reports prepared by international institutions are about upgrading infrastructure along Belt and Road route. The initial declaration of the Belt and Road Initiative by the President Xi Jinping called for the improvement of the infrastructure. Luky Eko Wuryanto, the vice president and Chief Officer Asian Infrastructure Investment Bank, argues that Asia's increasing urbanization due to growing population requires an overwhelming amount of infrastructure development.¹⁷⁴ According to Asian Development Bank data, for 25 countries in Asia in 2016-2020, the gap is 2.4 percent of projected GDP. If China excludes itself from the development projects, this gap rises 5 percent of projected GDP. Developing Asia requires or \$1.7 trillion per year for infrastructure investment in 2016-2030, totaling almost \$26 trillion.¹⁷⁵

As an example of infrastructure deficit, according to World Health Organization's most recent report on road safety, Kazakhstan has the highest road traffic death rate among the 52 European and Central Asian countries. Approximately 17 percent of Kazakhstan's highways are below internationally recognized minimum standards, and only 3 percent of its highways meet the highest standard. 76 percent of the roads are undivided, and more than 50 percent of roads are not asphalted.¹⁷⁶ This example is striking in that an important country like Kazakhstan, which exists at crossroads of important corridors, bears enormous infrastructure deficit. Without infrastructure in the Belt and Road route, the key concept connectivity would not be set out.

Recognizing that this deficit must be overcome, infrastructure projects have been given priority. Firstly, China tries to alleviate its own infrastructure deficits. The 13th Five Year Plan prepared in line with the Belt and Road Initiative emphasized that in

¹⁷⁴ Luky Eko Wuryanto, 'Belt and Road Vision Requires Staggering Infrastructure Investment in Developing Asian Economies', in *Belt and Road: From Vision and Action Executive Summary From The 2nd Belt and Road Summit* (Hong Kong: Hong Kong Trade Development Council, 2017), p. 29.

¹⁷⁵ 'Asia Infrastructure Needs Exceed \$1.7 Trillion Per Year, Double Previous Estimates', *Asian Development Bank*, 2017 <<https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates>> [accessed 24 November 2017].

¹⁷⁶ *Safety on the New Silk Road Assessing Kazakhstan's Highways* (Washington D.C., 2017), p. 2.

order to provide openness and connection, strengthening infrastructure in both inland and border regions, and creation of transportation corridors is important.¹⁷⁷ Accordingly, China develops its own infrastructure system. Between 1992 and 2011, China has spent 8.5 percent of its GDP on infrastructure, building and improving roads, power, rail, water, telecom, ports, and airports. China's national expressway system, which corresponds 111,900 km, and a high-speed train system, which corresponds 12,000 km were built. For abroad, \$671 billion worth of grants and loans were allocated between 2007 and 2011 for infrastructure projects. Additional \$720 billion in infrastructure will be invested for future projects.¹⁷⁸

The literature focuses of the spread of the infrastructure development, succeeded in China, across Eurasia. Investing in massive infrastructure projects is seen as a way of ensuring long-term growth in this model.¹⁷⁹ PwC report indicates that in 2016 the value of announced infrastructure projects across the region within the Belt and Road Initiative grew by 47 percent.¹⁸⁰ In financing the projects, China is not acting alone. China led the establishment of international financial institutions, the Silk Road Fund and Asian Infrastructure Investment Bank (AIIB); and several corporation mechanisms with the countries along the Belt and Road route for financing the projects. These institutions, indeed, are founded to finance the Belt and Road projects such as infrastructure and transportation projects. Many countries joined or expressed interests. They are considered as rivals the multinational institutions such as the World Bank and IMF. The next section examines the financial component of the Belt and Road Initiative.

¹⁷⁷ PRC Central Committee of the Communist Party of China, ‘The 13th Five-Year Plan for Economic and Social Development of the People’s Republic of China’, 2016, 219 (p. 21) <<https://doi.org/Central Committee of the Communist Party of China>>.

¹⁷⁸ Maximilian Mayer, ‘China’s Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences’, in *Rethinking the Silk Road: China’s Belt and Road Initiative and Emerging Eurasian Relations*, ed. by Maximilian Mayer (Singapore: Palgrave Macmillan, 2018), pp. 1–43 (p. 11).

¹⁷⁹ Nicola Casarini, ‘When All Roads Lead to Beijing. Assessing China???S New Silk Road and Its Implications for Europe’, *International Spectator*, 51.4 (2016), 95–108 (p. 99).

¹⁸⁰ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 1.

4. 4. Financial institutions of the Initiative

The most notable financial institution, which provides financial assistance to infrastructure development is the Asian Infrastructure Investment Bank. It has 57 founding members, including Western European countries. It began operations in mid-2016.¹⁸¹ According to the Articles of Agreement (AOA) of AIIB, the Bank will “provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the Asia region.”¹⁸² It has used multiple financial instruments including non-sovereign-backed financing, equity investment, and predatory advances for sovereign-backed financing.¹⁸³

The main duty, which the AIIB endorses is to finance infrastructure projects along the Belt and Road Initiative. While assessing the AIIB, its financial contribution to infrastructure connectivity is underlined. The development of the Belt and Road needed \$776 billion worth of investment in annual infrastructure investment while most of Asian savings have been directed to USA. In 2013, The President Xi claimed that creation of the AIIB would help redirect Asian savings to investment for Asia, promoting the development of Asian countries.¹⁸⁴ The AIIB addresses not only transportation problems but also agriculture, energy, and telecommunication infrastructure.¹⁸⁵ The relationship between infrastructure and

¹⁸¹ Martin A Weiss, *Asian Infrastructure Investment Bank (AIIB)*, Congressional Research Service (Washington D.C., 2017), p. 1.

¹⁸² ‘Financing Operations’, *The Asian Infrastructure Investment Bank (AIIB)* <<https://www.aiib.org/en/about-aiib/who-we-are/financing-operations/index.html>> [accessed 28 November 2017].

¹⁸³ ‘Financing Operations’.

¹⁸⁴ Mike Callaghan and Paul Hubbard, ‘The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road’, *China Economic Journal*, 9.2 (2016), 116–39 (p. 121)

¹⁸⁵ Eduardo Tomankiewicz Secchi and others, *AIIB* (UFRGSMUN Model United Nations, 2017), p. 10.

globalization is articulated. Zhou Xiaochuan, China's central bank governor, said that: "If we go further to use the AIIB and other development banking facilities to develop infrastructure, telecom, digitalization, this would pave the foundation for globalization."¹⁸⁶ The Figure 8 concurs the AIIB funded projects' compatibility with the Belt and Road projects.

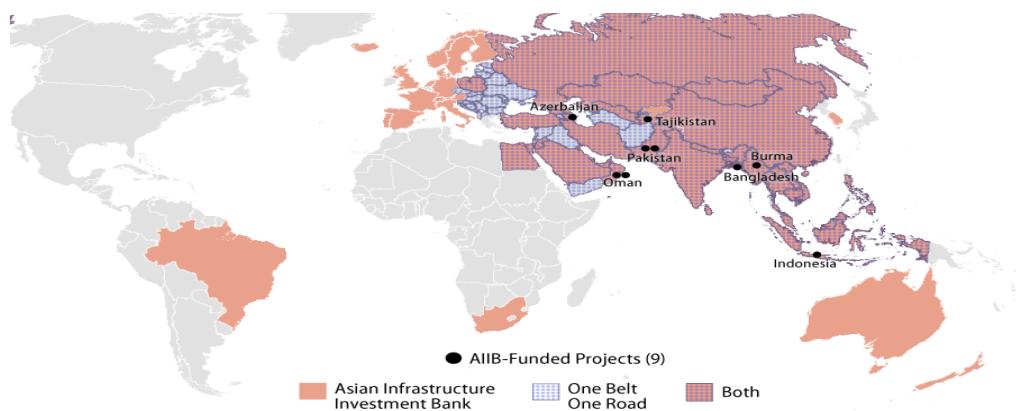


Figure 8. The Belt and Road and AIIB projects¹⁸⁷

The AIIB and other international financial institutions are compared. With its \$100 billion capital, the AIIB is smaller both World Bank which has a capital base of more than \$250 billion and Asian Development Bank whose capital is more than \$150 billion.¹⁸⁸ The connectivity with the AIIB and international institutions is addressed. According to the Articles of Agreement of the AIIB the purpose of the bank is stated as:

The purpose of the Bank shall be to: (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in

¹⁸⁶ Dai Tian, Wang Yanfei, and He Wei, 'No Losers in Globalization: AIIB President', *China Daily*, 3 May 2017 <http://www.chinadaily.com.cn/business/2017-03/25/content_28677150.htm>.

¹⁸⁷ AIIB cited in Weiss, p. 7.

¹⁸⁸ Mike Callaghan and Paul Hubbard, 'The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road', *China Economic Journal*, 9.2 (2016), p.118-119.

close collaboration with other multilateral and bilateral development institutions.¹⁸⁹

The AIIB set up contacts with other financial institutions and operate according to international agreements. In October 2016, the AIIB joined a statement with IMF and the other development banks, affirming that their operations would be depended on the latest international agreements such as Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development.¹⁹⁰ In June 2017, The AIIB president Jin Liqun reiterated that AIIB's investment would help members to implement projects related with the Paris climate accord.¹⁹¹

Another biggest fund created for the project is the Silk Road Fund. The Silk Road fund was established in November 2014 with China's \$40 billion contribution. It is led by the chief executive Jin Qi, a former assistant to the governor of the People's Bank of China. It is designed to "break the connectivity bottleneck", providing support for investment projects involving infrastructure and financial cooperation for the Belt and Road Initiative.¹⁹² The fund has four main priorities: to promote connectivity, ensuring investment return, cooperating with other financial institutions, and encouraging investors to join the Fund.¹⁹³

Besides these two main institutions, several state-sponsored or private enterprises also join to fund the infrastructure projects. These are Changan, China Mobile, BCEGI Construction and foreign owned enterprises such as Pinsent Masons and NVC.¹⁹⁴ China Development Bank founded in 1994, is an international multilateral financial institution, provides funding for developing countries' infrastructure needs. Its area of operations covers 64 countries with 900 projects. By

¹⁸⁹ *Articles of Agreement* (Beijing), p. 2.

¹⁹⁰ Weiss, p. 13.

¹⁹¹ Elias Glenn, 'China-Backed AIIB Touts Growth, Sustainability', *Reuters*, 2017 <<https://www.reuters.com/article/us-aiib-asia-china/china-backed-aiib-touts-growth-sustainability-idUSKBN199061>> [accessed 9 November 2017].

¹⁹² 'China's Ambitious Silk Road Vision', p. iv.

¹⁹³ 'Investment Management', *Silk Road Fund* <<http://www.silkroadfund.com.cn/enweb/23798/23768/index.html>> [accessed 29 October 2017].

¹⁹⁴ *The Belt and Road Initiative*, p. 15.

the end of 2014, the CDB had funded more than 400 projects related to the initiative, totaling \$125.9 billion loans. The Export-Import Bank of China, founded in 1994, is a Chinese governmental policy financial institution, which provides financial aid to technological production high tech product import and export and electronics manufacturing. In 2015 the Central Bank instilled \$45 billion into the Export-Import Bank of China to boost the Belt and Road Initiative, assisting the Export-Import Bank of China to sign more than 300 new projects.¹⁹⁵

Moreover, the AIIB and the Silk Road Fund collaborates with other multilateral financial institutions and international organizations. In order for China not to be seen as an economic hegemon of the project, the participation of other financial institutions is welcomed. The Belt and Road Initiative welcomes many partners in the projects by promoting openness and inclusiveness. Many officials confirm multilateral character of the initiative. The President Xi Jinping stated in 2015 at the Boao Forum:

In promoting this initiative, China will follow the principle of wide consultation, joint contribution and shared benefits. The programs of development will be open and inclusive, not exclusive. They will be a real chorus comprising all countries along the routes, not a solo for China itself. To develop the Belt and Road is not to replace existing mechanisms or initiatives for regional cooperation. Much to the contrary, we will build on the existing basis to help countries align their development strategies and form complementarity.¹⁹⁶

Vision and Actions Paper also emphasized the inclusive feature of the Belt and Road Initiative:

to uphold the global free trade regime in the spirit of open regional cooperation by promoting a free flow of economic factors, highly efficient allocation of resources and deep integration of markets, jointly creating open, inclusive and balanced regional economic cooperation networks, and seeking new models of international cooperation and global economic governance.¹⁹⁷

¹⁹⁵ *Navigating the Belt and Road Financial Sector Paves the Way for Infrastructure*, 2015, p. 11.

¹⁹⁶ Michael D. Swaine, ‘Chinese Views and Commentary on the “One Belt, One Road” Initiative’, *China Leadership Monitor*, 47 (2015), p. 6.

¹⁹⁷ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’.

Various international organizations and multilateral banks participate in financing the Belt and Road Initiative. By 2016, the total investment major multilateral banks, policy banks, commercial banks reached of \$186 billion.¹⁹⁸ Although policy banks' weight surpasses other financial institutions in financing Belt and Road related projects, commercial banks and multilateral funds' participation have started. Figure 9 lists distribution of major sources which participated in the initiative:

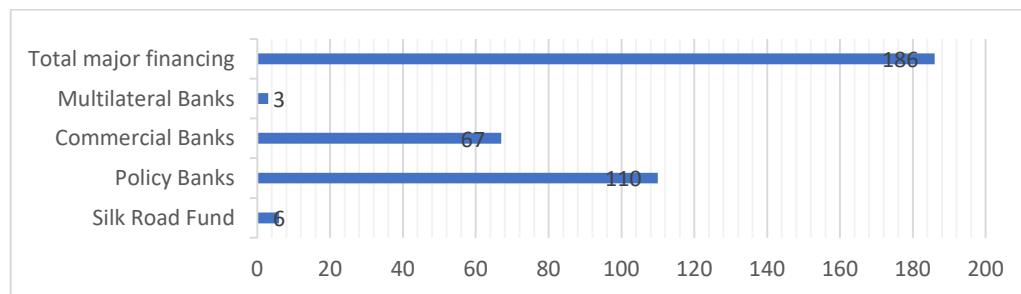


Figure 9. Major sources of financing of the Belt and Road Initiative¹⁹⁹

The reports proliferated the examples of the examples of cooperation. In May 2017, the Silk Road Fund and Interbank Consortium of the Shanghai Cooperation Organization (SCO) signed a Memorandum of Understanding on the Basis of Partnership on the Belt and Road Forum for International Cooperation. In May 2016, the China-Arab States Cooperation Forum enacted *the Doha Declaration*, backing the Belt and Road Initiative. In 2016, China and Africa entered into 61 agreements following the Forum on China–Africa Cooperation, with Chinese enterprises contracted direct investment in Africa amounting to \$14.8 billion. In

¹⁹⁸ *Repaving the Ancient Silk Routes*, 2017, p. 40.

¹⁹⁹ Ministry of Commerce, People's Republic of China, Official Belt and Road Portal under the Leading Group on the Construction of the Belt and Road Hosted by the State Information Center as cited *Repaving the Ancient Silk Routes*, p. 15.

September 2016, the leaders of China and ASEAN countries issued the *China-ASEAN Joint Declaration on Capacity Cooperation*.²⁰⁰

For European leg of the project, the economic gains of Central and Eastern Europe have been highlighted. According to research conducted by multinational bank ING, Central Asian and Eastern European countries have received largest trade increase.²⁰¹ The institutional framework of this cooperation is also investigated. China has used the CEE (Central and Eastern Europe) 16+1 mechanism to boost the Belt and Road projects.²⁰² China-CEE+16 Fund incorporated in Luxembourg in the form of limited partnership with a total commitment of \$435 million, is sponsored by The Export-Import Bank of China and Hungarian Export-Import Bank along with an investment advisor team appointed by the Fund. The Fund has evolved into a substantial fund to contribute to development in this region.²⁰³ Furthermore, in December 2017, China and the United Kingdom set up \$1 billion investment fund, which was managed by the former Prime Minister David Cameron. Besides this fund, UK Export Finance, the export credit agency, will support up to \$25 billion in the Belt and Road project in Asia.²⁰⁴

Belt and Road's openness and inclusiveness are emphasized by broadening the initiative's scope. Although over 60 countries officially participated in the Belt and Road Initiative, number of countries increased through bilateral agreements and cooperation among multilateral organizations. Several countries expressed their interest in joining the Belt and Road Initiative. Especially financial contact with multilateral financial institutions encourages countries to join fully into the Belt and Road Initiative. As the number of countries increased, the scope of the Belt and

²⁰⁰ *Strategic Collaboration — How Inclusive Management Helps Chinese Enterprises Win Overseas*, p. 12.

²⁰¹ Joanna Konings, *Trade Impacts of the Belt and Road Initiative* (ING, Amsterdam, 2018), p. 5.

²⁰² Frans-Paul van der Putten and others, 'Relations, The Role of OBOR in Europe–China', in *Europe and China's New Silk Roads* (The European Think-tank Network on China, 2016), pp. 3–12 (p. 8).

²⁰³ 'China-Central Asia and Eastern Europe Investment Cooperation Fund', *China-CEE Fund* <http://china-ceefund.com/Template/background_9.html> [accessed 12 November 2017].

²⁰⁴ Emily Feng, 'David Cameron Takes Senior Role in China Infrastructure Fund', *Financial Times* (London, 2017) <<https://www.ft.com/content/07a05ac2-e238-11e7-97e2-916d4fbac0da>>.

Road is expanded. This inclusiveness makes territorial boundaries of the initiative open-ended. Thus, the initiative lacks clear boundaries. Still, besides other countries, the initiative has implications for China's regions. But, firstly, the effect of the Belt and Road Initiative over renminbi will be presented.

4. 5. Internationalization of Renminbi

The internationalization of renminbi is evaluated as one of the components of economic effects of the Belt and Road Initiative. Chinese authors see internalization of renminbi is closely linked with the Belt and Road Initiative. The Belt and Road Initiative which covers about 4.5 billion population and over 65 countries help renminbi circulate if the majority of the deals along the route are concluded by renminbi.²⁰⁵ The authors apply to the officials' remarks about the internationalization of renminbi in their reports or studies. Barry Lau, one of the founders of Adamas Asset Management Hong Kong, claims that Belt and Road helps renminbi to be circulated in Belt and Road countries.²⁰⁶ These optimistic statements reflect forecasts or wishes instead of detailed analysis. More detailed studies reflect many factors other than single project affect the status of a currency.

Most of studies indicate that the effect of Belt and Road Initiative over the internationalization of renminbi. A report prepared for the Chatham House argues that Belt and Road's ambitious and general goals require various financial sources. Issuing renminbi bonds is just one of these financial components. Moreover, other factors such as capital outflows, interest rates also affect the value of renminbi so the Belt and Road alone cannot be the sole factor in appreciation of renminbi.²⁰⁷ Without

²⁰⁵ Xuejun Lin and others, 'A Research on the Belt and Road Initiatives and Strategies of RMB Internationalization', *Business and Management Research*, 6.1 (2017), p. 13.

²⁰⁶ Komfie Manalo, ““One Belt, One Road” Initiative, RMB Internationalization, Made in China 2025; Three Policies to Push China Growth’, *Opalesque*, 2016 <http://www.adamasam.com/assets/media-coverage/2016/20161228_opalesque_one_belt_one_road.pdf> [accessed 19 February 2019].

²⁰⁷ Paola Subacchi and Matthew Oxenford, *The ‘Belt and Road’ Initiative and the London Market – the Next Steps in Renminbi Internationalization* (Chatham House, London, 2017), p. 3.

considering other elements renminbi's status as a currency will not enhance or reach to status of international money of exchange. In fact, another report published by the SWIFT RMB tracker contends that although the Belt and Road Initiative broadened the exchange of renminbi, capital outflows blocked renminbi's internationalization. In 2015 and 2016, the status of renminbi as a global currency has lost its momentum.²⁰⁸ Other currencies perform strongly in response to renminbi's attack. A more detailed study provides the table, which indicates the change in the use of renminbi in the comparison with other currencies:

Table 2. Renminbi Internationalization Index²⁰⁹

Currency	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USD	53.58	53.47	54.78	54.17	55.66	55.91	54.56	54.97
EUR	26.57	25	24.3	24.69	24.09	22.39	24.68	23.71
JPY	4.44	4.4	4.11	4.33	4.12	4.08	4.1	4.29
GBP	5.58	4.56	4.54	4.25	4.79	4.74	4.83	4.53
RMB	2.3	2.36	2.1	2.52	2.48	2.76	3.87	3.6
Total	92.47	89.79	89.83	89.96	91.14	89.88	92.04	91.1

The table shows that since 2013 when the Belt and Road Initiative has officially started, there have been improvements in the status of renminbi. But it in declining process since 2015 3rd quarter. It is far from replacing US dollar as international currency. The analyzes on the relationship between the internationalization of renminbi and the Belt and Road Initiative are valuable in that they show effect on the internationalization of renminbi is only limited and narrow.

²⁰⁸ *Will the Belt and Road Revitalise RMB Internationalisation?, RMB Tracker* (SWIFT, 2017), p. 3.

²⁰⁹ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 17.

Still, the effect of the Belt and Road Initiative is not limited to its currency. China's regions, especially located in the western regions started to attract foreign investment thanks to the Belt and Road Initiative.

4. 6. Implications for China's Regions

It is important to highlight China's provinces' role in the Belt and Road Initiative since China's provinces also participate in Eurasia's spatial configuration through participation as nodes in networks across Eurasia. In this section, the literature concerning Belt and Road's economic benefits to China's regions will be presented.

The main documents of the Belt and Road Initiative and the statements of state officials refer the economic development of China's regions. In March 2015, at National People's Congress Premier Li Keqiang said that the government would "integrate the development of the Silk Road Economic Belt and the twenty-first Century Maritime Silk Road with the development and opening up of related regions."²¹⁰ Vision and Actions Paper states that in advancing the Belt and Road Initiative, China will adopt a proactive strategy of opening up its eastern, western, and central regions to the world and establishing connectivity among them.²¹¹

The main problem is identified as the inequality among China's regions. Inequality between inland western provinces and coastal provinces has been China's chronic problem. For example, the coastal mega-metropolis of Shanghai is five times wealthier than the inland province of Gansu.²¹² Eroding this inequality has been a Chinese objective since 1990s. This policy has had regional extensions. The Great Western Development campaign, launched in 1999, involved projects such as Xinjiang-Shanghai gas pipeline, the Qinghai-Tibet railway, and the construction of

²¹⁰ Summers, p. 1631.

²¹¹ 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road'.

²¹² Cai, p. 6.

Alashankou and Khorgos ports.²¹³ Yet, the western provinces' share of China's total GDP increased only marginally from 17.1 percent in 2000 to 18.7 percent in 2010. One acute side effect of heavy state subsidies in these western provinces has been received by state-owned enterprises instead of private firms. The markets in the western region, therefore, have not developed.²¹⁴

To improve less developed economies of Western regions the Belt and Road Initiative aims to link western provinces to global markets through a network of railroads and roads. Through connecting to western provinces and global markets, China want to integrate these underperforming regions into the economies of regional countries instead of pouring central government money.²¹⁵ It aims to connect Xinjiang with Central Asia and South Asia through China-Central Asia-West Asia and China-Pakistan economic corridors. Heilongjiang and Inner Mongolia participate in China-Russia-Mongolia Economic Corridor.²¹⁶

In addition to economic concerns, security concerns are also taken into account in the development of the Belt and Road Initiative especially in Xinjiang where riots and protests frequently occur. Besides hard security measures, the effects of economic development in reducing discontent in Xinjiang are discussed by the scholars. Beijing believes poverty and underdevelopment is the underlying reason of militancy in the province. Integrating Xinjiang with neighboring regions would eliminate the root cause for restlessness in the area. A former Chinese ambassador to Islamabad, Lu Shuling argued that: "The best medicine to address the terrorism problem is through tackling the incubator of terrorism, namely poverty. The head of the Chinese Central Bank in Xinjiang has made a similar argument stating that will bring both "economic and national security dividends."²¹⁷ The investment

²¹³ Michael Clarke, 'The Belt and Road Initiative: China's New Grand Strategy?', *Asia Policy*, 79.24 (2017), 71–79 (p. 73).

²¹⁴ Cai, p. 6.

²¹⁵ Cai, p. 6.

²¹⁶ Clarke, p. 74.

²¹⁷ Cai, p. 7.

opportunities, which Xinjiang might offer is highlighted along with the development of economy in the province. While scholars from China are optimistic Western scholar express caution. In an event report published by European Institute for Asian studies Dimulati Aomier from Xinjiang Normal University claims that the Belt and Road Initiative is an important stage for Xinjiang to develop economically and reduce religious extremism. Dr. Duncan Freeman from College of Europe the dire economic situation in Xinjiang is just one component of complex set of problems so Belt and Road's expected results for Xinjiang should not be exaggerated.²¹⁸

These statements and concerns also bring discussions over geopolitical dimension of the Belt and Road Initiative. Realist perspective focuses on this dimension, articulating the question about China's diplomatic and political gains arising from economic projects within the Belt and Road Initiative. These scholars underline geostrategic, security, and military considerations. The next chapter presents these views.

4. 7. Geostrategic Dimension of the Belt and Road Initiative

While China emphasizes openness and connectivity, realist literature considers the Belt and Road Initiative as a tool of geopolitics. The words of strategist Edward Luttwak “the logic of war in the grammar of commerce” view the Belt and Road Initiative as a geopolitical ploy aimed to facilitate China’s rise at the expense of US decline.²¹⁹ Dr. Wang Yiwei, a professor at Renmin University, argued that China’s revival of old Silk Road will sideline the United States, mobilizing Mackinder’s world island.²²⁰

²¹⁸ *Xinjiang’s Socio-Economic Development: The Role of OBOR* (European Institute for Asian Studies, Brussels, 2017), pp. 5–7.

²¹⁹ Gal Luft, *It Takes a Road China’s Belt and Road Initiative: An American Response to the New Silk Road* (Washington D.C., 2016), p. 8.

²²⁰ Fallon, p. 142.

Due to increasing investment in several sectors in the countries along the Belt and Road Initiative and development of economic relations created suspicions concerning China's motives. This suspicion is widespread among US scholars and policy makers. The United States of America as the leading country of today's economic order expresses concerns over the Belt and Road Initiative. The famous 'Thucydides Trap' has been popularized to describe this rivalry. The growth of Chinese power installs fear of conflict with the USA considering a research conducted by Harvard Belfer Center for Science and International Affairs which conclude that in 12 out of 16 cases over past 500 years, when a rising power confronted a ruling power, the result was war.²²¹ Wendell Minnick also thinks that although the Belt and Road Initiative has no direct military implications "it could help China ease America out of Asia over the long haul while wearing our allies away from us."²²² William A. Callahan argues that many Chinese scholars articulate that the Belt and Road Initiative envisage an alternative to a US dominated international order:

According to such commentators, BRI will help to spread around the world the benefits of traditional Chinese civilization and the China model of development, which will 'create new standards of globalization'. China's 'superior' culture, therefore, is seen as a resource that will reshape the rules and norms of international institutions.²²³

Chinese officials adopted more moderate approach concerning China's rise due to the Belt and Road Initiative. At the Silk Road Forum in May, the President Xi states that the Belt and Road Initiative "benefit people across the world", spreading ancient Silk Road spirit of "peace and cooperation, openness and inclusiveness,

²²¹ Graham Allison, 'The Thucydides Trap: Are the U.S. and China Headed for War?', *The Atlantic*, 2015<<https://www.theatlantic.com/international/archive/2015/09/united-states-china-war-thucydides-trap/406756/>> [accessed 12 December 2017].

²²² Hong, p. 23.

²²³ Mayer, 'China's Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences', p. 25.

mutual learning and mutual benefit.”²²⁴ Despite China’s emphasis on inclusion one analyst comments that the Belt and Road Initiative tacitly excludes the USA, even though the USA is also a part of China’s Pacific neighborhood.²²⁵ Mayer also comments that various maps of the Belt and Road Initiative exclude the US, replacing transatlantic and transpacific focus with Eurasian one.²²⁶

One concern frequently express is through the Belt and Road Initiative China challenges current international economic system created after the Second World War and replace it with Sion-Centric order. The creation of the AIIB, which would rival the World Bank and IMF, is considered as a demonstration of this ambition. The USA raised concerns about governance arrangements of the AIIB, emphasizing consistency with other multilateral development banks.²²⁷ Rex Tillerson, US Secretary of State, states that Chinese investments along the Belt and Road route are features of predatory economics.²²⁸ US views consider Belt and Road as a challenge to economic order led by the USA.

One of the main themes is the comparison between the Belt and Road Initiative and Marshall Plan, initiated by the USA after the Second World War. The similarities and differences are articulated. In both situations, a rising global power transforms economic power to reach foreign policy goals.²²⁹ The size of the Belt and Road Initiative and Marshall Plan, however, differs. The Belt and Road Initiative’s

²²⁴ ‘Full Text: Xi Jinping’s Keynote Speech at the World Economic Forum’, *The State Council Information Office The People’s Republic of China*, 2017 <http://www.china.org.cn/node_7247529/content_40569136.htm> [accessed 15 May 2017].

²²⁵ Fallon, p. 146.

²²⁶ Mayer, ‘China’s Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences’, p. 23.

²²⁷ Callaghan and Hubbard, p. 124.

²²⁸ Emily Tamkin and Robbie Gramer, ‘Tillerson Knocks China, Courts India Ahead of South Asia Trip’, *Foreign Policy*, 2017 <<http://foreignpolicy.com/2017/10/18/tillerson-knocks-china-courts-india-ahead-of-south-asia-trip/>> [Date accessed 15 October 2017].

²²⁹ Shannon Tiezzi, ‘The New Silk Road: China’s Marshall Plan?’, *The Diplomat*, 2014 <<https://thediplomat.com/2014/11/the-new-silk-road-chinas-marshall-plan/>> [Date accessed 26 November 2017].

economic size is 12 times larger Marshall Plan.²³⁰ Moreover, unlike the Marshall Plan China is pursuing no-strings attach policy by not advocating the expansion of liberal democracy and free market economic reforms.²³¹ The USA extended vast amounts of aid to secure alliances in Europe. China's investments are aiming to gain new friends in the world without military obligations.²³² Mark Tinker, head of Framlington Equities Asia, AXA Investment Managers Asia comments that "China has an interest in its neighbours getting richer and importing more stuff from China; this is a Marshall Plan without a war."²³³ However, Chinese officials deny that the Belt and Road Initiative is a different version of Marshall Plan. Foreign Minister Wang Yi said that the Belt and Road Initiative is "a product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with the outdated Cold War mentality."²³⁴ Still, China's increasing economic presence leads to questions regarding Chinese goals.

The economic background of the Belt and Road Initiative also causes concerns for European countries. Especially for European countries main concern is the issue of China's excess industrial capacity. Since the project's main objective is to develop China's industries and exports, China's excess capacity in traditional

²³⁰ Fabrizio Tufarelli, 'The OBOR Initiative – China's Marshall Plan for Eurasia', *BSCM* <<http://www.bscapitalmarkets.com/the-obor-initiative-ndash-chinarsquos-marshall-plan-for-eurasia.html>> [accessed 2 December 2017].

²³¹ Ian Bremmer, 'China's Marshall Plan', *AsiaNikkei*, May 2015 <<https://asia.nikkei.com/Viewpoints-archive/Perspectives/Chinas-Marshall-Plan>> [Date accessed 7 December 2017].

²³² Jane Perlez and Yufan Huang, 'Behind China's \$1 Trillion Plan to Shake Up the Economic Order', *The New York Times*, May 2017 <<https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html?auth=login-email>> [Date accessed 7 December 2017].

²³³ Peter Sabine, 'Belt and Road Is "Marshall Plan without a War", Analysts Say, as Beijing and Banks Woo Private-Sector Investors', *South China Morning Post*, 2017 <<http://www.scmp.com/special-reports/business/topics/one-belt-one-road/article/2082733/belt-and-road-marshall-plan>> [Date accessed 7 December 2017].

²³⁴ Mayer, 'China's Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences', p. 7.

industries would cause dumping on countries along the route.²³⁵ The statistics, which show that Europe is losing ground in terms of trade with China are presented. China's increasing economic competitiveness narrows European trade share with the countries along Belt and Road route. Between 2008 and 2014, The European Union states' exports to the Belt and Road countries fell to \$25 billion, whereas China's exports grew by \$250 billion. The EU states' market share decreased from 38 to 30 percent; while China's market share increased from 9 to 16 percent Even in high-tech sector goods, the EU states' market share dropped from 62 to 30 percent, whereas China's market share increased from 15 to 26 percent.²³⁶ It is feared that loss of economic influence would evolve into loss of political influence. The damage to the cohesion of the EU is one of the top concerns, shared by the scholars.

Central and Eastern European countries comprise economically weak part of the European Union and need investments to their countries. This poses threat to the unity of the EU. The establishment of Sixteen Central and Eastern European Countries plus China CEE 16+1 reflects this threat to the European Union. The internal cohesion of the EU due to the Belt and Road Initiative is shaken in three ways: First, China appeases member states' leaders by buying government bonds so that these countries' economic difficulties is relieved. Second, China exports cheap goods and services to these countries to increase its population's purchasing power. Third, China uses the Belt and Road Initiative to tempt domestic interest groups that exist in these countries such as port companies, retailers, financial institutions, and transportation firms, building a support base. In return, these groups lobby their governments for favorable trade conditions for China. All these remedies, however, are effective in short-term, not helping to cope with account deficit.²³⁷ There is a concern that Europe becomes a mere extension of economically developed Asian

²³⁵ Michal Makocki, 'The EU Level: "Belt and Road" Initiative Slowly Coming to Terms with the EU Rules-Based Approach', in *Europe and China's New Silk Roads*, ed. by Frans-Paul van der Putten and others (The European Think-tank Network on China, 2016), p. 69.

²³⁶ Hol slag, p. 57.

²³⁷ Hol slag, p. 58.

part, economically integrated with and dependent on the China.²³⁸ This statement contends that Europe is losing importance as a region in Eurasia.

These concerns are mainly expressed in Germany, which is eager for a united European Union. Officials, however, made supporting remarks for the initiative. Michael Clauss, the German ambassador to China, stated that: “setting up parallel networks...is somewhat inconsistent with a commitment a coherent and strong EU.”²³⁹ Although Angela Merkel praised the initiative, stating that “The European Union also wants to be part of this endeavor”, she also called for a united approach among EU countries regarding the Belt and Road Initiative. Germany’s several administrative bodies also monitor the Belt and Road activities. The German Foreign Office and other government agencies have increasingly devoted resources to inquire true purposes of the initiative. The German Federal Ministry of Economic Cooperation and Development instigated its own investigations about the possible effects of the Belt and Road Initiative. German press coverage of the initiative is also predominantly negative. It is depicted either geopolitical threat or an over-ambitious endeavor, which is likely to fail. The press coverage also referred China’s military expansion and the status of Uyghurs in Xinjiang.²⁴⁰ Protectionist policies were proposed regarding Chinese economic expansion in Europe. German Economy Minister Sigmar Gabriel stressed that Europe’s high-tech industry should not be sold off. According to this concern, Germany rejected the sale of semiconductor firm Aixtron to a Chinese offer.²⁴¹

The EU’s response to the Belt and Road Initiative is to highlight the role of multilateral institutions. Especially, Germany, as one of the leading members,

²³⁸ Nadège Rolland, ‘China’s New Silk Road’, *The National Bureau of Asian Research*, 2015 <<http://www.nbr.org/research/activity.aspx?id=531>> [accessed 7 December 2017].

²³⁹ Mayer, ‘China’s Rise as Eurasian Power: The Revival of the Silk Road and Its Consequences’, p. 16.

²⁴⁰ Jan Gaspers, ‘Germany and the “Belt and Road” Initiative: Tackling Geopolitical Implications through Multilateral Frameworks’, in *Europe and China’s New Silk Roads*, ed. by Frans-Paul van der Putten and others (The European Think-tank Network on China, 2016), pp. 24–29 (pp. 26–28).

²⁴¹ Emily Tamkin, ‘Germany Inc. Is Not for Sale to China, Berlin Says’, *Foreign Policy*, 2016 <<http://foreignpolicy.com/2016/10/31/germany-inc-is-not-for-sale-to-china-berlin-says/>> [Date accessed 12 May 2017].

advocates using the EU–China Connectivity Platform to ensure the conformity of Belt and Road related investments in Europe with EU rules and standards. In addition, the Connectivity Platform aligns Chinese infrastructure plans with EU economic interests.²⁴² The Platform group became center of coordination of EU and Belt and Road infrastructure projects.²⁴³ Some of the key conclusions of EU-China Connectivity Platform are:

- The two sides highlighted the role of transparency, openness and inclusiveness as common principles to ensure mutual benefits EU-China in connectivity operation.
- The two sides confirmed that the Connectivity Platform will continue to focus on two strands: i) policy exchange and alignment on the principles and priorities in fostering connectivity between EU and China, with appropriate involvement of all relevant stakeholders; ii) projects cooperation and investment, both at the level of strategic planning of priority corridors involving relevant countries along these corridors- where EU Member States, China and possibly other parties can cooperate.
- The two sides confirmed that the Expert Group will continue to work to identify concrete projects on the basis of the key principles: i) promote economic- social and environmentally sustainable project; ii) geographic balance between regions; iii) projects should be on EU's TEN-T corridors and their extensions to the third countries, the key passageways of the Belt and Road Initiative, or contribute to the objectives in the MoU establishing the EU-China Connectivity Platform. iv) projects are proposed by the countries concerned on voluntary basis; v) level-playing-field among investors and project promoters as well as transparency in the project lists.²⁴⁴

The report prepared by the European Commission, the European Parliament, and the European Council also emphasized openness, transparency, and adherence to EU rules:

China will need to fulfil its declared aim of making its "One Belt, One Road" initiative an open platform which adheres to market rules and international norms in order to deliver benefits for all and to encourage responsible economic behaviour in third countries. Cooperation in this field should be based on full

²⁴² Gaspers, p. 28.

²⁴³ Wolfgang Röhr, 'Berlin Looking Eastward: German Views of and Expectations from the New Silk Road', in *Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations*, ed. by Maximilian Mayer (Singapore: Palgrave Macmillan, 2018), pp. 227–47 (p. 232).

²⁴⁴ 'Joint Agreed Minutes of the Second Chairs' Meeting of EU-China Connectivity Platform', *European Commission*, 2017 <<https://ec.europa.eu/transport/sites/transport/files/2017-06-01-joint-agreed-minutes-second-chairs-meeting-eu-china-connectivity-platform.pdf>> [accessed 8 January 2018].

respect for relevant policies, and applicable regulations and standards, including with regard to public procurement, and guarantee a level playing field for economic operators from both sides. This should also apply to those countries outside the EU which have pledged to apply EU standards. The aim should be to help build sustainable and inter-operable cross-border infrastructure networks in countries and regions between the EU and China. Joint work on a pipeline of priority investment projects should involve close co-ordination with the countries concerned, not least to ensure compatibility with their fiscal constraints. EU-China co-operation on connectivity should fully benefit Asian partners, including Afghanistan, Pakistan and countries in Central Asia, by contributing to their integration in international trade flows.²⁴⁵

Although Europe constitutes the final leg of the Silk Road Economic Belt, the initiative does not bode well for the EU. Especially, Germany closely monitors the initiative's harmful prospects for EU's unity. To counter these negative aspects, EU's administrative bodies try to align Belt and Road interests with EU interests. In addition to the EU, China's immediate neighborhood also follows the initiative closely fearing China's increasing economic presence.

Besides economic weight, China's military expansion is addressed as one of the concerns related with the Belt and Road Initiative. The fragile security environment prompts China to extend its security forces into its neighborhood. Wang Weixing from China's National Defense University evaluates the Belt and Road Initiative not only as an economic project but also as a national security strategy as China is required to project force to develop it.²⁴⁶ This aspect is evaluated as China's military expansion along the route. Christina Lin claims that roads and rail road developments reflect China's militarist and expansionist aims by making army mobilization quick through infrastructure developments.²⁴⁷

These developments are particularly irksome for China's immediate neighbors. In India the Belt and Road Initiative has been met with suspicion and fear. The

²⁴⁵ JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Elements for a New EU Strategy on China (Brussels, 2016), p.10.

²⁴⁶ Sabine Mokry, 'Is the Belt and Road Initiative Globalizing China's National Security Policy?', *The Diplomat*, 2016 <<https://thediplomat.com/2016/10/is-the-belt-and-road-initiative-globalizing-chinas-national-security-policy/>> [accessed 9 December 2017].

²⁴⁷ Christina Lin, 'The PLA's "Orient Express": Militarization of the Iron Silk Road', *The Jamestown Foundation*, 2011 <<https://jamestown.org/program/the-plas-orient-express-militarization-of-the-iron-silk-road/>> [accessed 18 February 2017].

scholars and leaders in South Asia fear China's economic presence will bring political dominance. Even Russian scholars worry that the Belt and Road Initiative will sideline Russia. These concerns and views are also included in the realist literature concerning the Belt and Road Initiative.

India's strategic assessment of the Belt and Road Initiative is also negative. India views Belt and Road Initiative as an encirclement strategy and race of hegemony in South Asia. The concerns raised in India should be addressed because Chinese administration states connectivity and good relations with its neighborhood as priorities of the initiative. India as the biggest immediate neighbor might preclude connectivity in China's neighborhood. In March 2016, at the inaugural Raisina Dialogue in New Delhi Indian Foreign Secretary S. Jaishankar has warned that 'The interactive dynamic between strategic interests and connectivity initiatives — a universal proposition— is on particular display in our continent. The key issue is whether we will build our connectivity through consultative processes or more unilateral decisions.'²⁴⁸ India marked its cold stance toward to the Belt and Road Initiative by not participating Belt and Road Forum held in Beijing in May 2017. Among Indian officials there is strong perception that the Belt and Road Initiative will have detrimental effect on sovereignty of the countries. In 2017, Prime Minister Narendra Modi stated: "Connectivity in itself cannot override or undermine the sovereignty of other nations."²⁴⁹ Indian foreign ministry spokesman Gopal Baglay said that: "No country can accept a project that ignores its core concerns on sovereignty and territorial integrity."²⁵⁰ These statements reflect Indian disapproval of the initiative.

China's close collaboration with Pakistan further estranges India. China's \$46 billion investment to Pakistan deepened India's suspicions about threat to its

²⁴⁸ Vassilis Ntousas, *BACK TO THE FUTURE: China's 'One Belt, One Road' Initiative* (Brussels, 2016), p. 8.

²⁴⁹ Harsh V Pant and Ritika Passi, 'India's Response to China's Belt and Road Initiative: A Policy in Motion', *Asia Policy*, 2017, 88–96 (p. 89).

²⁵⁰ 'India Boycotts China's Belt and Road Forum', *The News*, 14 May 2017 <<https://www.thenews.com.pk/latest/204402-India-boycotts-Chinas-Belt-and-Road-Forum>> [accessed 5 January 2018].

territorial sovereignty. At the UN General Assembly, an Indian representative declared that: “India’s reservations about the proposed China-Pakistan Economic Corridor stem from the fact that it passes through Indian territory illegally occupied by Pakistan for many years.”²⁵¹ Another concern is due to Maritime Silk Road. This project includes ports of Hambantota and Colombo in Sri Lanka and Chittagong Bangladesh, which would increase Chinese presence in Indian Ocean. In his speech, Subrahmanyam Jaishankar, who is India’s Foreign Secretary, says: “Connectivity itself has emerged as a theatre of present day geopolitics.”²⁵²

This concern turned into reality in August 2017 in Doklam Plateau located in Bhutan. Road construction backed by Chinese military forces led to confrontation with Indian armed forces. Although the crisis deescalated, Chinese road construction activity has been renewed in October.²⁵³ China was viewed as an aggressor on the Doklam conflict. The reason of this aggressiveness was considered as a response to India’s refusal to participate in the Belt and Road Initiative.²⁵⁴ This crisis has been interpreted as a consequence of China’s ambitious infrastructure plans within the Belt and Road Initiative. Rana claims this planned construction has no economic rationale but to block India’s access.²⁵⁵

India’s plans to provide alternative connections to the Belt and Road Initiative has been mentioned. Prime Minister Narendra Modi and his predecessor, Manmohan

²⁵¹ Darshana M. Baruah and C. Raja Mohan, ‘Connectivity and Regional Integration: Prospects for Sino-Indian Cooperation’, in *Rethinking the Silk Road China’s Belt and Road Initiative and Emerging Eurasian Relations*, Mayer, Max (Singapore: Palgrave Macmillan, 2018), pp. 85–99 (p. 88).

²⁵² ‘Speech by Foreign Secretary at Raisina Dialogue in New Delhi’, *Ministry of External Affairs Government of India*, 2016 <http://mea.gov.in/Speeches-Statements.htm?dtl/26433/Speech_by_Foreign_Secretary_at_Raisina_Dialogue_in_New_Delhi_March_2_2015> [accessed 7 January 2018].

²⁵³ Vishnu Som, ‘With 500 Soldiers On Guard, China Expands Road In Doklam’, *NDTV*, 2017 <<https://www.ndtv.com/india-news/just-10-km-from-last-doklam-stand-off-china-works-on-a-road-again-1759103>> [accessed 7 January 2018].

²⁵⁴ A.K Bardalai, ‘Doklam and the Indo-China Boundary’, *Journal of Defence Studies*, 12.1 (2018), 5–18 (p. 9).

²⁵⁵ Kishan S Rana, *China’s Belt and Road Initiative (BRI): Impact on India & Its China Diplomacy* (Institute of Chinese Studies, New Delhi, 2017), p. 22.

Singh supervised projects aimed at providing India's connectivity with Southeast Asia, Indian Ocean and adjoining regions to counter the Belt and Road Initiative. India has been strengthening its security ties with Indian Ocean neighbors, expanding engagement with the United States, Japan, and other Western Powers in Indian Ocean region. Moreover, the Modi government has engaged in developing the Chabahar port in Iran, which would compete with Gwadar port.²⁵⁶

China's other neighbor which will be affected by the Belt and Road Initiative is Russia. Russia's stance towards the Belt and Road Initiative is somewhat ambivalent. Although the official China Central Television (CCTV) network reported that at the meeting between Presidents Xi and Putin in Sochi at the opening of Winter Olympic Games Putin pledged to support to the Belt and Road Initiative, the concerns about the initiative have been expressed in Russia.²⁵⁷ Russian senior official's reaction to the initiative illustrates this concern: "We understand this Chinese initiative as just another attempt to steal Central Asia from us."²⁵⁸ On the other hand, Chinese scholars try to appease Russian fears. Zhao Huasheng notes that: "China has no intention of trying to impede Russia in Central Asia. It does not oppose Russia's integration project, the Eurasian Union. Indeed, it seeks to collaborate with it."²⁵⁹ China's superior economic capabilities comparing Russia is the source of the major concerns. It is feared China's massive economic projects would eventually diminish Russia's influence in Central Asia, which Russia considers its Near Abroad.

The most important concern is that the Belt and Road Initiative is a competitor of the Eurasian Economic Union. Putin suggested the establishment of an Eurasian Union as a powerful supranational union, intending to make it as one of the poles in

²⁵⁶ Baruah and Mohan, p. 92.

²⁵⁷ Fallon, p. 145.

²⁵⁸ Alexander Gabuev, 'Crouching Bear, Hidden Dragon: "One Belt One Road" and Chinese-Russian Jostling for Power in Central Asia', *The Journal of Contemporary China Studies*, 5.2 (2016), p. 65

²⁵⁹ Enrico Fels, 'The Geopolitical Significance of Sino-Russian Cooperation in Central Asia for the Belt and Road Initiative', in *Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations*, ed. by Maximilian Mayer (Singapore: Palgrave Macmillan, 2018), pp. 247–69 (p. 258).

the global arena and offering the role of an effective economic and political link between Europe and the dynamic Asia-Pacific region.²⁶⁰ It aims at establishing single market by providing free movement of goods, capital, services, and labor, modelled by the President Putin, solidifying Russian influence over Central Asia. Thus, Russia would become a dominant power in a multipolar world that it advocates to create. However, China's rising economic presence in Central Asian countries, its investments in infrastructure, and its increasing energy deals with EUU countries jeopardizes Russia's dominant position. Some scholars claim that the Belt and Road Initiative aims to obstruct Russia's aim of Eurasian integration.²⁶¹ Although Putin claimed that at the Belt and Road Forum for International Cooperation on 14 May 2017, these two projects are complementary, researchers point out that these projects target same countries for political and economic influence. Vladimir Portyakov, deputy director of the Institute of Far Eastern Studies at the Russian Academy of Sciences states that "The most unpleasant issue for us is that China is becoming a serious centre for integrational processes in Eurasia, which it never was in the past. Instead of linking up the Eurasian Economic Union and the Belt and Road, we may end up with the EEU being subordinated to this Chinese scheme."²⁶² International academics are also suspicious that these projects are complementary. The Belt and Road Initiative is considered as a competitor for Russia in providing infrastructure

²⁶⁰ Vladimir Putin, 'Россия И Европа: От Осмысления Уроков Кризиса – К Новой Повестке Партнерства', *Inosmi*, 2010 <<http://inosmi.ru/europe/20101125/164480740.html>> [accessed 8 January 2018].

²⁶¹ N. V Alferova and T. V. Kotelnikova, 'Проект «ЭкономическийпоясШелковогоПути» какфакторполитическоговлиянияКНРвЦентрально-Азиатскомрегионе', *РоссияиКитай: Проблемыстратегическо*, 2014, pp. 9–10.

²⁶² Kathrin Hille and Charles Clover, 'Putin-Xi Embrace Masks Misgivings on Belt and Road Project', *Financial Times*, May 2017 <<https://www.ft.com/content/d9122d30-386d-11e7-821a-6027b8a20f23>> [accessed 12 January 2018].

development for Central Asian countries.²⁶³ Another concern is that cheap Chinese goods gradually replace Russian goods in Central Asia.²⁶⁴

The second concern is the Silk Road Economic Belt would reduce the importance of Trans-Siberian railway by creating many alternative routes in linking Asia to Europe. For example, the China-Central Asia-West Asia corridor completely bypasses Russia while traversing to Europe. Russia's role as a transit country would diminish due to several corridors within the initiative, which establish several connection lines. In this respect, the Trans-Siberian cannot compete with the new routes promulgated within the Silk Road Economic Belt.²⁶⁵ Although Russia is part of the 'Northern Route', which would go from Xinjiang to Europe through Kazakhstan and Russia the distance travelled by cargo on Russia territory would be much less than compared to the Trans-Siberian route: This decreases Russian budget's and the Russian Railway's income.²⁶⁶

Furthermore, it is argued that the realization of the Belt and Road Initiative would inflict strategic defeat for Russia in Central Asia. This infringement is visible especially in the field of energy as China penetrates in the region.²⁶⁷ While introducing its operation, the AIIB states that it "offers sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply

²⁶³ Hans-Joachim Spanger, 'Russia's Turn Eastward, China's Turn Westward: Cooperation and Conflict on the New Silk Road', *Russia in Global Affairs*, 2016 <http://eng.globalaffairs.ru/valday/Russias-Turn-Eastward-Chinas-Turn-Westward-Cooperation-and-Conflict-on-the-New-Silk-Road-18209#_ftn38> [accessed 22 May 2017].

²⁶⁴ Arina Eduardovna Mordvinova, 'Экономическая Стратегия Китая В Центральной Азии: Задачи, Инструменты, Результаты', *Российский Институт Страгетических Исследований*, 2016 <<https://riss.ru/analytics/28788/>> [accessed 12 January 2018].

²⁶⁵ Sergey Karaganov and Igor Makarov, 'Стратегия XXI: Поворот На Восток', *Vedomosti*, 2014 <<https://www.vedomosti.ru/newspaper/articles/2014/01/28/povorot-na-vostok#cut>> [accessed 14 January 2018].

²⁶⁶ Gabuev, p. 66.

²⁶⁷ Stephen Blank, 'China's Silk Roads and Their Challenges', *The CACI Analyst*, 2015 <<https://www.cacianalyst.org/publications/analytical-articles/item/13119-chinas-silk-roads-and-their-challenges.html>> [accessed 26 May 2017].

and sanitation, environmental protection, and urban development and logistics.”²⁶⁸ The statement of energy as a first strategic goal for the AIIB is disturbing for Russia which exports Central Asian countries’ energy resources. Within the Belt and Road Central Asia’s states’ diversification its exports would diminish Russia’s influence over these countries. China aims to import Central Asia’s vast energy resources and thereby challenging Russia’s energy monopoly in the region. Chinese energy companies have already acquired stakes in oil and gas fields in Central Asian countries, and a network of pipelines from the region to China would reduce Russia’s political influence.²⁶⁹

As three of six corridors pass through Central Asian countries, it is important to articulate Central Asian dimension of the initiative. On one hand, the literature analyzes Belt and Road’s positive impact on Central Asia’s strengthened position in connecting China and Europe. Moreover, Central Asian countries themselves are being connected to global economy with the completion of mega infrastructure projects. On the other hand, the negative effects of increasing Chinese presence due to the infrastructure projects that were initiated.

The heads of states of Central Asian countries recognize this strategic opportunity brought by the Belt and Road Initiative. Kazakh President Nursultan Nazarbayev stressed that Central Asia has regained its strategic importance and has become the main bridge between the world’s largest markets. He also mentioned technological and scientific development by being a bridge. According to the head of the foreign policy department of the Kyrgyz president’s office, Aizada Subakozhoeva, Kyrgyz President Almazbek Atambayev “noted the importance of expanding fiber-optic communication lines from China to Europe via Kyrgyzstan, e-commerce, and the creation of logistics centers.” Uzbek President Shavkat Mirziyoyev “our common priority should be the creation of interconnected industrial

²⁶⁸ ‘AIIB’, *The Asian Infrastructure Investment Bank (AIIB)* <<https://www.aiib.org/en/about-aiib/who-we-are/our-work/index.html>> [accessed 19 October 2017].

²⁶⁹ Michal Makocki and Nicu Popescu, *Chaillot Papers* (Paris, 2016), p. 40.

technoparks, scientific and innovation clusters, and free economic zones along the Silk Road Economic Belt.”²⁷⁰

However, there are also concerns about China’s intentions. The huge debts, which China loaned to Central Asian states constitute major problem. In return for writing off these debts, China’s increasing economic and political clout has been viewed as threatening to these states’ sovereignty.²⁷¹ Andrei Grozin from CIS Institute claims that: “China aims to become the dominant force in Central Asia in order to drive down the price of acquiring resources.”²⁷² Another study raises the concept of balance of power. Central Asian leaders use Chinese presence to balance US and Russian influence in the region. If China becomes too prevalent in economic and political sphere in Central Asia, same countries would apply to the USA or Russia.²⁷³

Besides Central Asia, the Belt and Road Initiative targets South and Southeast Asia. In this region, countries, which participated in the initiative appear to be divided into two camps: Countries such as Cambodia, Laos, and Myanmar, which are China’s long-term strategic allies, plan to participate fully. However, other countries, such as Vietnam, Indonesia, Malaysia, and the Philippines, are more reserved toward the Belt and Road Initiative.²⁷⁴ The concerns of the countries that belong to the latter group are similar to the other countries along Belt and Road route. The fear that expansion of Chinese economic investments would turn into political dominance in the region is touched upon. In 2016, the Thai government

²⁷⁰ Catherine Putz, ‘What’s Next for the Belt and Road in Central Asia?’, *The Diplomat*, 2017 <<https://thediplomat.com/2017/05/whats-next-for-the-belt-and-road-in-central-asia/>> [accessed 2 November 2017].

²⁷¹ Rashmini Koparkar, ‘Belt and Road Initiative: Implications for Central Asia’, *Vivekananda International Foundation*, 2017 <<https://www.vifindia.org/article/2017/june/14/belt-and-road-initiative-implications-for-central-asia>> [accessed 24 February 2019].

²⁷² Eiji Furukawa, ‘Belt and Road Debt Trap Spreads to Central Asia’, *Asia Nikkei*, 2018 <<https://asia.nikkei.com/Spotlight/Belt-and-Road/Belt-and-Road-debt-trap-spreads-to-Central-Asia>> [accessed 27 February 2019].

²⁷³ Zhang Hongzhou, ‘Building the Silk Road Economic Belt: Challenges in Central Asia’, *Cambridge Journal of China Studies*, 10.3 (2015), 17–35 (p. 26).

²⁷⁴ Hong Yu, ‘China’s Belt and Road Initiative and Its Implications for Southeast Asia’, *Asia Policy*, 24.1 (2017), p. 122.

declined \$15 billion railway project financed by Chinese capital and chose to build less costly rail network itself. A similar \$5.1 billion investment in Indonesia has caused technical problems, increasing costs.²⁷⁵ Hoang The Anb, Deputy Director of the Institute of Chinese Studies at the Vietnam Academy of Social Sciences, argued that Vietnam would be active in participating in the Belt Road Initiative only if the initiative would not infringe Vietnam's sovereignty.²⁷⁶ Kuik Cheng Chwee, an associate professor at University of Kebangsaan Malaysia expresses the dilemma that these countries must manage saying that the word "obor" in Malay means torch, a torch can be both bring the light and fire for specific undertakings, but can also burn.²⁷⁷ In light of this analogy, these states try to attract Chinese investment for infrastructure and industry development but not to be driven by China politically.

One of the most contentious issue is the sovereignty claims in the South China Sea. The Maritime Silk Road, the maritime leg of the Belt and Road Initiative, has a potential to flare up the conflict over the South China Sea.²⁷⁸ Xu Fengxian, a researcher with the Chinese Academy of Social Sciences, comments that "disputes in the South China Sea jeopardize the regional shipping and resource development."²⁷⁹ Although cooperation and coordination in the construction of the Maritime Silk Road is emphasized in Visions and Actions paper, the infrastructure projects are linked with this problem. China's island construction in the South China

²⁷⁵ Charlie Campbell, 'China's Xi Jinping Talks Up "One Belt, One Road" as Keynote Project Fizzles', *Time*, 2016 <<http://time.com/4457044/xi-jinping-one-belt-one-road-obor-south-china-sea-economic-trade-business/>> [17 January 2018].

²⁷⁶ Chuanxing Wang, 'Changing International System Structure and the Belt and Road Initiative', in *Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations*, ed. by Maximilian Mayer (Singapore: Palgrave Macmillan, 2018), pp. 269–81 (p. 276).

²⁷⁷ 'Will China's Belt and Road Torch Burn Malaysia?', *FMT News*, 2017 <<http://www.freemalaysiatoday.com/category/nation/2017/11/07/will-chinas-belt-and-road-torch-burn-malaysia/>> [accessed 19 January 2018].

²⁷⁸ Richard Ghiassy, Fei Su, and Lora Saalman, *The 21st Century Maritime Silk Road Security Implication and Ways Forward for the European Union* (SIPRI, 2018), p. 1.

²⁷⁹ Campbell.

under the label of infrastructure projects has destabilizing effect on the region.²⁸⁰ A brief prepared for the Australian parliament contends that the Maritime Silk Road validates China's claims on the South China Sea.²⁸¹ All the relevant parties are concerned about the use Maritime Silk Road in legitimizing China's claims on the South China Sea. On the other hand, Tseng Hui-yi suggests that Maritime Silk Road offers a collaboration opportunity for the disputes over the South China Sea by encouraging finding common interests. Since the infrastructure development brings common benefits for all the bordered countries, it may help countries to overcome territorial issues. She suggests reframing concepts such as replacing the concept of border security with border control.²⁸² These suggestions and claims appear to support Chinese claims on the South China Sea, disregarding other countries' interests.

Although China emphasizes economic dimension of the Belt and Road Initiative, there are also geopolitical and geo-economic dimensions. Even Foreign Minister Wang Yi stated that Belt and Road is not a tool of geopolitics, but economic cooperation would eventually turn into political influence.²⁸³ Different countries react differently to this increasing economic and political influence. The USA is interested in consequences of the Belt and Road project over international system. US concern focuses on the initiative's effect on US global influence. Other major powers such as Russia, India and Germany follow closely China's engagement in their sphere of influences. China's neighbors are anxious about whether the initiative infringes their sovereignty. If this threat perception increases, it poses a challenge for the advancement of the Belt and Road Initiative.

²⁸⁰ Luft, p. 47.

²⁸¹ Geoff Wade, 'China's "One Belt, One Road" Initiative', *Parliament of Australia*, 2017 <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook45p/ChinasRoad> [accessed 4 February 2018].

²⁸² Katherine Tseng Hui-yi, 'Re-Contemplating the South China Sea Issue: Sailing with the Wind of the 21st Century Maritime Silk Road', *The Chinese Journal of Global Governance*, 2016, 63–95 (pp. 89–91).

²⁸³ Fallon, p. 142.

Thus, unlike focusing on economic benefits, which the Belt and Road Initiative would unleash, realist perception on the Belt and Road Initiative considers power play as the center of the initiative. This camp views economic investments related with the Belt and Road Initiative as Chinese means to increase its hegemony in its neighborhood and in the world. Although less developed than these two main camps, there is also critical literature which focuses environmental impact of the Belt and Road Initiative. This camp also considers how people's livelihoods are impacted by the Belt and Road Initiative. The scholars examine the effect of Belt and Road projects on the environment of the countries.

4. 8. Environmental Consequences

The reference document for the compliance of Belt and Road investments to the environmental protection is Green Credit Guidelines published in 2008 by China's Banking Regulatory Commission. This document requires the clients to comply with laws and regulations in protecting the environment.²⁸⁴ The literature mainly composed of the reports of environmental civil society organization, which focuses whether Chinese financial institutions take this document into consideration in their Belt and Road investments.

Despite this requirement for the investment, the research report indicates that Chinese Belt and Road investments in energy and transportation are made into traditional sectors. In energy sectors, approximately a third of the loans are invested in renewable energy.²⁸⁵ Another report examined seven Belt and Road projects to which Chinese financial instruments invest. The report concludes that the Belt and Road projects damage the environment and livelihoods of people in the areas, where the projects are conducted. For instance, one of these seven cases is Mes Aynak

²⁸⁴ *Going Out, But Going Green? Assessing The Implementation Of China's Green Credit Guidelines Overseas* (Friends of the Earth U.S., Washington D.C., 2014), p. 1.

²⁸⁵ Lihuan Zhou and others, *Moving the Green Belt and Road Initiative: From Words to Actions* (World Resource Institute, Washington D.C., 2018), p. 13.

Copper Mine in Afghanistan. Chinese Development Bank and Exim Bank invested \$2 billion in this project. However, copper mine will pollute the water in the area, endangering not only locals but people in the capital.²⁸⁶ Another report points out the destructive effects of building dams in South Asia within the Belt and Road Initiative on climate vulnerability and ecosystems.²⁸⁷

Although the environmental effects can be perceived as side effects of the progress in the Belt and Road Initiative, all these reports suggest these environmental issues can precipitate negative perceptions regarding Belt and Road projects. This causes delays and blocks in the implementation of Belt and Road projects since they affect the population's lives. However, environmental problems, which the Belt and Road Initiative has caused, only one of the many challenges the initiative faces. Thus, they are multi-dimensional. Therefore, the literature concerning the challenges will be presented.

4. 9. Implementation Challenges

There are economical, geopolitical, and environmental challenges, which have already been covered, to the development of the Belt and Road Initiative. Besides these concerns, the security is important as the Belt and Road Initiative runs through politically unstable and risky security areas such as Afghanistan, Central Asia, South Asia, Iran and Middle East. For example, the China-Pakistan corridor passes through Balochistan where insurgency activities are highly frequent. Chinese capability in dealing with these problems are questioned. It is emphasized that China does not have long-term strategy to mitigate security challenges. China's security development across these areas is insufficient. Military and strategic focus have

²⁸⁶ *Investing In A Green Belt and Road? Assessing The Implementation Of China's Green Credit Guidelines Abroad* (Friends of the Earth United States, Washington D.C., 2017), p. 34.

²⁸⁷ Chen-Sheng Hong and Oliver Johnson, 'Mapping Potential Climate and Development Impacts of China's Belt and Road Initiative: A Participatory Approach' (Stockholm: Stockholm Environment Institute, 2018), p. 3.

been placed on coastal area, which is the most developed part.²⁸⁸ As an illustration of this insufficient military presence, in the Lanzhou Military Region in China's west has a force of only 220,000 troops over an area of 3.4 million square kilometers.²⁸⁹

Furthermore, geopolitical tension among participant countries is high. The conflicts among participant countries block the progress of the Belt and Road Initiative. Dispute over water sources is one of the reasons of disagreement among Central Asian countries. The three downstream Central Asian countries, Turkmenistan, Uzbekistan and Kazakhstan, are blessed with abundant oil and gas but have very limited water resources. Islam Karimov, the late President of Uzbekistan, warned that completing dam building plans without taking into consideration of concerns of downstream countries could lead to wars. Especially, he vigorously opposed to Tajikistan's Rogun Hydropower Plant Project, claiming that it posed risks for downstream countries. After Karimov's death, however, Tajikistan decided to continue with the project.²⁹⁰ This geopolitical competition stalls the development of the initiative Yao Peisheng, former Chinese Ambassador, commented that "If the territorial dispute cannot be solved, it is bad for the One Belt One Road program. If two neighbors are in conflict, there is no progress."²⁹¹

In addition to strategic concerns, increasing Chinese presence in Belt and Road countries led to resentment of local population. Choropon Orozbekova claims that there are some concerns regarding the flow of migrants from China. Estimating exactly how many Chinese migrants are in Belt and Road countries is very difficult to document. Yet, the number of Chinese migrants is exaggerated by the media directing anger to migrants. David Lewis, a Central Asian expert at Exeter

²⁸⁸ Niklas Swanström and Pär Nyrén, 'China's March West: Pitfalls and Challenges in Greater Central Asia', *Institute for Security & Development Policy*, 2017 <<http://isdp.eu/publication/chinas-pitfalls-challenges-gca/>> [accessed 5 February 2018].

²⁸⁹ Simigh Fruzsina, *Security Challenges of One Belt One Road Initiative* (Hong Kong, 2017), p. 2.

²⁹⁰ Zhang Hongzhou, 'Can China Solve Central Asia's Impending Water Crisis?', *East Asia Forum*, 2017 <<http://www.eastasiaforum.org/2017/02/02/can-china-solve-central-asias-impending-water-crisis/>> [accessed 30 January 2018].

²⁹¹ Saibal Dasgupta, 'China's Ambitious "Silk Road" Plan Faces Hurdles', *Voa News*, 2017 <<http://www.voanews.com/a/chinas-ambitious-silk-road-plan-faces-hurdles/2719660.html>> [accessed 2 February 2018].

University, said that Chinese companies' preference of Chinese workers doesn't offer local populations job opportunities. The rumors of the Chinese worker receiving better payment exacerbate tension between locals and Chinese.²⁹² The survey conducted by IRS Center for Insight Poll shows that more Kyrgyz citizens see China as an economic threat than a partner; they also view Russia, Kazakhstan, Turkey and the EU as more important economic partners. This perception is also valid in Kazakhstan. Visa regime relaxation for Chinese visitors was criticized by Kazakh nationalist circles.²⁹³ The anti-Chinese feelings may turn into widespread protest in these countries. In April 2016 over the proposed land code which allows foreigners to buy land at auctions led to demonstration across Kazakhstan. The primary motivation was Chinese takeover of Kazakh land. One protester at the demonstration shouted: "We can't give land to the Chinese. If they come, then they won't leave."²⁹⁴

The question about reliability of participant countries has also been raised. When the change in the executive occurs, the deals are being renegotiated. The recent changes of governments in Pakistan, Maldives, and Malaysia led to cancellation and revision of various deals, agreed by previous governments.²⁹⁵

Apart from huge debts loaned to Belt and Road countries, several Belt and Road countries have high non-performing loans (NPL). In 2014 the NPL ratio was over 20 percent in Kazakhstan, Serbia, Albania, Tajikistan and Yemen. Fluctuations in exchange rates accompany high NPL ratio. Without a trade liberalization policy and a stable monetary system, infrastructure system along the route will not have a positive effect on trade and investment.²⁹⁶ If these countries did not see the effects of

²⁹² Bruce Pannier, 'Majlis Podcast: What Does China's One Belt, One Road Project Mean For Central Asia?', *Radio Free Europe*, 2016 <<https://www.rferl.org/a/china-obor-project/28112031.html>> [accessed 5 February 2018].

²⁹³ *Central Asia's Silk Road Rivalries* (Brussels, 2017), p. 10.

²⁹⁴ 'Kazakhstan's Land Reform Protests Explained', *BBC*, 2016 <<http://www.bbc.com/news/world-asia-36163103>> [accessed 6 February 2018].

²⁹⁵ 'How Asia Fell out of Love with China's Belt and Road Initiative', *The Strait Times*, 2018 <<https://www.straitstimes.com/asia/how-asia-fell-out-of-love-with-chinas-belt-and-road-initiative>>.

²⁹⁶ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 21.

infrastructure investment over their economic development, the Belt and Road Initiative will be to blame.

Another set of challenges are governance deficit and corruption. There are opaque information, rent-seeking and corruption in the Belt and Road countries. According to Transparency International's measurements, the average transparency index in these areas is only 35 points, lower than the global average of 44 points.²⁹⁷ According to one report, Chinese officials expect to lose 80 percent of their investments in Pakistan, 50 percent in Myanmar, and 30 percent in Central Asia due to high rates of corruption.²⁹⁸ All these impediments increase costs and reduce profits for companies and banks. Furthermore, the countries along the Belt and Road have relatively small economies which limit profits extracted from investments. The return of investment in infrastructure period may take long time; thus, reducing the appeal of investment.

In concluding, the Belt and Road Initiative is highly ambitions project which laid out connections across Eurasia through mega infrastructural projects funded by several financial institutions. However, there are security and financial problems. The foremost problem is the Belt and Road countries fear that increasing Chinese economic investment would bring political influence at the expense of their sovereignty. Many countries fear that China as a biggest contributor of the initiative aims at thwarting economic status quo. Besides sovereignty issues, security problems exist along the Belt and Road route. This presents dilemma for China. On the one hand, China has to solidify its security presence to secure the infrastructure as China's current security apparatus is not sufficient to deal with these problems. On the other hand, China's security expansion would raise threat perception of the Belt and Road countries. Besides sovereignty and security issues, China's transportation of Chinese workers strengthens anti-Chinese feelings in the Belt and Road countries. China's acquisitions of land and establishments alienate nationalist circles in these countries.

²⁹⁷ *The Belt and Road Initiative: Reshaping the Global Value Chain*, p. 22.

²⁹⁸ Alexander Cooley, *The Emerging Political Economy of OBOR The Challenges of Promoting Connectivity in Central Asia and Beyond* (Washington D.C., 2016), p.10.

Additionally, financially, the Belt and Road would deliver long-term benefits. Thus, private enterprises, who seek short-term gains, are hesitant in participating mega infrastructure projects. This requires state-backed investments, yet, widespread corruption and lack of governance raise costs for investments. Unless these problems are not addressed, these economic problems for very much needed infrastructure projects, hampering connectivity across Eurasia.

Still, the Belt and Road Initiative is progressing. Neither Russia nor India has initiated a connectivity project, which will cover Eurasian landmass, which levels up with the Belt and Road Initiative. Especially, the New Eurasian Land Bridge is almost completed. This corridor has transformative aspect on Eurasian space, by connecting China, Central Asia, Russia, Eastern Europe, and Western Europe in an unprecedented level. China-Central Asia-West Asia corridor, on the other hand, connects China, Central Asia, South Caucasus countries with each other and other regions.

CHAPTER 5

DETERRITORIALIZATION OF EURASIAN SPACE

The old rules of spatial organization based on contained territorial parts is being replaced by increasingly mobile capital, goods, and people. The perception of time and space is reimagined as “as velodromes, with high traffic speedways, big bandwidth connectivities, or dynamic web configurations in a worldwide network of massively parallel kineformations.”²⁹⁹ This point of view is also articulated by David Harvey. To Harvey, capital and labor move to attractive spaces of production differentiated from unattractive spaces by its availability of entrepreneurship, technical know-how, and social attitudes. Nevertheless, this does not suggest decreasing value of space. It represents capitalism venture of transcending spatial barriers to exploit spatial differences to profit.³⁰⁰

Transportation has played a central role in forming interconnectedness among spaces. Construction of roads, railways, and ports has been a strategic tool for economic and political integration. Trade is enabled and maintained through maritime and land transportation systems. Transportation converged with communication technology promotes efficient mobility and flows of goods. Although transportation is not only condition of overcoming space, it is a basic component. The lack of transportation infrastructure hinders economic development by increasing transportation costs. Moreover, the development of soft infrastructure such as operating procedures and regulations that smooth connectivity depends on establishing hard infrastructure.

²⁹⁹ Jean-Paul Rodrigue, Claude Comtois, and Brian Slack, *The Geography of Transport Systems* (London and New York: Routledge, 2013), p. 371.

³⁰⁰ G. Ó Tuathail and T. W. Luke, ‘Global Flowmations, Local Fundamentalisms, and Fast Geopolitics: “America” in an Accelerating World Order’, in *An Unruly World? Globalization, Governance and Geography* (London and New York: Routledge, 1998), pp. 72–95 (p. 76).

The strengthened south-south relations for global economy increased the significance of the emerging economies changing trends in globalization. The United Nations report states that: “The world economy has become irreversibly more complex and more integrated: we have moved beyond the ‘early’ neoliberal globalization, driven by the North, and entered a new phase of globalization in which the South plays a determining and dynamic role.”³⁰¹ South-south trade has grown from 14 percent in the period 1990-2007 in the period 2000-2009, while world trade growth was about 5.5 percent and 6 percent respectively. The share of the “Global South” in world commodity trade almost tripled in the last three decade, from 7 percent to 17 percent. The biggest part of south-south trade in world trade is mainly between Asia and the Middle East. The share of developing economies exports in commodity trade in goods and commercial services increase from 29.9 percent to 41 percent in the last decade, while the share of imports increase from 28 percent to 39.2 percent.³⁰²

Within this framework, Eurasia is not an isolated area, but it is as an area integrated into other regions. It is being connected with South Asia, Middle East, and Europe through newly built railroads, roads, and maritime ports. This changes Mackinder’s isolated Heartland making it a deterritorialized territory by connecting Eurasia with the rest of the world by the development of transportation infrastructure.

The Belt and Road is the leading project that reimagines Eurasian space. It promotes connectivity in transportation, finance, policy and human affairs. This rhetoric of connectivity is envisioned in the maps as six economic corridors. These six economic corridors situate Eurasia as a transportation hub between China and Europe. Mayer comments: “The main goal is to conquer distance in order to lubricate the flow of trade and investments in entire Eurasia, and especially to

³⁰¹ David Harvey, *The Condition of Postmodernity An Enquiry into the Origins of Cultural Change* (Massachusetts: Blackwell, 1989), p. 294.

³⁰² *South-South Integration Is Key to Rebalancing the Global Economy*, 2011 <http://unctad.org/en/docs/presspb20114_en.pdf>.

facilitate China's own exports into Europe and new markets.”³⁰³ Besides ports, railways, and roads, China is linked to Central Asia through oil and gas pipelines.

These hard infrastructure projects are supported by soft infrastructure which fosters connectivity. Custom harmonization, allowance of foreign investment, and policy coordination are classified as soft infrastructure. Digital connectivity is also one of the most important part of soft infrastructure that emerges as complementary institution that enhances the flow on hard infrastructure. Without digitalization connectivity provided by roads would be insufficient. Digital Belt and Road Program assesses that: “In many countries, they may not meet the standards required to guide sustainable development. Reliable and timely information on the state and evolution of terrestrial and marine ecosystems is a necessary condition for the well-balanced development of the entire Belt and Road region.”³⁰⁴ Digital connectivity enhances the flows on the railways, roads, and ports makes transportation reliable and precise. Thus, several projects such as the DBAR Science Plan, the application of Big Earth Data started to be implemented to develop digital infrastructure to accomplish these objectives along the Belt and Road route.

Two main financial bodies have been created to finance the huge infrastructural investments: the \$40 billion Silk Road Fund and the \$100 billion Asian Infrastructure Investment Bank (AIIB). Several other development banks also contribute to funding of the initiative. Legal heterogeneity of over 65 countries along the Belt and Road route poses threats to the investments in that the question concerning how to resolve disputes among investing parties might hinder the development of the projects, which enable connectivity on the Belt and Road corridors. Former Secretary of Justice of Hong Kong Rimsky Yuen argues that:

The more infrastructure projects there will be, the greater the need for legal risk management. legal risk management should commence before a party decides whether to engage in an infrastructure project at a particular place, and

³⁰³ Mayer and Balazs, p. 211.

³⁰⁴ *Digital Belt and Road Program (DBAR) SCIENCE PLAN*, Chinese Academy of Sciences (Beijing, 2017), p. 18.

covers each and every stage of the project thereafter...In the Belt and Road context, legal risk management is not just important, but indispensable.³⁰⁵

Hence, there are endeavors to homogenize application of law along Belt and Road route. These developments are connected with transportation upgrade to ensure flow of goods, capital and people along the corridors imagined on the Belt and Road maps. Legal institution is just one aspect of attempts of homogenization along Belt and Road route. Political and legal institutions are struggling to reach the level of speed development of transportation. This hinders the connectivity along routes after the hard infrastructure is completed.

5. 1. Infrastructure and Transportation Connectivity

The Belt and Road Initiative consists of six economic corridors: the New Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar. Mayer calls this type of territorialization as corridorialization. This corridorialization makes “sovereign entities less important than logistical hubs.”³⁰⁶ The connectivity throughout corridors is accomplished through transportation networks.

High speed train is the most important component of transportation infrastructure that connects corridors. Trains approximately complete their journey within two weeks in the completed transportation network in the initiative. However, the endeavor to build high speed railways along the corridors is underway. China's 12,000 miles of high-speed track is larger than the rest of the world. China Railway Corporation (CRC), known in China as the Railway Ministry, has emerged as the world's leading operator of this mode of transportation.³⁰⁷ The high-speed

³⁰⁵ ‘Speech by Mr. Rimsky Yuen SC Secretary for Justice of the HKSAR 22nd Anniversary Dinner of the Association of Engineering Professionals in Society Limited 19 September 2017 “The Belt and Road Initiative and Infrastructure Dispute Resolution: A Few Thought”, 2017 <<http://www.aesnet.com.hk/wp-content/uploads/Secretary-of-Justice-HK-at-AES-Dinner-2017.pdf>>.

³⁰⁶ Mayer and Balazs, p. 212.

³⁰⁷ Gal Luft, *It Takes a Road China's Belt and Road Initiative: An American Response to the New Silk Road* (Washington D.C., 2016), p. 30.

railways are being built in Russia, India, Southeast Asia, and Eastern Europe are currently in works. While funding and building the high-speed lines, China and Japan also sell their high-speed trains to host countries.³⁰⁸

In addition to high speed train, there are plans to improve connectivity along the corridors of the Belt and Road Initiative. Despite its development is at initial stage, Hyperloop systems are being integrated into the Silk Road Economic Belt. Hyperloop

is a new mode of passenger and freight transportation that uses a custom electric motor to accelerate and decelerate a levitated pod through a low-pressure tube...A Hyperloop can send a container when it is received instead of waiting for a mile-long train to be loaded with hundreds of other containers. Its magnetic non-contact traction allows it to climb grades three times steeper than the 5 percent for traditional freight rail.³⁰⁹

The US Hyperloop One and Russia's Capital Venture Capital conducted a feasibility study to build a 65 kilometer hyperloop between the Russian port of Zarabino and Hunchun logistic zone in China. If this project is completed, it will shoot six cargo filled pods per minute, which will amount to 1.3 million TEU per year at 540 km/h between two distances, approximating \$250 million earning per year.³¹⁰ Transportation connectivity, thus, strengthens economic relations and trade integration among regions. Deterritorialization supposes interdependence and blending among global, state, and local layers. This entails hybridization of social, economic, and political order.³¹¹

This thesis examines the New Eurasian Land Bridge and the China-Central Asia-West Asia corridors as case studies. These cases are typical cases for observing

³⁰⁸ Wade Shepard, 'How China's Belt And Road Sparked A Renaissance Of Transportation Innovation', *Forbes*, 2017 <<https://www.forbes.com/sites/wadeshepard/2017/09/13/how-chinas-belt-and-road-just-sparked-a-renaissance-of-technological-innovation/#76739b0738f7>> [Date accessed 21 April 2018].

³⁰⁹ Bruce Upbin, 'Hyperloop on the Silk Road Shuttling Cargo Between Russia and China at 540 Km/H', *Reconnecting Asia CSIS*, 2017 <<https://reconnectingasia.csis.org/analysis/entries/hyperloop-silk-road/>> [accessed 22 April 2018].

³¹⁰ Shepard, 'How China's Belt And Road Sparked A Renaissance Of Transportation Innovation'.

³¹¹ Stuart Elden, 'Missing the Point: Globalisation, Deterritorialisation and the Space of the World', *Transactions of the Institute of British Geographers*, 30.1 (2005), 8–19 (pp. 9–10).

deteritorialization in Eurasian space. In typical cases, the causal mechanisms of a phenomenon are explored in the cases. If the theory supposes a causal pathway, the researcher performs a pattern matching investigation.³¹² Transportation networks developed on these corridors are useful pathways in analyzing time-space compression in Eurasian space. The New Eurasian Land Bridge provides connection between Chinese cities and European cities, traversing Eurasian landmass. It is comprised of lines, which have already been operational. Thus, it is much possible to discern the effects of deteritorialization. The China-Central Asia-West Asia, on the other hand, assumes an alternative route for Chinese cities to reach European cities, bypassing Russia. The route follows Central Asian and Caucasus cities. Although this corridor is partially completed, some of the effects of deteritorialization in Central Asian and Caucasus region can be observed. The transportation time between China and Europe is reduced to approximately two weeks via these corridors, allowing international companies to use the lines on these corridors for transporting their goods. This contributes to the integration of the regions where these corridors pass through. These two corridors, therefore, are the typical cases where the effects of transportation, trade, financial, and people-to people connectivity can be found out in Eurasia.

5. 2. The New Eurasian Land Bridge

The New Eurasian Land Bridge is an important branch of the Belt and Road Initiative which is linking China with Europe via freight trains. It consists of seven different lines. These lines connect Chinese cities to various European cities located in Western and Central Europe. They actually corridoralize Eurasian land mass by crossing nation state boundaries. The map below demonstrates these seven lines on the New Eurasian Land Bridge:

³¹² Jason Seawright and John Gerring, 'Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options', *Political Research Quarterly*, 61.2 (2008), 294–308 (p. 299).

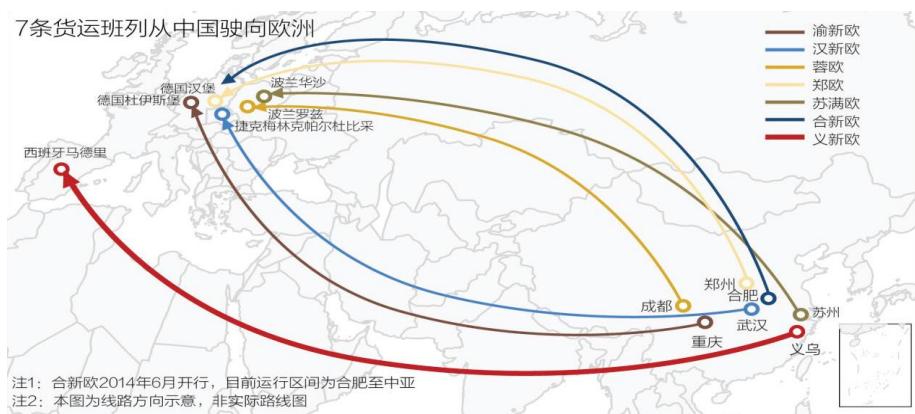


Figure 10. The New Eurasian Land Bridge³¹³

- Yu-Xin-Europe line: It connects Chong Qing in southwest China and Duisburg in Germany via Kazakhstan, the Russian Federation, Belarus and Poland.
- Han-Xin-Europe line: It connects Wu Han in central-south China and Poland, the Czechia via Kazakhstan, the Russian Federation and Belarus.
- Rong-Europe line: It connects Cheng Du in southwest of China and Lodz in Poland via Kazakhstan, the Russian Federation and Belarus.
- Zheng-Europe line: It connects Zheng Zhou in central north China and Hamburg in Germany via Kazakhstan, the Russian Federation, Belarus and Poland.
- Su-Man-Europe line: It connects Su Zhou in eastern China and Warsaw in Poland via the Russian Federation and Belarus.
- He-Xin-Europe line: It connects He Fei in central China and Hamburg in Germany via Kazakhstan, the Russian Federation, Belarus and Poland.
- Yi-Xin-Europe line: It connects Yi Wu in eastern China and Madrid in Spain via Kazakhstan, the Russian Federation, Belarus, Poland, Germany and France.³¹⁴

5. 2. 1. Yu-Xin Europe line

This line starts from Chongqing and ends in Duisburg. It runs along the route: Chongqing/Alashankou(China)–Dostyk (Kazakhstan)–Brest (Belarus)–Malaszewicze (Poland)–Duisburg (Germany).

³¹³ Cui Hongjian, 'The Belt and Road Initiative and Its Impact on Asia-Europe Connectivity', *China Institute of International Studies*, 2016 <http://www.ciis.org.cn/english/2016-07/21/content_8911184.htm> [accessed 24 April 2018].

³¹⁴ Hongjian.



Figure 11. The route of Yu-Xin-Europe railway³¹⁵

Its construction is an example of collaboration of the private sector, local government, and central government. It is almost text-book example of Manuel Castell's network metaphor in which states, firms, and local actors collaborate. In 2008, a city delegation from Chongqing went to Palo Alto, California, where the headquarters of Hewlett Packard had previously been located, to invite HP to relocate its production base. They argued that the city could produce 80 percent of the parts needed for a laptop, convincing the board of HP to move its base.³¹⁶ After moving its operations to Chongqing, US notebook company HP needed a route for transportation for the manufactured notebooks. In August 2010, Huang Qifan, representative of Chongqing's local government, and Tony Prophet, Vice President of HP, went to Beijing to convince the national authorities from the General Administration of Customs and the Ministry of Railways to solve logistics problem for HP. The national authorities in China were very supportive of this project. In 2010, Premier Wen Jiabao courted Russia and Kazakhstan to clear custom procedures for transit trains, allowing cargoes to avoid further inspection before they reach to Duisburg. In 2011, a train loaded with electronic goods produced in Chongqing successfully arrived in Duisburg within 16 days. The transportation time has shortened to 12 days with the improvement of transportation infrastructure. This

³¹⁵ 'Chinese Operator Wuhan Expects Big Rise in Europe-Bound Trains', *Rail Freight*, 2018 <<https://www.railfreight.com/corridors/2018/02/14/chinese-operator-wuhan-expects-big-rise-in-europe-bound-trains/>> [accessed 18 June 2018].

³¹⁶ Shepard, 'How China's Belt And Road Sparked A Renaissance Of Transportation Innovation'.

shortened transportation time flourished notebook production in the city. “It is estimated that one out of three notebook computers sold in the world are from Chongqing, and around half of the notebooks produced in Chongqing are sold to the European market.”³¹⁷

The long-term consequence of this unprecedented speed in connection between two cities, which are approximately 12,000 km distant from each other. This attempt involves overcome rigid national borders. Trains pass through six countries before reaching to its destination. In order to fasten transportation, this international rail link integrates existing railway networks and introduces “one-stop declaration, inspection and release” for faster customs clearance along the route.³¹⁸ The increase in the volume of cargo will encourage further easing of customs. Christophe Poitrineau, president of Gefco’s Asia region suggests that the establishment of a unified electronic customs union will simplify the administrative procedures and fasten connectivity.³¹⁹

In addition to west-east corridor, Chongqing is also connected to South Asia. *The Chongqing Connectivity Initiative* was concluded between China and Singapore in 2015, which focuses on developing transportation logistics. This initiative aims at extending logistics links from Chongqing to Singapore and other Southeast Asian countries by using rail-sea intermodal passage.³²⁰ The competition of this route would connect South Asian cities to Chongqing, then, they will be connected to European cities through Yuxinou railway.

Chongqing-Duisburg line is important for manufacturers as it fastens cargo traffic by offering land transportation alternative to the sea shipping. The service, which land connection offers is 30 days faster than ocean shipping with only quarter

³¹⁷ Hongjian.

³¹⁸ Hongjian.

³¹⁹ Chu Daye, ‘Faster than Shipping, Cheaper than Air Freight, Railway Illustrates Benefits of B&R Initiative’, *Global Times*, 2016 <<http://www.globaltimes.cn/content/983333.shtml>> [accessed 12 June 2018].

³²⁰ ‘Carriage of Trade – Railway from Chongqing Opens New Silk Road to Europe’, *Macauhub*, 2015 <<https://macauhub.com.mo/feature/carriage-of-trade-railway-from-chongqing-opens-new-silk-road-to-europe/>> [accessed 8 June 2018].

of the cost of air transportation.³²¹ The freight rate on the Yuxinou railway was \$1 per TEU/km in 2011, \$0.8 per TEU/km in 2012, and \$0.7 per TEU/km in 2013. It dropped to \$0.55 per TEU/km by April 2015. The prices are expected to decrease as freight volume continues to rise.³²² Due to lower costs, in 2010, Taiwanese computer firm Acer announced that the firm would invest \$150 million in Chongqing to build its largest global IT manufacturing center. In 2011, Chongqing welcomed Asus, another Taiwanese computer firm.³²³ The lower costs encouraged other manufacturers besides notebook producers to use this route. Julian Boecker, a spokesman for Duisburg Port said that:

The Chongqing-Duisburg route has great potential, and a daily service is definitely a goal, also from the Chinese side. For companies such as car producers that want to ship quality ‘made-in-Germany’ parts to their assembly plants in China, this route is a good alternative to sea transport.³²⁴

Yang Liqiong, deputy director of Chongqing’s Municipal Commission of Economy and Information Technology and head of the Municipal Logistics Office welcomed the participation of other sectors. “Products other than IT products are welcomed to take the ride to Europe.”³²⁵ In 2012, CEO of Ford China Joe Hinrichs announced that Ford has chosen to invest in three factories in Chongqing, which started their operations in 2013. ThyssenKrupp, a steel company, Kautex Textron, a producer of auto engine fuel supply systems, and Magna Cosma, a subsidiary of

³²¹ ‘One Belt One Road: Yuxinou Railway Development’, *HKTDC*, 2015 <<http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/One-Belt-One-Road-Yuxinou-Railway-Development/rp/en/1/1X000000/1X0A2XUF.htm>> [accessed 13 June 2018].

³²² ‘An Essential Belt and Road Link: Chongqing’s Southern Transport Corridor’, *HKTDC*, 2018 <<http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/An-Essential-Belt-and-Road-Link-Chongqing-s-Southern-Transport-Corridor/rp/en/1/1X000000/1X0ADYQG.htm>> [accessed 14 June 2018].

³²³ ‘Carriage of Trade – Railway from Chongqing Opens New Silk Road to Europe’.

³²⁴ Mario Esteban and Luan Yi, *Demystifying the Belt and Road Initiative: Scope, Actors and Repercussion for Europe* (Duisburg, 2017), pp. 11–12.

³²⁵ ‘The Chongqing-Xinjiang-Europe International Railway’, *China Briefing*, 2012 <<http://www.china-briefing.com/news/2012/02/20/chinas-new-silk-road-the-chongqing-xinjiang-europe-international-railway.html>> [accessed 14 June 2018].

North America's largest automobile part manufacturer, established factories in Chongqing.³²⁶

Chongqing has, thus, become a transportation and trade hub. In 1997, it has been brought under the Central Government after Beijing, Shanghai, and Tianjin. Its total GDP has risen from \$15.70 billion in 1996 to \$259 billion in 2016. Its GDP per capita increased from \$544 to \$8539.³²⁷ Furthermore, the development of transportation infrastructure with Yuxinou railway enable Chongqing to overcome spatial barriers connecting it with Europe and South Asia. This contributes Chongqing emergence as a leading logistics hub.

5. 2. 2. Xan-Xin-Europe Railway

The Xan-Xin-Europe railway connects Wuhan, the capital of Hubei province located at Central China, to European cities. It offers alternative to maritime routes for the transportation of goods through land connection. The construction of the railway has been accomplished by the consortium of different railway operators. Switzerland based InterRail, its Russian subsidiary, InterRail, Trans-Siberian Express Service, the Polish InterRail- Polcont, the Kazakh container operator Kedentransservice, as well as RZD, BCH, PKP, and CD and Express Interfreight Brno participated in the development of the project.³²⁸ Hungarian based company AWT and Italian based NTV also took part in the development of the project.³²⁹

³²⁶ ‘Chongqing-Duisburg Railway Starts 16-Day Return With 42 TEU Of Auto Parts’, *Infinity Cargo Express Limited* <<http://www.infinitycargo.com/index.php/en/careers/104-news-and-events/news/725-chongqing-duisburg-railway-starts-16-day-return-with-42-teu-of-auto-parts>> [accessed 13 June 2018].

³²⁷ ‘One Belt One Road: Yuxinou Railway Development’.

³²⁸ ‘InterRail: Container Train China – Czechia in Record Time’, *TransInvest Group*, 2014 <http://www.transinvest.ch/13.0.html?&tx_ttnews%5Btt_news%5D=4&cHash=59e4fc1ee3cd46650583ef606ba03e3> [accessed 18 June 2018].

³²⁹ Jan Richter, ‘Does Ground Breaking China-Czech Republic Train Signal New Era in Railway Transport’, *Radio Praha*, 2012 <<http://www.radio.cz/en/section/marketplace/does-ground-breaking-china-czech-republic-train-signal-new-era-in-railway-transport>>

In 2012, the first train departed from Wuhan reached to Pardubice in the Czechia in 16 days, covering 11,000 kilometres. This train transported electronic parts to the global electronics company Foxconn.³³⁰ Starting from 2012, Wuhan Han'ou International Logistics Co. transported industrial goods mainly electronic products to Eastern and Western European cities. While returning, trains carried dairy products from Belarus, wine from France, and beer from Germany.³³¹ Geodis, the logistics arm of France's state railway SNCF, has just completed the first rail shipment of textiles from China to Lyon for Marseille-based designer jeans company Kaporal. The transportation time took 13 days.³³²

This route was dispatched in 2014. In 2015, Wuhan operated 228 trains and 14,912 TEU, totaling 92,500 tons of cargo, valuing RMB3.3 billion.³³³ In 2017, the total number of freight train transportation between Wuhan and European cities was 375, witnessing 69 percent rise comparing 2016.³³⁴ In 2018, Chinese rail operator Wuhan Han'ou International Logistics Co. expects this number would increase to 500 in 2018.³³⁵

The direct land link with Europe increases the volume of trade and diversity of goods due to shorter transportation time. However, the expensiveness of the railway as a mode of transportation for companies surpasses the advantage of shorter travelling time.

³³⁰ Richter,

³³¹ ‘The Chongqing-Xinjiang-Europe International Railway’.

³³² Bruce Barnard, ‘DB Cargo Inks Second Asia-Europe Rail Contract in a Month’, *JOC*, 2016 <https://www.joc.com/international-logistics/logistics-providers/db-schenker/db-cargo-inks-second-germany-china-rail-contract-month_20160913.html> [accessed 17 June 2018].

³³³ ‘HANXINOU LCL Eastbound Europe-China Railway Express Less Than Container Load(LCL) To Wuhan’, *China-Europe Railway Express* <<http://www.chinaeuroperailwayexpress.com/europe-china-railway-express-eastbound/europe-china-railway-express-eastbound-less-th/hanxinou-lcl-eastbound-europe-china-railway-expr.html>> [accessed 18 June 2018].

³³⁴ ‘Wuhan Reports 375 Trips of China-Europe Freight Trains in 2017’, *Xinhuanet*, 2017 <http://www.xinhuanet.com/english/2017-12/29/c_136859673.htm> [accessed 18 June 2018].

³³⁵ ‘Central China-Europe Rail Freight to Surge in 2018’, *Xinhuanet*, 2018 <http://www.xinhuanet.com/english/2018-02/01/c_136940071.htm> [accessed 18 June 2018].

If cargos are transported by ship from China to Europe, the transit time would be approximately 42 or 45 days and the price per one 40-ft container would be over between 5,000 and 5,500 US dollars. Moving cargo by train, the transit time significantly decreases. Depending on the destination in Europe, it might be between 16 and 25 days. But the speed comes with a price unfortunately. The approximate price would be between 8,600 and 8,900 US dollars per container.³³⁶

Yet, Xan-Xin-European train line still can be appealing as it connects Wuhan with Central Europe, dividing into several lines and linking Wuhan with several European cities. Kim Pedersen, executive vice president of Geodis Freight Forwarding comments that:

The rail link between China and France opens great opportunities in continental rail. It is an innovative solution that we offer to our customers. In comparison, ocean freight transit times are approximately 30 days and the rates are subject to high volatility. No doubt that rail transport has a future.³³⁷

Thus, it also has potential in reaching out other European cities. The expansion of destination places would also increase the volume of trade. When total number of containers rises, the cost would be more tolerable.

5. 2. 3. Rong-Europe line

Rong-Europe line operates between Chengdu, located at the southwest of China, and Lodz, located at the central Poland. It passes through Kazakhstan, Russia, and Belarus before entering Poland. It is the fastest direct freight route between the two regions. The route is 9,826 kilometers long. It is initially 14 days to complete journey.³³⁸ In 2016, travel time from Chengdu to Lodz shortened to 10.5 days.³³⁹

The map below shows Chengdu-Lodz railway route:

³³⁶ Richter.

³³⁷ Barnard.

³³⁸ ‘Chengdu to Dispatch Western China’s Fastest Cargo Train to Lodz, Poland’, *Infinity Cargo Express Limited* <<http://www.infinitycargo.com/index.php/en/careers/104-news-and-events/news/751-chengdu-to-dispatch-western-chinas-fastest-cargo-train-to-lodz-poland>> [accessed 26 June 2018].



Figure 12. Chengdu-Lodz railway route³⁴⁰

The time of transportation is 45 percent faster than shipping by sea and 65 percent cheaper than air. The custom procedures are made easier providing the system of one declaration, one inspection, and one release.³⁴¹ These qualities attract companies to use this line. According to Chengdu port and logistics office, the Chengdu-Europe express railway service, which opened in April 2013, has brought cars, precision instruments, IT products, and clothes from China to Europe, and food and beverages from Europe.³⁴² According to Tomazs Olender, deputy general manager of TCL's plant in Poland, 99 percent of the components, used for home appliance maker TCL's TV sets sold in Europe, have been transported through Chengdu-Europe express train line.³⁴³ This demonstrates Chengdu's integration into European market.

The direct connection with Chengdu enhances Lodz's position in Central Europe. It is in competition with Duisburg in the New Eurasian Land Bridge. This is

³³⁹ ‘Chengdu Embraces Opportunities’, *China Daily*, 2016.

³⁴⁰ ‘Modern Trains to Revive Ancient Silk Road’, *Go Chengdu*, 2015 <<http://www.gochengdu.cn/news/Highlights/modern-trains-to-revive-ancient-silk-road-a118.html>> [accessed 3 July 2018].

³⁴¹ ‘Rail Liner Service’, *Varekampt Project Services* <<https://www.meilink.eu/assets/Downloads/Varekamp-Rail-Liner-Customer-Presentation.pdf>> [accessed 27 June 2018].

³⁴² Chris Dupin, ‘Chengdu-Lodz Train Sees Increased Cargo Volumes’, *American Shipper*, 2016 <<https://www.americanshipper.com/main/news/chengdulodz-train-sees-increased-cargo-volumes-62367.aspx>> [accessed 26 June 2018].

³⁴³ ‘Chengdu Embraces Opportunities’.

illustrated by Jacek Żak, member of the board of Hatrans, a company operating the Chengdu-Lodz route: “If you as a Chinese person from the logistics industry on the rail connection to Europe, he would point to Lodz, not Duisburg.”³⁴⁴ Indeed, the physical land connection between Chengdu and Lodz improved China-Poland financial connectivity. In 2016, President Xi Jinping’s visited Poland and signed nearly 40 new agreements while in May 2017 Polish Prime Minister Beata Szydło attended the Belt and Road Forum for International Cooperation in Beijing. Total FDIs from Chinese investors to Poland amounted to \$563 million in 2016, marking a drastic increase \$10 million in 2015. The Bank of China involved in constructing an office building in Poland while other Chinese groups are acquiring assets.³⁴⁵

Chengdu-Lodz railway line is, therefore, important step in overcoming spatial distance between Central Europe and southwest China by setting up a direct connection. This line enables the transportation of automobiles produced in Chengdu to European consumers. This railway connection is leading to other connection in various fields. Marek Ciesla, the first Deputy Mayor of Lodz, said that Chengdu and Lodz have developed close trade relations through high speed railway between Chengdu-Lodz. This also led to cultural connectivity. He also remarks that the famous musician Frederich Chopin, a native of Lodz can breed cultural relations between two countries. He invited Chengdu residents to discover Chopin and his music.³⁴⁶ This may help increase in tourism field between two cities as well as two countries. It also enhances cultural connectivity besides financial and trade connectivity. Thus, Chengdu-Lodz railway line accomplished the connectivity in infrastructure, cultural, trade, and financial areas.

³⁴⁴ Jędrzej Czerep, *Influence of the Łódź-Chengdu Railway on the Perception of 16+1 in Poland* (Budapest, 2018), p. 3.

³⁴⁵ Elżbieta Czerpak, ‘From Lodz To Chengdu’, in *New Frontiers Prospects For Real Estate Along The Belt And Road Initiative*, ed. by Nicholas Holt (Knight Frank Research, 2018), p. 33.

³⁴⁶ ‘Chengdu-Europe HSR Promoting Chengdu- Lodz Cooperation’, *Chengdu Municipal Foreign and Overseas China Affairs Office*, 2013 <http://www.cdfao.gov.cn/html/detail_4904.html> [accessed 27 June 2018].

5. 2. 4. Zheng-Europe line

Zheng-Europe line connects Zhengzhou, the capital of Hennan province, to Hamburg. This line shortens transportation line 20 days compared to transportation by sea. The cost is 80 percent lower than air transportation. Transit trains further shortens the transportation time from Zhengzhou to Alashankou, located in Xinjiang, by 20 hours. Alashankou is connected to Dostyk, Kazakhstan. The train, then, passes five countries, Kazakhstan, Russia, Belarus, Poland, and reaches Hamburg, Germany.³⁴⁷ This line is completed but it is open to development into new lines in Europe.

The frequency of trains had been once a month at the line's initial stage in 2013. Now, trains operate eight times in a week. The products are delivered to 121 cities in 24 countries in the European Union, Russia and Central Asia. Shi Yousong, vice-general of the Zhengzhou International Hub Development and Construction Co. said that: "The Zhengzhou-Germany cargo trains have flourished since the second half of last year. Customers even have to book at least 10 days in advance."³⁴⁸

The construction of Zhengzhou-Hamburg line has been realized by the collaboration of Zhengzhou Port Authority and DB Schenker. The first train was flagged off from the Billwerder terminal in Hamburg by Dr Karl-Friedrich Rausch, DB management board officer for logistics and the governor of Hunan province Mr Xie Fuzhan.³⁴⁹ When train arrived Hamburg, Dr Rüdiger Grube, Chairman of the DB Management Board, said: "The growth in Chinese freight transportation, combined with the continuing movement of production intensive industries to China's hinterland, offers great potential. DB Schenker has an excellent

³⁴⁷ 'The First Zhengzhou-Europe International Block Train Departed on July', *Zhengzhou International Hub Development and Construction Co., Ltd*, 2013 <<http://en.zzguojilugang.com/article.php?id=12>> [accessed 5 July 2018].

³⁴⁸ 'Cargo Train Service Flourishes between Zhengzhou, Hamburg', *China Daily*, 2017 <<http://www.chinadaily.com.cn/a/201712/13/WS5a30e944a3108bc8c67303f5.html>> [accessed 5 July 2018].

³⁴⁹ Keith Barrow, 'Germany – China Freight Train Launched', *International Railway Journal*, 2014 <<http://www.railjournal.com/index.php/freight/germany---china-freight-train-launched.html?channel=000>> [accessed 5 July 2018].

starting position in Asia for this.”³⁵⁰ This collaboration between private companies and local authorities in providing connection is similar to the collaboration of public and private sectors in constructing Chongqing-Duisburg line.

Besides Hamburg, a new railway line began starting from Zhengzhou to Munich in August 2017. The route will cover countries such as France, Italy, Spain, Austria, Hungary, and Czechia. The new freight route will also boost the import of automobiles in the future. Huo Xiaohua, a customs manager with Zhengzhou International Hub Development and Construction Co, Ltd. said that: “The new route to Munich will help lower transportation costs to southern and central European countries.”³⁵¹ Thus, the line is linked to other companies and other cities in Central and Eastern Europe, enhancing its potential of connectivity.

While Zhengzhou-Hamburg line is extending to Central European cities, the internal connection within China is also developing through Zhengzhou. Hong Kong, Guangzhou, Shanghai, and Beijing are the major urban centers, which are linked to Zhengzhou. Furthermore, along these connection routes several Chinese cities have also been connected to Zhengzhou.³⁵² Thus, these cities are also connected to Central Europe and Hamburg through Zhengzhou-Hamburg railway line, making Zhengzhou a transportation hub. The connection between Shanghai and Hamburg ports is especially important in that two of the biggest ports are linked by land connection.

Therefore, Zhengzhou-Hamburg line is an important addition in realizing China’s connection with Eastern, Central, and Western European cities. The route passes several countries in linking cities before reaching Hamburg. Trains have already been operational on Zhengzhou-Hamburg line. Furthermore, this line is extending to other cities such as Vienna and Munich, then the goods are being

³⁵⁰ ‘Many Routes to China’, *Railways DB Schenker Rail Customer Magazine*, 2013, p. 21.

³⁵¹ ‘New China-Europe Freight Train Links Central China and Munich’, *China Daily*, 2017 <http://www.chinadaily.com.cn/world/2017-08/23/content_30998091.htm> [accessed 6 July 2018].

³⁵² Xue Yunwei, ‘Zhengzhou-Europe International Block Train New Channel of China-Europe Logistics’, *CzechChina*, 2014 <http://www.czechchina.com/cif/wp-content/uploads/2014/10/Xue_Yunwei_zhengzhou.pdf> [accessed 5 July 2018].

distributed to minor urban centers in Europe. It also enhances the position of Zhengzhou through enhancing its connections with the rest of the world.

5. 2. 5. Suzhou-Warsaw line

Suzhou is located at the eastern China, which is the economic center of the country. Suzhou is connected to Warsaw through direct railway line. This line provides an alternative to Chengdu-Lodz route. Roger Crook, chief executive of DHL Global Forwarding Freight, which built the line said:

Suzhou is a strategic departure point for Jiangsu and it is a huge benefit for our customers to have direct access to inter-continental rail links rather than having to go via Chengdu. Being able to offer multiple loading points across China creates many opportunities for our customers which is why we are seeing so much interest in multimodal services.³⁵³

The route started to operate in October 2013. The first cargo consisted of electronics and technological goods passed China, Russia, Belarus to Warsaw, Poland. The delivery is carried out within the framework of Trans-Siberia line in seven days project with the support of government of Suzhou. According to Thomas Kargl, CEO of Austrian FELB, the project's success involves the cooperation of the government of Suzhou, PKB Cargo, and Russian Railways Logistics. Since this line is connecting industrial center in eastern China to Europe, he claims that, the volume of trains is estimated at three trains per week.³⁵⁴ Indeed, in June 2014, due to increasing demand the frequency of service increased from it two times per month to a once weekly trip.³⁵⁵

³⁵³ ‘DHL Launches Suzhou-Warsaw Block Train’, *Global Rail News*, 2014 <<https://www.globalrailnews.com/2014/09/23/dhl-launches-suzhou-warsaw-block-train/>> [accessed 9 July 2018].

³⁵⁴ ‘First Speedy FELB Container Train from Suzhou to Warsaw Crosses Russian Border Point.’, *RZD Logistics*, 2013 <<http://www.rzdlog.com/press/187/>> [accessed 10 July 2018].

³⁵⁵ United Nations Economic and Social Commission for Asia and the Pacific, *Review of Development of Transport in Asia and the Pacific 2015* (Bangkok: United Nations Publication, 2015), p. 40.

The increasing demand is mostly related with eased custom procedures. By issuing electronic document and using a new universal software package at Zabaikalsk, Russia/Manzhouli, Mongolia border crossing point custom procedures proceed at a record time of two hours. Transport Development Group, which operates as a customs representative in Russia, offers services of easing custom clearances, communication with suppliers, and logistics services.³⁵⁶

Suzhou is also linked to Taiwan through multimodal network link built by DHL Railline service. Via Suzhou Taiwan is connected to Europe. The new multimodal Taiwan-China-Europe service will reduce freight costs up to 85 percent. It is shorter than ocean freight reducing the delivery time by between 10 and 21 days depending on destination. Steve Huang, CEO, DHL Global Forwarding China said:

Our new service extension comes at a time when China's 'One Belt, One Road' initiative – an economic initiative of up to US\$21 trillion (EUR19 trillion) – is taking shape and expected to strengthen cross-border economic ties in markets between Europe and Asia. Our multimodal network directly links Taiwan to mainland China and Europe, both of which are among Taiwan's top five trading nations bringing more opportunities to Taiwan enterprises. In addition, the European Commission recently announced that it is exploring negotiations on investment with Taiwan as part of a trade globalization plan showing the island's growing importance in the global marketplace.³⁵⁷

Thus, Taiwan has also become a part of Suzhou-Warsaw line. It is connected to European cities through railway connection by participating in the Belt and Road Initiative.

5. 2. 6. Hefei-Hamburg line

Hefei is the capital city of Anhui Province in the eastern part of China. The train line starting from Hefei was launched to Europe in 2015. Currently Hefei has four departures per month, reaching Malaszewicze, Poland in 13 days and Hamburg,

³⁵⁶ 'First Speedy FELB Container Train from Suzhou to Warsaw Crosses Russian Border Point.'

³⁵⁷ 'Better Access to Europe from Taiwan via DHL's Expanded Asia-Europe Multimodal Network', *American Journal of Transportation*, 2015 <<https://www.ajot.com/news/better-access-to-europe-from-taiwan-via-dhls-expanded-asia-europe-multimoda>> [accessed 10 July 2018].

Germany in 15 days. This line shortens transportation time by 50 percent comparing to shipping by sea and decreases cost by 60 percent comparing with air transport.³⁵⁸ The route starts from Hefei, then Dostyk, Kazakhstan, then, Moscow, Malaszewicze, Warsaw, and Hamburg covering 10,600 kilometers.



Figure 13. Hefei-Hamburg railway line³⁵⁹

The construction of this line reminds the construction of Yu-Xin Europe in which private sector, local government, and central government collaborated. In constructing Hefei-Hamburg railway line railway giant Deutsche Bahn (DB) and the Chinese city of Hefei signed a Memorandum of Understanding to launch weekly freight between Hamburg and Hefei. Hefei's municipal government pushed central government to provide financial backing for infrastructure development within the framework of the Belt and Road Initiative. In return, Beijing set targets for 65 different markets, mostly including locations along the route.³⁶⁰

The attraction of companies on Hefei-Hamburg line is expanding. Besides DHL, Trans Eurasian Logistics, Koph-Lubben, and Kuhne-Nagel also participated in the

³⁵⁸ ‘HEXINOU China-Europe Railway Express Full Container Load(FCL) From Hefei’, *China Europe Railway Express* <<http://www.chinaeuropeanrailwayexpress.com/china-europe-railway-express-westbound/china-europe-railway-express-westbound-full-con/hexinou-china-europe-railway-express-full-containe.html>> [accessed 12 July 2018].

³⁵⁹ ‘DB Cargo to Launch China-Hamburg Rail Freight Service’, *Embargo* <<http://www.embargo.com/db-cargo-launch-china-hamburg-rail-freight-service/>> [accessed 12 July 2018].

³⁶⁰ Heiner Siegmund, ‘New Cargo Train Hefei-Hamburg’, *Cargo Forwarder EU*, 2016 <<https://www.cargoforwarder.eu/2016/09/12/new-cargo-train-hefei-hamburg/>> [accessed 12 July 2018].

operation of the line.³⁶¹ Trade between Hefei and European cities increased due to direct line which shortened transportation time by giving Anhui province a chance to participate in the Belt and Road Initiative. In 2017 alone, 19 train trips were made from Hefei to Middle Asian destinations, and 48 ones to Europe. The city aimed to double the Europe-bound train trips for next years.³⁶²

The increase in the volume of trade opens up possibilities of new linkages to the line. Hefei is 460 km from Shanghai and one of the most cost-effective cargo block train for cargo originated in Shanghai, Jiangsu province and Zhejiang Province, where a lot of factories are located.³⁶³ Thus, it offers an alternative connection point to Shanghai in its connection with European cities bolstering Hefei's position as a transportation center.

The construction process of Hefei-Hamburg railway line is an imitation of construction of Chongqing-Duisburg line in the New Eurasian Land Bridge. The private sector, firstly, collaborated with Hefei's local government, then, they convinced Beijing to back the project in return for promise of the fulfillment of the targets set by Beijing. After the competition of the line, it attracted many sectors due to its short transportation time so the number of train freights has increased. The line has potential to connect other cities in China's other regions offering new connections for this route.

5. 2. 7. Yi-Xin Europe Line

Yixinou railway line connects Yiwu, located in Zhejiang Province, the eastern part of China to Madrid, the capital of Spain. It passes through Kazakhstan, Russia,

³⁶¹ ‘Hefei Railway Station’, *Port of Hamburg* <<https://www.hafen-hamburg.de/en/company/hefei-railway-station-hefei---94360>> [accessed 12 July 2018].

³⁶² ‘Hefei Aims to Double Hamburg-Bound Train Service’, *The Official Website of Anhui Government*, 2018 <<http://english.ah.gov.cn/content/detail/5aa236c38513f342e879820e.html>> [accessed 12 July 2018].

³⁶³ ‘HEXINOU China-Europe Railway Express Full Container Load(FCL) From Hefei’.

Belarus, Poland, Germany, France, and reaches Spain. It is the longest train journey totaling 8,000 miles taking 20 days to complete.³⁶⁴



Figure 14. Yiwu-Madrid Line³⁶⁵

The service is being operated by InterRail Services and DB Schenker Rail and in Spain by DB's Spanish offshoot, Tranfesa. The first train freight, dispatched in November 2014, consisted of 30 containers carrying 1,400 tonnes of Christmas goods to be sold across Europe. It returned laden with agriculture products such as olive oil and wine for the Chinese new year in February.³⁶⁶ In fact, the line boosted Yiwu's Christmas market. According to the Chinese-state run news agency, Xinhua, 60 percent of the world's Christmas trinkets are traded for Christmas market in Yiwu.³⁶⁷ This marks a potential expansion of the freight trains between two cities.

³⁶⁴ ‘The World’s Busiest, Longest and Fastest Railways’, *The Telegraph*, 2015 <<https://www.telegraph.co.uk/travel/galleries/The-worlds-busiest-longest-and-fastest-railways/yiwu-madrid-train/>> [accessed 15 July 2018].

³⁶⁵ Amanda Macias, ‘The World’s Longest Railway Is Stalled In Madrid’, *Business Insider Australia*, 2015 <<https://www.businessinsider.com.au/the-longest-railway-in-the-world-2015-1>> [accessed 15 July 2018].

³⁶⁶ Stephen Burgen, ‘The Silk Railway: Freight Train from China Pulls up in Madrid’, *The Guardian*, 2014 <<https://www.theguardian.com/business/2014/dec/10/silk-railway-freight-train-from-china-pulls-into-madrid>> [accessed 15 July 2018].

³⁶⁷ Alistair Dawber, ‘China to Spain Cargo Train: Successful First 16,156-Mile Round Trip on World’s Longest Railway Brings Promise of Increased Trade’, *The Independent*, 2015 <<https://www.independent.co.uk/news/world/europe/china-to-spain-cargo-train-successful-first-16156-mile-round-trip-on-worlds-longest-railway-brings-10067895.html>> [accessed 15 July 2018].

This direct land railway line between Yiwu and Madrid offered alternative to businessmen in Yiwu. Jin Haijun, one of the businessmen in Yiwu who sells products imported from Spain, commented on the change in transportation mode: “Before November 2014, businessmen here could only get products across Eurasia by sea or by air. We used to choose transport by sea. It now saves one third of time. We also enjoy preferential policies of passing the customs.”³⁶⁸ This demonstrates the usefulness of the new direct land route for small-sized producers.

Besides business opportunities, the new line enabled closer connection between Spain and China. In September 2014, during his visit to China, Spanish Prime Minister Mariano Rajoy mentioned the importance of the Belt and Road Initiative. In May 2015, Li Keqiang stressed the opportunities that the Belt and Road Initiative that would generate for increasing China-Spain cooperation when he met Spain’s Deputy Prime Minister Soraya Saenz de Santamaria in Palma, Majorca. Furthermore, Madrid was the second city to organize an official Silk Road Forum, after Istanbul. Yiwu’s local government also set up close link with Madrid. Yiwu’s deputy mayor visited Madrid in April 2015 in order to participate in the 8th Spain-China Forum, and his talk highlighted the business opportunities brought by the Belt and Road Initiative. In March 2016, the local government of Yiwu established the headquarters of the Foundation for Exchange between Yiwu and Spain in Madrid.³⁶⁹

While Yiwu-Madrid line is developing, another major railway line, linked to London crossing Eurasia has been opened. In January 2017, the first freight train linking Yiwu, China directly to London, the United Kingdom arrived covering nearly 8,000 miles. That made this line second longest route after Yiwu-Madrid railway line. The train packed with 34 containers carrying goods made in China

³⁶⁸ ‘Yiwu-Madrid Railway: New Team on the Silk Road’, *CCTV.Com*, 2016 <<http://english.cctv.com/2016/08/05/VIDENaj9Kge1fqj5B6om6yW3160805.shtml>> [accessed 16 July 2018].

³⁶⁹ Mario Esteban and Miguel Otero-Iglesias, ‘Spain: Looking for Opportunities in OBOR’, in *Europe and China’s New Silk Roads*, ed. by Frans-Paul van der Putten and others (The European Think-tank Network on China, 2016), pp. 56–60 (p. 59).

freight passed through Kazakhstan, Russia, Belarus, Poland, Germany, Belgium, and France, taking 18-day trip before entering the U.K. through the Channel Tunnel.³⁷⁰

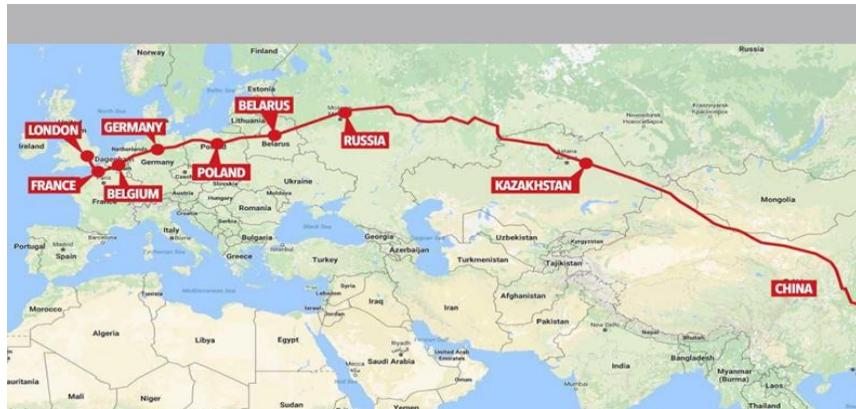


Figure 15. Yiwu-London Line³⁷¹

On 2010 April 2017, the train freight departed from London and reached to Yiwu on May 1. After passing through the Channel Tunnel into France and Belgium, the DB Cargo locomotive then stopped at Duisburg before InterRail carried the cargo through Poland, Belarus, Russia and Kazakhstan before the train crossed to Yiwu, China.³⁷² Greg Hands, minister of state in the Department for International Trade, stated that: “This new rail link with China is another boost for Global Britain, following the ancient Silk Road trade route to carry British products around the world.”³⁷³ Although it transports British goods, the train is operated by

³⁷⁰ Rishi Iyengar, ‘China’s First Freight Train to the U.K. Arrives in London’, *Cnn Money*, 2017 <<https://money.cnn.com/2017/01/18/news/economy/china-uk-freight-train-yiwu-london/>> [accessed 16 July 2018].

³⁷¹ ‘London-China Train Completes 12,000km Run’, *NewAge*, 2017 <<http://www.newagebd.net/article/14576/london-china-train-completes-12000km-run>> [accessed 16 July 2018].

³⁷² ‘UK Rail Freight Goes Global with China Export Train’, *RFG News*, 2017, p. 1 <<http://www.rfg.org.uk/wp-content/uploads/2017/07/RFG-Newsletter-Issue-123-April-2017.pdf>>.

³⁷³ Catherine Putz, ‘From London to Yiwu in 17 Days: OBOR’s British Connection’, *The Diplomat*, 2017 <<https://thediplomat.com/2017/04/from-london-to-yiwu-in-17-days-obors-british-connection/>> [accessed 16 July 2018].

the Swiss based Interrail group and Japan based OTT Logistics. Logistic company, which paid the train journey was Yiwu Timex Industrial Investment. Its main aim to realize this line was to facilitate Yiwu's cross-border trade with foreign countries.³⁷⁴

Besides trade connectivity, this line is important in providing physical connectivity between Great Britain and China, whose financial connectivity increased over years. China is Britain's second-largest trading partner outside the EU, while the UK is China's largest investment destination in Europe. Many Chinese banks are establishing branches in London, benefiting London's position as financial center.³⁷⁵ Setting up direct line would increase Chinese-British connection. This would be beneficial for two countries. China would have a chance to advance its financial and commercial connectivity with Britain. Britain would attract Chinese money and find a new economic and political partner after Brexit.

Another line that connects Yiwu to Europe is Yiwu-Riga railway line. The train freight departed on 20th October 2016 consisting of 84 containers reached Riga, Latvia on 10th November 2016. It finished journey about 11,000 kilometers following the China-Russia-Latvia route.³⁷⁶ The operation of this train route is another important example of deterritorialization of Eurasian space through infrastructure development. Latvian Minister of Transport Uldis Augulis said: "The arrival of this train is an excellent illustration of the fact that in the transport industry distance is a nice challenge, not an obstacle. However, it was an enormous job and everybody involved has earned our gratitude."³⁷⁷

³⁷⁴ Chris Devonshire-Ellis, 'The China-London Freight Rail Connection – A Bit of Silk Road PR', *Silk Road Briefing*, 2017 <<https://www.silkroadbriefing.com/news/2017/04/03/the-china-london-freight-rail-connection-a-bit-of-silk-road-pr/>> [accessed 24 July 2018].

³⁷⁵ Cecily Liu, 'Trade between UK and China Predicted to Grow Post-Brexit', *China Daily*, 2017 <http://europe.chinadaily.com.cn/world/2017-02/08/content_28141714.htm> [accessed 24 July 2018].

³⁷⁶ 'Latvia Greets First Trans-Eurasia Cargo Train from China', *China Daily*, 2016 <http://www.chinadaily.com.cn/china/2016-11/06/content_27286985.htm> [accessed 24 July 2018].

³⁷⁷ 'First Pilot Container Train Arrived in Riga from the City of Yiwu in China', *Container News*, 2016 <<http://container-news.com/first-pilot-container-train-arrived-riga-city-yiwu-china/>> [accessed 24 July 2018].

Latvia is the first Baltic country, which China set up a direct railway line. It is evolving into transportation and commercial hub in the region due to its direct line with China. Xiong Tao, deputy major of Yiwu, told that: "Riga is the destination of the train, but not of these commodities. After the arrival, they will be distributed to different eastern European or Scandinavian countries within one to three days." The Latvian Minister of Transport Uldis Augulis also commented that: "Latvia serves as a gateway to Europe because of our geographic location and China opens gates for us to Asia."³⁷⁸ Direct line between Yiwu-Riga, therefore, raised Riga's geographical value as a transportation center in Baltics, although the real development will be seen in subsequent years when this line will have become fully operational. This line sets up a direct line between Yiwu and Riga, connecting Central Asian cities on the route. Central Asia, thus, will be able to connect Baltic Sea ports, which are not controlled by Russia, strengthening its independence. Thus, the Belt and Road Initiative has implications in Eurasian space from Central Asia to Baltics.

5. 3. Impact of the New Eurasian Land Bridge

The New Eurasian Land Bridge is different than other Belt and Road corridors in that hard infrastructure on the corridor is almost completed. Many of the lines along the route had already finished before the official announcement of the Belt and Road Initiative. These lines were integrated into the Belt and Road Initiative.

In the development of these lines, Chinese local governments have become important actors. They invite global companies to set up production centers, then, they initiated the process of construction of transportation networks, which connect their cities to Europe through requesting Beijing's help. This is particularly relevant for local government of Chongqing, which invited computer producing company HP to Chongqing. It convinced Beijing to set up a transportation link with European cities. Several Chinese cities such as Suzhou and Hefei emulated this model. In

³⁷⁸ 'Latvia Greets First Trans-Eurasia Cargo Train from China', *China Daily*, 2016 <http://www.chinadaily.com.cn/china/2016-11/06/content_27286985.htm> [accessed 24 July 2018].

return, Beijing set up trade targets for companies since these connections are compatible with Chinese policy in reaching out Central Asia and Europe.

As reaching out to Central Asia and Europe has been identified as a priority by Chinese government, Beijing also participates in functioning of the lines. Subsidies provided by Chinese central government and local governments are instrumental in developing market size on the route. The average subsidy per trip for a container is between \$3,500 and \$4,000. Without subsidies the average cost is about \$9,000 per container. The subsidies offer more affordable cost of transportation, increasing attractiveness of the routes. Chinese cities such as Wuhan and Zhengzhou offer almost \$30 million in subsidies every year to cargo companies. The number of trips from around 1,900 in 2016 to 5,000 cargo trains thanks to subsidies.³⁷⁹ The goal to receive attraction of global companies compelled Chinese local governments to provide subsidies. Chinese local governments, therefore, offer different subsidization prices for companies. The subsidization policy has a potential of convincing companies to switch from maritime route to railway route by making railway transportation more economically viable.

The biggest impact of the New Eurasian Land Bridge is the reduction of transportation time. The journey by takes 14-18 days depending on the distance. This time is faster than maritime transportation, taking 37-50 days. The railroad transportation is also cheaper than air transportation. Thus, it presents a compelling alternative to ship or air transportation for global companies in delivering products manufactured in China to European consumers.

This transportation innovation brought about the increase in logistics is containerization. Containerization

refers to the increasing and generalized use of the container as a means of freight transport. As a standard and versatile means, the container has greatly contributed to intermodal transportation of merchandise and its widespread use, therefore, is responsible for profound mutations in the transport sector.³⁸⁰

³⁷⁹ Andreea Brinza, ‘China’s Continent-Spanning Trains Are Running Half-Empty’, *Foreign Policy*, 2017 <<https://foreignpolicy.com/2017/06/05/chinas-continent-spanning-trains-are-running-half-empty-one-belt-one-road-bri/>> [accessed 29 July 2018].

³⁸⁰ Jacopo Maria Pepe, *Beyond Energy Trade and Transport in a Reconnecting Eurasia* (Berlin: Springer Berlin Heidelberg, 2016), pp. 157–58.

Containerization has enormous effect on globalization. Paul Krugman in 2010 stated:

The ability to ship things long distances fairly cheaply has been there since the steamship and the railroad. What was the big bottleneck was getting 39 things on and off the ships. A large part of the costs of international trade was taking the cargo off the ship, sorting it out, and dealing with the pilferage that always took place along the way. So, the first big thing that changed was the introduction of the container. When we think about technology that changed the world, we think about glamorous things like the internet. But if you try to figure out what happened to world trade, there is a really strong case to be made that it was the container, which could be hauled off a ship and put onto a truck or a train and moved on. It used to be the case that ports were places with thousands and thousands of longshoremen milling around loading and unloading ships. Now longshoremen are like something out of those science fiction movies in which people have disappeared and been replaced by machines.³⁸¹

When they were firstly introduced in 1960s in maritime systems. In 1970s containerization was diffused in inland transportation through the development of railroads. Another paradigm shift when intermodal operations have become available in supply chains. The number of times a container is processed increased efficiency. This shift enables the emergence of new economic systems and new forms of distribution through connecting different geographical regions by intermodal transportation.³⁸² Containerization International issued in 1970 affirmed the effect of containerization over trade connectivity: “Born of the need to reduce labor, time and handling, containerization links the manufacturer or producer with the ultimate consumer or customer. By eliminating as many as 12 separate handlings, containers minimize cargo loss or damage; speed delivery; reduce overall expenditure.”³⁸³

³⁸¹ Zouheir El-Sahli, ‘Estimating the Effects of Containerisation on World Trade’ (The University of Nottingham, 2013), pp. 39–40.

³⁸² Jean-Paul Rodrigue and Theo Notteboom, ‘The Geography of Containerization: Half a Century of Revolution, Adaptation and Diffusion’, *GeoJournal*, 74.1 (2009), 1–5 (pp. 3–4).

³⁸³ Daniel M. Bernhofen, Zouheir El-Sahli, and Richard Kneller, ‘Estimating the Effects of the Container Revolution on World Trade’, *Journal of International Economics*, 98 (2016), 36–50 (p. 38).

Global container trade amounted 140 million TEU in 2016, increasing 1.2 percent comparing to 2015.³⁸⁴ The container trade is mainly concentrated on coastlines where ports are located. It is concentrated in East Asia and South Asia, and scarce economic activity in continental Eurasia.³⁸⁵ Yet, newly built railways and roads connect coastlines with inland regions and serve as chains in the global transportation system. Container cargoes between East and West reach 25 million TEU in 2016.³⁸⁶ Despite subsidies for companies to use railway route, the maritime trade captures the gigantic share of this containerized trade. From 2011, when the first regular connections between China and Europe were introduced, 6,637 train freights were launched in both directions. The goods shipped by rail in 2016 value \$22.9 billion. It only constituted about 4 percent of overall EU-China trade. It is estimated that goods transported by train in 2020 may reach \$76.5 billion. Two thirds of freight trains are run from China to Europe, reflecting China's trade surplus with the EU.³⁸⁷ Railway container traffic from the EU to China increased from 1,300 TEU in 2010 to more than 50,000 TEU in 2016. Between 2010–2016, transit container traffic from China to the EU increased from 5,600 TEU to almost 100,000 TEU. At the end of 2017, the volume of transit container traffic across countries, which are member of Eurasian Economic Union along the China–Europe–China route reached 262,000 TEU, increasing 1.8 percent from 2016.³⁸⁸

These numbers demonstrate that although the maritime trade dominates container trade along East-West route, the numbers in container trade in inland increased in last years, substantially. This rise is thanks to development of railroads and roads on the route. In this respect, the role of transportation was emphasized by

³⁸⁴ *The Review of Maritime Transport* (New York and Geneva: United Nations Publication, 2017), p. 11.

³⁸⁵ Pepe, p. 255.

³⁸⁶ *The Review of Maritime Transport*, p. 11.

³⁸⁷ Jakub Jakóbowski, Konrad Popławski, and Marcin Kaczmarski, *The Silk Road The EU-China Rail Connections: Background, Actors, Interests* (Warsaw: Center of Eastern Studies, 2018), p. 5.

³⁸⁸ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential* (St.Petersburg: Eurasian Development Bank, 2018), p. 8.

Rodrigue as: “From a situation where transportation was a simple infrastructure permitting and supporting trade and mobility, transportation became a significant factor shaping global production and markets.”³⁸⁹ The movement of cargoes is made possible by the development in transportation system.³⁹⁰

The frequency of train freights on the New Eurasian Land Bridge is increasing. According to China Railways Container Transport Co. Ltd, the volume of container traffic did not exceed 3,500 FEU per year and regular trains only ran from China to Europe. The regular routes increased between 2014-2016. Most lines of the New Eurasian Land Bridge are used two or four times per week and some cases the frequency is higher. For example, the Duisburg–Chongqing route is operated by container trains for both directions 23–24 times per week, the Chengdu–Lodz/Nuremberg/Tilburg route 31–32 times per week. Indeed, these lines constitute 60 percent of all container trains of China-Europe.³⁹¹ These lines pass through several countries before reaching to the destinations, connecting the countries along the route. The transportation networks have lifted trade numbers of the participant countries.

Kazakhstan is an important participant country for Belt and Road route. A direct railway connection has been formed between Alashankou, located in Xinjiang and Dostyk, eastern Kazakhstan, and newly built Khorgos. Then, the route is connected to Trans-Siberian railway. Thus, Kazakhstan has become an important point in China’s connection to Europe and Russia on the New Eurasian Land Bridge. The trade number between China and Kazakhstan has also increased. The trade volume

³⁸⁹ Jean-Paul Rodrigue, ‘Transportation and Globalization’, in *Encyclopedia of Globalization*, ed. by Roland Robertson and Jan Aart Scholte (London: Routledge, 2006).

³⁹⁰ Aleksandra Kozlak, ‘Transport As A Factor And Subject Of Globalization’, ŽILINSKÁ UNIVERZITA V ŽILINE FAKULTA PREVÁDZKY A EKONOMIKY DOPRAVY A SPOJOV Katedr a Ekonomiky, 2008, 1–7 (p. 1).

³⁹¹ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, pp. 41–42.

through railway container between Kazakhstan and China is about 4,5 million tons.³⁹²

On the route of the New Eurasian Land Bridge Russia serves as a transit country through the Trans-Siberian railway. The Trans-Siberian railway constitute the backbone of the corridor. Instead of using Mongolia as link with China, however, the Trans-Siberian line is linked to China through using Kazakhstan's territories. Most containers cross Alashankou/Dostyk at Chinese-Kazakh border. Then the route uses the Trans-Siberian railway. In 2014-2016, the number of containers transported via this corridor rose from 22,000 TEU to 104,000 TEU. In 2016, it is used about 68 percent of the entire volume of China-EU-China transit transportation via Russia.³⁹³

This transportation line has had positive effect on trade connectivity between Russia-China. According to data provided by Russian Railway, railway container from Russia to China has increased by 2.5 times from 69,000 TEU in 2010 to 171,000 TEU in 2016.³⁹⁴ Railway container traffic from China to Russia has amounted to 200–250,000 TEU per year. As a result of increase in trade relations, Russia even expressed its desire to connect the Trans-Siberian railway with Gwadar port in Pakistan.³⁹⁵ This demonstrates Russia's willingness in participating in more corridors within the Belt and Road Initiative.

Within the New Eurasian Land Bridge, another ambitious project was laid out to connect Moscow to Beijing through a 4,350-mile high-speed rail. This will reduce journey time from 6 days to 2 days. The project would cost more than \$230 billion. China and Russia are working to conclude an agreement on the construction of a \$15 billion, 435-mile high speed rail line between Moscow and Kazan as an initial

³⁹² *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, p. 20.

³⁹³ Jakóbowski, Popławski, and Kaczmarski, p. 40.

³⁹⁴ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, p. 20.

³⁹⁵ Wade Shepard, 'Russia Is In A Unique Position To Either Make Or Break The New Silk Road', *Forbes*, 2017 <<https://www.forbes.com/sites/wadeshepard/2017/03/13/russia-the-lynchpin-or-bottleneck-of-the-new-silk-road/#f81c0f5763be>> [accessed 31 July 2018].

attempt to advance this project.³⁹⁶ The design was carried out by the collaboration of a consortium of companies consisting of OJSC Mosgiprotrans, OJSC Nizhegorodmetropunkt and China Railway Eryuan Engineering Group Co. Ltd. seven Russian regions (Moscow, Moscow, Vladimir, Nizhny Novgorod oblasts, the Republic of Chuvashia, the Republic of Mari El and the Republic of Tatarstan) will be on this line. 15 stops are set up in five cities. (Moscow, Vladimir, Nizhny Novgorod, Cheboksary, Kazan) and ten small cities. This high-speed line will be on the Eurasia rail corridor as part of the Berlin-Moscow-Beijing high-speed railway line.³⁹⁷

Besides railway connections, the programme *Development of the Russian Transport System* was prepared by Russian Railways to support land freight traffic along the EU-EAEU-China axis. In line with this programme creation of TLC network was initiated. It consists of more than 50 TLCs and their satellites, plus renovated railway infrastructure facilities joined together by regular container trains.³⁹⁸

There is another route between China and Russia which is not part of the New Eurasian Land Bridge. The Grodekovo-Suifenhe (Russia/China) international crossing has a potential to link China with Europe. Through the Primorye-1 International Transport Corridor Chinese container cargoes go through ports of Vladivostok and Vostochny. Container transshipment time in Suifenhe has decreased to four hours and the annual transportation capacity has increased from 50,000 TEU to 300,000 TEU. As container trains increase, this line may be linked to Trans-Siberian Railway/Baikal-Amur Mainline.³⁹⁹ All these lines, subsequently,

³⁹⁶ Gai Luft, *Silk Road 2.0: US Strategy toward China's Belt and Road Initiative* (Washington D.C.: Atlantic Council, 2017), p. 35.

³⁹⁷ Iuliia Tore, ‘Russian Railways to Implement Moscow-Kazan High-Speed Rail Project’, *RusTourismNews*, 2018 <<https://www.rustourismnews.com/2018/05/28/russian-railways-to-implement-moscow-kazan-high-speed-rail-project/>> [accessed 9 August 2018].

³⁹⁸ Vitaly Lobyrev and others, *Belt and Road Transport Corridors: Barriers and Investments*, Eurasian Development Bank, 2018, p.21.

³⁹⁹ Lobyrev and et al., p. 24.

could be integrated into the New Eurasian Land Bridge, broadening the scope of the corridor.

Russia also proposed an alternative route to bolster unity among members of Eurasian Economic Union. This route passes through Kazakhstan, to Orenburg, Kazan and Nizhny Novgorod, bypassing Moscow through the newly constructed Central Ring Road. Then it continues either through Belarus to Poland or St. Petersburg to Finland.⁴⁰⁰ Belarus and Kazakhstan are members of the Eurasian Economic Union. In fact, the Customs Union, later evolved into Eurasian Economic Union, is important for global companies in that it lessened bureaucratic requirements for transportation of goods. Once customs formalities are completed at the external of EEU state, the cargo can freely move freely within EEU borders. Therefore, containers on the New Eurasian Land Bridge route are subjected to customs and border inspection only at the Kazakhstan-China border and the Belarus- Poland border.⁴⁰¹ Ronald Kleijwegt HP's director of logistics commented that:

The biggest breakthrough when Kazakhstan and Russia together with Belarus did sign the Customs Union. Why this was a breakthrough was because originally you had to cross borders between Kazakhstan and Russia, [where] by default there was a 10% physical inspection required. Which means on a container train of 50 containers you'd have five containers for physical inspection, which at least will take two days or more.⁴⁰²

Thus, Eurasian Economic Union facilitated the New Eurasian Land Bridge by setting up custom union among its members. On 8th May, 2015, in Moscow, President Xi and President Putin signed a statement linking the Belt and Road Initiative with Eurasian Economic Union. This document pledged to create a joint economic space in Eurasia. China has recognized EEU, indicating that it will deal with its supranational body instead of member states individually. The issue of free trade agreement, however, was delayed. It was decided that it would be discussed in

⁴⁰⁰ Vladislav Inozemtsev, 'One Belt, One Road: Russian Dreams Exceed Reality', *The Jamestown Foundation*, 2017 <<https://jamestown.org/program/one-belt-one-road-russian-dreams-exceed-reality/>> [accessed 31 July 2018].

⁴⁰¹ Lobyrev and et al., p. 24.

⁴⁰² Shepard, 'Russia Is In A Unique Position To Either Make Or Break The New Silk Road'.

distant future.⁴⁰³ Nonetheless, Russia forms the backbone of the New Eurasian Land Bridge.

Central and Eastern European countries, on the other hand, are core actors in linking European and Asian markets. The lines on the New Eurasian Land Bridge pass through Belarus and Poland after Russia. These countries are connected to China economically and politically. In 2016, trade volume between China and Central European countries rose to \$58.7 billion. The share of trade between these parties amounts to approximately 10 percent of total China-EU trade. The investment of China increased \$8 billion to these countries.⁴⁰⁴ The political collaboration, on the other hand, is materialized in the establishment of CEE 16+China in 2012. It is composed of 11 EU Member States and 5 Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia) in the fields of investments, transportation, finance, science, education, and culture. In the framework of the initiative, China has identified three potential priority areas for economic cooperation: infrastructure, high technologies, and green technologies.⁴⁰⁵ In 2016 at the meeting in Riga, these aims were acknowledged in two documents: The Riga Guidelines, which is a roadmap for events in the 16+1 format in 2017; and the Riga Declaration, which declares the intention of intensifying cooperation in the development of ports, transportation corridors and infrastructure.⁴⁰⁶

⁴⁰³ Alexander Gabuev, ‘Post-Soviet States Jostle For Role in One Belt One Road Initiative’, *Carnegie Moscow*, 2015 <<https://carnegie.ru/2015/08/06/post-soviet-states-jostle-for-role-in-one-belt-one-road-initiative-pub-60997>> [accessed 31 July 2018].

⁴⁰⁴ Huang Ping and Liu Zuokui, *How the 16+1 Cooperation Promotes the Belt and Road Initiative* (Reading: Paths International Ltd., 2017), pp. 40–41.

⁴⁰⁵ ‘About 16+1’, *Ceeek-China-Latvia*, 2017 <<http://ceec-china-latvia.org/about>> [accessed 2 August 2018].

⁴⁰⁶ ‘The Meeting of Heads of Government of Central and Eastern European Countries and China Concluded in Riga’, *Minister of Foreign Affairs of the Republic of Latvia*, 2016 <<http://www.mfa.gov.lv/en/news/latest-news/55295-the-meeting-of-heads-of-government-of-central-and-eastern-european-countries-and-china-concluded-in-riga>> [accessed 2 August 2018].

Among Central European countries, Poland is the heartland of the route, which connects China and Europe. Transportation connectivity evolved into strategic partnership between China and Poland. In the state visit to Poland in 2016, the President Xi urged two countries to transform their political trust into tangible achievements of sustainable practical cooperation, hoping their cooperative projects, including China-Europe freight train service, could play a pilot role in the joint construction of the Belt and Road and enhance China-Poland inter-connectivity as well as industrial capacity cooperation. He also called for developing people-to-people connectivity and cultural exchanges.⁴⁰⁷ Another example of the spillover effects of infrastructural connectivity in Central and Eastern Europe is Belarus. Belarus is on the route of the New Eurasian Land Bridge. This transportation link led to increase in Chinese economic investment. It rose from \$19 million in 2011 to \$232 million in 2017. In 2017, China and Belarus signed a deal, which enabled Belarus to export beef and poultry to China.⁴⁰⁸ According to data provided by Russian Railway, until a direct land connection was set up almost all Belarus-China train trade had been made by multimodal transportation by through Baltic Sea ports. The direct inland line, which carries container from Belarus and China has been built, passing through Russian territories. The volume of railway-carried Belarus to China through Russia and Kazakhstan increased from 2-8,000 tons to Belarusian import railway freight traffic from China transiting through Russia and Kazakhstan considerably increased to exceed 60,000 tons, which corresponds 10 percent Belarusian imports from China in 2016.⁴⁰⁹

Thus, Eurasian railways are connecting China and Europe in an unprecedented scale. The journey time has reduced to approximately two weeks. Although global companies which moved their productions to China were the initiators of the routes

⁴⁰⁷ ‘China, Poland Lift Ties to Comprehensive Strategic Partnership’, *Xinhuanet*, 2016 <http://www.xinhuanet.com/english/2016-06/21/c_135452132.htm> [accessed 3 August 2018].

⁴⁰⁸ ‘Belt and Road Initiative: The Role of Belarus’, *HKTDC*, 2018 <<http://hkmb.hktdc.com/en/1X0ADPHG/hktdc-research/Belt-and-Road-Initiative-The-Role-of-Belarus>> [accessed 3 August 2018].

⁴⁰⁹ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, p. 22.

on the New Eurasian Land Bridge, local governments and China's central government enabled the establishment of the transportation networks by negotiating with other governments along the route. The countries on the route are welcoming these lines, hoping that they would increase their trade and financial connectivity with China, which is the second largest economy. In fact, many countries' trade volumes have increased once the transportation lines became operational. However, the operationalization of the New Eurasian Land Bridge is not perfect. Although the New Eurasian Land Bridge is the only corridor that is almost completed in the Belt and Road Initiative, there are problems in the lines, which affect the functioning of the corridor. These factors include prevailing sea trade over railroads that reduces profitability of the railroad routes, delays and ineffectiveness at border crossing that cause time and money costs for businessmen, corruption, the lack of visibility of goods being transported through railroads that affect security, and discrepancy between law systems among countries.

5. 4. Hurdles of the New Eurasian Land Bridge

The percentage of the use of railways for export and import between China and Europe is still smaller than road and ship transportation. The transportation by shipment is the still most preferred way of transportation by global companies. The attractiveness of railroad transportation is still low. Even the transportation by air despite its expensiveness doubles the railroad transportation. The total value of railroad transportation lagged behind of the total value of ship and air transportation. The data provided by TEPAV demonstrate the statistics of the percentages and value of the goods these modes of transportation between trade the European Union and China.

Table 3. Modes of Transportation Between EU and China⁴¹⁰

Exports			Imports		
	Volume	Weight		Volume	Weight
Sea	€ 213.7 billion	90.80%	Sea	€101.9 billion	96.40%
Air	€ 83.4 billion	2%	Air	€52.5 billion	1.50%
Road	€27.7 billion	4.40%	Road	€3.5 billion	1.30%
Rail	€5.6 billion	1%	Rail	€4.5 billion	0.80%
Total	€342.5 billion		Total	€162 billion	

These data show that despite the start of the operation of railway lines on the New Eurasian Land Bridge, only 1 percent of the total trade has occurred through railway lines. It is true that only few years have passed since the operationalization of railway lines have started so only few producers and companies use these lines. Nevertheless, there are additional factors that cause delays and additional costs that reduce the attractiveness of the railway lines on the corridor.

First factor, which lengthens the transport time is the differences between rail gauges. Russia and Kazakhstan use rail gauge Soviet standard (1520 millimeters) which is different from Chinese and European railways (1,435 millimeters). Therefore, train freights must be changed at Chinese-Kazakhstan border, and then again Belarus-Poland border. This causes additional costs and transportation costs, reducing the attractiveness of the corridor. BBC reporter Carrie Gracier reports the complaints of companies that use the corridor:

Critics say dragging 50 containers from Yiwu to Europe by train is a poor way to start, observing that rail makes little economic sense when you can easily shift 10,000 containers on a single ship. Even with government subsidies the train

⁴¹⁰ Feride Inan and Diana Yayloyan, *New Economic Corridors in the South Caucasus and the Chinese One Belt One Road* (Istanbul: The Economic Policy Research Foundation of Turkey (TEPAV), 2018), p. 26.

costs more than twice as much as sea freight, and is slowed by changes of railway gauge and engine.⁴¹¹

Realizing the problems that different railway gauges brought, China negotiated with countries to change tracks and tried to convince other EEU countries to use international standards.⁴¹² However, this proposal was not welcomed. Kazakhstan has signed the Joint Declaration towards unified railway law within the frame of Eurasian Economic Union. This solidified Kazakhstan's further integration with the rail system used by Russia.⁴¹³

Another plan for this problem is track changing trains for different gauge systems. Liu Hualong, who is the Chairman of China Railway Rolling Stock Corporation Limited (CRRC) announced the plans of manufacturing locomotives, which can speed up 400 kilometers per hour and change tracks. It expedites rail transportation between regions, which use different rail gauges.⁴¹⁴ This makes transportation of goods faster, alleviating the disadvantage caused by different rail gauge. Still, these trains must be produced in significant numbers to function effectively on the corridor.

Second problem is underuse of capacity of the lines. More than half of trains run empty on the corridor. Until 2017, 6,235 trips have been made between China and Europe. Only 3,271 trains have been filled with cargo.⁴¹⁵ In 2017, the total number of trains rose to 3,700 (2,400 from China to Europe, and 1,300 from Europe to

⁴¹¹Carrie Gracie, ‘Tales from the New Silk Road’, BBC, 2017 <https://www.bbc.co.uk/news/resources/idt-sh/new_silk_road> [accessed 5 August 2018].

⁴¹² Alexander Kim, ‘China and the Silk Road: Marching Westward’, *The Jamestown Foundation*, 2014 <<https://jamestown.org/program/china-and-the-silk-road-marching-westward/>> [accessed 12 May 2017].

⁴¹³ Shang-Su Wu, ‘China’s One-Track Mind in Kazakhstan’, *Asia & The Pacific Policy Society*, 2018 <<https://www.policyforum.net/chinas-one-track-mind-kazakhstan/>> [accessed 5 August 2018].

⁴¹⁴ ‘China to Develop Track Changing Trains to Handle Different OBOR Gauges’, *China Briefing*, 2017 <<http://www.china-briefing.com/news/2017/05/15/china-to-develop-track-changing-trains-to-handle-different-obor-gauges.html>> [accessed 5 August 2018].

⁴¹⁵ Sun Wenyu, ‘3,271 Cargo Train Trips between China, Europe Made in First 11 Months of 2017’, *People China*, 2017 <<http://en.people.cn/n3/2017/1227/c90000-9309156.html>>.

China).⁴¹⁶ The number of trains, which runs from China to Europe are almost twice the number of trains, which runs from Europe to China.

Food imports from Europe may potentially turn the lines more profitable. However, several factors inhibit the development of this trade. Each container needs to endure huge temperature differences, this might create problems for rail freight, which lacks the climate control facilities. Furthermore, due to crisis between Russia and Europe over the Ukraine crisis Russia imposed a ban on the import and the transportation of European food through its territory.⁴¹⁷ Due to these factors which limited the profitability of the lines on the corridor, the short-term solution was to subsidize the lines. Chinese local governments and central government subsidize the lines to compete with ship transportation, predicting that it will bring profits in the future.

Much of under capacity is due to inefficiency and lack of capacity on transportation networks on the New Eurasian Land Bridge. This inefficiency problem is especially visible at the crossing point Brest (Belarus)-Malaszewicze (Poland), which is the crossing point for almost all seven lines. Currently, the Polish side processes only 9–10 trains per day instead of the negotiated 14 trains. Poland anticipates that completion of the modernization of Polish railway infrastructure will alleviate the current situation with respect to processing container trains. These projects are the railway connecting Masovian and Lodz provinces, Czempipiń-Poznań railway, part of the Baltic-Adriatic Corridor of the trans-European TEN-T Network, the Pomorze region, another part of the Baltic-Adriatic Corridor, the modernization of several sections of the Trzebinia-Zebrzydowice route. All these development projects focus on the improvement of North-South axis instead of East-West route.⁴¹⁸ Therefore, their contribution in resolving bottlenecks experienced on the New Eurasian Land Bridge lines are doubtful.

⁴¹⁶ Lobyrev and et al., p. 14.

⁴¹⁷ Brinza.

⁴¹⁸ Lobyrev and et al., pp. 14–15.

This lack of infrastructural development at Brest-Malaszewicze resulted in bottlenecks on the corridor. In 2017, more than 3,500 cars were detained at this crossing point. Global companies which use this corridor expressed their concern. According to HP representatives, the company's trains running from Chongqing to Duisburg may have to wait for the crossing for two or three days, while trains running from other Chinese cities may be delayed by 5–6 days.⁴¹⁹ Belarus has commenced an infrastructure development plan to improve Brest station. There is also an improvement plan at Bruzgi station and Swislocz crossing point to boost the processing capacity of West-East-West freight traffic.

There are other restrictions, which increase transportation time along the New Eurasian Land Bridge corridor. Differences of train lengths and the low speed of train freight are additional factors, which cause inefficiency. In Russia the train freight length limit is 994 m, and in Belarus 910 m, on the other hand in Poland length limit to 600 m. Thus, when trains arrive in Poland, they have to be split up. While some parts of train freights continue on their journey, the others have to wait. The speed differences, on the other hand, along the route also increase delivery time. Container trains maintain 41 km/h throughout the EEU countries while they may travel at 80 km/h in China. Furthermore, they have to slowdown when they enter EU countries. Container trains travel at an average speed of 18.2 km/h in Poland.⁴²⁰ Thus, the disuniformity concerning container length and speed limits impedes the flow of goods and people.

The problems listed above are related with different level of development of hard infrastructure on the New Eurasian Land Bridge. The lack of infrastructure development at one point on the route affects the efficiency of the corridor by increasing economic costs and transportation time. To address the problems existed along the route, the investments to improve East-West container routes are necessary. The infrastructure problem is especially visible in Belarus and Poland. It is unrealistic to expect these countries to invest in the development of these lines to

⁴¹⁹ Lobyrev and et al., p. 15.

⁴²⁰ Lobyrev and et al., p. 9.

ensure smooth functioning of the New Eurasian Land Bridge. China may take steps to coordinate these problems related with hard infrastructure. On the other hand, besides hard infrastructure capacity problems, the problems related with soft infrastructure, which refer institutional, economic, and legal systems exist on the corridor, affecting the movement of containers.

The biggest soft infrastructural problem is lack of visibility of the goods being transported across the Belt and Road route. The World Economic Forum in collaboration with Bain & Company prepared a report which articulated this obstacle. It is stated that there is a scarcity of real-time tracking information and the information provided are insufficient and unstructured. This complicates goods' arrival time and planning of operations in advance.⁴²¹

This problem has been addressed by proposing the enhancement of digital connectivity on Belt and Road corridors. Digital connectivity is complementary of transportation connectivity in advancing globalization process. In the 21st century, for the advancement of globalization, digital infrastructure has become equally critical for ensuring flows along with transportation infrastructure. Digital platforms are key in managing suppliers, sharing information, and connecting to customers.⁴²² The role of digitalization in advancing new kind of globalization is being recognized. The movement of data is replacing traditional physical trade. For instance, from 2004 to 2016 the bandwidth increased 13 times. It is expected to grow seven times by 2023. Skype calls corresponds 40 percent of all phone calls. This rise also supports transportation and trade flows. Companies can reduce costs approximately 30 percent by attaching sensors on containers.⁴²³

Digital connectivity along the Belt and Road Initiative is proposed to increase security and tracking of the goods transported. The "Beijing Declaration on Earth

⁴²¹ *How Technology Can Unlock the Growth Potential along the New Silk Road*. World Economic Forum (Davos, 2017), p. 5.

⁴²² James Manyika and others, *Digital Globalization: The New Era of Global Flows* (McKinsey & Company, New York, 2016), pp. 11–12.

⁴²³ Susan Lund and Laura Tyson, 'Globalization Is Not in Retreat Digital Technology and the Future of Trade', *Foreign Affairs*, 2016 <<https://www.foreignaffairs.com/articles/world/2018-04-16/globalization-not-retreat>> [accessed 24 March 2018].

Observation for Belt and Road”, released in May 2016, called for the implementation of the “Digital Belt and Road” Program, a science and technology partnership for optimal use of EOST and “Big Earth Data” applications for the sustainable development for the Belt and Road countries.⁴²⁴ Distributed Ledger Technology (DLT) which uses block-chain technology, under Digital Belt and Road project, has been offered to increase visibility and tracking of the goods in the Belt and Road Initiative.⁴²⁵ These application enable real-time tracking of the goods being transported.

DHL has already started to use this technology in its containers from Zhengzhou-Hamburg line. GPS tracking of trucks provides DHL and its customers with real-time tracking on goods, everything from vehicle speed to whether seals or locks have been unlocked.⁴²⁶ The train freight from Chongqing to Duisburg has already started to use GPS tracking system and an alarm function.⁴²⁷ This suggests some of the lines have already started implementing GPS digital tracking system on the corridor.

China, on the other hand, wants to use its own tracking system on Belt and Road route, which would challenge the prevalence of GPS. In December 2016, China launched a satellite system called Beidou-2, which would rival to the U.S. Global Positioning System, with satellites providing the digital glue for the roads, railways, ports and industrial parks that China intends to build. Beidou satellite network has 14 working satellites. It will consist of 35 satellites when it is completed. The policy paper, issued by the State Information Office, says China aims to set up a Belt and Road Initiative Space Information Corridor over the next five years. The system has

⁴²⁴ DBAR. *A Science Plan for Digital Belt and Road Program (DBAR): An International Science Program for Sustainable Development of the Belt and Road Region Using Big Earth Data*. (Beijing: Digital Belt and Road Program Secretariat, 2017), p. 1.

⁴²⁵ *How Technology Can Unlock the Growth Potential along the New Silk Road*, p. 5.

⁴²⁶ ‘Belt and Road’: What You Need to Know (Singapore: DHL Global Forwarding Asia Pacific, 2017), p. 18.

⁴²⁷ ‘Rail Fraight – From China to Europe’, TBN Logistik&Trade GmbH, 2018 <<https://tbngroup.de/en/international-forwarding-hamburg/rail-fraight-from-china-to-europe/>> [accessed 7 August 2018].

applications across many areas including transportation systems, fisheries management and power distribution. Although this system intends to deliver global coverage in 2020, the policy paper states, the Belt and Road Initiative will be first to benefit from Beidou's achievements.⁴²⁸ Policy paper concerning China's space activities states that:

Construction of the Belt and Road Initiative Space Information Corridor, including earth observation, communications and broadcasting, navigation and positioning, and other types of satellite-related development; ground and application system construction; and application product development.⁴²⁹

With the launch of Beidou satellite system, China will offer more advanced and convenient system to Belt and Road countries. According to Tong Xudong, a senior official of the State Administration for Science, Technology, and Industry for National Defense, the Belt and Road Space Information Corridor is an important approach to guarantee the connectivity of facilities and the smooth flow of trade.⁴³⁰ Indeed, the development of satellite system encourages deterritorialization and connectivity across its route. Professor Guo Huadong, member of both the Chinese Academic Sciences and the World Academy of Sciences, said that: "Countries have borders; Earth observations don't."⁴³¹

Establishing a satellite system is one leg of the digital connectivity. As much as building road and rails, constructing digital infrastructure raises economic and information connectivity. It is suggested in the World Economic Forum in 2014, 10 percent increase in internet integration leads to 1.2 percent in per capital GPD

⁴²⁸ Trefor Moss, 'China's "One Belt, One Road" Takes to Space', *The Walt Street Journal*, 2016 <<https://blogs.wsj.com/chinarealtime/2016/12/28/chinas-one-belt-one-road-takes-to-space/>>[accessed 12 January 2018].

⁴²⁹ 'Full Text: China's Space Activities in 2016', *Xinhuanet*, 2016.

⁴³⁰ 'China to Share Satellite Resources with Belt and Road Countries', *Sputnik*, 2017 <<https://sputniknews.com/asia/201709151057406016-china-share-satellite-resources-belt-road-countries/>> [accessed 9 November 2017].

⁴³¹ Song Jianlan, 'DBAR Initiative: Big Earth Data for "Belt and Road" Development', *Int'l Cooperation*, 30.2 (2016), 99–105 (p. 101).

growth in developing countries.⁴³² According to ranking the International Telecommunication Union (ITU), most of Belt and Road countries are in the bottom one-third of 175 countries. These countries are mainly Central Asian countries.⁴³³ Legging behind in terms of internet connection, these countries are disintegrated from digital world. The Belt and Road Initiative also aims at remedying this problem. These countries' digital connection is currently realized through Suez Canal. Since a narrow maritime canal contains too many cables, regular disruptions are being experienced. The Belt and Road Initiative envisions building terrestrial cable while building roads and rails on the route.⁴³⁴ Wang Yiwea, a professor from Renmin University, connects the development of Internet technologies with the progress in the Belt and Road Initiative. Landlocked and developing countries are linked to global economy through big data connection and Internet technologies.⁴³⁵

Physical infrastructure is being supported by terrestrial cable which will enhance the connectivity on the corridor besides physical connectivity. A director of Chinese Huwai technological company stresses that the Belt and Road Initiative not only develops targeted technological areas but also non-digital transportation infrastructure such as pipelines, roads, and railways by achieving system integration.⁴³⁶ This feature has been highlighted in the official papers. The State Council's Guidance Paper promotes Internet+ policy, which suggests the expansion of the newest internet technology such as Internet of Things and cloud computing by Chinese companies. It advocates the use of Internet + in financial, industrial, and

⁴³² Ben Shenglin and others, *Digital Infrastructure: Overcoming the Digital Divide in Emerging Economies*, 2017, (G-20 Insights) p. 2.

⁴³³ Sanchita Basu Das, *OBOR's Digital Connectivity Offers Both Benefits and Risks* (Yusof Ishak Institute, Singapore, 2017), p. 6.

⁴³⁴ Nadège Rolland, 'A Fiber-Optic Silk Road', *The Diplomat*, 2015 <<https://thediplomat.com/2015/04/a-fiber-optic-silk-road/>> [accessed 24 March 2019].

⁴³⁵ Hong Shen, 'Building a Digital Silk Road? Situating the Internet in China's Belt and Road Initiative', *International Journal of Communication*, 12 (2018), 2683–2701 (p. 2693).

⁴³⁶ Shen, p. 2687.

transportation sectors.⁴³⁷ In fact, Chinese tech companies have targeted Belt and Road countries to broaden their operations. Alibaba Cloud reported that its service increased 400 percent in global market, mainly in Belt and Road market. China Mobile has expanded to 53 countries with 99 LTD networks. 39 of 99 networks and 21 of 53 countries are Belt and Road participants.⁴³⁸ These undertakings are manifestations of the President Xi's statement regarding China's new self-declared leadership status of globalization. The digital connectivity of the region adjacent to China is being set up by China's guidance.

The development of digital connectivity along the corridor would also help resolve of lengthy custom procedures. Professor Richard Griffiths estimates that custom procedures are responsible for up to 80 percent of delays. Thus, reducing this red tape can result in rapid improvements. For instance, the custom union among EEU members fastened the route by five days. The endeavors of automation of custom procedures through Digital Silk Road, which would decrease time of transportation of goods for European or Chinese customers. The pilot project was initiated in Malaysia, where China's Alibaba launched a Digital Free Zone. This trade platform helps small and middle-sized companies to find trading partners, managing cargo authorization, and smoothly navigate the custom procedures.⁴³⁹ If this application is integrated into the New Eurasian Land Bridge corridor, custom procedures would be navigated in a way that the delays will be minimum.

China has also taken steps towards lessening custom procedures with the accession of UN TIR (*Transports Internationaux Routiers* or “International Road Transports) which is a multilateral treaty that streamlines administration for international road transportation. China signed the convention in 2016 and became operational on May 18, 2018. The TIR Convention is an international customs

⁴³⁷ ‘State Council’s Guidance on Actively Promoting the “Internet +” Action’, *The State Council The People’s Republic of China*, 2015 <http://www.gov.cn/zhengce/content/2015-07/04/content_10002.htm> [accessed 24 March 2019].

⁴³⁸ Shen, p. 2689.

⁴³⁹ Grzegorz Stec, ‘The Invisible Silk Road: Enter the Digital Dragon’, *European Institute for Asian Studies*, 2018 <<https://www.eias.org/eu-asia-at-a-glance/the-invisible-silk-road-enter-the-digital-dragon-may-2018/>> [accessed 7 August 2018].

transit system to move goods sealed vehicles or containers without intensive checks from one custom point to another custom point. It accommodates road, rail, and, inland waterway transit. It is estimated that the use of TIR by China would increase the total trade volume among China and other Belt and Road countries by up to \$13.6 billion.⁴⁴⁰ It also shortens transport time by offering time savings up to 80 percent.⁴⁴¹ UNECE Executive Secretary Christian Friis Bach commented on the positive effects of TIR on the Belt and Road Initiative:

China's accession to the TIR Convention will open new efficient and faster transport opportunities and transport routes between China and Europe. It can become a real game changer for international trade and is a strong contribution to the Chinese vision for "One Road One Belt". We warmly welcome China to the TIR Convention and look forward to working closely with China and all TIR contracting partners to turn this decision into strong opportunities for trade, transport and economic growth.⁴⁴²

All these developments in digital area will increase visibility and security of transportation of goods along the New Eurasian Land Bridge corridor. The concerns about navigation and security of goods led to the integration of digital technology into Belt and Road infrastructure. Yet, this enhancement also has geopolitical consequence in that China lays out a project in which Chinese digital companies will play major role. These companies' close relationship with Chinese state causes other countries to wary about their activities in abroad. This close relationship invites scrutiny by other governments. For instance, Huwai has been banned in the USA and some Western countries.⁴⁴³ This ban may jeopardize the spread of the

⁴⁴⁰ 'China Joins TIR Convention, Opens up Borders to International Trucking', *China Briefing*, 2018 <<http://www.china-briefing.com/news/2018/05/24/china-joins-tir-convention-opens-borders-international-trucking.html>> [accessed 9 August 2018].

⁴⁴¹ 'First TIR Transports in China Advance Belt and Road Prospects', *World Road Transportation Organization*, 2018 <<https://www.irus.org/resources/newsroom/first-tir-transports-china-advance-belt-and-road-prospects>> [accessed 9 August 2018].

⁴⁴² 'China's Accession to the United Nations TIR Convention Opens Prospects for New International Trade Routes', *UNECE*, 2016 <<https://www.unece.org/info/media/presscurrent-press-h/transport/2016/chinas-accession-to-the-united-nations-tir-convention-opens-prospects-for-new-international-trade-routes/doc.html>> [accessed 9 August 2018].

⁴⁴³ Deborah Lehr, 'How the US-China Tech Wars Will Impact the Developing World', *The Diplomat*, 2019 <<https://thediplomat.com/2019/02/how-the-us-china-tech-wars-will-impact-the-developing-world/>> [accessed 24 March 2019].

investments of China's tech companies because the ban on Chinese tech companies in Western market, the countries, which need technological investments would have to choose between Chinese or Western companies. Moreover, the concerns about these tech companies' close ties with Chinese government may exacerbate the fear of Chinese spying. The countries will be less willing to welcome Chinese technological investments, doubting that the data would be in possession of Chinese government.

The final major obstacle is differences between law systems on the corridor. Belt and Road corridor allow the multinational companies conduct their activities in territories across Eurasia. However, there are different legal regimes on the same corridor. These differences might complicate the procedures and conflicts of interest arise from the contracts related with Belt and Road. In European countries, freight traffic is regulated by the Convention concerning International Carriage by Rail (COTIF). On the other hand, other participants of the Belt and Road, which are CIS countries, the Baltic states, Albania, Iran, the PRC, Vietnam, Mongolia, Hungary, and Slovakia use the Agreement on International Goods Transport by Rail (SMGS).⁴⁴⁴ Therefore, cargoes transferred on the route are subject two legal system throughout their journey. This increases complexity in transporting cargoes, constituting a challenge of the flow of trade on the corridor.

This problem is germane to the discussions concerning deterritorialization of law. Catherine Bröllman defines deterritorialization as “detachment of regulatory authority from a specific territory”. She argues that norm-setting authority is not bounded in territory in that networks transcending nation-state boundaries have started to adopt a norm-setting authority besides states.⁴⁴⁵ The law community discusses how global actors such as transnational companies and legal experts construct, practices, and arrange create a set of norms, blending geographic areas

⁴⁴⁴ Lobyrev and et al., p. 25.

⁴⁴⁵ Catherine Bröllmann, ‘Deterritorializing International Law: Moving Away from the Divide between National and International Law’, in *New Perspectives on the Divide Between National and International Law*, ed. by Andre Nollkaemper and Janne E. Nijmann (Oxford: Oxford University Press (OUP), 2007), pp. 84–109 (p. 91).

with legal traditions such as Continental Law and Common Law. These participants consider managing their transactions across territorial borders.⁴⁴⁶ The endeavor of transnational actors to maximize their interest leads to the emergence of regulatory or hybridization in which these actors choose relevant laws including international treaties, domestic laws, and self-regulatory mechanisms in conducting their engagements.⁴⁴⁷

In this respect, the Chinese National Railway Administration announced that, as of May 1, 2017, all transcontinental container freight traffic would use CIM/SMGS consignment Note. It is a common consignment note and custom procedure issued by the International Rail Transport Committee. It can be used as a transit customs and bank document; reducing freight costs by the cost of drawing up a new set of documents.⁴⁴⁸ This step not only decreases freight cost and minimizes time loss, but it turns the New Eurasian Land Bridge into a common custom area where only one law system is valid. This enables the realization of a common law area along Belt and Road route. Nonetheless, this process is at only beginning stage and its development will probably take many years.

The rule of law index is also important indicators, which affect the attractiveness of the route as it guarantees the investments and rights of the investors and companies that use the route. Countries on the New Eurasian Land Bridge show discrepancies in terms of their place in the rule of law index. When Western countries are at top in the rankings, Eastern European and Central Asian countries perform poorly. The table below indicates the places of the countries along the route of the New Eurasian Land Bridge.

⁴⁴⁶ Isabelle Giraudou, ‘Through the Lenses of “Normative Spaces” A Brief Memoir on Two International Workshops Dealing with Legal Globalization’, in *Rethinking The Globalization of Law* (London: Occasional Papers, 2013), pp. 43–51 (p. 46).

⁴⁴⁷ Enrico Milano, ‘The Deterritorialization of International Law’, *European Society of International Law*, 2013 <https://esil-sedi.eu/post_name-627/#_edn3> [accessed 26 March 2019].

⁴⁴⁸ Lobyrev and et al., p. 26.

Table 4. Rule of Law Index of Countries Across New Eurasian Land Bridge⁴⁴⁹

Country	Rule of Law Index	Rank
Germany	0.83	6
United Kingdom	0.81	11
Czechia	0.74	17
Spain	0.70	23
Poland	0.67	25
Hungary	0.55	50
Kazakhstan	0.51	64
Belarus	0.51	65
China	0.50	75
Russia	0.47	89

Having realized that these discrepancies might cause problem in transactions on the New Eurasian Land Bridge, scholars and officials have been working on the creation a common law system that will cover the Belt and Road area which will oversee the disputes among parties. The adoption of British common law with Hong Kong as a legal center is the most common proposition expressed by lawyers, officials, and scholars.

Ian Ivory and Cora Kang, lawyers at Bryan Cave Leighton Paisner located in Hong Kong, praise the advantages of the application of British common law in Belt and Road area. British common law is a neutral choice in the case of transactions between Chinese companies and other companies. In the context of Belt & Road transactions, most global banks are likely to insist on the comprehensive provisions and protections of English law to help achieve this as the provisions of British common law are well-established and accepted by international parties. Many non-

⁴⁴⁹ ‘World Justice Project Rule of Law Index 2017–2018’, *World Justice Project*, 2018 <https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2018-June-Online-Edition_0.pdf> [accessed 13 August 2018].

Chinese counterparties will not be familiar with or fully understand the Chinese legal system and may not trust its courts in resolving disputes fairly. British common law, on the other hand, has already dominant position among other common law systems such as Hong Kong and New York law. It is also reasonable to expect Chinese companies and banks demand the application of British common law because they also want to protect their investments. However, there are problems. English common law is not perfect. Belt and Road transactions will involve a complex web of different Governing Laws and Jurisdictions so there is a real possibility of overlapping or even conflicting points at different levels or under different laws. Therefore, necessary adjustments must be made not to violate mandatory rules of the countries. Second, the concepts of British common law may not be familiar for those who are responsible to enforce them. Thus, necessary educations must be given to avoid judicial mistakes. Nonetheless, for now, most Chinese parties seem comfortable using English or a similar foreign law for Belt and Road transactions.⁴⁵⁰ Chinese firms' preference of the British common law, indeed, sets an important precedent for other countries to adopt and implement British common law in Belt and Road transactions.

The adoption of the Opinions on Establishing Dispute Resolution Mechanism and Institution for the Belt and Road Initiative in June 2018 by the Chinese government represents a compromise as it establishes Belt and Road related courts in China but encourages the inclusion of foreign law into its law system when hearing cases related with Belt and Road. Supreme People's Court will establish the First International Commercial Court in Shenzhen Municipality, Guangdong Province and the Second International Commercial Court in Xi'an Municipality, Shaanxi Province, in order to oversee cross-border commercial disputes. The Fourth Civil Division of the Supreme People's Court will be responsible for coordinating and supervising these two courts. This document states that needed foreign laws can be applied in cases heard in Chinese courts. It also emphasizes the education of international legal professionals, training legal experts from Belt and Road

⁴⁵⁰ Ian Ivory and Cora (Na) Kang, *English Law on China's Belt & Road* (Hong Kong: Berwin Leighton Paisner, 2016), pp. 235–39.

countries, who can speak English and are specialized in international law and international trade rules.⁴⁵¹

Thus, soft infrastructure complements hard infrastructure. Digital connectivity will alleviate problems concerning security by enabling real-time tracking of transportation of containers. The progress in minimizing custom delays will increase the attractiveness of the corridor. Legal connectivity, on the other hand, will diminish the uncertainty concerning disputes arising from the Belt and Road contracts. The establishment of international courts in China and recognition of foreign laws' applicability to Belt and Road related cases are important steps in realizing some degree of legal uniformity on the Belt and Road route.

5. 5. China-Central Asia-West Asia Corridor

While the New Eurasian Land Bridge enhances Russia's strategic position in linking China to Europe, the China-Central Asia-West Asia corridor bypasses Russia. It connects China with Central Asia directly. It also provides connection to Central Asian countries to Europe without using Russian transportation infrastructure. Along to route Central Asian transportation nodes are connected to the South Caucasus countries. Therefore, besides providing connection with Europe, this corridor also precipitates regional connectivity.

The China-Central Asia-West Asia corridor has central and southern sub-corridors. The central sub-corridor starts from Urumqi, the capital of Xinjiang. It is connected to Khorgos, and then Aktau port. Through shipping the line crosses Caspian Sea to Baku and links to Anatolia via the Baku-Tbilisi-Kars railway. The southern sub-corridor traverses Samarkand, Ashgabat and Tehran, and ends in Bendar Abbas. Another link is connected to Anatolian Peninsula and Arabian Peninsula. Thus, this sub-corridor consists of both continental and maritime roads.

⁴⁵¹ ‘Opinion Concerning the Establishment of the Belt And Road International Commercial Dispute Resolution Mechanism and Institutions’, *China International Commercial Court*, 2018 <<http://cicc.court.gov.cn/html/1/219/208/210/819.html>> [accessed 14 August 2018].

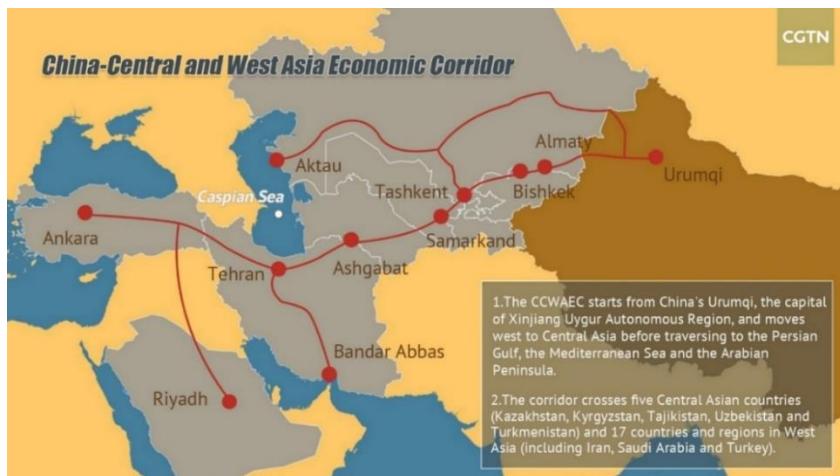


Figure 16. China-Central Asia-West Asia Corridor⁴⁵²

This corridor is an incomplete one. It covers a vast area, five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), two South Caucasus countries (Azerbaijan, Georgia), Iran, Turkey, and then connects to Bulgaria. Although many projects have been announced, the progress depends on the collaboration and political stability of the governments of these countries. Even the areas where the hard infrastructure has been built, the soft infrastructure, which complements the hard infrastructure has not developed. Nonetheless, the progresses on the corridor are observed. The following sections examine the developments on the corridor.

5. 5. 1. China

The entrepot and distribution point for the China-Central Asia-West Asia corridor is Xinjiang. It shares borders with Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Mongolia so it offers direct connectivity with Central Asian countries. Through Urumqi, it provides a railway connectivity with Kazakhstan

⁴⁵² ‘Why Is Caspian Sea Security in China’s Interest?’, CGTN, 2017 <https://news.cgtn.com/news/3349544f31557a6333566d54/share_p.html> [accessed 15 October 2017].

whereas through Kashgar it is linked with Tajikistan. Thus, Xinjiang acts as a getaway for transportation on the corridor for both sub-corridors.

Urumqi is linked with Lanzhou, located on the banks of Yangtze river, through high speed railway, which started its operations in 2015. Thus, financially rich China's east is linked with Urumqi, located at western China. From Urumqi to Khorgos, Kazakhstan, a train line had already been inaugurated in 2012. It was a second line in addition to northern route, which links China to Kazakhstan. In 2017, a high-speed railway, opened between Urumqi-Khorgos-Almaty shortened by travel time almost 25 percent.⁴⁵³ A train freight composed of 90 cars of cargo Xi'an-Baoji-Urumqi-Alashankou-Almaty route, completed its journey within six days in 2014, carrying 90 container of mechanical complementary goods, industrial materials, minerals, salts, and other products.⁴⁵⁴

5. 5. 2. Central Asia

Kazakhstan emerges as the most important link on the China-Central Asia-West Asia corridor. It is a key logistic corridor in Central Asia, which links China to Europe. The President Xi Jinping chose Astana, the capital of Kazakhstan, to announce Belt and Road Initiative on 7 September 2013. The New Eurasian Land Bridge in which Kazakhstan links China with Russia had been processing until 2013 when the announcement was made. The China-Central Asia-West Asia corridor, on the other hand, connects Kazakhstan with Europe by bypassing Russia, using the central corridor. From Kazakhstan's Aktau port the road is linked with Alyat, Azerbaijan through the Trans-Caspian travel. Increasing TEU traffic through Kazakhstan confirms Kazakhstan's increasing importance in transporting cargoes.

⁴⁵³ 'Faster Train Route Links NW China Logistics Hub to Kazakhstan', *China Daily*, 2017 <http://europe.chinadaily.com.cn/world/2017-02/26/content_28350073.htm> [accessed 17 August 2018].

⁴⁵⁴ Alexander Kim, 'China and the Silk Road: Marching Westward', *The Jamestown Foundation*, 2014 <<https://jamestown.org/program/china-and-the-silk-road-marching-westward/>> [accessed 12 May 2017].

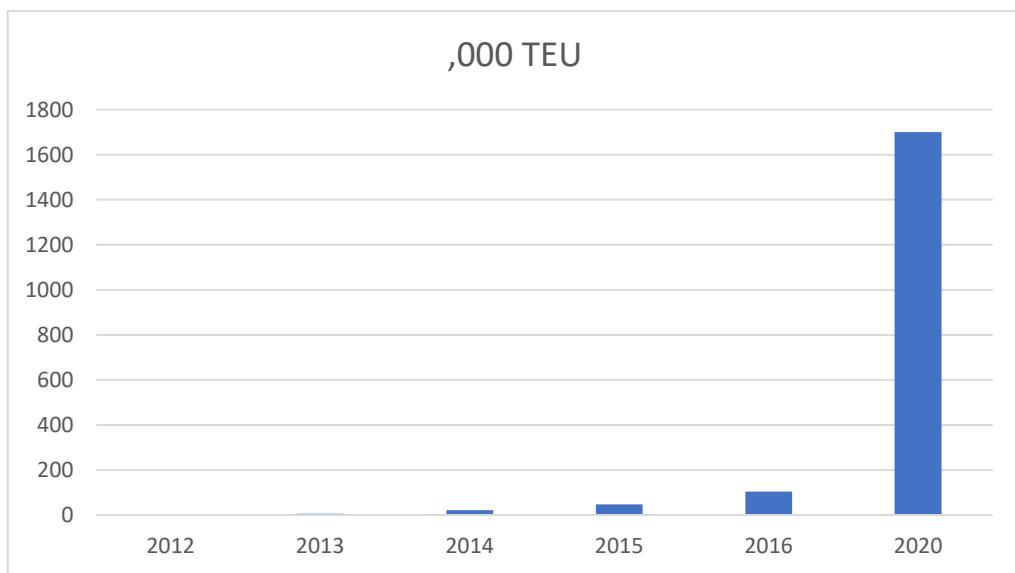


Figure 17. Container Traffic via Kazakhstan⁴⁵⁵

The New Eurasian Land Bridge has limited effect on container traffic over Kazakhstan since Russia is the main linkage country in that corridor. On the other hand, as the China-Central Asia-West corridor develops, container traffic via Kazakhstan also increases. Kazakhstan has, thus, become central hub of transportation. Kazakhstan hopes to benefit this status to develop its economy. It aims to grasp 10 percent of \$600 billion trade volume between China and Europe.⁴⁵⁶ For this attempt, Kazakhstan aims to increase transit trade to 1.7 million containers by 2020. This number corresponds 35 times rise comparing to 2015.⁴⁵⁷ Furthermore, as a landlocked country, this corridor also offers Kazakhstan an opportunity to connect Europe and China. Providing connection with sea ports also offers better export competitiveness for Kazakh producers. Some of producers have already

⁴⁵⁵ *Kazakhstan and the New Silk Road*, 2017, PwC Kazakhstan, p. 3.

⁴⁵⁶ Dmitriy Frolovskiy, ‘Kazakhstan’s China Choice’, *The Diplomat*, 2016 <<https://thediplomat.com/2016/07/kazakhstans-china-choice/>> [accessed 19 August 2018].

⁴⁵⁷ Jack Farchy, *Laptops and Frozen Chicken Take the Highspeed Way* Financial Times Special Report, (London, 2016).

started using this route. Sanzhar Yelyubayev, chief executive of KTZ Express said that US started to export chicken to Kazakhstan through Georgia, Azerbaijan and across the Caspian Sea to Kazakhstan to bypass Russia.⁴⁵⁸

This corridor is also compatible with Kazakhstan's own infrastructure development plan Lighted Path (Nurly Zhol). It is a comprehensive infrastructural development plan initiated by Kazakh government. Kazakhstan's President Nursultan Nazarbaev describes Lighted Path:

The Infrastructure Development Plan, which I want to make public today, will become the core of the New Economic Policy. It is intended to last for five years and is to run in parallel with the Second Five Year term of the Program of Accelerated Industrial and Innovative Development. More than 100 foreign companies intend to participate in its implementation. The total investment portfolio will amount to KZT6 trillion [about \$18 billion at the December 2016 exchange rate between the U.S. dollar and Kazakh Tenge], with the state contributing 15% of the total.⁴⁵⁹

In March 2015, First Deputy Minister of Investment and Development Zhenis Kasymbek also points out the connection between the Belt and Road Initiative and Nurly Zhol:

We plan to invest about \$20 billion dollars in transport infrastructure through 2020. This will focus on east-west infrastructure, including transport networks towards the Caspian and beyond to Azerbaijan, Georgia and Turkey. Much of the funds are being invested in the construction of the new Beyne-Zhezkazgan railway, as well as a second line toward China [Altynkol-Khorgos] in order to attract Chinese goods in transit toward the Persian Gulf and the Caucasus.⁴⁶⁰

Kazakhstan's Foreign Minister Erlan Idrissov and Minister of Investment and Development Zhenis Kassymbek stressed the link between Nurly Zhol and Belt and Road Initiative in 2016:

Implementation of the Nurly Zhol program will ensure the connection of the Kazakh regions to intercontinental routes Western Kazakhstan-Western Europe

⁴⁵⁸ Farchy.

⁴⁵⁹ Ramtanu Maitra, 'OBOR Brings New Life to Central Asia: Kazakhstan in Focus', *EIR*, 2016, pp. 48–53 (p. 50).

⁴⁶⁰ John C. K. Daly, 'China and Kazakhstan to Construct a Trans-Kazakhstan Railway Line From Khorgos to Aktau', *The Jamestown Foundation*, 2015 <<https://jamestown.org/program/china-and-kazakhstan-to-construct-a-trans-kazakhstan-railway-line-from-khorgos-to-aktau/>> [accessed 19 August 2018].

[and] China-Iran, and will turn Kazakhstan into a major Eurasian transport and logistics hub that will connect the North with the South, the East with the West, the countries of the European Union, the Middle East and Southeast Asia.⁴⁶¹

Yerzhan Saltybayev, director of Kazakhstan's Institute of World Economy and Policy, has also pointed out complementary aspect of Kazakh and Chinese goals: "It is connected with the Belt and Road Initiative and aimed at sustainable development. Of course, we are interested in the success of this project, and Kazakhstan is making all necessary efforts. We believe in joint development and mutual benefit."⁴⁶²

These statements reflect the aligning of Kazakhstan's own development projects with the Belt and Road Initiative. One analyst pointed out the role of Kazakhstan as the "buckle" (priazhka) in the Belt and Road Initiative, fastening the various links together.⁴⁶³ This alignment of two project supposes a mutually beneficial relations by strengthening political and economic ties.

This mutual benefit between China and Kazakhstan has invited Chinese investments to Kazakhstan. In Khorgos which an important destination of the Urumqi-Almaty railway line a special economic zone was established. Its capacity currently is 200,000 containers per year and will increase to 500,000 by 2020. Khorgos is projected to process four million tons of cargo per year. To develop the infrastructure of its surroundings China's Jiangsu province invested more than \$600 million.⁴⁶⁴ The Chinese Embassy to Kazakhstan announced that China and Kazakhstan have reached 51 agreements with the total investment amounting to

⁴⁶¹ Maitra, 'OBOR Brings New Life to Central Asia: Kazakhstan in Focus', p. 51.

⁴⁶² Yerbolat Uatkhanov, 'Interview: Kazakhstan Supports China's Initiative, Looking to Mutual Benefits', *Xinhuanet*, 4 May 2017 <http://news.xinhuanet.com/english/2017-05/04/c_136257348.htm>.

⁴⁶³ Bhavna Dave, 'Silk Road Economic Belt: Effects of China's Soft Power Diplomacy in Kazakhstan', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlene Laruelle (Washington, D.C.: The George Washington University, Central Asia Program, 2018), pp. 97–109 (p. 100).

⁴⁶⁴ Frolovskiy, 2016.

\$26,5 million. The 12 projects have already been launched, including the construction of rails for building railways and metro expansion.⁴⁶⁵

A new passenger train route was launched in 2017 connecting China and Kazakhstan, the second line between the two countries. The train departs from Urumqi, the capital of Xinjiang, ends in Astana, the capital of Kazakhstan. The route follows Almaty, Sary Shagan and Karaganda on the destination route of Astana, reducing travel time between Urumqi and Almaty by eight hours.⁴⁶⁶ The railways, thus, connect people between two countries besides goods and cargoes.

Another completed railway is the Khorgos-Zhetygen railway line, which connects Kazakhstan's Khorgos city at Chinese border with the biggest terminal Zhetygen near Almaty. This line turns Khorgos into industrial zone by connecting it with Chinese industrial points Chongqing, Chengdu, and Zhongyuan. The Khorgos-Zhentygen has enabled opening of second line between Khorgos and Lenxi.⁴⁶⁷ There is also the 988 km-long Jezkazgan-Beineu line, located in Central Kazakhstan, which cuts the length of the road through Kazakhstan to 1,000 km.⁴⁶⁸ This line shortens and strengthens Trans-Kazakhstan railway line. The Trans-Kazakh line, which is a part of Nurly Zhol, connects Eastern Kazakhstan Dostyk to Aktau, western getaway of Kazakhstan.

The port of Aktau located on the eastern shore of Caspian shore. The containers reach Aktau after crossing almost 3,550 km. It is the port which enables crossing the Caspian Sea. On 3 August 2015, the container train had covered 3,500 km from Dostyk station located at Kazakh-China border, to Aktau port, located on Caspian

⁴⁶⁵ ‘Spotlight: China-Kazakhstan Cooperation Projects Set Example for “Belt-Road” Countries’, *Xinhuanet*, 2016 <http://news.xinhuanet.com/english/2016-08/16/c_135604325.htm>.

⁴⁶⁶ ‘New Passenger Train Route Connects China, Kazakhstan’, *China Daily*, 2017 <http://www.chinadaily.com.cn/world/2017xivisitskazakhstan/2017-06/08/content_29675275.htm> [accessed 19 August].

⁴⁶⁷ Pepe, p. 417.

⁴⁶⁸ ‘Kazakhstan: A Modern Silk Road Partner’, *HKTDC*, 2016 <<http://hkmb.hktdc.com/en/1X0A50Y2/hktdc-research/Kazakhstan-A-Modern-Silk-Road-Partner>> [accessed 17 May 2017].

shore. Then this line is linked to Alyat port of Azerbaijan, and then to Baku.⁴⁶⁹ The increase in the traffic led to auxiliary ports near Aktau. The port of Kuryk, linked to Kazakhstan's railway network, a new ferry terminal near Aktau started to be built in 2016. 65,000 tons of cargo have passed along this route since the beginning of 2017.⁴⁷⁰ Myrzabek Saktaganov, director general of Kuryk port, declared that some of the goods transported through the port of Aktau was transferred to the port of Kuryk. He expected their number would be 15-20 thousand units per year.⁴⁷¹ The newly built port lessens the burden of Aktau, solidifying Kazakhstan's presence in the Caspian Sea with two main ports, which handle cargo traffic.

The heads of international sea ports came together to discuss coordination of the project related with their ports in January 2015. The representatives from railways of Kazakhstan, Azerbaijan, and Georgia also attended to the meeting. They form the Coordination Committee of the Trans-Caspian International Transport Route (TITR). The integration of Jezkazgan-Beineu line into the Trans-Kazakhstan railway along with improving the capacities of Kazakhstan's Aktau seaport were reviewed. The delegations also decided to coordinate container transportation along the China-Kazakhstan-Azerbaijan-Georgia-Turkey land and sea routes, and to establish competitive rates to transportation goods across TITR member states. They also agreed to set a rate to organize container transportation of goods across the TITR.⁴⁷² This meeting is very significant in that the various infrastructure projects have been supported by soft infrastructural measures such as coordination on organization of routes and establishing a common rate for cargo transportation. These developments

⁴⁶⁹ Pepe, p. 417.

⁴⁷⁰ Madina Bizhanova, 'Can the Silk Road Revive Agriculture? Kazakhstan's Challenges in Attaining Economic Diversification', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 51–67 (p. 65).

⁴⁷¹ 'Kuryk Port Development Http://Kazakh-Tv.Kz/En/View/Business/Page_187936_kuryk-Port-Development Any Use of the Site Materials Is Allowed with the Active Hyperlink to Kazakh-Tv.Kz.', *Kazakh-Tv*, 2017 <http://kazakh-tv.kz/en/view/business/page_187936_kuryk-port-development> [accessed 14 September 2018].

⁴⁷² Daly, 'China and Kazakhstan to Construct a Trans-Kazakhstan Railway Line From Khorgos to Aktau'.

suggest closer integration in the South Caucasus and Central Asia. The Trans-Caspian connection between ports of Alyat and Aktau is important manifestation of this close integration.

Hence, Kazakhstan forms the backbone of the China-Central Asia-West Asia corridor. It helps China to set up an alternative corridor to the New Eurasian Land Bridge for transportation of cargoes and people by bypassing Russian territory. This enables China to avert forming dependency on Russia in Belt and Road's East-West connectivity. Kazakhstan also benefits from its increasing geopolitical importance by developing its domestic infrastructure and establishing trade and financial connectivity with the Caucasus, Europe and China. Therefore, Kazakhstan enjoys a privileged status in Central Asian part of the corridor. West Asia part of China-Central Asia-West Asia corridor, on the other hand, is comprised of South Caucasus countries, Azerbaijan and Georgia, and Turkey.

5. 5. 3. West Asia

The South Caucasus countries- Azerbaijan, Georgia- are linking Central Asia to West Asia. From Aktau, Trans-Kazakhstan line extends to west by being linked to Alyat and Baku. Azerbaijan is, thus, a pivotal country in the South Caucasus part of China-Central Asia-West Asia corridor, enabling connection with Georgia and Turkey.

Realizing Azerbaijani's importance, China increased its economic and financial activities. In 2015, China and Azerbaijan began to intensify their economic and political relations. During his visit in December 2015, Aliyev and Xi signed several agreements. They also signed a memorandum of understanding over the Belt and Road Initiative. The intergovernmental commission was established to deepen economic and trade relations between the countries including furtherance of business ties with a focus on transportation and logistics sectors.⁴⁷³ China became

⁴⁷³ Anar Valiyev, 'China Targets Azerbaijan for Transportation Projects', *Caspian Policy Center*, 2017 <<http://www.caspianpolicy.org/news/china-targets-azerbaijan-for-transportation-projects/>> [accessed 22 May 2017].

Azerbaijan's 4th largest trading partner in 2017. Azerbaijan's customs department estimated bilateral trade close to \$1.3 billion, increasing 33 percent from 2016. Azerbaijani Economy Minister Shahin Mustafayev said Chinese companies' investment in Azerbaijan reached to \$800 million.⁴⁷⁴

Azerbaijan also aims to capture the benefits of container traffic between China and Europe. Mustafayev disclosed at a press conference that: "Over 100 million tons of cargo was sent from China to Europe. We expect that at least 10-15 percent of these cargoes pass through our territory."⁴⁷⁵ In Alyat to which Kazakhstan's Aktau port is linked, a free trade zone is planned to be established. It is estimated to cost around \$870 million, and it is expected to handle 10 million tons of cargo and 40,000 containers a year with an eventual capacity of up to 25 million tons of cargo and 1 million containers.⁴⁷⁶ Once the port and a free trade zone completed, Alyat will further strengthen its position on the corridor. Kazakhstan Temir Zholy President Askar Mamin said that:

The high level of cooperation between Kazakhstan and Azerbaijan became possible thanks to agreements made by the Kazakhstan and Azerbaijan presidents. We plan to organise a container train from China to Istanbul through Azerbaijan and Georgia before the end of this year. As of today, major corporations with plants in China and Southeast Asia monitor our cooperation and are very interested in transportation of their goods using the route.⁴⁷⁷

This statement recognizes the key to success of the operationalization depends on the cooperation among Azerbaijan, Georgia, and Turkey. The Trans-Caspian railway is extended through Baku-Tbilisi-Kars railway, making Azerbaijan, Georgia, and Turkey are key countries along the route.

⁴⁷⁴ Sara Israfilbayova, 'Chinese Companies Invest about \$800M in Azerbaijan', *AzerNews*, 2018 <<https://www.azernews.az/business/134838.html>> [accessed 20 August 2018].

⁴⁷⁵ Yaver Kazimbey, 'Azerbaijan Positions Itself As China Ally In Belt & Road Initiative', *Caspian News*, 2018 <<https://caspiannews.com/news-detail/azerbaijan-positions-itself-as-china-ally-in-belt-road-initiative-2018-2-14-8/>> [accessed 20 August 2018].

⁴⁷⁶ Valiyev, 2017.

⁴⁷⁷ Irina Bektiyorava, 'Trans-Caspian Rail Route Launched', *The Astana Times*, 2015 <<https://astanatimes.com/2015/08/trans-caspian-rail-route-launched/>>.

The Baku-Tbilisi-Kars railway connects Baku to Kars, located in Northeastern Turkey through Tbilisi and Akhalkalaki where trains undergo gauge-changing process. The BTK project was launched in 2005. Its construction work started in 2007. The total length of the railway is 849 kilometers. 504 kilometers of the total length passes through Azerbaijan, 263 kilometers through Georgia and 79 kilometers through Turkey.⁴⁷⁸ The railway is complimentary of Trans-Caspian route by offering direct connection to Turkey's eastern region. The Alyat port, connected to Kazakhstan's Aktau port, is linked to European markets through Turkey.

Before the start of the Baku-Tbilisi-Kars railway, the container cargo train from Lianyungang was transferred to Istanbul from Poti Port after its arrival in Tbilisi, following the route of Aktau and Alyat. From Poti the cargo was shipped to Istanbul. The journey took 14-15 days.⁴⁷⁹ The Baku-Tbilisi-Kars railway land route will certainly decrease the transportation time. On September 30, 2017, the Baku-Tbilisi-Kars railway line was inaugurated. The Presidents of Turkey and Azerbaijan , Prime Ministers of Georgia, Kazakhstan, and Uzbekistan Abdullah Aripov participated in the opening ceremony. In its initial stage, the railway will carry 1 million passenger and 6.5 million tons of cargo but by 2023, its capacity is expected to increase to 17 million tons of cargo.⁴⁸⁰ Mahir Humbatov, an Azerbaijani research contends that: "via the BTK, goods will be able to reach Europe heading from South Korea, China, and India within 15 days at most."⁴⁸¹ The scope of the Baku-Tbilisi-Kars railway is not limited to these three countries. The participation of the leaders of other Central Asian countries as well as South Caucasus countries indicates the general attraction

⁴⁷⁸ Özge Nur Öğütçü, 'Why the Baku-Tbilisi-Kars Railway Matters', *Center for Eurasian Studies*, 2017 <<https://avim.org.tr/en/Yorum/WHY-THE-BAKU-TBILISI-KARS-RAILWAY-MATTERS-1>> [accessed 22 August 2018].

⁴⁷⁹ Feride Inan and Yayloyan, p. 38.

⁴⁸⁰ Fuad Shahbazov, 'Will the Baku–Tbilisi–Kars Railway Become Uzbekistan's New Connection to Europe?', *The Jamestown Foundation*, 2017 <<https://jamestown.org/program/will-baku-tbilisi-kars-railway-become-uzbekistans-new-connection-europe/>> [accessed 20 May 2017].

⁴⁸¹ Wade Shepard, 'How Azerbaijan, Georgia, And Turkey Subverted Russia And Isolated Armenia With New Railway', *Forbes*, 2017 <<https://www.forbes.com/sites/wadeshepard/2017/10/30/new-silk-road-azerbaijan-georgia-and-turkey-unite-over-new-rail-line-armenia-further-isolated/#71d6021b3aff>> [accessed 14 August 2018].

to this project. The realization of the Baku-Tbilisi-Kars railway attracts other countries to participate in this route.

Other Central Asian countries such as Uzbekistan, Turkmenistan, and Tajikistan expressed their interest in joining the line. The first discussions of Turkmenistan's participation into the Baku-Tbilisi-Kars railway occurred in October 2016, during Azerbaijani Foreign Minister Elmar Mammadyarov's visit to Tashkent. Moreover, in March 2017, the heads of the railway departments of Azerbaijan, Georgia, and Uzbekistan convened a meeting to discuss possible expansion of the route in Tashkent.⁴⁸²

As the names on the list of countries above suggest, the central sub-corridor does not include Russia. Instead, the South Caucasus countries are linking Central Asian countries to Europe. Georgia is also strategically important country for the realization of the China-Central Asia-West Asia corridor by acting as a transit country in the South Caucasus. It connects Azerbaijan to Eastern Anatolia, Turkey.

Despite its geographic position, at the initial stage of the Belt and Road Initiative Georgia was not included. For European connection, the other projects were thought to be too costly. Georgia emerged as a less expensive alternative. The nearly completed the Baku-Tbilisi- Kars railway was considered as a viable option to connect Central Asia and China to Europe.⁴⁸³ Georgian side was also positive towards Georgian participation into the Belt and Road Initiative. Georgian Deputy Prime Minister Kakha Kaladze said in June 2015, Georgia attaches great importance to the Belt and Road Initiative and perceives it as a diplomatic priority. It wants to take advantage of its transit position in linking Central Asia to Anatolia by facilitating connection and trade.⁴⁸⁴

The institution of free trade regime between China and Georgia is one of the major elements for trade and financial connectivity. In 2017, China and Georgia

⁴⁸² Shahbazov.

⁴⁸³ Revaz Topuria, ‘Georgia: The Key to China’s “Belt and Road”’, *The Diplomat*, 2016 <<http://thediplomat.com/2016/04/georgia-the-key-to-chinas-belt-and-road/>> [accessed 22 May 2017].

⁴⁸⁴ ‘Interview: Georgia Ready to Participate in China’s Silk Road Economic Belt Initiative: Deputy PM’, *Xinhuanet*, 2015 <http://news.xinhuanet.com/english/2015-09/11/c_134614630.htm>.

signed a free trade agreement. Georgia has already signed a Comprehensive Free Trade Area (DCFTA) between the EU. The expansion of free trade area will enable Georgia to become a logistical hub, connecting China and Europe through the Baku-Tbilisi-Kars railway. It should be noted, however, DCFTA covers the products manufactured in Georgia. This also necessitates Chinese companies to move their manufacture bases in Georgia to benefit from the exemptions for European market.⁴⁸⁵ Chinese regions also expanded their trade cooperation with Georgia. Hong Kong signed a free trade agreement with Georgia in June 2018 to enhance trade and investment flows.⁴⁸⁶ These agreements offer to provide trade and finance connectivity among China, Europe, and Georgia as well as infrastructural connectivity.

In fact, the economic relations between China and Georgia has improved since the initiation of the Belt and Road Initiative. The share of China in Georgian exports reaches 10 percent Georgian exports to China increased 4.5 times by 2016 as compared to 2010 while imports increased 1.6 times in the same period.⁴⁸⁷ Besides trade connectivity, financial connectivity increased between two countries. CEFC China Energy Company Limited and Eurasian Invest LLC established \$1 billion worth of the Georgian Development Bank. Georgia Partnership Fund and Chinese CFC created the Georgian-Chinese Fund for the Regeneration of Georgia with its \$50 million budget. The Silk Road Common Market was also set up to facilitate the development of an innovative trade model.⁴⁸⁸ Thus, being a transit country on the China-Central Asia-West Asia corridor enable to Georgia to increase its trade and finance connectivity with China and Europe.

⁴⁸⁵ Vakhtang Charaia and Vladimer Papava, ‘Belt and Road Initiative: Implications for Georgia and China-Georgia Economic Relation’, *China International Studies*, 2017, 122–39 (pp. 132–33).

⁴⁸⁶ ‘China’s Hong Kong, Georgia Sign Free Trade Agreement’, *Xinhuanet*, 2018 <http://www.xinhuanet.com/english/2018-06/28/c_137287447.htm> [accessed 23 August 2018].

⁴⁸⁷ Vakhtang Charaia, Vladimer Papava, and Fanmei Wang, ‘China-Georgia Economic Relations in the Context of the Belt and Road Initiative’, *Bulletin of Georgian Academy of Sciences*, 12.1 (2018), 153–60 (p. 153).

⁴⁸⁸ Charaia, Papava, and Wang, p. 156.

The Belt and Road Initiative, thus, offers trade, financial, and infrastructure connectivity between the South Caucasus and China. These trade and infrastructure connections with Georgia and Azerbaijan develop the economies of these states, enhancing their stance in the global arena. Ismailov and Papava suggests that Azerbaijan and Georgia form “Caucasian Tandem” in the Belt and Road Initiative.⁴⁸⁹ This tandem is linked with Kars, located at the eastern Turkey. Turkey is the next country on China-Central Asia-West Asia corridor.

As the West Asia part, Turkey positioned itself as a bridge for access to Europe through the Caspian Sea and the Caucasus. The Baku-Tbilisi-Kars railway is the embodiment of this commitment. Kars is located at the northeastern Turkey and final leg of Baku-Tbilisi connection. Domestic rail extension connects this railway to Istanbul and then Europe. These railway lines enabled Turkey to participate in the Belt and Road Initiative. In 2016, Turkey and China signed an agreement concerning Turkey’s inclusion to the Belt and Road Initiative. In this agreement China promises to invest \$750 million annually for infrastructure development. Besides this agreement with China, Turkey, Turkmenistan, and Azerbaijan transportation ministers issued Ashgabat Declaration for cooperation in infrastructure and logistics.⁴⁹⁰

Turkish government has already invested \$6 billion in rail network as a mode of freight transportation. The connection between Kars, located at eastern Turkey and İstanbul, located at the western Turkey is set up through this network of infrastructure. The total length of conventional lines is planned to be increased from today’s 11,400 km to about 15,000 km by 2023, while high speed lines should be built for a total of 10,000 km, from today’s 500 km. Planned new lines are: Ankara–İstanbul (533 km), Ankara–Konya (202 km), Ankara–Sivas (460 km), Ankara–İzmir (606km), Bursa–Osmaneli (106 km), Ankara–Kayseri (150 km) and Halkalı-

⁴⁸⁹ Eldar Ismailov and Vladimer Papava, ‘Caucasian Tandem and the Belt and Road Initiative’, *Central Asia and Caucasus*, 19.2 (2018), 7–17 (p. 7).

⁴⁹⁰ Soner Esmer, ‘Bir Kuşak Bir Yol (One Belt One Road) Projesinde Türkiye’nin Önemi’, *Lojistik Hattı*, 2017 <<http://www.lojistikhatti.com/haber/2017/02/bir-kusak-bir-yol-one-belt-one-road-projesinde-turkiyenin-onemi>> [accessed 18 May 2017].

Kapikule (230 km). İstanbul–Ankara–Sivas, Ankara–Afyonkarahisar– İzmir and Ankara–Konya are planned as part of the High-Speed Rail network.⁴⁹¹ Ankara–İstanbul line has already been completed. The China Railway Construction Corporation and the China National Machinery Import and Export Corporation built this link. Moreover, China granted a \$750 million loan to Turkey for future infrastructure construction.⁴⁹² Through this railway Central Anatolia is connected to Istanbul.

Two big infrastructural projects have already been completed. They offer transportation linkage between İstanbul's Asian and European side. The Marmaray rail tunnel operates under the Bosphorus, providing a rail connection between Turkey's European and Asian sides.⁴⁹³ Marmaray will enable a direct rail travel between Europe and Asia via Turkey, which otherwise have to be transshipped by rail ferries, running between Tekirdağ and Derince.⁴⁹⁴ Thus, Marmaray will shorten traffic on the China-Central Asia-West Asia corridor by providing a direct railway connection.

Another project is Yavuz Sultan Bridge. It is part of the Baku-Tbilisi-Kars railway transportation network. When the BTK railway opens, it will be combined with Turkey's Yavuz Sultan Selim Bridge, its third bridge across the Bosphorus, which opened in August 2016 and has a twin-track railway level which will allow China to ship its goods by train via Georgia directly to Europe.⁴⁹⁵

Following economic turbulence experienced in Turkey in summer 2018, China is keen on preserving the operation of these two mega infrastructure projects. The

⁴⁹¹ Pepe, p. 383.

⁴⁹² Onur Uysal, 'The Iron Silk Road: How Will Turkey Be Involved?', *Caucasus International*, 6.1 (2016), 55–66.

⁴⁹³ Uysal, 'The Iron Silk Road: How Will Turkey Be Involved?', p. 63.

⁴⁹⁴ Özlem Koçtaş Çotur and F. Onur Uysal, 'Building Blocks of Iron Silk Road and Suggestions for Turkey', in *XIII. International Logistics and Supply Chain Congress* (İzmir, 2015), p. 10.

⁴⁹⁵ John C. K. Daly, 'China Deepens Its Presence in Georgia via Its "One Road, One Belt" Initiative', *The Central Asia-Caucasus Analyst*, 2016 <<https://www.cacianalyst.org/publications/analytical-articles/item/13413-china-deepens-its-presence-in-georgia-via-its-one-road-one-belt-initiative.html>> [accessed 21 May 2017].

Industrial and Commercial Bank of China (ICBC), the first Chinese bank to operate in Turkey, provided \$2.7 billion loan for Marmaray and Yavuz Sultan Selim Bridge. Furthermore, Treasury and Finance Minister Berat Albayrak announced that the ICBC would provide a \$3.6 billion loan package for Turkey's energy and transportation sectors.⁴⁹⁶ This demonstrates the Chinese concern of maintaining the flow on the China-Central Asia-West Asia corridor by showing its willingness to provide additional loans for the continuous operation of the bridge.

China also seeks to increase its shares of the bridge. Rome based Astaldi, one of the stakeholders of Yavuz Sultan Bridge, has been seeking to sell its 33 percent bridge stake. The investment groups London-based fund Centricus Asset Management, a Chinese investor and Turkish investments groups Global Yatırım A.Ş. offered a bid to buy this stake.⁴⁹⁷ If this sale succeeds, China's hold over the bridge solidifies. Although Yavuz Sultan Bridge is built on the Turkish territory, besides, the loans provided in July, financially, China would hold enormous oversight over the operation of the bridge instead of Turkish government. It is an important example of deterritorialization in that one country exercises discretion over the operation of an infrastructure asset.

After connecting Istanbul's two sides, for European connection, a double-track railway for high-speed trains from Istanbul to Edirne, Plovdiv, and Sofia will be constructed.⁴⁹⁸ This project is still at planning stage. Thus, Istanbul's Balkan connection is still incomplete. Nonetheless, it is one of undertakings of Turkey's attempts to develop its infrastructure to be fully participate in the Belt and Road Initiative.

⁴⁹⁶ ‘China’s ICBC Authorized to Refinance \$2.7B Loan for Two Turkish Megaprojects’, *Daily Sabah*, 2018 <<https://www.dailysabah.com/economy/2018/07/30/chinas-icbc-authorized-to-refinance-27b-loan-for-two-turkish-megaprojects>> [accessed 24 August 2018].

⁴⁹⁷ Ercan Ersoy, Chiara Albanese, and Luca Casiraghi, ‘Astaldi May Fetch More Than What It Needs in Istanbul Bridge Sale’, *Bloomberg*, 2018 <<https://www.bloomberg.com/news/articles/2018-06-06/astaldi-bridge-stake-is-said-valued-up-to-467-million-by-bidder>> [accessed 24 August 2018].

⁴⁹⁸ ‘Turkey to Build High-Speed Railway from Istanbul to Edirne and Bulgaria’, *Radio Bulgaria*, 2018 <<http://bnr.bg/en/post/100969049/turkey-to-build-high-speed-railway-from-istanbul-to-edirne-and-bulgaria>> [accessed 25 August 2018].

Besides the present participants of the central sub-corridor, Ukraine also strives to be a part of this corridor. In January 2016, Ukraine dispatched a test journey of 30-car container train from Illichivsk along the Trans-Caspian International Transport Route (TITR) through Georgia, Azerbaijan and Kazakhstan to China.⁴⁹⁹ In August 2017, Ukraine and China signed a protocol in which Kiev agreed to set lower tariffs for the transportation of freight cargo. At the same meeting, China and Ukraine created a mechanism of public-private partnerships to promote infrastructure projects. China also encouraged Kiev to apply for a loan from its Silk Road Fund for financing the infrastructure development plans.⁵⁰⁰ In July 2018, the Ukrainian Chamber of Commerce and Industry (UCCI) inaugurated the One Belt One Road Trade and Investment Promotion Centre in Ukraine to coordinate Chinese investments.⁵⁰¹ Although thanks to the Belt and Road Initiative the financial connectivity between China and Ukraine may develop but the full participation of Ukraine into the central sub-corridor of the China-Central Asia-West Asia is a distant possibility due to the conflict in Ukraine. The diplomatic conundrum over Crimea and Donbass would complicate Ukraine's participation. China would be less willing to risk its relations with Russia over Ukraine. Thus, Turkey's position as a bridge for South Caucasus and Central Asia appears to be a more viable option.

5. 5. 4. Southern Sub-Corridor

The southern sub-corridor of the China-Central Asia-West Asia corridor follows Urumqi, Almaty, Bishkek, Samarkand, Ashgabat, and Tehran. In 2015, Hu Huawu, the chief engineer of China Railway Corp., expressed China's intentions to build a high-speed railway along the route, connecting these cities at the forum 'one zone-one way'. According to him, the completion of the route will provide \$2.5 trillion

⁴⁹⁹ John C. K. Daly, 'Bypassing Russia, Ukraine Becomes Another "Silk Road" Terminus', *The Jamestown Foundation*, 2016 <<https://jamestown.org/program/bypassing-russia-ukraine-becomes-another-silk-road-terminus/>> [accessed 16 May 2017].

⁵⁰⁰ Emanuele Scimia, 'Ukraine Carving out a Role in China's Silk Road Strategy', *Asia Times*, 2016 <<http://www.atimes.com/ukraine-strives-to-carve-out-a-role-in-chinas-silk-road-strategy/>> [accessed 16 May 2017].

⁵⁰¹ 'Ukraine Establishes Center to Promote Belt and Road Trade, Investment', *Xinhuanet*, 2018 <http://www.xinhuanet.com/english/2018-07/06/c_137304440.htm> [accessed 21 September 2018].

turnout.⁵⁰² However, this sub-corridor is less developed than the central sub-corridor within the China-Central Asia-West Asia. Urumqi-Almaty high speed railways have become operational since 2017. This line is also part of the central sub-corridor. Nonetheless, the projects concerning infrastructure connections among other cities are at planning stage. One of the completed projects is Chang'an train. In November 2013, an international cargo train named as Chang'an (“Lasting Peace”), which departed from Xi'an reached Jem, Kazakhstan in December. Then it traveled nine station in Kazakhstan-Uzbekistan-Kyrgyzstan-Turkmenistan, lessening transportation time 20 days.⁵⁰³

The next step after Almaty is Bishkek, the capital of Kyrgyzstan. Kyrgyz officials mostly embraced the Belt and Road Initiative. Prime Minister Sooronbai Zheenbekov said that the Belt and Road Initiative is foreign policy priority for Kyrgyz foreign policy.⁵⁰⁴ Arzybek Kozhoshev, who is the Economy Minister of Kyrgyzstan stated that the Belt and Road Initiative is not just a transit transportation project, but a comprehensive economic development plan for the states of Eurasia. He emphasized Kyrgyzstan's role as an important bridge connecting Europe and Asia.⁵⁰⁵

Under Belt and Road Initiative plan, Kyrgyz and Chinese officials have agreed to construct the China-Kyrgyzstan-Uzbekistan railway and the Issyk-Kul ring road, which would transport the Chinese products to Kyrgyzstan. The China Exim Bank has supplied a \$400 million loan for the first phase of the construction of the North-South road. The Eurasian Bank and the Asian Development Bank granted over \$850

⁵⁰² ‘China to Build High-Speed Rail through Uzbekistan’, *Uzbekistan Today*, 2015 <http://www.ut.uz/en/business/china_to_build_highspeed_rail_through_uzbekistan/> [accessed 25 August 2018].

⁵⁰³ Kim.

⁵⁰⁴ ‘Kyrgyzstan Fully Supports China’s Silk Road Economic Belt Initiative: PM’, *Xinhuanet*, 2016 <http://news.xinhuanet.com/english/2016-06/17/c_135445119.htm> [accessed 22 May 2017].

⁵⁰⁵ ‘Interview: B&R Initiative to Boost Kyrgyzstan’s Development: Minister’, *Xinhuanet*, 2017 <http://news.xinhuanet.com/english/2017-04/20/c_136223416.htm> [accessed 22 May 2017].

million for this project.⁵⁰⁶ This railroad is part of the railroad that is planned to connect China and Iran.

Uzbekistan is also an important node of link the China-Kyrgyzstan-Uzbekistan railway. Pale explains the importance of this link:

China has plans to use the Kyrgyz rail links to import hydrocarbons from Uzbekistan and earth metals, iron, copper, and aluminum ores, coal and uranium from Kyrgyzstan. Given China's desire to reach the largest possible area in order to increase its turnover, it is not surprising that the idea of building a railway linking China, Kyrgyzstan, and Uzbekistan will soon be put into action by the Chinese. The project is to connect China not only with Uzbekistan via Kyrgyzstan, but also with Tajikistan, and then rail track will be laid through Afghanistan, Iran, and Turkey, until finally, they can be connected to the European railway network. Incidentally, China has chosen the European standard gauge for this task, not Russian.⁵⁰⁷

Steps are taken to realize these goals. China and Uzbekistan developed a new rail link between Tashkent and Fergana Valley inaugurated on June 22, 2016 by President Xi Jinping and the late Uzbek President Islam Karimov. This rail link bypass Tajikistan with the construction of 19.2 kilometer Qamchiq Tunnel.⁵⁰⁸ The construction of this tunnel was planned firstly by the Soviet Union, experts had estimated that the construction would take 25 years. The construction of the tunnel, however, was completed within 900 days from 2013 to 2016.⁵⁰⁹ This transit railway also provides connectivity within Uzbekistan. Pap–Angren railway, which connects

⁵⁰⁶ Dinara Taldybayeva, ‘Prospects for China – Kyrgyzstan Economic Relations in the Framework of the Silk Road Economic Belt Project’, HKTDC, 2017 <<http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Prospects-for-China-Kyrgyzstan-Economic-Relations-in-the-Framework-of-the-Silk-Road-Economic-Belt-Project/obor/en/1/1X000000/1X0A9JIX.htm>> [accessed 22 May 2017].

⁵⁰⁷ Sofia Pale, ‘Kyrgyzstan and the Chinese “New Silk Road”’, *New Eastern Outlook*, 2015 <<http://journal-neo.org/2015/09/03/kyrgyzstan-and-the-chinese-new-silk-road/>> [accessed 17 May 2017].

⁵⁰⁸ Ramtanu Maitra, ‘The Multiple Dimensions of China’s “One Belt One Road” in Uzbekistan’, *The Executive Intelligence Review*, 2016, 17–22.

⁵⁰⁹ Zhang Hui, ‘Uzbekistan Reaps Benefits of Belt and Road Initiative with Construction of First Railway Tunnel’, *Global Times*, 2018 <<http://www.globaltimes.cn/content/1101109.shtml>> [accessed 25 August 2018].

the Ferghana Valley (in eastern Uzbekistan) with other Uzbek regions. Chinese capital enabled the construction of this railway.⁵¹⁰

The economic relation between China and Uzbekistan soared. China is Uzbekistan's second-largest trade partner and the largest single investor. The contractual value of projects started by China in Uzbekistan reached \$6.83 million in 2016. These projects' turnover reaches \$4.75 billion.⁵¹¹ Uzbekistan's trade with China accounts for 21 percent, surpassing Russia in 2018.⁵¹²

Besides economic relations, interlinked railroads increased cultural connectivity. Confucius Institute opened in Tashkent in 2005 is the first in Central Asia. Studying Chinese is considered as economically desired and many students in Uzbekistan started to learn as a foreign language.⁵¹³

Nevertheless, Uzbekistan is not only option for the connection with Iran. For Kazakhstan-Uzbekistan-Iran railway corridor, Turkmenistan acts as a transit country with Bereket checkpoint. Kazakhstan-Turkmenistan-Iran railway, launched in 2014, passes through Kazakh city Uzen, linked with the port of Aktau, Turkmen city Bereket, near Kazakh border, ends in Gorgan, Iran. This connection shortens transportation time between Central Asia and the Persian Gulf considerably.⁵¹⁴ This route bypasses Uzbekistan, strengthening the geographic position of Turkmenistan in reaching the ports of Iran.

Chinar Rustemova, Turkmen ambassador to China, wrote an article on *China Daily* about Turkmenistan's posture on the Belt and Road Initiative. Turkmenistan's

⁵¹⁰ Fabio Indeo, 'The Impact of the Belt and Road Initiative on Central Asia: Building New Relations in a Reshaped Geopolitical Scenario', in *China's Belt and Road Initiative Changing the Rules of Globalization*, ed. by Wenxian Zhang, Ilan Alon, and Christoph Lattemann (Cham: Palgrave Macmillan, 2018), pp. 135–55 (p. 141).

⁵¹¹ Julie Yu-Wen Chen and Olaf Günther, 'China's Influence in Uzbekistan: Model Neighbor or Indifferent Partner?', *The Jamestown Foundation*, 2016 <<https://jamestown.org/program/chinas-influence-uzbekistan-model-neighbor-indifferent-partner/>> [accessed 20 May 2017].

⁵¹² 'Central Asia's Economic Evolution From Russia To China', *Stratfor*, 2018 <<https://worldview.stratfor.com/article/central-asia-china-russia-trade-kyrgyzstan-kazakhstan-turkmenistan-tajikistan-uzbekistan>> [accessed 25 August 2018].

⁵¹³ Chen and Günther.

⁵¹⁴ Onur Uysal, 'Kazakhstan-Turkmenistan-Iran Railway to Open Today', *Rail Turkey*, 2014 <<https://railturkey.org/2014/12/03/kazakhstan-turkmenistan-iran-railway/>> [accessed 30 July 2018].

own developed projects in transportation is an advantage for Turkmenistan in its participation into the initiative. One of the significant examples are international railway Tedjen-Serahs-Meshed opened in May 1996, is the shortest line for Central Asian countries, Turkey and Iran. Another important example is Kazakhstan-Turkmenistan-Iran is also participating to the East-West transportation network. This line is linked with China's Zhejiang province in 2016, completing a line from China to Iran.⁵¹⁵

On the other hand, Turkmenistan has engaged in building a new seaport, named as Turkmenbashi International Seaport on the Caspian Sea from 2013 to 2018. The Turkmen government states that the new facility will serve 300,000 passengers, 75,000 trailer trucks, and 400,000 TEU containers a year with total capacity is 17-18 million tons of cargo.⁵¹⁶ It provides a maritime link for landlocked Central Asian countries. Turkmenbashi International Seaport has potential to develop the routes across the Caspian Sea by offering an alternative to Kazakh Aktau port. Therefore, this development also suggests a possible competition for access to Europe between Turkmenistan and Kazakhstan with ports located on Caspian shore. This competition bolsters Baku's position as a linking port across the Caspian Sea for both Aktau and Turkmenbashi International Seaport.

In May 2018, Deputy Chairman D. Amangeldiyev informed on the work for building of a new automobile road which will connect Turkmenbashi port-Garabogaz-Kazakhstan. In this regard, President Gurbanguly Berdimuhamedov pointed out its opening would allow increasing transportation flow and volumes of trade turnover between neighboring countries.⁵¹⁷

⁵¹⁵ Chinar Rustamova, 'Turkmenistan's Role in Building New Silk Road', *China Daily*, 2016 <http://europe.chinadaily.com.cn/opinion/2016-11/24/content_27475989.htm>.

⁵¹⁶ John C. K. Daly, 'Turkmenistan's New Turkmenbashi International Seaport-Another Link in Expanding Eurasian Trade', *The Jamestown Foundation*, 2018 <<https://jamestown.org/program/turkmenistans-new-turkmenbashi-international-seaport-another-link-in-expanding-eurasian-trade/>> [accessed 9 May 2018].

⁵¹⁷ 'Future Highway Turkmenbashi – Garabogaz – Kazakhstan to Increase Trade Turnover between Neighbouring Countries', *Turkmenistan Today*, 4 May 2018 <<http://tdh.gov.tm/news/en/articles.aspx&article12722&cat29>>.

The project of Turkmenistan-Afghanistan-Tajikistan railway is also important in north-south axis. This railway will enable to China to reach South Asian and Asia-Pacific region through railway passing through Central Asian countries. The construction of the leg of Atamyrat, Turkmenistan to the Aqina, Afghanistan is already finished.⁵¹⁸

This project, however, requires Tajikistan's participation. China has already eclipsed Russia's place in Tajikistan economy. The amount of remittances sent by Tajik migrants working in Russia to Tajikistan reduced due to difficulties in Russian economy. Chinese investment replaced these loses.⁵¹⁹ Murad Ali Mardan, head of Tajikistan Agricultural Development Bank, stated that "Investments of Chinese companies is the big part of the One Belt One Road's implementation. The change which you see in people's lives today is the result of our government's policies. We support the One Belt One Road project and we believe in it."⁵²⁰ Tajikistan engages in the southern sub-corridor in the China-Central Asia-West Asia corridor as transit country to connect Turkmenistan to Afghanistan. Then this line extends to South Asia and Iran. Turkmenistan-Afghanistan section of this route opened in November 2016, initiating commercial relations between Turkmenistan and Afghanistan. Still, Tajikistan has not begun construction of its own section.⁵²¹ There are also projects, which will connect Tajikistan and China. In this respect, Dushanbe-Kulyab-Khorog-Kulma-Karakorum highway will be the key project.⁵²² However, the construction of this part has not begun, either.

⁵¹⁸ Rustamova.

⁵¹⁹ Rashid Ghani Abdullo, 'Tajikistan and the "Economic Belt" of the Great Silk Road', *Central Asian Bureau for Analytical Reporting*, 2015 <<https://cabar.asia/en/rashid-ghani-abdullo-tajikistan-and-the-economic-belt-of-the-great-silk-road/>> [accessed 18 May 2017].

⁵²⁰ Haidarshah Omid, 'Chinese Eye Further Investments In One Belt One Road Countries', *TOLO News*, 2017 <<http://www.tolonews.com/business/chinese-eye-further-investments-one-belt-one-road-countries>>.

⁵²¹ Dzhumaguly Annayev, 'Major Potential Seen for Turkmen-Afghan Trade on New Railway', *Caravanserai*, 2017 <http://central.asia-news.com/en_GB/articles/cnmi_ca/features/2017/01/26/feature-02> [accessed 19 October 2017].

⁵²² Indeo, p. 146.

The final destination of the southern leg of the China-Central Asia-West Asia corridor is Iran. This sub-corridor completes when train passes to Iran's Bandar Abbas port through Tehran. The first train cargo reached to Tehran, after leaving Yiwu within two weeks in January, 2016. Mohsen Pourseyyed Aqai commented that the journey is unprecedented that in comparison to sea journey from Shangai, 300 km far from Yiwu, to the Iranian port of Bandar Abbas takes 45 days.⁵²³

Still, the smooth operationalization of this route is dependent on the development of Iran's domestic infrastructure. Therefore, China's interests in southern leg of China-Central Asia-West Asia corridor requires China to upgrade Iran's existing railway network. Iran's domestic railway network accounts for only 12 percent of domestic transport, these networks are planned to be increased to 30 percent within a decade.⁵²⁴ On the south-north axis, double-track electrified rail connection between Bandar Abbas and Bafgh (670 km) was commissioned. The lines between Bafgh-Mashad (800 km) and Sarakhs-Mashad (165 km) had already been completed providing an uninterrupted link between Turkmenistan and Bandar Abbas port. The 900 km Kazakhstan-Turkmenistan-Iran enters the Iranian network Gorgan. The development of these lines is important for the realization of connectivity on the route.⁵²⁵

China also financially backs infrastructure projects in Iran. China provided \$2.5 billion for electrification project of the 900 km Tehran-Mashad railway in 2017. China Civil Engineering Construction Cooperation and Iran's Construction and Development of Transportation Infrastructure Company signed \$544 million in railway construction.⁵²⁶ Furthermore, the Tehran-Isfahan high-speed railway, with the top speed of 250 km/h, is planned to be built in Iran. Once it is completed, the

⁵²³ Sudha Ramachandran, 'Iran, China and the Silk Road Train', *The Diplomat*, 2016 <<http://thediplomat.com/2016/03/iran-china-and-the-silk-road-train/>> [accessed 20 May 2017].

⁵²⁴ Najmeh Bozorgmehr, *First Freight Trains from China Arrive in Tehran* Financial Times Special Report(London, 2016).

⁵²⁵ Pepe, pp. 367–69.

⁵²⁶ Johan van de Ven, 'The Belt and Road Initiative: Is China Putting Its Money Where Its Mouth Is?', *The Jamestown Foundation*, 2018 <<https://jamestown.org/program/belt-road-initiative-china-putting-money-mouth/>> [accessed 9 May 2018].

trip between Tehran and Isfahan will be approximately one hour. Besides the connection between Iran's cities, Chinese enterprises also engage in construction of Tehran metro line.⁵²⁷

There are also announced infrastructure projects. In February 2017, Ali Najafi Hosrudi, the Iranian ambassador in Bishkek, said that Iran and China want to build a second direct railway connection using territories of Kyrgyzstan, Tajikistan, and the northern Afghanistan.⁵²⁸ If this project is realized, it will be alternative to Kazakhstan-Turkmenistan-Afghanistan railway, bypassing Turkmenistan and Uzbekistan. This certainly increases Chinese-Iran connection through Central Asia. However, Afghanistan's security problems and Tajikistan's mountainous terrain raise question about the implementation of this project. In January 2018, China Civil Engineering Construction Corp, is a subsidiary of China Railway Construction Corp, revealed that it signed the contract with Iran's Construction & Development of Transportation Infrastructures Company to develop a 263-kilometer railroad. This announcement does not include a specified route.⁵²⁹

In parallel with infrastructure development, the southern sub-corridor facilitates trade connectivity between two countries. China is Iran's largest trading partner. In 2017, the bilateral trade volume exceeds \$37 billion with the increase of 19 percent.⁵³⁰ According to the statistics published by Iran's Customs Administration, approximately 25 percent of Iran's overall trade occurs with China.⁵³¹ Iran's participation into China-Central Asia-West Asia corridor enables Iran to reach to

⁵²⁷ H.E.Pang Sen, 'Belt and Road Initiative and China-Iran Cooperation', *Modern Diplomacy*, 2018 <<https://moderndiplomacy.eu/2018/03/20/belt-and-road-initiative-and-china-iran-cooperation/>> [accessed 27 August 2018].

⁵²⁸ Александр Шустов, 'Иран и Китай Хотят Перекроить Геополитическую Карту Центральной Азии', *Евразия Эксперт*, 2017 <<http://eurasia.expert/iran-i-kitay-khotyat-perekroit-geopoliticheskuyu-kartu-tsentralkoy-azii/>> [accessed 9 May 2018].

⁵²⁹ 'Chinese Company Signs Rail Deal With Iran', *Financial Tribune*, 2018 <<https://financialtribune.com/articles/economy-domestic-economy/79296/chinese-company-signs-rail-deal-with-iran>> [accessed 27 August 2018].

⁵³⁰ Sen.

⁵³¹ Mohsen Shariatinia and Hamidreza Azizi, 'Iran–China Cooperation in the Silk Road Economic Belt: From Strategic Understanding to Operational Understanding', *China & World Economy*, 25.5 (2017), 46–61 (p. 53).

new markets. Asghar Fakhrieh-Kashan, the Iranian deputy minister of roads and urban development evaluated Iran's participation into the Belt and Road Initiative: "It is not as if their project is canceled if we don't participate. But if they want to save time and money, they will choose the shortest route...While Iran will put its own interests first, we are creating corridors at the requests of the Chinese. It will give us huge access to new markets."⁵³²

Besides macroeconomic indicators, the investments of small and middle-sized Chinese entrepreneurs also show the benefit of infrastructural developments over trade connectivity. One of these traders, Zuoru Lin, chose to set up his factories along a 575-mile electrified rail line, which exists between Tehran and Mashhad. He received \$1.6 billion financial help from Chinese financial institutions. When completed and attached to the wider network, the new line will enable Mr. Lin to export his goods to Central Asia, Central Europe, and Western Europe. He comments that he will expect a 50 percent increase in revenue as transportation line develops.⁵³³ The success opportunity that Iran offers, exemplified in Lin's case, most probably, attracts many Chinese entrepreneurs to Iran.

The operationalization of the southern sub-corridor of the China-Central Asia-West Asia depends on Iran as the landlocked Central Asian countries are connected to sea at Bendar-Abbas port through this corridor. The infrastructural connectivity within Iran is as much important as the connectivity between Central Asian countries and Iran. China, thus, has given necessary attention to Iran by increasing its investments in infrastructure sector and economy of Iran.

⁵³² Thomas Erdbrink, 'For China's Global Ambitions, "Iran Is at the Center of Everything"', *The New York Times*, 2017 <<https://www.nytimes.com/2017/07/25/world/middleeast/iran-china-businesses.html>> [accessed 27 August 2018].

⁵³³ Erdbrink.

5. 6. Assessment of China-Central Asia-West Asia Corridor

The foremost quality of the China-Central Asia-West Asia corridor is that it excludes Russia in connecting China to Europe. Instead of Russia, the central sub-corridor includes Kazakhstan, two South Caucasus countries, and Turkey. The southern sub-corridor is more complicated with the involvement of Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Iran. The China-Central Asia-West Asia corridor focuses on the connectivity among Central Asian countries without involving Russia. This corridor is, therefore, important for Central Asian countries which lagged behind in terms of infrastructural and trade connectivity. They inherited the crumbling Soviet infrastructure which did not meet their needs of connectivity. In 1992, Andre Gunder Frank observed that: “the region appears as a sort of black hole in the middle of the world”⁵³⁴

The lack of connection with the adjacent regions has hindered the development of Central Asia as a region. The term regionalization refers to “a system of developing (or already-developed) cross-border trade, prevalence of cross-border investment and business networks, and robust international migration.”⁵³⁵ Logistic development, inter-regional trade, and migration, are thus, indicators for evaluating Central Asia’s regionalization process.

The logic of infrastructure building in the Soviet era was connecting Central Asia to Moscow, the center of the Soviet Empire. “The network was designed with the needs of the former Soviet Union in mind. This means that in Central Asia it is mainly oriented north-south and that present borders were ignored.”⁵³⁶ Thus, the inherited railway networks from the Soviet Union had been providing south-north

⁵³⁴ Andre Gunder Frank, ‘The Centrality of Central Asia’, *Studies in History*, 8.1 (1992), 43–97 (p. 43).

⁵³⁵ L. Delovarova and others, ‘Regionalism and Regionalization in Central Asia’, *International Journal of Humanities and Social Sciences*, 7.3 (2013), 778–81 (p. 778).

⁵³⁶ Manmohan Parkash, *Connecting Central Asia A Road Map for Regional Cooperation* (The Philippines: Asian Development Bank, 2006), p. 10.

connection so their dependency on Russia in their railway transportation with Europe continued after the break-up of the Soviet Union. More importantly, Central Asian countries lost direct access to Baltic Sea ports after the dissolution of the Soviet Union. Central Asian countries, especially Kazakhstan and Uzbekistan remained highly dependent on Russia's ports for their access to European market.⁵³⁷

On the other hand, according to statistics in 2010, intra-regional economic activity indicates that although “58% of Asia’s parts and components trade took place within the region in 2008, in the Asia sub-region of Central Asia intra-regional trade in parts and components was only 1.2%.”⁵³⁸ This is particularly due to lack of transportation connection in Central Asian countries. According to the World Bank Logistics Performance Index (LPI), countries in Central Asia are performing very poorly in terms of their performance. They lagged behind other countries in terms of transportation connectivity. They are almost at the end of the list of logistics development index. Kazakhstan can be considered as an exception of this claim. Thus, even on the corridor route there are discrepancies.

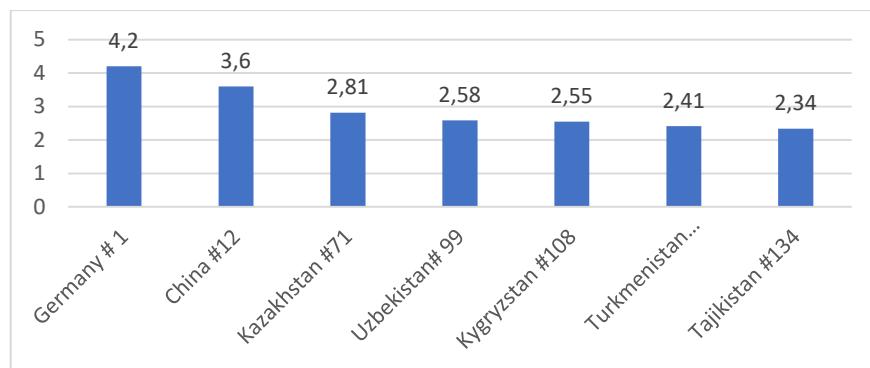


Figure 18. Rankings of Logistics Performance Index⁵³⁹

⁵³⁷ Pepe, p. 269.

⁵³⁸ Feride Inan and Yayloyan, p. 14.

⁵³⁹ ‘International LPI’, *The World Bank*, 2018 <<https://lpi.worldbank.org/international/global>> [accessed 16 September 2018].

The rankings demonstrate that Kazakhstan and Uzbekistan, which are more active participants of the Belt and Road Initiative score better than the rest of Central Asian countries. Central Asian countries are actively participating in the development of the Belt and Road Initiative. They combine their internal transportation development models with the Belt and Road Initiative. Kazakhstan's Nurly Zhol project is the primary example of this attempt.

The increasing transportation connectivity between China and Kazakhstan accrues labor and industrial flow between two countries. At the G20 summit in Hangzhou in 2016, China even proposed moving the production capacity of 51 plants to Kazakhstan under the Silk Road development plan.⁵⁴⁰ The sectors, which China plan to relocate are metallurgy, chemicals, construction materials, and vehicle manufacturing. Three projects including polypropylene production in Pavlodar, automobile manufacturing in Kostanay and vegetable oil production in the North Kazakhstan region, have already been transferred to Kazakhstan. Six projects are in the process of reallocation.⁵⁴¹

This actually resembles Isaacman and Isaacman's evaluation of deterritorialization within the example of Cohora Basara Dam, dealt with in the third chapter. They argue that South Africa's operationalization of Cohora Basara located in Central Mozambique reflects a form of deterritorialization. This manifests South Africa's political, economic, and social values' extension to Mozambique.⁵⁴² In this respect, increasing transportation propels an external polity's surging involvement beyond a bounded space. Many Chinese companies and joint ventures are sponsors of many social and economic projects in Kazakhstan. For instance, CNPC-Aktobemunaigaz finances numerous community-based and socially-oriented projects including communication services, water and power supply in various districts in the Aktubinsk region.⁵⁴³ Furthermore, China extended its trade, financial,

⁵⁴⁰ Dave, p.103.

⁵⁴¹ *Belt & Road Updates 2018 "Expansion Continues"* (Samruk Kazyna, Astana, 2018), p. 11.

⁵⁴² Isaacman an Isaacman, (p. 543).

⁵⁴³ Yelena Sadovskaya and Leah Utyasheva, ““Human Silk Road”: The People-to-People Aspect of the Belt and Road Initiative’, in *China’s Belt and Road Initiative and Its Impact in Central Asia*, ed.

and cultural reach to several Central Asian countries through commercial deals, financial investments, and spread of cultural institutions. The effects of transportation connectivity realized by the Belt and Road Initiative in Central Asia started to push deterritorialization in Central Asia.

Other countries in the region do not want to be excluded from this process. The President of Uzbekistan at the Belt and Road Summit conveyed in May 2017, reflects that:

We urge for major transport, trade, investment, energy and high-tech projects to be implemented in our region, which has rich natural, industrial and human resources...I think that our common priority should be the creation of interconnected industrial technoparks, scientific and innovation clusters and free economic zones along the Silk Road Economic Belt. To this end, we propose to jointly develop effective mechanisms to promote such projects.⁵⁴⁴

Turkmenistan is another country that has already benefited from the infrastructure hype in the region. It has built Turkmenbashi port on Caspian Sea shore, connected to Baku, rivalling Kazakhstan's Aktau port.

Transportation connectivity develops trade connectivity, helping Central Asia's poor countries. Kyrgyzstan, Uzbekistan, and Tajikistan are developing their internal transportation networks through mostly China's financial support. About 80 percent of finished products in Kyrgyzstan's bazaars come from China; and they are reexported to Central Asia, Russia, and Europe. An open trade policy and the flood of affordable Chinese imports have allayed the perils of inflation in Kyrgyzstan. Furthermore, Chinese manual laborers working in Kyrgyzstan have provided labor force in various industries.⁵⁴⁵ China-Central Asia-West Asia corridor is, therefore, offering possibilities to Central Asian countries to import goods from China and to

by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 109–26 (p. 115).

⁵⁴⁴ ‘Remarks by Shavkat Mirziyoyev at Leaders’ Roundtable Summit at Belt and Road Forum’, *The Tashkent Times*, 15 May 2017 <<http://tashkenttimes.uz/world/928-shavkat-mirziyoyev-s-speech-at-leaders-roundtable-summit-at-belt-and-road-forum>> [accessed 15 September 2018].

⁵⁴⁵ Hao Tian, ‘China’s Conditional Aid and Its Impact in Central Asia’, in *China’s Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 21–34 (p. 32).

sell them to global markets, raising the trade connectivity with the rest of the regions.

Azerbaijan and Georgia, on the other hand, are linking Central Asian countries to Turkey, the final leg of the corridor before Europe. Both Turkmenistan's Turkmenbashi port and Kazakhstan's Aktau port are linked to Baku's Alyat port. Therefore, the only port on the other side of the Caspian shore is Baku's Alyat port. Baku provides the maritime connection for the Central Asian countries, increasing its strategic importance. In addition to providing sea connection, Baku is the first node of the Baku-Tbilisi-Kars railway, which connects Caspian shore to Eastern Turkey. To ensure this lines' operationalization Azerbaijan gives attention to the operation of the route helping Georgia to develop its infrastructure. Azerbaijan offered a loan of \$700 million to Georgia for building and repairment of the railroad.⁵⁴⁶ This demonstrates that the Baku-Tbilisi-Kars railway is major priority for Azerbaijan.

Georgia, on the other hand, benefits from its geographical position as a transit country that links Azerbaijan and Turkey. By leveraging its transit position in the Belt and Road Initiative Georgia tries to gain China's support to balance its antagonistic neighbor Russia. Irakli Garibashvili, the former Prime Minister of Georgia stated that: "We are definitely ready to become the part of the New Silk Road route. Our aim is to use Georgia's strategic location as best we can."⁵⁴⁷ Increasing connectivity means security guarantee for Georgia as China would not want Georgia to be in political instability which may threaten the operation of the Baku-Tbilisi-Kars railway.

The participation of South Caucasus countries also helps Azerbaijan and Georgia to develop their transportation networks. According to the World Bank Logistics Performance Index (LPI), Georgia and Azerbaijan score even lower than Central Asian countries. According to data in 2007, Azerbaijan performed 2,29 points, ranking 111th. According to data in 2018, Georgia performed 2,44, ranking 119th in

⁵⁴⁶ Feride Inan and Yayloyan, p.64.

⁵⁴⁷ Topuria.

the list.⁵⁴⁸ The China-Central Asia-West Asia corridor will help Azerbaijan and Georgia to increase its scores by developing their transportation infrastructure. The transportation upgrade improves these countries' trade relations with other countries. The infrastructure connectivity acts as a catalyst for trade and political connectivity of these countries. Steve Cornell comments that Central Asian and South Caucasus countries are cautious and incremental in establishing their relationship with Western world, they are gradually improving their political and economic connectivity thanks to the Belt and Road Initiative.⁵⁴⁹

The EU is already Azerbaijan's main trade partner. It accounts for around 48.6 percent Azerbaijan's total trade with a 60.7 percent share in Azerbaijan's exports and a 31.8 percent share in Azerbaijan's imports.⁵⁵⁰ Turkey alone is the second export and import partner for Azerbaijan with a 9.4 percent share in Azerbaijan's export and a 15 percent share in Azerbaijan's exports. In 2017 it totaled \$1.37 billion in exports and \$1.28 billion in imports.⁵⁵¹ The EU is also the main trade partner of Georgia. Around 29 percent of its trade takes place with the EU, amounting €1.96 billion in 2016 in imports from the EU and €551 million in exports to the EU. Turkey ranks the third place with 13 percent.⁵⁵² The further transportation integration with Europe and Turkey will increase trade connectivity.

The start of the Baku-Tbilisi-Kars railway has already had positive effect on trade connectivity between South Caucasus countries with the EU and Turkey. In 2017, the turnover of Azerbaijan with the EU approximated to \$9.4 billion. The Chairman of the State Customs Committee of Azerbaijan informed that: "Over the

⁵⁴⁸ 'International LPI'.

⁵⁴⁹ Timur Toktonaliev, 'Can Central Asia and the Caucasus Cooperate?', *Institute of War & Peace Reporting*, 2018 <<https://iwpr.net/global-voices/can-central-asia-and-caucasus-cooperate>> [accessed 10 October 2018].

⁵⁵⁰ 'Azerbaijan', *European Commission*, 2018 <<http://ec.europa.eu/trade/policy/countries-and-regions/countries/azerbaijan/>> [accessed 17 September 2018].

⁵⁵¹ 'Azerbaijan Exports', *Trading Economics*, 2018 <<https://tradingeconomics.com/azerbaijan/exports>> [accessed 17 September 2018].

⁵⁵² 'Georgia', *European Commission*, 2018 <<http://ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/>> [accessed 17 September 2018].

past five months of 2018, the trade turnover between the EU and Azerbaijan exceeded \$5 billion.”⁵⁵³ In the 5th Turkey-Azerbaijan-Georgia Business Forum, a Turkish official announced that Turkey and Azerbaijan have agreed to sign a preferential trade agreement. Moreover, Industry and Technology Minister Faruk Özlü stated that Turkey wants to upgrade its economic and trade connection with Georgia. In 2016, 4.2 percent of increase was recorded compared to 2015.⁵⁵⁴ The trade between Azerbaijan and Georgia also developed. Azerbaijan became the fourth largest partner to Georgia. Export indicator between two countries increased by 78 percent in 2017 compared to 2016.⁵⁵⁵ Mamuka Bakhtadze, Georgia’s Prime Minister, proposed the expansion of free trade regime with the inclusion of services sector.⁵⁵⁶ Thus, the construction of roads boosts other trade and financial connectivity in the region.

Besides their access to Europe and China, Azerbaijan and Georgia are linked to Turkey and Central Asian countries, bolstering their economic and political ties with these regions. Turkey, as the final leg of the corridor to Europe, position itself as a bridge country. It is connected to South Caucasus, Central Asia, China, and Europe through participating in the Belt and Road Initiative. Since the break-up of the Soviet Union, Turkey has sought to increase its influence over Turkic Central Asian countries. A direct land connection would offer opportunity to Turkey to reach out these countries. For instance, Turkey’s economic connection with Kazakhstan has increased. Energy and Natural Resources Minister Fatih Dönmez points out that the Turkish investments in Kazakhstan reached \$3.2 billion and that Turkey is placed in

⁵⁵³ Sara Israfilbayova, ‘Azerbaijan’s Trade with EU Exceeds \$5 Billion in 5 Months of 2018’, *AzerNews*, 2018 <<https://www.azernews.az/business/133012.html>> [accessed 17 September 2018].

⁵⁵⁴ ‘Turkey, Azerbaijan Agreed to Make Preferential Trade Deal, Technical Works Underway: Minister’, *Hurriyet Daily News*, 2017 <<http://www.hurriyetdailynews.com/turkey-azerbaijan-agreed-to-make-preferential-trade-deal-technical-works-underway-minister--109880>> [accessed 17 September 2018].

⁵⁵⁵ ‘Azerbaijan – Fourth Largest Trade Partner to Georgia in 2017’, *The Financial*, 2018 <<https://www.finchannel.com/world/georgia/71546-azerbaijan-fourth-largest-trade-partner-to-georgia-in-2017>> [accessed 17 September 2018].

⁵⁵⁶ ‘Free Trade Regime between Georgia, Azerbaijan Needs to Be Expanded - PM’, *AzerNews*, 2018 <<https://www.azernews.az/business/137225.html>> [accessed 17 September 2018].

third place after Russia and China in the number of foreign shareholding companies in Kazakhstan. Turkish contractors have invested \$25 billion in 487 projects. In 2017, the trade volume between two countries increased 23 percent.⁵⁵⁷

There is also a geopolitical consideration for these ties. The cooperation among Turkey, Azerbaijan, and Georgia in the Belt and Road Initiative excludes Armenia and Russia. Armenia, one of three South Caucasus countries, is not included in the China-Central Asia-West Asia corridor. Although the connection through Armenian territory instead of Georgia would shorten the route, the political considerations played role in subverting Armenia. Azerbaijan and Armenia fought with each other over the disputed Nagorno-Karabakh. Since 1994, Turkey and Azerbaijan have not had diplomatic relations with Armenia. The strategic importance of Azerbaijan due to its natural resources and its coast on the Caspian Sea for China eclipsed Armenia's participation. Thus, Armenia did not become the part of the China-Central Asia-West Asia corridor. Thus, Armenia's east-west connection remains weak. It has been further isolated in the region, which is in the process of dense connectivity.

For Central Asia, the increasing trade connectivity with the rest of the world elevates Central Asia's status of being a periphery of a particular big power to the interconnected region with the global economy with Belt and Road infrastructure, trade, and finance connectivity. The stagnation, which had been experienced for centuries is due to its isolation from sea-based trade system. Frederick Starr argues that up until recent years, it appeared only on the western fringes of maps of Asia, the eastern fringe of maps of Europe, or the southern fringe of maps of Russia. Thanks to new roads, railroads and airline routes, the products and raw materials of this landlocked region flow to foreign buyers. This interconnectivity places Central Asia square in the center.⁵⁵⁸ This connectivity is, therefore, an illustration of

⁵⁵⁷ 'Turkey, Kazakhstan Strike Deals in Various Sectors Totaling \$1.7B', *Daily Sabah*, 2018 <<https://www.dailysabah.com/economy/2018/09/13/turkey-kazakhstan-strike-deals-in-various-sectors-totaling-17b>> [accessed 18 September 2018].

⁵⁵⁸ Frederick Starr, 'Why Central Asia Counts', *Central Asia-Caucasus Institute & Silk Road Studies Program*, 2017 <<https://www.silkroadstudies.org/publications/joint-center-publications/item/13265-why-central-asia-counts.html>> [accessed 10 October 2018].

changing geopolitics of the region without changing its location. Central Asia is evolving into a getaway of interconnectivity for China in reaching Europe. This interconnectivity also enables Central Asian countries to link with China and Europe.

In fact, the increasing connectivity between the South Caucasus and Central Asia, and the lessening of Russian influence over these regions bring about the discussions of Central Eurasia, touched upon in the second chapter. The term of Central Eurasia has been offered to encompass three South Caucasus countries and five Central Asian countries.⁵⁵⁹ The China-Central Asia-West Asia corridor diversifies the routes for China and Central Asian countries to reach out to Europe. This corridor lessens Russia's strategic gains from the New Eurasian Land Bridge. It also offers Central Asian countries to trade with Europe without using Russian territory, diminishing Russia's leverage over Central Asian countries. Thus, Central Asian countries are able to connect to Europe independent of the transportation network built in the Soviet Union era, depleting Russia's political power in the region.

This definition saves Eurasia from Russian centric definition. Yet, it is insufficient. Pepe contends that Central Eurasia definition captures the Pivot Area of Mackinder's Heartland, *de facto* ignoring the role of the Rimland coastal belt.⁵⁶⁰ The China-Central Asia-West Asia corridor actually realizes this conception in a narrow sense in that it disregards the linkage between South Caucasus and Central Asian countries with open sea port. Kyrgyzstan and Tajikistan are landlocked countries. Azerbaijan, Kazakhstan, and Turkmenistan have ports on the Caspian Sea, which is a closed sea. On the other hand, the China-Central Asia-West Asia corridor connects South Caucasus countries to Turkey and Iran, which offer these countries to access to open seas. Thus, Central Asia's landlocked status is about to change through infrastructure linkages.

⁵⁵⁹ Eldar Ismailov and Vladimer Papava, *Rethinking Central Eurasia, Central Asia-Caucasus Institute & Silk Road Studies Program*, 2010, p. 6.

⁵⁶⁰ Pepe, p. 73.

The Caucasus and the Central Asia have been evolving from closed regions, which had been subservient to Moscow, to interconnected regions, which are linked to the open sea ports through participation Turkey and Iran. In addition to Turkey and Iran, China and European coasts constitute the rimland areas depicted by Spykman. The heartland part of Eurasia is connected to the rimland through human endeavor. Spykman projected that human action, materialized as the establishment of trade routes and communication lines, has transformative power in geography more than static geographical settings.⁵⁶¹ The access to sea is critical for landlocked regions to shape their geographical constraints. The China-Central Asia-West Asia corridor helps Central Asia and South Caucasus to relieve its landlocked status by offering linkage with China, Turkey, and Iran.

Another consequence of transportation and trade connectivity is the flow of Chinese migrants to Central Asian countries. The development in transportation make their journey easier to those countries. They migrate to work mostly in Belt and Road related projects. Therefore, Chinese labor force in these countries has increased especially after the start of the Belt and Road Initiative.

Table 5. Number of Chinese workers in Central Asian Countries⁵⁶²

Country	2010	2011	2012	2013	2014	2015	2016
Kazakhstan	6,858	6,379	4,290	4,290	11,860	13,733	12,700
Kyrgyzstan	6,991	6,498	8,455	7,280	8,721	9,522	9,318
Tajikistan	1,427	2,408	1,736	3,727	5,086	5,000	6,500

This statistics shows that the Belt and Road Initiative eases Chinese workers' opportunities to engage in labor market in Central Asian countries by providing job opportunities for the people.

⁵⁶¹ Pepe, p.67.

⁵⁶² Sadovskaya and Utyasheva, p. 116.

Besides labor migration from China to Central Asian countries, China promotes the migration of people who are skilled in science and technology to China. The Vision and Action paper states that China supplies scholarship for 10,000 student every year for Belt and Road countries.⁵⁶³ The concrete measures have been enacted to attract foreign scientists and talents. Shanghai adopted new regulations, which encourage foreign educated people to migrate to China including prolonging the duration of stay, easing residence conditions, and expanding job opportunities. The paper, which lists these policies, also stresses that these measures are compatible with the Belt and Road Initiative.⁵⁶⁴ Moreover, China host many culture activities, conferences, arts, festivals, and workshops for Belt and Road countries, which aim at increasing tourism activities.⁵⁶⁵ Thus, the migration is not only from China to Belt and Road countries but also from Belt and Road countries to China. This emboldens people-to people connectivity along Belt and Road route.

In addition to these regional consequences, the China-Central Asia-West Asia corridor has effects on countries individually. South Caucasus countries, Azerbaijan and Georgia, find their security situations improved thanks to being conduits on the China-Central Asia-West Asia corridor. As they become vital players on the linkage between European and Chinese trade, Russia's leverage against these countries diminish. Russia's Foreign Ministry issued threats over the EU-Georgia free trade agreement in 2013 but made no such comments over the signing of the China-Georgia free trade agreement in 2016.⁵⁶⁶ This shows Russia's unwillingness to

⁵⁶³ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’, *National Development and Reform Commission of People’s Republic of China (NDRC)*, 2015 <http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html> [accessed 13 February 2017].

⁵⁶⁴ Pilar Czoske and Björn Ahl, ‘Migration, the Law and “One Belt, One Road”’, in *Legal Dimensions of China’s Belt and Road Initiative*, ed. by Lutz-Christian Wolff, Chao Xi, and Jenny Chan (Hong Kong: Wolters Kluwer, 2016), pp. 393–416 (p. 401).

⁵⁶⁵ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’.

⁵⁶⁶ Boris Ajeganov, ‘EU–China Trade to Bolster Security in the South Caucasus’, *The Central Asia–Caucasus Analyst*, 2017 <<https://www.cacianalyst.org/publications/analytical-articles/item/13423-eu-china-trade-to-bolster-security-in-the-south-caucasus.html>> [accessed 10 October 2018].

alienate China over its relations with South Caucasus countries. Being a node on this corridor raised these countries' strategic leverage against Russia.

In the sub-southern corridor of the China-Central Asia-West Asia corridor, Iran has vital importance. The inclusion of Iran would facilitate Central Asia's reach to open seas through Bendar Abbas port.

Iran's coastline inside the Strait of Hormuz is 1,356 nautical miles; the next longest, that of the United Arab Emirates, is only 733 nautical miles. Iran also has 300 miles of Arabian sea frontage including the port of Chah Bahar near the Pakistani border. This makes Iran vital to providing hot water access to the landlocked countries of the former Soviet Union.⁵⁶⁷

Indeed, railway connections with Central Asian countries within the China-Central Asia-West Asia southern sub-corridor bolsters Iran's leverage in the world, helping Iran to break its isolated position in international arena. Hossein Ashoori, deputy head for international transportation of the Railways said that: "Our goal in the Silk Road plan is first to connect Iran's market to China's via railway for our domestic consumption and second to send Iranian and Chinese products to European markets."⁵⁶⁸

In May 2018, in Baku, Turkish Foreign Affairs Minister Mevlut Çavuşoğlu, Iranian Foreign Minister Mohammad Javad Zarif, Georgian Foreign Minister Mikheil Janelidze, and Azerbaijani Foreign Minister Elmar Memmedyarov discussed new transportation projects such as Rasht-Astara railway within the Belt and Road Initiative. Moreover, Mevlüt Çavuşoğlu stated that: "This mechanism has been established between the countries, with which we [Turkey] have historical and cultural ties. There are important projects that we will realize together with these three countries."⁵⁶⁹ Thus, the possibility of including Iran to the Baku-Tbilisi-Kars railway has been articulated by the participant foreign ministers.

⁵⁶⁷ Robert D.Kaplan, *The Revenge of Geography* (New York: Random House Trade Paperbacks, 2012), p. 267.

⁵⁶⁸ Bozorgmehr.

⁵⁶⁹ Sena Güler, 'Iran, Turkey, Georgia, Azerbaijan Hold Meeting in Baku', *Anatolian Agency English*, 2018 <<https://www.aa.com.tr/en/middle-east/iran-turkey-georgia-azerbaijan-hold-meeting-in-baku-/1089847>> [accessed 20 September 2018].

Thus, the realization of this corridor lays out a new type of regional connectivity in which Russia plays no role. Still, besides states that participate in this corridor, financial institutions, construction companies, and supranational organization participated in the realization of the connectivity along the corridor route. Nevertheless, unlike the New Eurasian Land Bridge, the China-Central Asia-West Asia corridor is not complete. The enormous challenges are ahead of the smooth operationalization of the China-Central Asia-West Asia.

5. 7. Challenges of the China-Central Asia-West Asia Corridor

As I examined in the previous sections, there are two parts of the China-Central Asia-West Asia corridor: Central and Southern sub-corridors. The hard infrastructure of the central sub-corridor is almost complete. Nonetheless, there are serious problems concerning soft infrastructure that affect the process of transportation along the corridor route. The southern sub-corridor, on the other hand, pass through infrastructurally less developed and politically unstable countries such as Kyrgyzstan, Tajikistan, and Iran. Many of the projects have not been initiated.

The first problem concerning central sub-corridor is that it is underused. As I demonstrated in the previous chapter, the modes of transportation between the EU and China, transportation by ship maintains its dominance with the usage of over 90 percent. Nevertheless, there is a silver lining for the railroads. In a survey, respondents, composed of company representatives who deal business with China, reported that timing was the most important strength of central corridor. Rail offers a viable alternative in that it is faster than shipment through sea but slower than air transportation. The flexibility of railroads is also attractive because they can transport their goods their factories to specific places.⁵⁷⁰ Thus, despite the dominance

⁵⁷⁰ Bas Reijnders, *The Central Corridor Route, a New Era in Global Logistics* (Limburg: Open Universiteit Nederland, 2017), p. 27.

of shipping transportation, the advantages of the railway transportation started to be recognized.

Yet, the remaining railway transportation between the EU and China passes mostly through the New Eurasian Land Bridge. Therefore, this corridor competes with the New Eurasian Land Bridge as well as shipping transportation. The transportation on the Trans-Caspian route, the Belt and Road Initiative is still at the beginning stage whereas the lines on the New Eurasian Land Bridge have been operational for four or five years. The advantages of the New Eurasian Land Bridge corridor surpass the China-Central Asia-West Asia. Nonetheless, reactionary sanctions imposed by Russia on European products disrupt the flow on the New Eurasian Land Bridge. Jan Koolen, the CEO of Dutch company Unit 45, said that: “The big problem that we face is that there are still sanctions in Russia to move perishable over from Europe to China or Europe to Kazakhstan through Russia. That’s a bottleneck at the moment.”⁵⁷¹ The company representatives interviewed also added that: “Fresh foods, like fruits, vegetables, milk or meat are not allowed to pass through Russia.”⁵⁷² This would have an effect of diverting to transportation to the China-Central Asia-West Asia corridor from the New Eurasian Land Bridge.

The second problem is related with soft infrastructure. In contrast to countries on the New Eurasian Land Bridge corridor route, the South Caucasus countries are not members of the Eurasian Economic Union. This means different custom regimes for each border crossing. Moreover, border crossings over Central Asian countries are also hazardous. World Bank’s Doing Business indicators show that in Central Asia, transportation can last up to 50 days to comply with all procedures to import goods. It takes less than 10 days in G7 countries.⁵⁷³ The domestic regulations and institutions contribute to the delays at border crossing. Central Asian countries

⁵⁷¹ Shepard, ‘Russia Is In A Unique Position To Either Make Or Break The New Silk Road’.

⁵⁷² Reijnders, p. 29.

⁵⁷³ Michele Ruta, ‘Three Opportunities and Three Risks of the Belt and Road Initiative’, *The World Bank*, 2018 <<http://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>> [accessed 22 July 2018].

require more documents than other landlocked countries located in South Caucasus and Central Europe such as Armenia and Slovakia.⁵⁷⁴

Complicated customs procedures and competition for bribes at numerous Central Asian borders crossings often hamper traffic. In 2012, Kazakhstan's border with China witnessed numerous incidents emanated from disobedient border guards, jurisdiction disputes among overlapping agencies, smuggling, and bribery. These events caused significant delays by lengthening customs procedures at the Khorgos crossing.⁵⁷⁵

In 2017, the problems persist concerning border crossings and customs. Besides Khorgos in Kazakhstan, border points in Central Asian countries also experience obstacles regarding border crossings. The most significant example is Uzbekistan. The higher tariffs in Uzbekistan, frequent and unpredictable changes in tariffs, taxes levied on imported goods but not on domestically produced goods in Uzbekistan, licensing of exports and imports of certain commodities, and explicit export taxes are the causes of delays and complications at border crossings.⁵⁷⁶

Mr.Zhang, an entrepreneur who sells his food purchases in Khorgos special economic zone, told that: "A trip can take 30 minutes, or more than an hour if the customs queues are long," he said. "It's a tax-free zone, but there's still passport control."⁵⁷⁷ Another trader, Alim, says: "Custom procedures are actually very fast on the Chinese side. It is getting goods through the Kazakh side that can be very

⁵⁷⁴ Sobir Kurbanov, 'The Importance of Anticorruption, Trade, and Investment Climate Reforms in Central Asia in the BRI Context', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 86–97 (p. 91).

⁵⁷⁵ Alexandros Petersen, 'China's Latest Piece of the New Silk Road', *The Jamestown Foundation*, 2013 <<https://jamestown.org/program/chinas-latest-piece-of-the-new-silk-road/>> [accessed 21 May 2018].

⁵⁷⁶ Kurbanov, p. 91.

⁵⁷⁷ Lim Yan Liang, 'Key Stops on China's New Silk Road', *The Strait Times*, 12 May 2017 <<https://www.straitstimes.com/asia/east-asia/not-smooth-as-silk-yet-in-border-hub>> [accessed 22 September 2018].

unpredictable and costs twice as much in customs fees.”⁵⁷⁸ Besides these testimonies, Ease of Trading Across Borders is an important indicator as it measures time and cost associated with documentary compliance, border compliance, and domestic transportation. Figure 19 demonstrates the ranking of the countries of the China-Central Asia-West Asia corridor in Ease of Trading Across Borders.

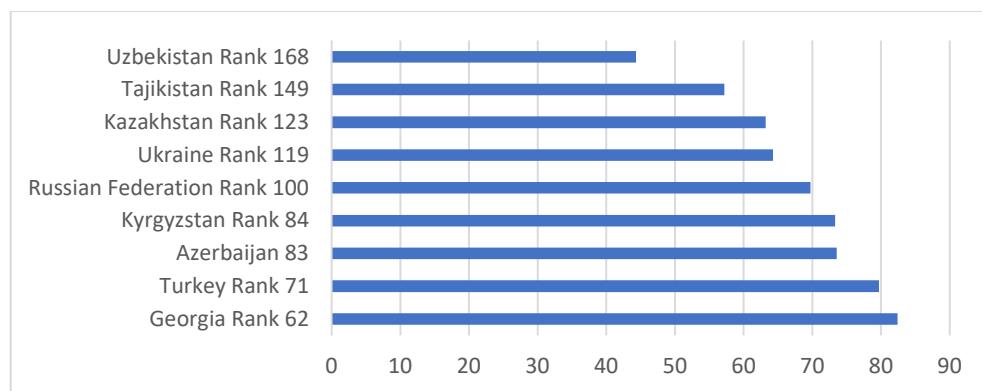


Figure 19. Ease of Trading Across the China-Central Asia-West Asia Corridor⁵⁷⁹

As this graphic indicates Central Asian countries score lower concerning border crossing procedures than South Caucasus countries and Turkey. Traders are subjected to frequent transportation controls, excessive weight controls, convoying, and customs escorts. These acts are related with corruption. Approximately 30 percent of transportation costs were due to randomly imposed, informal payments imposed by border and customs officials. For example, in Kazakhstan, border agents deliberately delay crossing to receive bribes. Business executives report that almost three in ten companies expect to give ‘gifts’ to officials across the borders of

⁵⁷⁸ Emily Feng, ‘China-Kazakhstan Border Woes Dent Silk Road Ambitions’, *Financial Times*, 2017 <<https://www.ft.com/content/1606d70a-9c31-11e7-8cd4-932067fbf946>> [accessed 26 December 2017].

⁵⁷⁹ ‘Doing Business 2018’, *The World Bank*, 2018 <<https://openknowledge.worldbank.org/bitstream/handle/10986/29096/122093.pdf?sequence=2&isAllowed=y>> [accessed 30 September 2018].

Kazakhstan.⁵⁸⁰ This raises delays at border crossing as well as increasing transportation time.

There are projects regarding the governance of trans-Caspian corridor. Taleh Ziyadov, director general of Baku International Sea Trade Port told that: “The policy of a single tariff is important. The application of a single tariff for cargos from Europe to China, and from China to Europe will demonstrate that the corridor is operating and is competitive. In the immediate future, other countries will be involved the consortium.”⁵⁸¹ On April 1, 2017, Javid Gurbanov, Chairman of Azerbaijan Railways CJSC, said that: “Single tariffs for cargo transportation along the Trans-Caspian International Transport Route will be determined in the near future.”⁵⁸² These statements evolved into institutional actions. Along the Belt and Road route, in January 2018, the General Administration of Customs (GAC) has issued the Belt and Road Customs Clearance Co-operation Action Plan (2018-2020). This document is a blueprint for the enhancement of customs co-ordination and liaison between China and Belt and Road countries, declaring to establish a customs information exchange and service-sharing platform.⁵⁸³ Still, the developments listed above are intentions, plans, and blueprints. The training of personnel, elimination of bribery and corruption will require long-term governance investment.

Another most expressed problem is the high cost of the Trans-Caspian crossing. “As of 2015, it costs USD 1,200 one way to cross from Baku to Aktau route and USD 1,100 from Baku to Turkmenbashi amounting to \$4 and \$6.5 per nautical mile, respectively. shipment from Mersin in Southern Turkey to Italy’s Trieste costs \$1

⁵⁸⁰ Kurbanov, p. 92- 93.

⁵⁸¹ ‘Application of a Single Tariff for Trans-Caspian International Transport Route Is Important in Increasing Competitiveness’, *Azerbaycan 24*, 2016 <<http://www.azerbaycan24.com/en/application-of-a-single-tariff-for-trans-caspian-international-transport-route-is-important-in-increasing-competitiveness/>> [accessed 23 September 2018].

⁵⁸² Anvar Mammadov, ‘Single Tariffs for Trans-Caspian Route to Be Defined Soon’, *Trend News Agency*, 2017 <<http://en.trend.az/azerbaijan/business/2737246.html>> [accessed 18 May 2017].

⁵⁸³ ‘Belt and Road Customs Clearance Co-Operation Action Plan (2018-2020)’, *HKT Research*, 2018 <<http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Belt-and-Road-Customs-Clearance-Co-operation-Action-Plan-2018-2020/obor/en/1/1X000000/1X0ADEAK.htm>> [accessed 24 September 2018].

per nautical mile.”⁵⁸⁴ According to Ukraine’s State Railway Service, shipping a 40-foot container by train (and ferry) costs about \$8,900 on the Trans-Caspian corridor.⁵⁸⁵ To counter high prices, in 2015, Azerbaijan made a nearly 40 percent reduction in the transit cargo transported from Aktau and Turkmenbashi ports to Alyat for large trucks. Moreover, tariffs were reduced by 20 percent to increase the attractiveness of the Trans-Caspian route.⁵⁸⁶ In January 2017, preferential rates along the route were introduced. A spokesperson of the International Association of the Trans-Caspian International Transport Route (TITR) said that the aim is to lower the overall rate for transporting cargo for companies between China and Europe.⁵⁸⁷ Despite lowering tariffs, prices are still high as existence of monopolies of transportation on the Caspian continues. Azerbaijan’s state-owned Caspian Shipping Company, CASPAR, has monopoly right on transportation on the Caspian Sea.⁵⁸⁸

The irregular timing of cargo ferries across Caspian Sea creates uncertainties about the transportation. There are no passenger ferries so for people only way to cross Caspian Sea by cargo ship. Macaes told his experiences while crossing the Caspian Sea. He said that cargo ship does not take off before it’s fully loaded. The transportation conditions are not very comfortable, either. There were no blankets or pillows at the temperature below zero with no heating.⁵⁸⁹ Weather conditions are important since they also cause delays for cargo ferries operating across the Caspian

⁵⁸⁴ Feride Inan and Yayloyan, p. 36.

⁵⁸⁵ Catherine Putz, ‘Why the Trans-Caspian Transport Route Matters’, *The Diplomat*, 2016 <<https://thediplomat.com/2016/02/why-the-trans-caspian-transport-route-matters/>> [accessed 24 September 2018].

⁵⁸⁶ ‘Azerbaijan Increases Number of Ferries in Caspian Sea’, *AzerNews*, 2015 <<https://www.azernews.az/business/91058.html>> [accessed 24 September 2018].

⁵⁸⁷ ‘Tariffs on Trans-Caspian International Transport Route Reduced’, *Rail Freight*, 2017 <<https://www.railfreight.com/corridors/2017/09/13/tariffs-on-trans-caspian-international-transport-route-reduced/>> [accessed 24 September 2018].

⁵⁸⁸ Feride Inan and Yayloyan, p. 37.

⁵⁸⁹ Bruno Macaes, ‘Crossing the Caspian: Letter From Turkmenbashi’, *Carnegie*, 2016 <<http://carnegieeurope.eu/2016/10/20/crossing-caspian-letter-from-turkmenbashi-pub-64912>> [accessed 25 September 2018].

Sea. On average 90 days a year ferries are unable to operate due to big waves.⁵⁹⁰ This uncertainty diminishes the attractiveness of the Trans-Caspian crossing for both people and companies.

The problems experienced on the central sub-corridor listed above are related with hard and soft infrastructure. The southern sub-corridor, on the other hand, is threatened by lack of governance, geopolitical rivalries, and anti-Chinese sentiments. These elements are visible in Kyrgyzstan. Uzbekistan and China are planned to be connected through Kyrgyzstan. In Kyrgyzstan, however, there are contradictions between the ruling elites of northern and southern regions of the country where Uzbek population lives. It is feared that the railway will increase Uzbekistan's influence over Kyrgyzstan. Direct link with Uzbekistan will increase separatist sentiments among population of southern region.⁵⁹¹ Thus, this line is opposed in Kyrgyzstan. Besides geopolitical considerations, economic considerations also play role. Timur Saralayev, head of the Bishkek-based New Generation movement, said that: "I am against this railway as it stands because the financial benefits that could accrue to Kyrgyzstan accrue to [China and Uzbekistan] instead."⁵⁹² The economic profitability of the Belt and Road Initiative has been met with doubts by many other experts. Although Kyrgyzstan hopes to gain 200 million dollars a year from transit, Kubat Rakhimov, an expert on infrastructure projects in Central Eurasia, thinks that China is unlikely to allow someone to gain profit on transit.⁵⁹³ According to Emil Nasritdinov, who is a professor of anthropology at the American University of Bishkek, the Belt and Road Initiative only served to China in exporting its goods to Kyrgyz market. He also claimed that Kyrgyz truckers lost competitiveness because China subsidizes Chinese

⁵⁹⁰ Feride Inan and Yayloyan, p. 36.

⁵⁹¹ Sofia Pale, 'Kyrgyzstan and the Chinese "New Silk Road"', *New Eastern Outlook*, 2015 <<http://journal-neo.org/2015/09/03/kyrgyzstan-and-the-chinese-new-silk-road/>> [accessed 17 May 2017].

⁵⁹² 'China's Silk Road Revival "Hits Hurdles"', *The Express Tribune*, 2017 <<https://tribune.com.pk/story/1556344/3-chinas-silk-road-revival-hits-hurdles/>> [accessed 27 September 2018].

⁵⁹³ Pale.

truckers in transportation.⁵⁹⁴ Whether these claims true or not, the perception of the loss will endanger the credibility of the Belt and Road Initiative, creating resistance among population against Belt and Road investments. The progress of infrastructure developments, which enables the corridors to proceed smoothly, therefore, will be negatively affected.

Surging debt of Central Asian countries due to Belt and Road projects also raises question and suspicion. Repayments of the debts received for Belt and Road projects are risky considering the huge amounts of debts borrowed. For Kyrgyzstan, between 2011 and 2016, the total amount owed to China's Exim Bank, the biggest lender to Kyrgyzstan in Belt and Road projects, increased five folds, accounting for approximately 38.1 percent of Kyrgyzstan's total external debt. For Tajikistan, Chinese credit from Exim Bank accounted for 59 percent of external debt according to data released in 2016.⁵⁹⁵ As of 2009, the President Berdimuhamedov announced that the country was free of external debt. Since 2009, however, Ashgabat began taking substantial loans from China, although the total amount of debt is unknown.⁵⁹⁶ It is highly probable that this borrowing is related with the Belt and Road Initiative as the realization of Belt and Road infrastructure projects requires Chinese investments.

This huge amount of debt to China means increasing dependency on China. Lidia Parkhomchik, a senior researcher of the Eurasian Research Institute, comments that: "The population fears that the governments will not be able to repay the debt, which might lead to a situation where Beijing can use this as a direct lever

⁵⁹⁴ Gabriele Battaglia, 'Hopes and Fears on People's Silk Road in Kyrgyzstan', *Asia Times*, 2017 <http://www.atimes.com/article/hopes-fears-peoples-silk-road-kyrgyzstan/?utm_source=The+Daily+Brief&utm_campaign=d4af219f07-2017_01_17&utm_medium=email&utm_term=0_1f8bca137f-d4af219f07-21552319> [accessed 27 September 2018].

⁵⁹⁵ Sarah Lain, 'The Potential and Pitfalls of Connectivity along the Silk Road Economic Belt', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 1–11 (p. 5).

⁵⁹⁶ Jaborov, p. 36.

of pressure on the country's leadership, including in matters of domestic policy.”⁵⁹⁷ In fact, Tajikistan's 2011 agreement to settle a land demarcation issue with China, in which China gained 1,000 square kilometers, in exchange of writing-off debts.⁵⁹⁸ In Tajikistan, there is an unwritten condition that projects financed by Chinese loans use Chinese labor, materials, and companies.

The fears of the effects of debt is not restricted in Central Asia. Other countries participating in the initiative, started to cancel high cost projects, fearing that high debts infringe their economic sovereignty. The increasing debt led Malaysia to abandon Belt and Road projects. Malaysia's newly elected prime minister Mahathir Mohamad announced that two major infrastructure projects will be cancelled, adding that: “It's all about pouring in too much money which we cannot afford, we cannot repay and also because we don't need these projects for Malaysia at this moment.”⁵⁹⁹ Pakistan's new government also announced that it will review Belt and Road investments and renegotiate the projects, setting up a new committee to evaluate CPEC projects. The main concerns are debt that these projects burden on Pakistan, and advantages that Chinese companies gain over Pakistani companies.⁶⁰⁰ These examples are important to show the nervousness concerning debts borrowed within the Belt and Road Initiative. They chose to cancel project instead of relying too much on Chinese capital. These reactions may replicate in Central Asian countries as debts of these countries to China rise. The infrastructure projects in Central Asia, thus, will not proceed if the countries contend that borrowing will bring political concessions.

⁵⁹⁷ Azad Garibov, ‘Contemporary Chinese Labor Migration and Its Public Perception in Kazakhstan and Kyrgyzstan’, in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 143–53 (p. 150).

⁵⁹⁸ Lain, p. 9.

⁵⁹⁹ Alexandra Ma, ‘Malaysia Has Axed \$22 Billion of Chinese-Backed Projects, in a Blow to China's Grand Plan to Dominate World Trade’, *Business Insider*, 2018 <<https://www.businessinsider.com/malaysia-axes-22-billion-of-belt-and-road-projects-blow-to-china-2018-8>> [accessed 4 October 2018].

⁶⁰⁰ Jamil Anderlini, Henny Sender, and Farhan Bokhari, ‘Pakistan Rethinks Its Role in Xi's Belt and Road Plan’, *Financial Times*, 2018.

China's this economic and political leverage, therefore, precipitates anti-Chinese feelings among population of Central Asia countries. Due to historical enmity between the region and China and China's current capabilities, China has been viewed by suspicion and fear in the region. One Bishkek resident recalled: "In my childhood, if we didn't eat the food that our grandmother prepared, she would scare us by saying that the Chinese will come."⁶⁰¹ This historical mistrust is troublesome for connectivity between Central Asian countries and China.

However, the main resentment was due to Chinese workers. Due to the Belt and Road Initiative, Chinese migration raised fear of Chinese expansion in Central Asian countries. People in Tajikistan and Kyrgyzstan believe that Kyrgyzstan and Tajikistan will eventually become China's western provinces. One respondent comments that: "They will choke us in their hug."⁶⁰² In Kyrgyzstan, many fear that Chinese immigration "is out of control." In Kazakhstan and Kyrgyzstan was mythologized by reviving fears of Chinese "invasion." Chinese migration is referred as another phase of tribes' historical struggle against Dzungaria and the Qing empire in Kazakhstan. Kyrgyz newspaper *Sayasat* reminds its readers battles of Manas against crowded armies of China.⁶⁰³ In a survey conducted in Kazakhstan and Kyrgyzstan, about 80 percent of respondents perceive the influx of Chinese immigrants as the most important risk for their countries.⁶⁰⁴ Thus, Chinese migration issue is equated as a Chinese invasion of the territories, revitalizing ancient fears. Nonetheless, the numbers of Chinese migrants in Central Asian countries are likely to rise as Belt and Road investments increase. Therefore, this poses challenge to Central Asian governments to manage Chinese investments and local tensions.

⁶⁰¹ Catherine Owen, "'The Sleeping Dragon Is Gathering Strength': Causes of Sinophobia in Central Asia', *China Quarterly of International Strategic Studies*, 3.1 (2017), 101–19 (p. 110).

⁶⁰² Catherine Owen, p. 111.

⁶⁰³ Garibov, p. 147.

⁶⁰⁴ Marek Jochec and Jenny Jenish Kyzy, 'China's BRI Investments, Risks, and Opportunities in Kazakhstan and Kyrgyzstan', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 67–77 (p. 74).

Another reaction to Chinese presence in Central Asia is the land acquisitions for Belt and Road projects. The most important backlash experienced in Kazakhstan in 2016. Protests took place in Astana, the capital, Almaty, the largest city, Atyrau and Aktobe against amendments in the country's land code, which intended to make easier for foreign parties to acquire lands in Kazakhstan. China was considered as the most active foreign party in the use of Kazakh land, provoking nationalistic feelings. The government took this backlash very seriously. In an effort to defuse the situation, the government announced a moratorium on the land code amendments. Moreover, the economy and agriculture ministers have both been forced to resign.⁶⁰⁵ Land issue is particularly sensitive for other Central Asian countries, as well. This issue's importance can be observed the protests in Kyrgyzstan, which eventually led to overthrow of the regime. In 1999, Kyrgyzstan reached an agreement with China under which 125,000 hectares of land were ceded to Beijing. Political opposition accused the President Askar Akayev of secretly selling the land to Beijing and demanded his resignation. In 2002, when Azimbek Beknazarov, one of the most prominent opponents of this deal was arrested, prompting 1,000 of his supporters gathered in the Aksy district to support him. Although, the police brutally suppressed the demonstration, these actions sparked protests across the country and ultimately contributed to the downfall of the Akayev regime in 2005.⁶⁰⁶ Thus, this public sensitivity discourages Central Asian countries to make land acquiesces for Belt and Road projects. The land diversion for Belt and Road projects will be another tension, which Central Asian countries have to manage while progressing Belt and Road related projects.

To sum up, although the China-Central Asia-West Asia corridor envisions connectivity between China and Europe through Central Asia, South Caucasus, and

⁶⁰⁵ Alex Nice, 'Kazakhstan Gets Twitchy', Chatham House, 2016 <<https://www.chathamhouse.org/system/files/publications/twt/twt-2016-03-kazakhstan-gets-twitchy-nice.pdf>> [accessed 9 October 2018].

⁶⁰⁶ Kemel Toktomushev, 'One Belt, One Road: A New Source of Rent for Ruling Elites in Central Asia?', in *China's Belt and Road Initiative and Its Impact in Central Asia*, ed. by Marlène Laruelle (Washington D.C.: The George Washington University, Central Asia Program, 2018), pp. 77–86 (p. 78).

Turkey, there are problems on the route that will affect the flow of goods and people. The one way of trade between China and Europe raises questions about the profitability of the corridor considering that it also competes with the New Eurasian Land Bridge. Still, the sanctions over Russia highlights the prospect of the China-Central Asia-West Asia corridor. The delays and corruption at the borders are another problem. Many of businessmen interviewed expressed their dissatisfaction with the procedures. Although the custom harmonization agreements and personnel training process have been initiated, this process will take years to complete.

The hard infrastructure of the Southern sub-corridor is incomplete. The projects are laid down, but little progress has been accomplished concerning the development of the road projects. The tensions among Kyrgyzstan, Turkmenistan, and Uzbekistan affect the progress of projects as geopolitical concerns surpass the advancement of projects. For Iran leg, railway projects are initiated with the collaboration of China, but their location or progress is not disclosed, raising concerns about the feasibility of these railway projects. Moreover, Iran's precarious stance in the global arena raises questions about Iran's participation in the Belt and Road Initiative. The cancellation of nuclear deal and introduction of sanctions on Iran by the USA are the indicators of Iran's awaiting troubles in future. The pressure on Iran will always be a problem for the development of southern sub-corridor of the China-Central Asia-West Asia corridor.

Although Central Asian countries are willing to participate in the Belt and Road Initiative to connect with the rest of the world and to attract Chinese investments, the perception of erosion of sovereignty raises public criticism. Especially the high debt burden, increasing number of Chinese migrants, and land allocations for foreign companies are the most important problems, which create public backlash against Belt and Road projects. This dilemma must be managed by Central Asian countries in order to eschew impediments to the development of the projects.

Despite these challenges, the Belt and Road Initiative with its completed corridor, assumes a new territorial arrangement for Eurasia, in which the corridors between cities surpass the borders of nation states. While deterritorializing Eurasia via corridors, the initiative also reterritorializes Eurasia through connection between

cities. The next chapter will examine the connection between cities and demonstrate how these cities act as nodes within networks.

CHAPTER 6

RECONFIGURATION OF EURASIAN SPACE

As discussed in the third chapter deterritorialization entails fundamental change in space, reterritorialization follows deterritorialization. It asserts a new form of process in the organization of space. While the New Eurasian Land Bridge and the China-Central Asia-West Asia corridors transcend nation state boundaries, the ports, dry ports, and special economic zones on these corridors assume new kind of territorialization on these corridors. This restructuring reflects itself in devolution of some of state sovereignty such as monitoring goods or collecting taxes in the newly designed areas (SEZs, dry ports). These intermodal terminals emerge as significant trade nodes on these two corridors in Eurasia. The nodes, then, form transportation networks along China and Europe trade routes.

On Belt and Road corridors, ports, dry ports, and special economic zones provide trade connectivity. The countries on this route give up some part of their sovereignty to attract foreign direct investment and increase productivity. This chapter examines the establishment of ports, dry ports, and special economic zones in line with the development of the Belt and Road Initiative. In this study, my attention focuses on how these intermodal terminals spread across Central Asian and South Caucasus countries incentives provided Belt and Road projects.

The main feature of dry ports and special economic zones in devolution of sovereignty from national to local level. The operation of these terminals is also transferred from public to private sector. These features are especially significant for Central Asia and Caucasus where the emphasis on state sovereignty is accented. Before analyzing new terminals across Eurasia, however, it is relevant to conceptualize dry ports and special economic zones to understand how they bring about a new model of territorialization on the corridors.

Dry port is defined as “an inland intermodal terminal directly connected to seaport(s) with high capacity transport mean(s), where customers can leave/pick up their standardised units as if directly to a seaport.”⁶⁰⁷ They provide a connection with a port terminal through rail, or organize logistical activities and the freight cargo transported.⁶⁰⁸ It reduces cargo flow time, increase speed, decrease operational costs, offer custom clearance services, and stop point in transportation network.⁶⁰⁹ According to United Nations Economic and Social Commission for Asia and Pacific, dry port helps coping capacity constraints at sea. It, therefore, brings economic development from coastal area to hinterland. Besides economic benefits, on land transportation it reduces road congestion and long queues.⁶¹⁰

Dry ports are pertinent to the development of the Silk Road Economic Belt, which is the land connection leg of the Belt and Road Initiative. Dry ports in Central Asia generally assumes the role of a load center rather than being complementary of a seaport. They organize and support cross border transportation traffic, easing the flow of trade on the corridors. They function as logistical and trade hubs in transportation networks. Thus, they generally grow to special economic zones.

Special economic zones (SEZ)s are defined as:

demarcated geographic areas contained within a country’s national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more

⁶⁰⁷ Violeta Roso, Johan Woxenius, and Kent Lumsden, ‘The Dry Port Concept: Connecting Container Seaports with the Hinterland’, *Journal of Transport Geography*, 2008, 1–8 (p. 4).

⁶⁰⁸ Jean-Paul Rodrigue and Theo Notteboom, ‘Dry Ports and the Maritime Hinterland: Gaining Momentum’, *Port Technology International*, 2011, 21–24 (p. 21).

⁶⁰⁹ Gerald Wanzala Werikhe and Jin Zhihong, ‘Dry Ports Development in East Africa –A Benchmarking Approach’, in *Eighth International Conference on Measuring Technology and Mechatronics Automation*, 2016, p. 1.

⁶¹⁰ ‘Roles of Dry Ports in Economic Corridors Transport Division, UNESCAP’, *United Nations Economic and Social Commission* <https://www.unescap.org/sites/default/files/11_tfforum11_c2_rasamit.pdf> [accessed 9 November 2018].

liberal from a policy perspective and more effective from an administrative perspective than that of the national territory.⁶¹¹

The zone is juxtaposed with domestic law, international law, and incentives which separate the area from domestic legal procedure to attract foreign investment. An analyst comments that: “The exemptions granted to FTZ operators by these entities are exhaustive enough to strip the most stringent code of civil law of substance; the fact in most countries the FTZ operators cannot be sued in ordinary domestic courts by individuals.”⁶¹²

Around the world SEZs have different names, changing country to country. For instance, SEZs in Ireland are called “industrial free zones” or “export free zones” while in the United States they are called “foreign trade zones.” In developing countries, as they are export oriented, they are typically called “export processing zones” (EPZs). Those in the People’s Republic of China (PRC), which tend to be less export-oriented, are called “special economic zones.” However, the recent one established in Shanghai is called a “free trade zone” (FTZ). Despite their different names, there are now more than 4000 SEZs in over 130 countries.⁶¹³ SEZs are used as indicators of their intention of entering into global market and their declaration of announcing of their availability for foreign financing.⁶¹⁴

Literature on SEZs focuses on four characteristics. First, they occupy geographically defined areas, which can spread out across multiple locations. Second, multiple companies operate in these zones. They are constructed to operate multiple companies in one location to reduce transaction costs and generate both vertical and horizontal agglomeration. Third, they have a zone management

⁶¹¹ Thomas Farole and Gokhan Akinci, ‘Introduction’, in *Special Economic Zones Progress, Emerging Challenges, and Future Directions*, ed. by Thomas Farole and Gokhan Akinci (Washington D.C.: The World Bank, 2011), pp. 1–23 (p. 3).

⁶¹² Keller Easterling, *Extrastatecraft The Power of Infrastructure Space* (London and New York: Vesto, 2014), p. 33.

⁶¹³ *A Diagnostic Study of Kazakhstan’s Special Economic Zones and Industrial Zones* (Manila: Asian Development Bank, 2018).

⁶¹⁴ Easterling, p. 39.

administration to deliver services promised to companies. This management is a decentralized one. For instance, in China the local government is authorized to select administration of the zone. Fourth, SEZ regime is exclusive in that this regime forms a separate customs area or taxing procedures, which separate SEZs from domestic regulations.⁶¹⁵

These qualities of SEZs signify loss of sovereignty for the nation-states as they give some of their sovereign rights to attract investments and promote economic development. It is a product of state and capital collaboration. It is subject to a different jurisdiction to increase economic attractiveness. This indicates extraterritoriality, which refers territories built at a break from pre-existing socio-spatial configurations. Decision makers, designers, and managers may be foreign to domestic territory where these zones are established. This depreciation of sovereignty is implemented by the states voluntarily or under the constraint of international investors to enhance investment attractiveness of their territories.⁶¹⁶ A hybrid sovereignty, thus, emerges in which they exist in state territory, but its management is globalized. SEZs belong to global supply chain as to the states where they are located.⁶¹⁷ They are constellation created by international, local, governmental, and nongovernmental players. They are sites of multiple, overlapping, and nested forms of sovereignty where domestic and transnational legal systems collide.⁶¹⁸

Pinkaew Laungaramsri calls this process as “commodifying sovereignty” where sovereign rights are commercialized and turned into capital to attract foreign investment. He argues that the practice of SEZ reflects the struggle of a weak nation-state to attract investment and to become economically accepted in the global economy. The benefit of this act is palpable. Moreover, it transforms remote hinterlands into a transboundary economic gateway. These consequences are seen in

⁶¹⁵ *Special Economic Zones An Operational Review of Their Impacts* (Washington D.C.: The World Bank Group, 2017), p. 12.

⁶¹⁶ Matthieu Alaime, ‘Le Paradoxe Extraterritorial Au Coeur Des Territoires Mondialisés. Le Cas de La Zone Économique Spéciale d’Aqaba, Jordanie’, *Annales de Géographie*, 5.705 (2015), 498–522 (p. 499).

⁶¹⁷ Khanna, p. 281.

⁶¹⁸ Easterling, p. 19.

Laos where SEZs were developed by China. The change brought by the SEZ built with the collaboration between a Chinese tycoon and Laos government is drastic for Laos in that the zone has been turned into a new frontier of the Chinese tycoon who has administrative rights, influx of Chinese workers, massive deprivation of land and livelihood, and narcotic scandals have characterized the new economic border towns of Laos.⁶¹⁹

Another example of devolution of sovereignty is SEZs established in South Korea. In 2002, Korean government disclosed an ambitious plan to become a trade hub. In line with this goal, the parliament enacted a bill, which created free economic zones. The incentives implemented in these zones include tax breaks, deregulation, exemptions from land fees, allowing foreign investors to build schools and hospitals for themselves, allowing English language for public documents, and administrative support which involves creation of the office ombudsman occupied by a foreign national.⁶²⁰ This actually created hybrid sovereignty in zones in South Korea where foreign companies and state share sovereignty in order to develop these zones as logistics and trade hubs.

China was the precursor of the trend of the fragmentation of administrative structure. Contrary to general belief, which views China as the authoritarian one-party state, the administrative functions are decentralized in that various actors negotiate and compromise to reach decisions. Local governments are granted right to regulate their economic activities and even conduct foreign relations. This model is specifically called as “Chinese-style regulatory state” by Lee Jones. In this model, state does not issue direct orders to receive results, but it oversees and acts as intermediately among various actors.⁶²¹ Indeed, the implementation of the Belt and

⁶¹⁹Pinkaew Laungaramsri, ‘Commodifying Sovereignty: Special Economic Zone and the Neoliberalization of the Lao Frontier’, *The Journal of Lao Studies*, 3.1 (2015), 29–56 (p. 31).

⁶²⁰Bae-Gyoong Park, ‘Spatially Selective Liberalization and Graduated Sovereignty: Politics of Neo-Liberalism and “Special Economic Zones” in South Korea’, *Political Geography*, 2005, 850–73 (pp. 856–58).

⁶²¹Lee Jones and Jinghan Zeng, ‘Understanding China’s “Belt and Road Initiative”: Beyond “Grand Strategy” to a State Transformation Analysis’, *Third World Quarterly*, 2019, 1–24 (p. 3).

Road Initiative involves many actors within Chinese state structure. Although the political leadership is essential in guiding the policy, other agencies including several ministries and local governments are participating in planning and operation of the initiative.⁶²² The extensive discretion granted to local governments in China can be seen in Chongqing example. After the development of Chongqing-Duisburg line. Chongqing city government has developed plans to extend Chongqing's line with southeastern Asia, demanding to connect with Singapore and Yangtze River area.⁶²³

Chinese experience with the SEZs can be traced back in 1980s. According to the World Bank report, the establishment of the SEZs contributed to the growth of Chinese economy. The SEZs accounted for 22% of China's GDP and attracted 45% of foreign direct investment. They are designed to promote economic opening. A variety of administration models such as partnership between central government and local government; and partnership between governing bodies authorized by the central government and companies have been experimented. These SEZs tried to attract foreign capital, technology, and expertise by initiating market friendly regimes.⁶²⁴ These dynamics are observed in Belt and Road countries. As the biggest financial power within the Belt and Road Initiative China's success of opening its economy through the SEZs is replicated on Belt and Road route.

The popularity of the SEZs has increased on Belt and Road route. The Belt and Road Initiative needs transportation and trade hubs while connecting continents. Therefore, official documents encourage the creation and development of the SEZs. The Vision and Actions paper mentions the establishment of economic and trade cooperation zones, cross-border economic cooperation zones, and industrial parks,

⁶²² Min Ye, 'Fragmentation and Mobilization: Domestic Politics of the Belt and Road in China', *Journal of Contemporary China*, 2019, 1–17 (p. 3).

⁶²³ Summers, p. 1634.

⁶²⁴ 'China's Special Economic Zones', *The World Bank* <[https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing in Africa Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf](https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing-in-Africa-Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf)> [accessed 28 July 2019].

embracing them as new modes of investment cooperation.⁶²⁵ The remote areas across Eurasian landmass are linked through these zones. They have become arteries of the corridors which enable the flow of goods, people, and trading activities. The countries along the route embrace these zones in order to become transportation and trade centers.

Eastern Europe, Central Asian and Caucasus countries had already existing special economic zones in their territories, albeit, less developed. These existing special economic zones have been upgraded by Chinese investments within the Belt and Road Initiative. Furthermore, new special economic zones and dry ports are being built to serve as getaways and cross-border zones for Belt and Road corridors. Expansion of these zones signify evolution of new territorialization across Eurasia as the countries are traditionally reserved to give up their sovereign rights. These zones have spread over Eastern Europe, Central Asia, and Caucasus.

On Belt and Road route, Kazakhstan has 10 existing SEZs and 42 industrial zones. Khorgos SEZ is the most important one in these zones, which is a getaway for both the New Eurasian Land Bridge and the China-Central Asia-West Asia corridor. Russia has 25 SEZ and industrial parks across the country, doubling the number from 80 in 2013 to 166 in 2017.⁶²⁶ Belarus, which one of the countries on the New Eurasian Land Bridge corridor, has six economic zones. Great Stone Industrial Park and SEZ is created by China and Belarus to serve as a pivot for this corridor. Poland has 14 SEZs. Lodz SEZ and Malaszewicze SEZ serve as cross-border economic coordination zones on the corridor, connecting Poland to Germany and Belarus.

Although the China-Central Asia-West Asia has not developed as the New Eurasian Land Bridge, SEZs spread over this corridor as well. On the China-Central Asia-West Asia corridor, the creation Alyat SEZ includes Baku International Sea

⁶²⁵ ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’, *National Development and Reform Commission of People’s Republic of China (NDRC)*, 2015 <http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html> [accessed 13 February 2017].

⁶²⁶ ‘Russia: A Prime Belt and Road Investment Destination’, *HKTDC Research*, 2018 <<https://hkmb.hktdc.com/en/1x0ae03/hktdc-research/russia-a-prime-belt-and-road-investment-destination>> [accessed 18 November 2018].

Trade Port, serving as an important hub. Besides Azerbaijan, Georgia also focused on creating SEZs in line with its participation in the Belt and Road Initiative. In Georgia there are three free industrial zones. Moreover, there is an ongoing project in building Anaklia Deep Sea Port, a part of the Belt and Road Initiative. On the southern leg of the corridor, Kyrgyzstan has five SEZs. Uzbekistan has seven free economic zones. According to presidential draft decree promulgated in 2016, Uzbekistan is planning to create four new free economic zones.⁶²⁷ The establishment of most of these SEZs are encouraged thanks to their geographical position on the corridors of the Belt and Road Initiative.

Still, the most developed transportation and trade nodes developed thanks to the Belt and Road Initiative exist in the New Eurasian Land Bridge. The next section covers the Chongqing-Duisburg and Chengdu-Lodz nodes in the New Eurasian Land Bridge.

6. 1. The New Eurasian Land Bridge

This chapter will examine the city nodes and SEZs exist on Chongqing-Duisburg and Chengdu-Lodz lines on the New Eurasian Land Bridge as these lines are the most developed line on this corridor. The Chongqing-Duisburg line accounts for 60 percent of cargo traffic between China and Europe.⁶²⁸ Therefore, it is expected that the nodes on this line are the most developed. Besides the Chongqing-Duisburg line, the Chengdu-Lodz line also passes through same nodes, which exist on Chongqing-Duisburg line. They are also worth to be analyzed. The cities on this line evolved into SEZs where the states transfer some part of their sovereignty to these areas to attract more capital. Instead of being defined according to the nation states which they occupy, these cities have become the nodes of the New Eurasian Land Bridge

⁶²⁷ ‘Uzbekistan to Create Four Special Economic Zones’, *Camero Di Commercio Italia*, 2016 <<http://www.ciuz.info/uzbekistan-to-create-four-special-economic-zones/>> [accessed 18 November 2018].

⁶²⁸ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, pp. 41–42.

corridor. Chongqing-Duisburg line on the New Eurasian Land Bridge is the busiest and most used line so this thesis starts with Chongqing.

6. 1. 1. Chongqing

The start of Chongqing-Duisburg line, Chongqing city, is located at the southwestern China. After HP's relocation of its laptop production to Chongqing from China's coastal regions, it became a production center. Following HP's lead, technology companies Acer Inc, Asus, Toshiba Corp and Sony Corp; six big PC makers, Foxconn Technology Group, Inventec Corp, and Wistron Corp, have also chosen Chongqing as their manufacturing base. With the collaboration of HP, Chongqing's local government, and China's central government direct transportation line with Europe has been established. Since its launch in January 2011, more than 1,500 runs have been made along the *Yuxinou* railway. This number corresponds the quarter of the total train runs made along the seven lines on the New Eurasian Land Bridge.⁶²⁹ Ke Bin, president of Asus Chongqing.

For inland vendors, the city has unblocked a logistics bottleneck. The railway line connecting the city with Europe has solved transport and logistics problem for IT companies, greatly reducing the waiting time for exports from inland cities. The rail link can cut up to two weeks in shipping goods to Europe. With the speed of change in IT technology, whoever gets a head start will grab the market.⁶³⁰

The relocation of technology companies to Chongqing and development of transportation line with Europe and the attempts to turn Chongqing into a special economic zone coincided. In 2007, Chengdu and Chongqing local governments signed a cooperation agreement to build the "Chengdu-Chongqing Economic Zone,"

⁶²⁹ 'Chongqing: On Track for Europe via the Yuxinou Rail Route', *HKTDC Research*, 2018 <<https://hkmb.hktdc.com/en/1X0ADYAW/hktdc-research/Chongqing-On-Track-for-Europe-via-the-Yuxinou-Rail-Route>> [accessed 10 July 2018].

⁶³⁰ 'Chongqing: Land of Laptops', *China.Org*, 2014 <http://www.china.org.cn/business/2014-06/16/content_32674371.htm> [accessed 22 November 2014].

which aims at establishing land and financial system to attract investment.⁶³¹ This proposal of local governments was approved in 2011. It covers 206,000 km² with a population of 98.41 million and GDP of RMB1.58 trillion.⁶³² This process demonstrates that the first attempt was made by Chongqing's local governments with an aim to provide more advantageous financial and economic environment for foreign companies. One of the advantages provided for the companies is labor wage. This actually creates competition among cities as well as countries to attract foreign investments. Low labor wage means low cost of doing business. The companies are drawn to Chongqing for low cost of doing business. Labor wages are comparatively lower than the rest of China's regions.

Table 6. Labor Costs Comparison in RMB⁶³³

	Chongqin g	Guangzho u	Shenzen	Shanghai
Minimum wage (monthly)	1400- 1500	1895	2130	2300
Minimu m wage (hourly)	14-15	18.3	19.5	20

⁶³¹ 'Montly Dinner: Chengdu-Chongqing Economic Zone and Pilot', *The European Union Chamber of Commerce in China*, 2007 <http://www.europeanchamber.com.cn/en/past-events-archive/987/Monthly_Dinner_Chengdu_Chongqing_Economic_Zone_and_Pilot> [accessed 20 November 2018].

⁶³² 'Chengdu-Chongqing Economic Zone: One of the Strongest Regions in China till 2020', *Enterprise Europe Network* <<http://www.eupic.org.cn/article/detail.html?id=479>> [accessed 20 November 2018].

⁶³³ Waiyan Varsha Tse, 'Investing in Inland China: Assessing Chongqing's Industrial Zones', *China Briefing*, 2018 <<http://www.china-briefing.com/news/investing-inland-china-assessing-chongqings-industrial-zones/>> [accessed 23 November 2018].

There are also preferential policies such as tax incentives, financial funding for companies, and rent returns. All enterprises only have to pay 15 percent of the corporate tax system. Enterprises are reassured the full return of rent money while renting buildings in Chongqing. The zone also launches a fund, which will support entrepreneurs. The zone implements the ‘one policy for one enterprise’ for companies which contributed to the local economy.⁶³⁴

These incentives have paid off in attracting businesses to Chongqing. The total number of projects in Chongqing free trade zone was 385, valuing RMB212.821 billion. The number of new enterprises is 7,813, accounting for 10.9 percent of the total, with 123 foreign enterprises counting for 21.7 percent of the total. Zhang Bo, deputy general manager of Chongqing Baosheng international trade co., said that his company previously operated in Hong-Kong. But its headquarter was moved to Chongqing because the development potential of Chongqing as a free trade zone.⁶³⁵

Chongqing SEZ is granted exclusive tax regime and financial funding for companies, which choose to locate their headquarters in this city. Its labor wages and tax regime differ from other regions of China, creating a different system in this SEZ. Many of the companies have already relocated their manufacturing to Chongqing. Nonetheless, the real value of Chongqing emanates from its position on the network on the New Eurasian Land Bridge.

Chongqing Economic Zone is designed to serve as inland trade hub for the Belt and Road Initiative. In the paper issued by the State Council it is emphasized the important role of Chongqing's strategic connection point. Chongqing's importance is stressed in that Chongqing's importance is increasing the opening up of gateway cities in the western region and striving to build a free trade pilot zone. Thus, it is an important pivot for the Belt and Road Initiative.⁶³⁶

⁶³⁴ Tse.

⁶³⁵ ‘A Good Start of Chongqing Free Trade Zone’, *Business China*, 2018 <<https://www.set-up-company.com/a-good-start-of-chongqing-free-trade-zone.html>> [accessed 22 November 2018].

⁶³⁶ ‘State Council Issued China (Chongqing) Notice of the National Plan for the Free Trade Pilot Zone’, *The State Council The People’s Republic of China*, 2017 <http://www.gov.cn/zhengce/content/2017-03/31/content_5182300.htm> [accessed 20 November 2018].

Chongqing also connects Europe and Yangtze Economic Belt. The sea-rail intermodal transportation links the *Yuxinou* railway and the golden waterway of the Yangtze. The length of the distance Chongqing to coastal cities on the east through the Yangtze is 2,400 km taking 14 days to complete, whereas through railway trip to is 1,450 km, taking about two days.⁶³⁷ Europe is connected with Southeastern Asia through Chongqing. Chongqing, therefore, positions itself as a transportation hub besides trade and production hub.

The managers of companies recognize Chongqing's position within the Belt and Road Initiative. Li Guang, the vice-president of the Liangjiang New Area Investment Invitation Group, said: "The railway connection has been very important for development here. Goods can be transported in and out of Chongqing and we have become a logistics hub for goods from the rest of China and also from Southeast Asia to Europe." Jefferson Wang, head of the A.T. Kearney, said that: "The Belt and Road is a major opportunity since it (Chongqing) is the center of the west of China and can really open up the region as a logistics hub."⁶³⁸

The developments in the line further shortens the line between Chongqing and Duisburg. Lanzhou-Chongqing line, which came to operation in September 2017 shortened transportation line from some 1,400 km to around 800 km. Therefore, the total time which took for a train to run from Chongqing to Duisburg 15 days has reduced to 12 days.⁶³⁹ Erich Staake, the CEO of Duisburg port, commented that: "Chongqing started with 19 days, today it's 11 days," adding the goal is to shorten transit time to 7 or 8 days."⁶⁴⁰

Besides SEZ status, Chongqing has been granted Pilot Free Trade Zone (PFTZ) status along with other six provinces. This new zone status is a new round of reform

⁶³⁷ 'An Essential Belt and Road Link: Chongqing's Southern Transport Corridor'.

⁶³⁸ 'Chongqing Making Fast Tracks to Europe', *Belt and Road Portal*, 2018 <<https://eng.yidaiyilu.gov.cn/home/rolling/61482.htm>> [accessed 22 November 2018].

⁶³⁹ 'Chongqing: On Track for Europe via the Yuxinou Rail Route'.

⁶⁴⁰ Joshua Posaner, 'How China Put German Rust-Belt City on the Map', *Politico*, 2018 <<https://www.politico.eu/article/duisburg-looms-large-in-chinas-silk-road-vision/>> [accessed 27 November 2018].

under the national 13th Five Year Plan. The promulgation of PFTZ redesigns industries and complement national strategies such as the Belt and Road Initiative, rise of central China, the development of western China, and Yangtze River Economic Belt.⁶⁴¹ Chongqing's position is strengthened thanks to its position on the New Eurasian Land Bridge. Chongqing PFTZ has been assigned of the task of expanding and improving the advanced manufacturing sectors. It is expected to dedicate itself in serving the needs of the Belt and Road Initiative.⁶⁴²

The State Council issued a notice concerning the administration of Chongqing PFTZ. In this document, it is stated that China will abolish and adjust administrative examination. Chongqing Municipality decentralized economic management authority to the PFTZ. It establishes one-stop, simultaneous approval, and one-stop efficient service model. The foreign investment into the PFTZ, on the other hand, is handled according to the regulations of the Free Economic Zone.⁶⁴³ These administrative and financial measures further eased the bureaucratic process in the zone. The time for getting a new enterprise approved in Chongqing PFTZ has been shortened from 20 working days to three hours.⁶⁴⁴ This demonstrates interaction among companies, Chongqing's local government, and Beijing. The companies enjoy tax incentives and funding opportunities in this zone and local government is granted rights of appointing administration of the zone. Beijing, in turn, expects the requirements of the Belt and Road to be fulfilled.

⁶⁴¹ “‘1+3+7’ China’s Brand New Pattern of Pilot Free Trade Zones (1): Achievements Review and General Introduction of the New PFTZs”, PWC, 2017, pp. 1–4 (p. 1).

⁶⁴² “‘1+3+7’ China’s Brand New Pattern of Pilot Free Trade Zones (1): Achievements Review and General Introduction of the New PFTZs”, p. 3.

⁶⁴³ ‘State Council Issued China (Chongqing) Notice of the National Plan for the Free Trade Pilot Zone’.

⁶⁴⁴ ‘From Coast to Inland: Pilot FTZs Advancing China’s Opening-up and Reform’, *Belt and Road Portal*, 2018 <https://eng.yidaiyilu.gov.cn/qwyw/rdxw/72304.htm?utm_source=Belt+and+Road+Advisory+Newsletter&utm_campaign=05dea99b61-EMAIL_CAMPAIGN_2018_06_11_02_10_COPY_02&utm_medium=email&utm_term=0_ad78ca35dd-05dea99b61-460085789> [accessed 29 November 2018].

In brief, for the New Eurasian Land Bridge corridor, Chongqing has emerged as a starting node of the Chongqing-Duisburg line. Many multinational companies especially laptop producers chose Chongqing as a production base. The administrative and financial regulations have been allayed by the central government to promote Chongqing's position. First, in 2007 local government asked central government to grant free economic area status. In 2011, this request was granted. Special tax regime, lower labor wages compared to other Chinese regions, and financial funding for multinational companies. With the development of the Lanzhou-Chongqing line, the transportation time shortened to 12 days. Furthermore, connection with Chinese coastal cities contributed to the status of Chongqing as a transportation hub. In 2017, in addition to free economic zone, pilot free trade zone status was granted to Chongqing along with only few cities, further easing administrative process. On the New Eurasian Bridge cargo freight from Chongqing is processed at Khorgos checkpoint to be adjusted to Russian rail gauge to continue its journey. Thus, Khorgos emerges as the next important node on the New Eurasian Land Bridge corridor.

6. 1. 2. Khorgos

The idea of establishing a free economic zone in Khorgos was first proposed at the project level by Hong Kong's Yat Chau Co. Ltd company and approved by Xinjiang Autonomous Region in 1992. The idea was revived by the Chinese President Hu Jintao and the Kazakh President Nursultan Nazarbayev 2003. The parties signed “China- Kazakhstan ‘Khorgos’ International Centre of Boundary Cooperation Management Agreement” in July 2005.⁶⁴⁵ Thus, Khorgos' establishment as a special economic zone resembles Chongqing where private company, local government, and central government collaborated.

⁶⁴⁵ Omirbek Hanayi, ‘The Khorgos Free Economic Zone and Its Economic Potential’, *Eurasian Research Institute* (Almaty, 2017).

Khorgos SEZ, created in 2011, is one of the most important nodes for the Belt and Road Initiative as it is located at the center of the corridors. Not just the New Eurasian Land Bridge corridors pass through Khorgos but also the China-Central Asia-West Asia corridor also uses Khorgos for connection to Aktau port. It is located at the center of the Eurasian continent in the south-eastern part of the Republic of Kazakhstan in Almaty. It is 6 km from Altynkol station, Kazakh and China border crossing point. It has direct access to Western Europe - Western China highway, which is the country's longest road whose length is 8,445 km.⁶⁴⁶ Khorgos-Eastern Gate (SEZ) is, thus, a key cargo hub for the Belt and Road Initiative because of its geographical location.

Once being as one of the most remote places on earth, Khorgos is planned to be the biggest dry ports. According to Grisons Peak, a London-based merchant bank, it is the “heart of an emerging network of trans-Eurasian rail lines which directly connects cities in China with cities in Europe.”⁶⁴⁷ It is key connection point between Europe and China. Kaharman Jazin, who is the president of The International Center for Cross-Border Cooperation (ICBC) “Khorgos” said that:

We all know that participants of foreign economic activity are faced with the problem of entering foreign markets, lack of relevant analytics, problems at the border and so on. In this regard, ICBC “Khorgos” is permanently functioning forum or, if you prefer, an exhibition of its own products. After all, our center has a favorable geographical location-it is no mere chance that the ancient Silk Road passed through Khorgos, and in modern realities its importance only increases every year.⁶⁴⁸

The transportation lines built within the framework of the Belt and Road Initiative bolstered Khorgos’ status. These lines on the New Eurasian Land Bridge corridor reduced transportation time and costs. The journey time only takes 12 days,

⁶⁴⁶ ‘Location’, *SEZ Khorgos* <<http://www.sezhorgos.kz/location>> [accessed 29 November 2018].

⁶⁴⁷ Karl Wilson, ‘The Belt and Road Initiative Is Breathing New Life into Distant Outposts like the Khorgos Dry Port on Kazakhstan’s Border’, *China Daily*, 2017 <<http://www.chinainvestmentresearch.org/wp-content/uploads/2017/12/Page-5-Cover-Story.pdf>>.

⁶⁴⁸ Fikret Dolukhanov, ‘Kazakh-Chinese Center Names Directions for Co-Op with Azerbaijani Businesses (Exclusive)’, *Trend News Agency*, 2018 <<https://en.trend.az/business/economy/2908095.html>> [accessed 24 November 2018].

promoting railway as a mode of transportation. The infrastructure investments have helped speed the process of cargoes. At Khorgos, on the China-Kazakh border, process of inspection takes 20 hours faster than an older terminal on the same border.⁶⁴⁹ The volume of cargo, which passes through Khorgos, is increasing. Khorgos handles up to 30 million tons of rail freight per year.⁶⁵⁰ As railway becomes the preferential way of transportation, Khorgos' position as a transportation hub will rise.

Khorgos-Eastern Gate (SEZ) is also a transportation hub where cargoes undergo a process in which Chinese railway gauge is rearranged to Russian railway gauge. Firstly, container is lifted from wagon. Then, it is transferred to the new track gauge. Finally, new wagon is directed to Europe.⁶⁵¹ Hence, cargoes from China are dependent on Khorgos-Eastern Gate (SEZ) to be compatible to Russian railway gauge. Only after this process, they can be transferred to Europe.

The zone is not just a dry port where containers are changed. It is also designed as a small city. Karl Gheysen, the CEO of Khorgos Eastern Gate (SEZ) explained it:

Here at the border with China we have we call logistics an event. The event is the change of rail gauge. So whatever you do the train will stop here. So Nazarbayev said ‘Okay, fine, we have something here, we have event, so we will create something around that event, and the result, and it’s magic.⁶⁵²

Besides transportation center and industrial zone, Khorgos has set up international tourist center, ethnographic park, hotel and tourism complex, cultural and exhibition area, transportation and loading terminals area, sports and wellness area, international business cooperation center, regional cooperation and small business complex, trade and exhibition area. The projects of hotel complex, center

⁶⁴⁹ Jonathan E. Hillman, ‘The Rise of China-Europe Railways’, CSIS, 2018 <<https://www.csis.org/analysis/rise-china-europe-railways>> [accessed 21 November 2018].

⁶⁵⁰ ‘A Bet on Belt and Road: Can Kazakhstan Become the Success Story of Central Asia?’, *Belt and Road Advisory*, 2018 <<https://beltandroad.ventures/beltandroadblog/2018/7/1/a-bet-on-belt-and-road-can-kazakhstan-become-the-success-story-of-central-asia>> [accessed 21 November 2018].

⁶⁵¹ ‘Khorgos: The Biggest Dry Port in the World’, *South China Morning Post* <<https://multimedia.scmp.com/news/china/article/One-Belt-One-Road/khorgos.html>>.

⁶⁵² Wade Shepard, ‘Khorgos: Why Kazakhstan Is Building A “New Dubai” On The Chinese Border’, *Forbes*, 2016 <<https://www.forbes.com/sites/wadeshepard/2016/02/28/will-a-place-called-khorgos-become-the-next-dubai/#12e3e96df4b7>> [accessed 2 December 2018].

for international business cooperation, cultural and exhibition center, and trade pavilions are underway.⁶⁵³ Jazin stated that 15 investment companies are building 35 structures in the main territory of the center of Khorgos with a total area of 748,000 square meters, totaling 438.9 billion tenge (equivalent of \$1 billion).⁶⁵⁴ These investments are mainly emanated from Chinese financial sources. Shops and business centers within Khorgos-Eastern (SEZ) are almost run entirely by Chinese citizens. Most of its 15,000 daily visitors come from the Chinese side.⁶⁵⁵

Khorgos-Eastern Gate (SEZ) is subject to the special legal regime created for special economic zones in Kazakhstan according to ‘On special economic zones of the Republic of Kazakhstan’ promulgated in 2011. According to this law, SEZ is defined as a part of Kazakhstan with precisely defined boundaries where special legal regime is applied. The aim of the establishment of SEZs is to ensure favorable conditions for investments and creation of industrial complexes. SEZs in Kazakhstan will be managed by specially designated management company.⁶⁵⁶

According to law, ‘On special economic zones of the Republic of Kazakhstan’ for each SEZ a company is responsible for the overall development, promotion, and monitoring of its SEZ. They interact with state bodies and companies within SEZ, parcelize lands, collect, and analyze information regarding SEZ performance indicators, improve SEZ operations, develop marketing strategies, attract investments, upgrade infrastructure facilities, manage public services center based on ‘one-stop-shop’ principle, and ensure the provision of public utilities and logistical and maintenance services.⁶⁵⁷ These tasks are enormous, which enable the

⁶⁵³ *Khorgos Международный Центр Приграничного Сотрудничества* (The Khorgos International Centre of Boundary Cooperation JSC, 2018).

⁶⁵⁴ Dolukhanov.

⁶⁵⁵ Phillippe Le Corre, ‘Kazakhstan Must Look Beyond the Belt and Road’, *Carnegie*, 2018 <<https://carnegieendowment.org/2018/05/04/kazakhstan-must-look-beyond-belt-and-road-pub-76266>> [accessed 29 November 2018].

⁶⁵⁶ ‘On Special Economic Zones in the Republic of Kazakhstan’, *Legal Information System of Regulatory Legal Acts of the Republic of Kazakhstan* <<http://adilet.zan.kz/eng/docs/Z1100000469>> [accessed 28 November 2018].

⁶⁵⁷ *A Diagnostic Study of Kazakhstan’s Special Economic Zones and Industrial Zones*, p. 42.

responsible company for SEZ management to regulate and organize economic activities in the zone. This law acknowledges that the government of Kazakhstan transfers the management of sovereignty of a specifically designated area to a company to promote investment and production.

The management of Khorgos-Eastern Gate (SEZ) is carried out Kazakhstan Railways Company (KTZH), owned by Samruk-Kazyna, a state-owned company. Kazakhstan Temir Zholy contributed 23.7 billion Tenge (equivalent of \$63 million during 2015–2019. In 2015, the National Fund of Kazakhstan allocated 12.35 billion Tenge (equivalent of \$33 million) to the completion of the infrastructure of Khorgos-Eastern Gate SEZ.⁶⁵⁸

The zone attracts many multinational investments. China's Jiangsu province has agreed to invest more than \$600 million over 5 years to build logistics and industrial zones around Khorgos.⁶⁵⁹ In March 2018, the United Arab Emirates' global port operator Dubai Ports World signed agreement to acquire stakes of Khorgos-Eastern Gate (SEZ). The stakes include 51 percent in Khorgos-Eastern Gate (SEZ).⁶⁶⁰ These developments suggest that multinational management of the zone will be imminent because multinational economic investment will bring political influence regarding the administration of Khorgos-Eastern (SEZ).

Since a company manages Khorgos-Eastern Gate (SEZ), the individual who is responsible for the management of the zone is a Chief Executive Officer. Karl Greysen, a Belgian citizen, hired by Kazakhstan's Temir Zoly (KTZ) is the first CEO of Khorgos-Eastern Gate (SEZ). He claimed that railway connection has its advantage 15 days transit over 45 days for sea freight and exports are increasing through Khorgos. "We now have two trains per day, with about 80 teu and 41 containers per train. It runs three times a week to Duisberg, but we have also have

⁶⁵⁸ *A Diagnostic Study of Kazakhstan's Special Economic Zones and Industrial Zones*, p. 39.

⁶⁵⁹ *A Diagnostic Study of Kazakhstan's Special Economic Zones and Industrial Zones*, p. 27.

⁶⁶⁰ 'UAE to Buy Major Stakes in Kazakh Special Economic Zones', *BSC Global Markets*, 2018 <<http://www.intellinews.com/uae-to-buy-major-stakes-in-kazakh-special-economic-zones-138875/>> [accessed 28 November 2018].

services to the Netherlands, Madrid, Iran and now the UK.”⁶⁶¹ It is also intriguing to observe that a Belgian citizen runs a specially designated territory of Kazakhstan and makes administrative targets for this particular space.

There are preferential features of SEZs in Kazakhstan including Khorgos-Eastern Gate (SEZ). Import tariffs, export tariffs, custom fees, value added tax, property tax, land tax, land utilization payments, and social charges to employers are exempted for companies which reside in the SEZs. Moreover, financial contributions and free land are provided. There is also a simplified procedure for foreign workers.⁶⁶²

These measures increased the efficiency of Khorgos-Eastern Gate (SEZ). According to Chinese data, in 2015, the amount of goods transported via the Khorgos totaled 25.790 million tons, which corresponds 12.6 percent increase compared to 2014. In January-November 2016, the Khorgos's amount of transit traffic increased by 18.87 percent to 23.881 million tons compared to the same period of 2015. In 2015, the total trade volume of the Khorgos -Eastern Gate (SEZ) amounted to about \$12.037 billion. In January-November 2016, the trade volume of the region increased by 6.75 percent to \$11.87 billion compared to the same period of 2015. In 2012 the total number of people visited the Khorgos-Eastern Gate (SEZ) for commercial purposes was 240,000. In 2015, this number increased over 15 times with 3.36 million people. In January-September 2016, the number of people visited the zone for commercial purposes corresponded 3.810 million.⁶⁶³

Tax exemptions in the zone encouraged companies to move their operations to the zone. According to Khorgos' tax bureau, 2,411 companies registered in Khorgos in 2017, taking advantage of five years of no company tax, and a further five years paying half rate. Meng Shen, Director of Chanson & Co, a boutique

⁶⁶¹ Alex Lennane, ‘New China-Europe Rail Services on Track to Steal Air and Sea Freight Volumes’, *The Load Star*, 2018 <<https://theloadstar.co.uk/new-china-europe-rail-services-track-steal-air-sea-freight-volumes/>> [accessed 29 November 2018].

⁶⁶² *A Diagnostic Study of Kazakhstan’s Special Economic Zones and Industrial Zones*, pp. 43–46.

⁶⁶³ Hanayi.

investment bank in Beijing, said that: “At least half those companies are registered in Khorgos solely for tax purposes.”⁶⁶⁴

Besides companies, the construction of Khorgos-Eastern Gate (SEZ) bolsters the movement of people. Rauan Akkeshin, chief of staff of Khorgos International Centre of Boundary Cooperation, predicts a million people will move to the city. The establishment of entertainment and conference facilities will further attract businessmen and people.⁶⁶⁵ Ren Hexin, who is a businessman in Khorgos-Eastern Gate (SEZ) commented that: “The distance between countries has been largely narrowed these days and going abroad has become common and frequent.”⁶⁶⁶

Rising trade volume of Khorgos-Eastern Gate (SEZ) requires readjustments and reorganization of the zone. Navis, which is a provider of operational technologies and services for shipping supply chain, leads N4 terminal operating system (TOS) in place for Khorgos-Eastern Gate (SEZ). The implementation of N4 allows Khorgos a smoother and faster exchange of data among terminal functions, easing the process of the increasing transshipment volume and integrating the best software to automation process. It includes recording of all TOS services and clear communication of process-oriented operations.⁶⁶⁷ With this technology, Khorgos can process an entire train within an hour, which is faster than more established dry ports in Europe. Gheysen commented that:

Basically, we took people from the tractor and we put them on the most high-tech machines in the world. From day number one, our focus in Khorgos was to create the most modern and efficient dry port possible. By implementing the best

⁶⁶⁴ Sue-Lin Wong and Mariya Gordeyeva, ‘Silk Road Hub or Tax Haven? China’s New Border Trade Zone May Be Less than It Seems’, *Reuters*, 2017 <<https://www.reuters.com/article/us-china-silkroad-horgos/silk-road-hub-or-tax-haven-chinas-new-border-trade-zone-may-be-less-than-it-seems-idUSKBN18V15Z>> [accessed 28 November 2018].

⁶⁶⁵ ‘Follow the New Silk Road’, *The Guardian*, 2018 <<https://www.theguardian.com/cities/ng-interactive/2018/jul/30/follow-new-silk-road-china-belt>> [accessed 28 November 2018].

⁶⁶⁶ Yuan Yuan, ‘The Border Runners’, *Beijing Review*, 25 May 2017 <http://www.bjreview.com/Nation/201705/t20170531_800097256.html> [accessed 1 December 2018].

⁶⁶⁷ ‘Khorgos Gateway Goes Live with Navis N4 Terminal Operating System’, *NAVIS*, 2016 <<https://www.navis.com/en/about/news-events/press-releases/khorgos-gateway-goes-live-with-navis-n4-terminal-operating-system/>> [accessed 28 November 2018].

available software currently on the market, we manage to meet the ever-increasing transshipment volumes and to create clear communication and data-platforms with all stakeholders...The combination of world-class hardware with the most advanced terminal operating software allows us to achieve high productivity and efficiency.⁶⁶⁸

Besides improving Khorgos' operation system, this development further differentiates Khorgos from Kazakhstan's territory as this system is developed only for Khorgos. Khorgos, therefore, acquires a more privileged status in Kazakhstan as a special economic zone, becoming more integrated into Belt and Road network instead of Kazakhstan's domestic structure.

Another indicator of extraterritoriality of SEZs in Kazakhstan is the imposition of additional taxes for domestic consumers and Eurasian Union countries. Kazakhstan is a member of Eurasian Economic Union; thus, it is part of the custom union that covers the EEU area. On the other hand, Kazakhstan also became member of the WTO in 2015. Firms registering and operating in SEZs are not subject to the regulations that are inconsistent with WTO rules. When non-EEU goods are imported into SEZs, they are imported without any custom duties or taxes. However, they will be subject to duties and value added taxes when they are released into Kazakh territory or EEU countries.⁶⁶⁹ This differentiated custom and tax system excludes SEZs in Kazakhstan including Khorgos from the rest of Kazakhstan's and EEU territories. This exclusion was admitted by Khorgos ICBC Vice President Sakengali Nurtazin in 2014. He claimed that: "We're doing everything we can to get [Khorgos] out of the Customs Union."⁶⁷⁰

Instead of being a part of Kazakhstan, Khorgos' role is articulated as a gateway for Belt and Road network. Chinese coastal cities are connected to Khorgos through

⁶⁶⁸ Wade Shepard, 'Technologically Supercharged Ports Are Defining The New Silk Road', *Forbes*, 2018 <<https://www.forbes.com/sites/wadeshepard/2018/01/25/technologically-supercharged-ports-are-defining-the-new-silk-road/#66a7cea70d2f>> [accessed 2 December 2018].

⁶⁶⁹ *A Diagnostic Study of Kazakhstan's Special Economic Zones and Industrial Zones*, pp. 47–48.

⁶⁷⁰ David Trilling, 'On China-Kazakhstan Border Lies a Lopsided Free-Trade Zone', *Eurasianet*, 2014 <<https://eurasianet.org/on-china-kazakhstan-border-lies-a-lopsided-free-trade-zone>> [accessed 4 December 2018].

several transit lines. From Khorgos, these lines are extended to various European cities.



Figure 20. Khorgos on the New Eurasian Land Bridge⁶⁷¹

Besides northern route materialized as the New Eurasian Land Bridge, Khorgos is also an important node for the China-Central Asia-West Asia corridor, connecting with Kazakhstan's Aktau port.



Figure 21. Khorgos on the China-Central Asia-West Asia corridor⁶⁷²

⁶⁷¹ Sano Akhiro, ‘Kazakhstan “dry Port” Key Hub for China’s “Belt and Road” Scheme’, *Asia Nikkei*, 2017 <<https://asia.nikkei.com/Economy/Kazakhstan-dry-port-key-hub-for-China-s-Belt-and-Road-scheme2>> [accessed 4 October 2018].

⁶⁷² ‘The Caucasus Route’, *One Belt One Road Europe* <<http://www.oboreurope.com/en/caucasus-route/>> [accessed 4 December 2018].

Border crossing performance is the most important indicator as speedy transshipment, secure facility, and proper documentation is desired by companies which prefer this route. ‘About creation of the checkpoint in the Kazakh part of the International Center of Boundary Cooperation Khorgos’ defines custom procedures implemented. In this paper, it is stated that after the arrival of goods and vehicles, at the entrance checkpoint ICBC “Khorgos”, controls the passage of the vehicle transporting the goods through the system electronic checkpoint (EC). The waiting time is approximately three hours.⁶⁷³ Nonetheless, the problems are experienced by customers. Khorgos cross border is the most expensive border crossing in Asia. Moreover, uncertain procedure discourages companies and customers. Alim, a Chinese Uighur confectionary trader complains: “Customs processes are actually very fast on the China side. It is getting goods through the Kazakh side that can be very unpredictable and costs twice as much in customs fees.”⁶⁷⁴

Since November 2018, TIR Convention started to be implemented at Khorgos border crossing, easing the custom procedures. In November, the first Chinese freight train with the completed customs procedures in three minutes at the Khorgos port under TIR procedures (in Urumqi Customs District) and left for Kazakhstan.⁶⁷⁵ China entered TIR Convention in May 2018, promoting customs with other countries along the Belt and Road. This convention allows faster clearance for cargoes. On Kazakhstan side, on the other hand, since 14 February 2018, the process was simplified at border crossing with the order of the Minister of Finance of

⁶⁷³ *Guidelines the Commission of Customs Operations, the Officials of the State Revenue Bodies at the Arrival of the Goods at the Kazakhstan Part of the International Center of Boundary Cooperation ‘Khorgos’ and the Departure of Goods from the Kazakh Part Of*, 2016, p. 2.

⁶⁷⁴ Emily Feng, ‘China-Kazakhstan Border Woes Dent Silk Road Ambitions’, *Financial Times*, 2017 <<https://www.ft.com/content/1606d70a-9c31-11e7-8cd4-932067fbf946>> [accessed 26 December 2017].

⁶⁷⁵ ‘Urumqi Customs Releases First Chinese TIR Lorry from Khorgos to Kazakhstan’, *General Administration of Customs People’s Republic of China*, 2018 <<http://english.customs.gov.cn/Statics/2606e78f-c558-4cb4-a282-c4b6a577618b.html>> [accessed 5 December 2018].

Kazakhstan. The head of Department of investments and international cooperation of JSC “ICBC” Khorgos”, Kurbanjan Akhmetov explained:

If previously the personal items included clothing, bedding and other goods in an amount of not more than two units, now the list has considerably decreased. Any visitor can make entry into ICBC “Khorgos” an unlimited number of times and to be at the Center within 30 days, but should observe the multiplicity of duty-free export of goods.⁶⁷⁶

These developments suggest, although some delays and problems are experienced at Khorgos border crossing, there are positive improvements which allow smoother crossing. It should also be remembered that this corridor has been operational for only a few years. Therefore, these updates would fasten the border crossing, improving Khorgos’ status as a getaway of the New Eurasian Land Bridge.

Another important development is the construction of a new city around Khorgos, called Nurkent. This new city is designed to harbor population, which has risen due to the enlargement of Khorgos. It will offer free housing, educational facilities, and activities for over 100,000 people, working in Khorgos-Eastern Gate (SEZ). Zhaslan Khamzin, the CEO of one of the companies operating in Khorgos, expressed that logistics rush is underway and Nurkent will lead the region into the future.⁶⁷⁷ This new city would cover an area of 300 hectares in the Khorgos region with an investment of 11.3 billion tenge (about \$34 million). The construction is expected to be completed by 2035.⁶⁷⁸ Currently Nurkent hosts 4,000 residents, with schools and houses resembling an American Suburb.⁶⁷⁹

Khorgos, despite experienced problems at check points, serves as an important transportation hub for the Belt and Road. The New Eurasian Land Bridge lines and the China-Central Asia-West Asia corridors use Khorgos as getaway to European

⁶⁷⁶ ‘ICBC “Khorgos” Has Simplified the Procedure of Movement of Goods, Exempt from Customs Duties’, *The International Center for Cross-Border Cooperation« Khorgos*, 2018 <<http://www.mcps-khorgos.kz/en/smi-review/icbc-khorgos-has-simplified-procedure-movement-goods-exempt-customs-duties>> [accessed 5 December 2018].

⁶⁷⁷ ‘A Bet on Belt and Road: Can Kazakhstan Become the Success Story of Central Asia?’

⁶⁷⁸ Hanayi.

⁶⁷⁹ Chris Wright, ‘Kazakhstan Belt and Road Initiative: The Road to Somewhere’, *Eurasian Council Foreign Affairs*, 2018 <<http://www.eurasiancouncilforeignaffairs.eu/wp-content/uploads/2018/05/Kazakhstan-Belt-and-Road-Initiative.pdf>> [accessed 1 December 2018].

direction. From Khorgos the railway lines are separated to northern and southern routes. Benefiting from its location advantage, it has evolved into a financial and trade hub. To attract more foreign direct investment and companies Khorgos' administrative structure is separated from the rest of Kazakhstan along with other nine SEZs. Most of taxes valid for Kazakhstan are waived in Khorgos. It is managed by company KTZ with a CEO of Belgian citizen. Its shares were privatized by company from Dubai and China, inviting more foreign influence on its management. It is further evolving with development of software for inspection of movements and easing custom procedures, integrating Khorgos into Belt and Road network. On the Chongqing-Duisburg line, Khorgos is connected to Almaty and then Moscow, Brest, and Malaszewicze.

6. 1. 3. Moscow

There is also a special zone in Moscow. In this part, on the Chongqing-Duisburg network, Moscow is a rather neglected zone. The zone is specifically designed for technological companies. In this zone, property tax is reduced to 2 percent and land tax 1.5 percent, profit taxes to 2 percent. Taxes imposed on profits are reduced to 20 percent, decreasing total tax burden 47 percent.⁶⁸⁰ Despite these privileges, Russia is also keen to protect its sovereignty while attracting foreign investment. Renat Mustafayev, the managing Director for the strategy of the SEZ 'Technopolis Moscow said that:

Chinese investments are certainly of interest to Russian companies: China has moved from an industrial economy to a knowledge economy, and it is extremely important to bring investors to Russia, with the help of which this breakthrough was made. However, it is important to make sure that start-ups, despite foreign investments, remain Russian, so that the transfer of technologies is observed.⁶⁸¹

⁶⁸⁰ 'ЛЬГОТЫ', *Technomoscow.Ru* <<https://technomoscow.ru/benefits>> [accessed 2 January 2018].

⁶⁸¹ 'China Is Interested In The Astana Financial Center As A "Entrance Point" In The Region-Experts', *Technomoscow.Ru*, 2018 <<https://technomoscow.com/article/2018-12-18-china-is-interested-in-the-Astana>> [accessed 2 January 2019].

This statement reflects Russia's dilemma. While unwilling to transfer its sovereignty, it tries to attract Chinese capital. Lukin argues that while praising the Belt and Road plan, the Kremlin is keen to prevent Beijing's geopolitical domination of continental Eurasia. Instead of wholeheartedly subscribing Belt and Road agenda, the Kremlin promotes its own vision of a Greater Eurasia as an alternative format of integration.⁶⁸² This hesitancy contributed to Moscow's failure in acquiring the expected investment for the Belt and Road Initiative. Chinese companies invested \$225 billion in 2016 internationally but only 2 percent of it in Russia. Alexander Cooley, the director of Columbia University's Harriman Institute, said that: "Certainly China doesn't have the interest that the Russians hoped that it might have to kind of upgrade existing Soviet transportation links, especially across Russian Siberia."⁶⁸³

Thanks to their position on the Chongqing-Duisburg network within the Belt and Road Initiative, the zones have started to attract considerable amount of foreign capital. Russia, on the other hand, due to its ambivalent position regarding the Belt and Road Initiative fell short in developing its special economic zone on this network. Its persistence of preserving its sovereignty led to limited participation of foreign investment. Thus, the participation of Moscow Technopolis SEZ into the Belt and Road Initiative did not bring the expected benefits for Russia.

6. 1. 4. Brest

Brest is located southwestern part with 300,000 population. After Moscow, the New Eurasian Land Bridge is connected to Malaszewicze, Poland, where rail gauges are rearranged to international standards, through Brest. Brest's is nearby to

⁶⁸² Artyom Lukin, 'Putin's Silk Road Gamble', *The Washington Post*, 2018 <https://www.washingtonpost.com/newstheworldpost/wp/2018/02/08/putin-china/?noredirect=on&utm_term=.322270c0d49b>[accessed 10 September 2018].

⁶⁸³ Pete Baumgartner, 'China's Massive "One Road" Project Largely Bypasses Russia, But Moscow Still On Board', *Radio Free Europe*, 2017 <<https://www.rferl.org/a/russia-china-one-belt-one-road-project-putin-xi/28579849.html>> [accessed 23 December 2019].

Terespol Municipality, where Malaszewicze is located, such that “when the wind is blowing in from the east the smells of factories can be smelt.”⁶⁸⁴ Being a node on the New Eurasian Land Bridge increased the containers, which use Brest as a transit point. For 2018, Belarusian Airways predicts that container traffic on the China-EU-China route reach to 300,000 containers rising 30 percent.⁶⁸⁵ Brest’s geographical proximity to Malaszewicze makes Brest an important node for the flow of the goods and people on the Chongqing-Khorgos-Moscow-Duisburg line, connecting China to Europe.

Brest’s participation attracts foreign direct investment mainly from China. Chinese investments to Belarus increased more than 11 times between 2011 (\$19 million) and 2017 (\$232 million).⁶⁸⁶ Brest captures most of the foreign investment. It hosts 76 resident enterprises from 20 countries.⁶⁸⁷ Brest Oblast Vice Governor Andrei Klets said:

In 2019 we intend to attract over Br2.9 billion in fixed-capital investment, 3.2% up from 2018. Investing in the modernization and further development of existing enterprises and manufacturing facilities as well as the establishment of new small and medium businesses will be a high priority. Next year we intend to attract at least \$50 million in foreign direct investment in net terms.⁶⁸⁸

To attract greater investment a free economic zone was established in Brest. The Brest Free Economic Zones is a 107 km² economic territory. It provides favorable conditions for companies. Land plots are allocated to the FEZ residents without holding an auction. Land plots of the resident enterprises are exempt to from land

⁶⁸⁴ Wade Shepard, ‘Europe, Too, Is Building New Cities Along The “New Silk Road”’, *Forbes*, 2016 <<https://www.forbes.com/sites/wadeshepard/2016/06/27/new-silk-road-new-city-in-europe-kobylany-terespol-poland/#7119f8ee541b>> [accessed 20 November 2018].

⁶⁸⁵ ‘Belt and Road Initiative: The Role of Belarus’, *HKTDC*, 2018 <<http://hkmb.hktdc.com/en/1X0ADPHG/hktdc-research/Belt-and-Road-Initiative-The-Role-of-Belarus>> [accessed 3 August 2018].

⁶⁸⁶ ‘Belt and Road Initiative: The Role of Belarus’.

⁶⁸⁷ ‘Residents’, *Brest Free Economic Zone* <<http://fezbreast.com/en/residents/>> [accessed 25 December 2018].

⁶⁸⁸ ‘Brest Oblast Expected to Get \$50m in FDI in 2019’, *Belta 100*, 2018 <<https://eng.belta.by/economics/view/brest-oblast-expected-to-get-50m-in-fdi-in-2019-117591-2018/>> [accessed 25 December 2018].

tax. The FEZ residents are exempt from property tax and income tax for 10 years from the declaration of profit. After 10 years income tax is to be paid 50 percent reduced. The resident enterprises are exempt from customs duties and lease payments. The FEZ residents benefit from a simplified procedure of export-import operations. Foreign investors can transfer their own profit abroad without restraint.⁶⁸⁹ Thus, Brest FEZ is an enclave where most of tax laws of Belarus is not implemented.

The activities of companies, which want to run their businesses in Brest FEZ conduct their activities under the guidance of Brest FEZ administration. It is responsible for addressing the issues of enterprises sitting within the territory, selecting the land plots offered for lease, assisting in selection of vacant production areas, and registering contracts to conduct business activities.⁶⁹⁰ Basically, Brest FEZ administration exercises a form of economic and political sovereignty in this defined area. This demonstrates Belarus's willingness to delegate its sovereignty to Brest FEZ to fully utilize its geographical position. The administration is led by a CEO, Fiodar Kalanchuk. A CEO sounds more market friendly than a governor appointed by Belarus's central government.

Brest FEZ attracts foreign direct investment from sources which appreciates its role in the New Eurasian Land Bridge corridor. The main part of investment, unsurprisingly, emanates from China. In November 2018, the delegation from Bengbu National High-tech Industrial Development Zone, composed of officials of leading companies and High-tech zone leadership under the Deputy Director of the Management Committee Jin Mei, from China's Anhui province visited Brest FEZ. During the meeting with the CEO of Brest FEZ, Chinese guests were interested in the issues of economic activity in the free economic zone, customs and tax

⁶⁸⁹ ‘Preferences’, *Brest Free Economic Zone* <<http://fezbrest.com/en/conditions/preferences>> [accessed 25 December 2018].

⁶⁹⁰ ‘Administration’, *Brest Free Economic Zone* <<http://fezbrest.com/en/about-us/administration>> [accessed 25 December 2018].

privileges, availability of free sites for organizing production, and opportunities for renting premises.⁶⁹¹

European investments also participate in the making of Brest FEZ. In 2017, MOT Ltd. from Poland, Ukraine, has been registered as a resident company in Brest FEZ with a €500,000 investment project.⁶⁹² The effect of the New Eurasian Land Bridge in this investment is clear because Poland and Ukraine, where the main headquarters of MOT Ltd. are located, are linked with Brest through the New Eurasian Land Bridge corridor. Thus, the Belt and Road Initiative highlighted the value of Brest.

The attraction of Brest is not limited to neighboring countries. In 2015, one of Europe's biggest producers, DAW (Deutsche Amphibolin Werke von Robert Murjahn Social Engagement) opened its new manufacturing facility in Brest FEZ with a total of €4 million. The plant's annual output will exceed 16,500 tonnes with the possibility to increase the production up to 25,000 tonnes.⁶⁹³ In April 2018, a memorandum of cooperation between the FEZ and the association of Italian businessmen in Belarus was signed. This document simplifies business regulation and startup procedures in Brest FEZ. Aleksei Lachimov, the Head of the Foreign Economic Ties and Economic Development Office of the Brest FEZ administration explained that: "We hope that the memorandum of cooperation, which is supposed to be signed today, will favorably influence the flow of investments into the free economic zone...Three companies with Italian capital already operate."⁶⁹⁴ In June 2018, the representatives of the Joint Chamber of Commerce (JCC), which is the

⁶⁹¹ 'The Brest FEZ Is Strengthening Its Ties With Chinese Partners', *Brest Free Economic Zone*, 2018 <<http://fezbrest.com/en/news/the-brest-fez-strengthening-its-ties-with-chinese-partners>> [accessed 25 December 2018].

⁶⁹² 'Belarus' Free Economic Zones Welcome New Residents', *Information Export Support Website*, 2017 <<https://export.by/en/news/belarus-free-economic-zones-welcome-new-residents>> [accessed 24 December 2018].

⁶⁹³ 'DAW Opens New Plant in FEZ Brest', *Official Website of Republic of Belarus*, 2015 <https://www.belarus.by/en/business/business-news/daw-opens-new-plant-in-fez-brest_i_0000023761.html> [accessed 25 December 2018].

⁶⁹⁴ 'Belarusian Free Economic Zones Brest, Gomel Promise Better Terms to Italian Companies', *Belta 100*, 2018 <<https://eng.belta.by/economics/view/belarusian-free-economic-zones-brest-gomel-promise-better-terms-to-italian-companies-111124-2018>> [accessed 25 December 2018].

leading private sector organization in Switzerland, and Brest FEZ signed a memorandum of understanding which supposes cooperation on banking and financial sectors.⁶⁹⁵ The acceleration of flow on the Chongqing-Duisburg line brings about further opening of Brest FEZ to the global economy. Even Belarus, branded as Europe's last dictatorship, are supporting this endeavor.

Brest is EEU's last stop on the New Eurasian Land corridor. The next stop Malaszewicze, located in Poland, is reached by passing through Brest. Thanks to its geographical advantage, a free economic zone flourished in Brest. The government of Belarus relaxed tax and customs regime, easing restrictions to attract foreign direct investment. Brest FEZ has its own tax regulation. It is run by a CEO. This suggests the central government's divulging sovereignty to Brest FEZ. The operationalization of the Chongqing-Duisburg line further attracted global capital for Brest, including investments from China and European countries. This accelerates Brest's further integration into global economy.

6. 1. 5. Malaszewicze

Malaszewicze is located near the border of Belarus in eastern Poland within Terespol Municipality with a population of 7,000 people. It provides connection with Brest, Belarus. Therefore, its geographical location is important. Besides its geographical location, Malaszewicze is a significant transportation terminal for Belt and Road route in that rail gauge systems changed in Khorgos is readjusted to international standard so the containers have to go through Malaszewicze. Hence, this transportation terminal is one of the most used gateways on the New Eurasian Land Bridge lines.

⁶⁹⁵ ‘JCC Signs MoU with Brest Free Economic Zone, Belarus’, *Joint Chamber of Commerce*, 2018 <<https://www.jointchambers.ch/jcc-news/jcc-signs-mou-with-brest-free-economic-zone-belarus.html>> [accessed 25 December 2018].

Małaszewicze terminal is owned by PKP Cargo. It currently has five functional terminals: universal, container, Kowalewo, Podśęków and Raniewo.⁶⁹⁶ In addition to the entities belonging to the PKP Cargo Group, there are 13 private transshipment terminals in the Małaszewicze area. In 2015, over 4.3 million tons of cargo traveled through the border crossing, which corresponds 73 percent of traffic on the Belarusian border.⁶⁹⁷ Krzysztof Szarkowski, who is an intermodal manager at DHL Freight, said that: “Raw materials were historically key to Małaszewicze. Now our clients include Hewlett Packard, Volkswagen and Volvo. In the last two or three years we are receiving up to 40 trains a week from China.”⁶⁹⁸ Małaszewicze is emerging as a transportation and commercial center.

The busy border crossing at Małaszewicze causes, however, bottleneck at Małaszewicze. a logistics provider from Switzerland comments that:

This is ridiculous. At the moment we face heavy backlog in Brest/Małaszewicze; the crossing time is between four and six days per train. If we had a really functional terminal they could easily handle ten or more trains per day, but there are important investments to be done – and more crossing points to be erected.⁶⁹⁹

Delays at the border is the most obvious consequence of this bottleneck. Juliusz Skurewicz from the Polish International Freight Forwarders Association said: “I know of a company that is suffering a delay of three weeks at the moment. The average delay of Polish rail freight traffic in 2017 exceeded ten hours; we saw an average punctuality of 34 per cent. These are poor results.”⁷⁰⁰ Esmond Tam,

⁶⁹⁶ ‘Terminals’, *PKP Cargo* <<http://www.clmalaszewicze.pl/oferta/terminale.html>> [accessed 20 November 2018].

⁶⁹⁷ Lukasz Malinowski, ‘Małaszewicze: Chinese Gate to Europe’, *Rynek Kolejowy*, 2016 <<https://www.rynek-kolejowy.pl/wiadomosci/malaszewicze-chinska-brama-do-europy-zdjecia-77073.html>> [accessed 7 December 2018].

⁶⁹⁸ Charles Stevens, ‘Along the New Silk Road – Bridging Eurasia: A Look inside Małaszewicze’, *Geographical*, 2018 <<http://geographical.co.uk/people/development/item/2844-silk-road-mal>> [accessed 12 December 2018].

⁶⁹⁹ Majorie van Leijen, ‘Why Małaszewicze Is the Most Debated Place on the New Silk Road’, *Rail Freight*, 2018 <<https://www.railfreight.com/specials/2018/09/11/why-malaszewicze-is-the-most-debated-place-on-the-new-silk-road/>> [accessed 10 December 2018].

⁷⁰⁰ Majorie van Leijen, ‘Małaszewicze-Brest Border Crossing Main Bottleneck on New Silk Road’, *Rail Freight*, 2018 <<https://www.railfreight.com/beltandroad/2018/03/29/malaszewicze-brest-border-crossing-main-bottleneck-on-new-silk-road/>> [accessed 5 December 2018].

marketing director at Hong Kong-based forwarder FS International, argues that the delay frustrates and prompts customers to explore different routes into Europe, such as Ukrainian and Hungarian border crossing.⁷⁰¹

On the other hand, the developments that alleviate the bottleneck are processed. In 2015, the Global Project has been initiated. It aims to transform the Malaszewicze zone into the largest modern rail freight area. The European Union estimated this operation would cost \$4 billion. 85 percent of capital came from EU funds. This project will finish in March 2019.⁷⁰² Thus, the EU also participated in resolving problems on the New Eurasian Land Bridge. Andrzej Banucha an official from PKP Cargo, during a meeting with the municipality of Zhenzhou, the capital of the province of Henan, claimed that: “These issues have been solved. There are currently no problems with the reloading of goods. On the contrary – to use the full business potential of Malaszewicz, a dynamic increase of trains running through his border point is needed”, adding that the border point now has the capacity to handle three to four trains a day.⁷⁰³

Malaszewicze is also a free custom zone, reflecting other transportation centers’ features on Belt and Road route. Malaszewicze is subject to the Law on Special Economic Zones enacted in 1994 in Poland. The SEZs in Poland are exempt from income tax, local taxes, and fees. They offer accelerated payment of fixed assets.⁷⁰⁴ It spans more than 410 acres (166 hectares) of development area, being the largest free trade zone in Poland. Malaszewicze free custom zone is operated by Adampol S.A. It stores goods from EU and non-EU countries without paying customs duties and

⁷⁰¹ Sam Whelan, ‘A Bumper Year for China-Europe Rail, but Growing Demand Could Derail Services’, *The Load Star*, 2018 <<https://theloadstar.co.uk/another-bumper-year-china-europe-rail-growing-demand-derail-services/>> [accessed 9 December 2018].

⁷⁰² ‘Modernisation of Railway Infrastructure at the Malaszewicze Transloading Zone’, *European Commission*, 2015 <https://ec.europa.eu/inea/sites/inea/files/fiche_2015-pl-tm-0037-s_final.pdf> [accessed 10 December 2018].

⁷⁰³ Majorie van Leijen, ‘PKP Cargo: Malaszewicze Border No Longer Bottleneck on Eurasian Railway’, *Rail Freight*, 2018 <<https://www.railfreight.com/business/2018/08/27/pkp-cargo-malaszewicze-border-not-a-bottleneck-on-eurasian-railway/>> [accessed 10 December 2018].

⁷⁰⁴ *Poland Customs, Trade Regulations and Procedures Handbook* (Washington D.C.: USA International Business Publications, 2013), p. 93.

taxes and without time limits. It performs standard procedures pertaining to goods and delivers customs clearance without handing over goods to the Customs Office.⁷⁰⁵ Thomas Kowitzki, Head of Multimodal, DHL Global Forwarding said that: “Malaszewicze is becoming a boom town, with all the major logistics companies, including DHL, opening offices and warehouses in the area to offer a broad range of logistics services”⁷⁰⁶

Khorgos-Eastern Gate (SEZ)’s connection to Malaszewicze has been strengthened. On April 24-28, 2017, a meeting between representatives of the Khorgos-Eastern Gate and KTZE Khorgos economic zone and representatives of Malaszewicze took place. The goal of this meeting was to establish cooperation and use Adampol terminals in Malaszewicze and Khorgos on the Kazakh-Chinese border crossing through the development of international transit and transport corridors. The parties have also decided that the expansion of cooperation between these two dry ports.⁷⁰⁷ Thus, the administration of Malaszewicze established a direct contact with the administration of Khorgos without the involvement of central governments. This strengthens the connectivity between two nodes on the New Eurasian Land Bridge.

The willingness of the participation of international logistics companies such as DHL increase volumes processed through Malaszewicze. Kowitzki, head of China rail at DHL Global Forwarding, believes that these expanding volumes are “creating a value proposition not just glued to automotive and technological products but increasingly applying to all sectors.”⁷⁰⁸ As part of the Belt and Road Initiative Chinese participation is also increasing. In March 2015, a letter of intent was signed

⁷⁰⁵ ‘Free Customs Zone’, *Adamsol SA* <<http://www.adampsala.com.pl/en/free-customs-zone-woc/>> [accessed 5 December 2018].

⁷⁰⁶ ‘Building a Bridge to the Future’, *Delivered The Global Logistics Magazine*, 2017 <<http://www.delivered.dhl.com/en/articles/2017/11/building-a-bridge-to-the-future.html>> [accessed 11 December 2018].

⁷⁰⁷ ‘Forum in the Chamber of Industry and Commerce in Bialystok’, *Adamsol SA*, 2017 <<http://www.adampsala.com.pl/forum-w-izbie-przemyslowo-handlowej-w-bialymstoku/>> [accessed 12 December 2018].

⁷⁰⁸ Stevens.

between the PKP Cargo group and the Zhengzhou International Hub company of the Chinese province of Henan. The intention was to create a company, which will deal with rail container transport between China and Europe. Furthermore, the parties also agreed upon expanding the dry port station in Malaszewicze by providing additional logistics services such as warehousing and packaging. With this expansion, the number of trains from China is expected to grow to 25 per month.⁷⁰⁹

The expansion brought about rising investment to Malaszewicze. The Mayor of Terespol Municipality, Krzysztof Iwaniuk said that: “Chinese business people who come here want to double the amount of goods sent every year.”⁷¹⁰ Iwaniuk also claimed that over the past years Terespol attracted a billion Polish złoty (approximately \$250 million), stating that each big company in the zone have partners from China’s provinces.⁷¹¹ Some of these investments turned into the modernization of Malaszewicze zone.

Thanks to the previous modernization carried out in 2010 enabled Malaszewicze zone to handle reload 340 containers a day and its terminal storage capacity is 1900 units.⁷¹² The modernization works are carried by state-owned infrastructure manager PKP Polskie Linie Kolejowe. Mirosław Siemieniec, press officer of PKP Polskie Linie Kolejowe said: “We are planning to upgrade the track and reinforce engineering facilities. Thanks to that it will be possible to route freight trains with an axle load up to 22 tonnes, improving the competitiveness of rail freight traffic across this border.”⁷¹³

To deal with this volume of cargo, as Nurkent is being established around Khorgos-Eastern Gate (SEZ), a new city is being established around Malaszewicze

⁷⁰⁹ Bartosz Zakrzewski, ‘Logistics Centres of Eastern Poland In The Pan-European Transport Corridor No.2’, *Problemy Transportu i Logistyki*, 2016, 219–228 (p. 223).

⁷¹⁰ Stevens.

⁷¹¹ Wade Shepard, ‘Europe, Too, Is Building New Cities Along The ‘New Silk Road’.

⁷¹² Zakrzewski, p. 223.

⁷¹³ Kasper Fiszer, ‘Increased Speed and Capacity on Key Polish-Belorussian Border’, *Rail Freight*, 2017 <<https://www.railfreight.com/corridors/2017/10/06/increased-speed-and-capacity-on-the-polish-belorussian-border/>> [accessed 13 December 2018].

called Kobylany. Kobylany is small village located near Malaszewicze. The village is planned to be transformed into a city which can contain 30,000 people. 20-hectare lake and recreation zone were cleansed at the initial stage of the project. Over 2,000 hectares of surrounding state land have been allocated for use. Warehouses and high-quality detached houses will be constructed to attract companies to invest and people to work in these areas.⁷¹⁴ The idea which drove the creation of this new city was to move decentralized to a more concentrated area. Iwaniuk explains that: “We have control of a territory one-third size of Warsaw and only have 7,000 citizens. This makes it very difficult to deliver the right infrastructure.”⁷¹⁵ Terespol Municipality building has already been moved to Kobylany. The custom clearance procedure is planned to be transferred from Terespol to Kobylany.⁷¹⁶

This expansion actually reversed Poland’s commitment to the EU. In 1999, Poland had promised not to establish any SEZ or expand the existing SEZ due to EU concerns about competition.⁷¹⁷ The endeavor to merge Terespol and Kobylany, broadening the free custom area defies EU rules. Belt and Road network is favored rather than EU area with this attempt.

Thus, despite bottleneck due to infrastructure deficit, Malaszewicze is one of the most important nodes on Belt and Road network. The gauge changed to Russian standards in Khorgos is rearranged to world standard in Malaszewicze. This offers Malaszewicze an important position because Malaszewicze zone is where containers destined to Europe on the New Eurasian Land Bridge must be processed. However, this also causes bottleneck, alienating companies and people. To overcome this bottleneck, Malaszewicze zone is being expanded and modernized. The EU and China provide needed financial contribution for the development projects.

Malaszewicze is also a free custom zone exempted from taxes imposed in the rest of Poland’s territory. This zone is planned to be expanded with the adjacent

⁷¹⁴ Stevens.

⁷¹⁵ Shepard, ‘Europe, Too, Is Building New Cities Along The “New Silk Road”’.

⁷¹⁶ Fiszer.

⁷¹⁷ *Poland Customs, Trade Regulations and Procedures Handbook*, p.94.

Kobylany region, broadening free custom area. The increasing bureaucratic procedures due to Belt and Road traffic are planned to be processed in a more focused manner. Building a new city around a special economic zone, established on Belt and Road corridors, resembles Khorgos-Eastern Gate (SEZ). Although this move contradicts Poland's commitment of not establishing SEZ or expanding existing SEZs to the EU, Terespol Municipality building has already been moved to the new city. This suggests that Belt and Road requirements are prioritized over EU regulations.

6. 1. 6. Chengdu-Lodz Line

Chengdu-Lodz line is important in that it establishes connectivity between China, Central Asia, and Central Europe. The initial route was Chengdu-Dostyk-Moscow-Brest-Malaszewicze-Lodz but the traffic was directed to Khorgos-Eastern Gate (SEZ). After trains pass through Altynkol, they are processed at Khorgos-Eastern Gate (SEZ). The first container train composed of 41 containers from Lodzi to Chengdu passed in April 2018. Karimov, Director of the Container Transportation Department of KTZ Express JSC, and explained that:

A container train will make regular trips from Poland to China will travel regularly through the Kazakhstan station of Altynkol from Poland to China, the redirection of cargo flows from the interstate point of the Dostyk-Alashankou crossing to Altynkol-Khorgos increases the processing speed of trains coming from a narrow railway track (1435 mm) to a wide gauge (1520 mm), including customs clearance.⁷¹⁸

The position of Khorgos-Eastern Gate (SEZ) is, therefore, strengthened. Khorgos-Eastern Gate (SEZ) are widely examined on Chongqing-Duisburg network. Other nodes on this network Brest and Malaszewicze are also discussed. This section would examine Chengdu and Lodz special economic zones.

⁷¹⁸ 'Kazakhstan: First Container Train Operates between Altynkol Station on the Route between Lodz and Chengdu', UIC, 2018 <[https://uic.org/com/uic-e-news/593/article/kazakhstan-first-container-train-operates-between-altynkol-station-on-the-route?page=iframe_enews](https://uic.org/com/uic-e-news/593/article/kazakhstan-first-container-train-operates-between-altynkol-station-on-the-route?page=iframe_eneews)> [accessed 16 September 2018].

6. 1. 7. Chengdu

Chengdu is the capital of Suchen region, located in southwestern China. Its relatively isolated position due to treacherous mountains, which surround the city, has been dealt with high-speed railways. Nonetheless, Chengdu faces competition with other Chinese cities in attracting foreign investments within the Belt and Road Initiative. A Chengdu government worker said that: “Every city is launching new projects as part of One Belt, One Road. Compared with Xi'an (an ancient Chinese capital), Chengdu has less history as a trade hub; compared to (nearby municipality) Chongqing, it has less economic and political clout.”⁷¹⁹

Chengdu Economic and Technological Development Zone was approved as a state level economic and technological development zone in 2000. In 2005, it was approved as a state level industrial park for electronic components. In 2010, it was approved by the Ministry of Industry and Information Technology as a National New Industrialization Demonstration Base of automobile industry.⁷²⁰

Making Chengdu as a base of automobile production is a turning point for Chengdu. In 2010, Chengdu ETDZ's GDP was RMB36.85 billion, reflecting an increase of 37.05 percent year on year, accounting for 6.6 percent of the city's total GDP. The value-added industrial output of the park amounted to RMB22.12 billion, up 42.89 percent year on year.⁷²¹ It raised Chengdu's GDP 1.22 trillion yuan (\$183.11 billion) in 2016, amounting increase of 7.7 percent comparing to 2015.⁷²²

⁷¹⁹ Christian Shepherd, ‘Chengdu Benefits from China’s One Belt, One Road Strategy’, *Financial Times*, 2016 <<https://www.ft.com/content/b743706e-2d70-11e6-bf8d-26294ad519fc>> [accessed 30 December 2018].

⁷²⁰ ‘Chengdu Economic & Technological Development Zone’, *Go Chengdu*, 2014 <<http://www.gochengdu.cn/news/industrial-parks/chengdu-economic-technological-development-zone-a104.html>> [accessed 3 January 2019].

⁷²¹ ‘Chengdu Economic and Technological Development Zone’, *HKTDC Research*, 2012 <<https://hkmb.hktdc.com/en/1x09rje1/hktdc-research/chengdu-economic-and-technological-development-zone>> [accessed 3 January 2019].

⁷²² Li You, ‘Chengdu to Boost Belt and Road, Opening-up in Western China’, *China Daily*, 2017 <http://www.chinadaily.com.cn/cndy/2017-09/13/content_31927582.htm> [accessed 4 January 2019].

FAW-Volkswagen, Sichuan FAW Toyota Motor (SFTM), Geely Gaoyuan, Volvo, Dayun Auto, FAW Special Auto, FAW Passenger Car, FAW Commercial Car, Ruihuate Pure Electronic Automobile, Kobelco Group, Caterpillar, Push Heavy Machinery, and CSRGC have gathered in Chengdu Zone, as well as over 180 automobile parts projects including those of Magna, Faway Johnson, FAWFW, Toyota Boshoku, Tianxing-Mita etc.⁷²³

In 2007, Chongqing and Chengdu local governments signed a cooperation agreement, pledging to build an economic zone the Chengdu-Chongqing Economic Zone. This was backed by the State Council. It was mentioned in the 11th Five-year Plan for Western Development. The Chengdu-Chongqing economic zone will encompass Chongqing, Chengdu, and 14 cities nearby. In addition to Chengdu and Chongqing, which will be taking the lead in the development push, other beneficiaries of the new economic zone include 27 other cities.⁷²⁴

There are preferential custom duties and taxes for companies which registered in the zone. Especially, these preferential provisions have been expanded since 2011. For the encouraged automobile sectors the tax has been determined 15 percent of the previous rate from January 1, 2011 to December 31, 2020. For the encouraged industries the self-use equipment can be exempted from the customs tax. On land allocation, the land-transferring fees can be exempted, and the land tenure will be 50 years. For encouraged sectors in Chengdu Economic Zone, the operating period can be extended to 40 years, which is 10 years longer than Eastern China, and the registered capital can be lowered to RMB30 million, which is RMB20 million less than in Eastern China.⁷²⁵ This preferential treatment differs Chengdu from the rest of China's regions.

A new region is designed to supplement this zone. Tianfu New Area is being developed in Chengdu as a greater metropolis. Its mission is to be a part of the state-

⁷²³ ‘Chengdu Economic & Technological Development Zone’.

⁷²⁴ ‘Chengdu, Chongqing Pledge Cooperation on Economic Zone’, *China.Org*, 2007 <<http://info.hktdc.com/alert/cba-e0710b-1.htm>> [accessed 4 January 2019].

⁷²⁵ *Chengdu Investment Guide 2014* (Brussels: European Commission, 2014), pp. 18–19.

level Chengdu-Chongqing Economic Zone and a nucleus of that Zone. It will be a construction area of about 650 square kilometers, or 40 percent of the total District area. After it is completed, it will be a modern international town that focuses on manufacturing, top services, and business and living.⁷²⁶

The construction of Tianfu New Area solidifies Chengdu's driving function as a special economic zone. The preferential policies enacted to expand the zone's production base. For the encouraged industrial enterprises located in Tianfu New Area, the enterprise income tax will be reduced to 15 percent. More importantly, the applicable tax amount for requisition of cultivated land will be determined by Chengdu, Meishan, and Ziyang independently. Then, they will be registered at Finance Department and Sichuan Provincial Local Tax Bureau independently of the central government. The administration is also entrusted to establish special fund for the infrastructure development of Tianfu New Area. Implementing custom clearance authority for the enterprises is also given to the administration of Tianfu New Area.⁷²⁷ The right to determine tax and custom privileges and to set up necessary budget for the development of the area has been transferred to management of Tianfu New Area. This facilitates transfer of capital, company, talent, and technology.

These concessions enabled Chengdu Economic Zone to become an international hub of automobile production. Juergen Unser, vice president and board member of FAW-Volkswagen, claimed that the Chengdu factory has produced one million vehicles from 2011 to 2014, calling this another Chinese miracle.⁷²⁸ The annual output of Chengdu's automobile industry exceeded 1.32 million vehicles in 2017, up

⁷²⁶ ‘Tianfu New District Means a Golden Investment Opportunity for China’, *China Daily*, 2012 <http://www.chinadaily.com.cn/regional/2012-05/08/content_15804754.htm> [accessed 4 January 2019].

⁷²⁷ *Chengdu Investment Guide 2014*, p. 21.

⁷²⁸ ‘Chengdu Races to Be China’s New Automotive Hub’, *Go Chengdu*, 2014 <<http://www.gochengdu.cn/news/business/chengdu-races-to-be-china-s-new-automotive-hub-a352.html>> [accessed 4 January 2019].

by 15.3 percent, and a rise of 10.6 percent in industrial added value.⁷²⁹ In March 2017, Chengdu city government and Zhejiang Geely Holding Group, which owns Sweden's Volvo Car Group, have signed agreement to build a production plant, designed to be able to produce 200,000 vehicles a year. Li Donghui, executive vice-president of Geely, said he expects that: "We will build the Chengdu base into one of our most important strategic centres for new energy vehicles to serve the markets along the Belt and Road."⁷³⁰ Zhejiang Geely Holding Group also pledged to invest a total of 30 billion yuan (\$4.5 billion) to build a university, an auto culture-themed town and an industrial park, which will focus on the advanced components used in new energy vehicles. The newly built town will include an automobile exhibition park and various race tracks.⁷³¹ The automobile brands also contribute to shaping Chengdu's environment.

Chengdu Economic Zone seeks to expand its automobile production base. In September 2018, Chengdu Motor Show was held. Exhibition & Travel Group (ETG), Hannover Milano Fairs Shanghai Ltd. and China Council for the Promotion of International Trade Sichuan Committee organized this show and Chengdu Municipal People's Government and China Council for the Promotion of International Trade, Automotive Industry Committee sponsored it. 119 automotive brands including German, American, French, Japanese, Korean automakers and other global automobile companies participated in this meeting in Chengdu.⁷³² This gathering indicates that Chengdu has evolved into a global center for automobile production.

Chengdu is, therefore, is an important participant of the Belt and Road Initiative. Chengdu got rid of its geographic isolation by involving itself into the Belt and Road

⁷²⁹ 'Chengdu Motor Show 2018 to Shape the Future Western Automotive Market', *Deutsche Messe*, 2018 <<http://www.hmf-china.com/En/Co/?CID=20&AID=253>> [accessed 4 January 2019].

⁷³⁰ Zhuan Ti, 'Chengdu Extends Its Global Auto Industry Reach', *The Telegraph*, 2017 <<https://www.telegraph.co.uk/news/world/china-watch/business/chengdu-extends-global-auto-industry-reach/>> [accessed 4 January 2019].

⁷³¹ Yuan Shenggao, 'Megacity's Automotive and Rail Industries Put It on World Map', *China Daily*, 2017 <http://www.chinadaily.com.cn/cndy/2017-10/20/content_33476699.htm> [4 January 2019].

⁷³² 'Chengdu Motor Show 2018 to Shape the Future Western Automotive Market'.

Initiative. Chengdu is simultaneous competitor and collaborator of Chongqing. While agreeing to set up a common economic zone with Chongqing, it is also beginning of new line between Lodz on the New Eurasian Land Bridge. The route passes through same city nodes with the exceptions of Chengdu and Lodz. As Chongqing has become a center in notebook production, Chengdu is specialized in automobile production. The preferential policies and exemptions provided to the preferred sectors such as the automobile sector encouraged global automobile companies to relocate their production bases in special economic zones in Chengdu. The establishment of the Chengdu-Lodz line enabled these companies to export their goods to Europe. On this line, the other nodes Khorgos, Brest, and Malaszewicze have already been examined on Chongqing-Duisburg network. Thus, the subsequent node on Chengdu-Lodz network, which will be introduced, is Lodz.

6. 1. 8. Lodz

Lodz is located at central Poland. It is acting as a logistics center between Europe and China. Lodz's position as a transportation hub improved thanks to Chengdu-Lodz railway link. Krzysztof Piątkowski, deputy mayor of Lodz, said: "The latest information from Transport Logistic is that Lodz has become the most important logistics and warehousing link in central Europe. I have to admit that, before the new freight train was opened, it was so different here. Now it's a new look."⁷³³ The direct connection with Chengdu through five trains shuttle every week enabled Lodz to enhance its financial and trade opportunities, especially increasing relations with Chinese businesses. In November 2017, while visiting Chengdu, Witold Stepien, governor of Lodz, said to the media in Chengdu: "A noticeable

⁷³³ 'China-Poland Freight Trains Boost Economic Development in Lodz', *Poland In*, 2018 <<https://polandin.com/38677429/chinapoland-freight-trains-boost-economic-development-in-lodz>> [accessed 5 January 2019].

change in Lodz is that 10 Chinese restaurants have opened in the past three years, and most of them are named Chengdu Restaurant.”⁷³⁴

In this respect, the relations between Lodz and Chengdu needs to be mentioned. At initial stage, the cooperation was driven by private logistics company Hatrans, which became the operator of the Chengdu-Lodz railway. Lodz’s local government involved in the project in June 2014 by opening the Representative Office of the Lodz region and Lodz was opened in Chengdu, whose main purpose is to build commercial, cultural, and educational linkages between the two regions. The Polish central government contributed to this process by opening a Consulate General in Chengdu. This cooperation brought about further investments in logistics and establishment of and transportation hub in central Poland.⁷³⁵ In December 2012, the Chengdu-Lodz train completed its first journey. In 2013, only 10 trains arrived in Lodz. In 2018, however, this figure increased to 500.⁷³⁶ Marcin Dobruchowski, president of Spedcont, a Polish company which operates a cargo terminal in Lodz said that: “The first trains from Chengdu came once a week and included only imported cargo. Today however, trains to and from Chengdu depart every day and the trade cooperation is developing very well, with the number of containers transported on the Belt and Road route growing.”⁷³⁷

The initiation of Chengdu-Lodz railway developed Lodz’s economy considerably. Its GDP has been growing since 2012. The sharpest increase was in 2014 with a rise of 3.6 percent. By the end of 2017 the GDP of Lodz exceeded the amount of €10,000 million. In terms of municipal expenditure per capita Lodz can be compared big cities such as Krakow, Poznan, and Gdansk. Since 2011,

⁷³⁴ ‘Polish Province Seeks to Be Portal on Belt and Road: Official’, *Belt and Road Portal*, 2017 <<https://eng.yidaiyilu.gov.cn/qwyw/rdxw/33631.htm>> [accessed 4 January 2018].

⁷³⁵ Dominik Mierzejewski, ‘Dominik Mierzejewski: The Local Dimension of China’s Belt and Road Initiative’, *Institute of Asian Studies*, 2016 <<http://www.asian.sk/en/the-local-dimension-of-chinas-belt-and-road-initiative/>> [accessed 5 January 2019].

⁷³⁶ ‘China-Poland Freight Trains Boost Economic Development in Lodz’.

⁷³⁷ ‘Feature: Belt and Road Initiative Helps Poland Be a European Transportation Hub’, *Xinhuanet*, 2018 <http://www.xinhuanet.com/english/2018-08/30/c_137431027.htm> [accessed 4 January 2019].

investments have grown, witnessing record-breaking volumes in 2015.⁷³⁸ As the years of economic development demonstrate, the increase of Lodz's GDP coincides with the operationalization of the Chengdu-Lodz railway line on the New Eurasian Land Bridge. The special economic zone, established in 1997, has also seen buoyant development.

There is a special zone in Lodz. It is located in the area of the Poland's largest transportation hub. It covers the area of 1302 ha in three provinces: Łódzkie, Mazovia and Greater Poland, consisting of 45 subzones.⁷³⁹ Lodz's participation into the Belt and Road Initiative in 2012 upgraded Lodz SEZ among SEZs in Europe. In 2013, Lodz SEZ increased its tenancy numbers by 9 percent.⁷⁴⁰ In 2014, it was also commended in the rankings for investment during 2014 due to its strategy for and commitment to Polish-Chinese cooperation, upgrades of facilities, and skills training and education activity. Lodz SEZ was named the best zone for SMEs (Small and Medium Enterprises) in Europe in fDi Free Zones of the Year 2015 ranking published by fDi Magazine, which belongs to Financial Times Group.⁷⁴¹

Companies and investors are exempted from corporate, real estate, and personal income tax. Depending on the size of an enterprises, the companies receive state aid up to 55 percent of eligible costs.⁷⁴² These measures increased the appeal of Lodz. The number of investors is 143 with newly created approximately 27,000 jobs. The total investment value amounts PLN 14 billion (\$3.7 billion). The largest investors by investment expenditure are Euroglas, Indesit Company Polska, Gillette Poland International, Grupa Paradyż, BSH Sprzęt Gospodarstwa Domowego, Ericsson, Fujitsu Technology Solutions, and Infosys BPO Poland. The largest enterprises by

⁷³⁸ *Destination Lodz Manufacturing Success* (JLL, Lodz, 2017), p. 5.

⁷³⁹ ‘Lodz Special Economic Zone’, *Warehouse Finder*, 2014 <<https://warehousefinder.pl/blog/knowledge-base/lodz-special-economic-zone/>> [accessed 5 January 2019].

⁷⁴⁰ ‘Global Free Zones of the Year 2014 – Winners’, *FDI Intelligence*, October/November (2014), 16–24 (p. 23).

⁷⁴¹ *Destination Lodz Manufacturing Success*, p. 7.

⁷⁴² ‘Lodz Special Economic Zone’, *Polish Investment & Trade Agency*, 2018 <https://www.paih.gov.pl/investment_support/sez/lodz> [accessed 5 January 2019].

number of employees are Indesit Company Polska, Gillette Poland International, Hutchinson Poland, HTL-STEFA, Fujitsu Technology Solutions, and Infosys BPO Poland.⁷⁴³ This list demonstrates major European and Japanese companies opened branches in Łódź.

The increase of investment into the SEZ led to overhaul of investment support instruments in Poland. A new system of support for investors was introduced according to the changing economic needs and challenges. When the special economic zones were introduced in 1990s, the main consideration was to create jobs. Currently, the main objective is to make the special economic zone system more efficient. Under the current system, applying procedures is complex: the investor submits its intent to the zone, the zone prepares a draft of changes in its boundaries and forwards it to the Ministry of Development, whose officials verify it. Then, the plan is processed by inter-ministerial departments, and discussed by the government, and finally signed by the Prime Minister. The most important change to deal with this bureaucratic procedure aimed at turning the entire territory of Poland into a special economic zone in that the Ministry of Development grants a guarantee of corporate income tax exemption after an investor meets certain conditions in any location of the country.⁷⁴⁴ The new law divides Poland into 14 Economic Areas. The current SEZ managers are assigned to these areas.⁷⁴⁵ This increases the power of SEZ managers in administrating the foreign investment directed to Poland.

The new legislation simplifies the procedure, attracting foreign investment. According to the foreign investment report prepared by Clifford Chance, a prominent global law firm, foreign direct investments implemented by major global

⁷⁴³ *Investment Potential Special Economic Zones in Poland* (Warsaw: Colliers International, 2016), p. 34.

⁷⁴⁴ Małgorzata Grzegorczyk, ‘Overhaul of the Special Economic Zones in Poland’, *Financial Observer*, 2018 <<https://financialobserver.eu/poland/overhaul-of-the-special-economic-zones-in-poland/>> [accessed 4 January 2019].

⁷⁴⁵ Agata Szeliga and Adrian Ciesielski, ‘As of 30 June 2018 the Entire Area of Poland Is an Economic Zone!’, *Soltysiński Kawecki & Szlezak*, 2018 <<https://skslegal.pl/en/publikacje/juz-od-30-czerwca-2018-r-cala-polska-jest-strefa-ekonomiczna/>> [accessed 5 January 2019].

corporations are or will be applied into special economic zones in Poland.⁷⁴⁶ The SEZ expansion throughout Poland aims, therefore, at attracting more foreign direct investment. Moreover, this move enables companies to benefit from special economic zone type advantages without being restricted to territorial boundaries.

This process of SEZ expansion coincides with Poland's regions' attachment to the Belt and Road Initiative. The companies developing logistics industry will obtain exemptions and funds, easing the process of building new warehouses and terminals. There have already been some intentions concerning the construction of new terminals in SEZs in Poland. According to Slawomir Majman, the CEO of Polish Investment Agency, China wants to invest \$40 billion in the construction of the railway station in Lodz, enabling a transport of goods deeper into the EU. He also reveals that there is also a Chinese investor is ready to develop Malaszewicze.⁷⁴⁷ As new law eases procedure, the enlargement of the existing SEZs, which participate in the Belt and Road Initiative, with the aid of Chinese investment would be fast and smooth.

To sum up, Lodz has become a transportation hub since the operationalization of Chengdu-Lodz direct railway line. This line has been opened through the endeavor of logistics company Hatrans. This endeavor was supported by local Lodz administration and Polish government, which established representative centers in Chengdu. With the start of Chengdu-Lodz network on the New Eurasian Land Bridge, the economy of Lodz developed. Lodz SEZ, established in 1997, has increased the number of companies, which it hosts, since 2013 as the Belt and Road route has raised Lodz's appeal. It provides tax exemptions and state aid to costs for investors. As of July 2018, the whole Poland has been turned into a special economic zone in which exemptions and aids are provided regardless of territory. Economically, Poland was divided into 14 zones where SEZ managers administer to ease procedures for companies. This is a compromise on sovereignty to attract more

⁷⁴⁶ *Foreign Direct Investments in Polish Special Economic Zones* (Clifford Chance, Warsaw, 2017), p. 1.

⁷⁴⁷ Małgorzata Grzegorczyk, “‘One Belt One Road’ Needs One Strategy”, *Financial Observer*, 2015 <<https://financialobserver.eu/poland/one-belt-one-road-needs-one-strategy/>> [accessed 4 January 2018].

foreign direct investment. The new regulations also allay the bureaucratic procedures, which complicate and lengthen investment proceedings. This reflects the desire to improve Lodz's position in the Belt and Road Initiative.

6. 2. Characteristics of the Nodes on the New Eurasian Land Bridge

As I discussed in the third chapter, territory is not a frozen concept, it is historically dependent and changing. Territory is given meaning through social, political, and particularly economic processes. These processes structure and transform space perpetually. Lefebvre claims that the state is reconfigured and transformed according to its historical and economic roles. Thus, the concept of space is not static, but it is subject to ongoing transformation and struggles.⁷⁴⁸

Tax exemptions, administrative grants to private companies over a defined space within a state and easing procedures for foreign labor signify new kind of territoriality. The concept of territoriality means that human actions define and give meaning to the space. Sack defines territoriality as: "Territoriality in humans is best understood as a spatial strategy to affect, influence or control resources and people, by controlling area; and, as a strategy, territoriality can be turned on and off. In geographical terms, it is a form of spatial behavior."⁷⁴⁹ The strategy to affect and control of a space is the significant aspect of territoriality. The Belt and Road Initiative prompts the states to adopt a new territorial strategy to be part of the initiative and capture Belt and Road related investments. The fragments of this new strategy is visible on the New Eurasian Land Bridge. On the New Eurasian Land Bridge corridor a special economic and administrative regime is being implemented, which differentiate these zones from the states where they are situated.

⁷⁴⁸ Brenner and Stuart Elden, 'Henri Lefebvre on State , Space , Territory', p. 364.

⁷⁴⁹ Robert D. Sack, 'Human Territoriality: A Theory', *Annals of the Association of American Geographers*, 73.1 (1983), 55–74 (p. 56).

The new territorialization, which the Belt and Road Initiative promotes, emerges as a result of collaboration between states, corporations, and local governments. This feature moves beyond traditional understanding of sovereignty, which assumes centralized state power structure in a contained territory of a nation state. Instead, a voluntary extraterritoriality becomes prevalent in that states choose to sacrifice some sovereign rights to achieve economic prosperity.⁷⁵⁰ Still states retain capacity to manipulate and adjust their relations with global markets.⁷⁵¹ The states on the New Eurasian Land Bridge corridors interact with global companies and local governments, designing a special economic areas in which they willingly give up their some sovereign rights to flourish their economies. In those areas, the states create and implement special and flexible administrative measures.

The Chongqing-Duisburg line emerged as a result of the initiative of technology companies, which look for advantageous location for their production centers and Chongqing local government, which wants to highlight the status of its city. The favorable conditions granted by local government encouraged technology companies, the most prominent one HP, to choose Chongqing as their headquarters. The problem of transportation of these products to European markets propelled the central government to set up transportation nodes. The collaboration with other governments within the framework of the Belt and Road Initiative enabled the operationalization a transportation network that extends from Chongqing to Duisburg, creating the nodes on the route.

When the nodes on Chongqing-Duisburg network across Eurasia are examined, the foremost characteristic is that the transportation nodes are either evolved into special economic zone or developed the existing special economic zones. The starting node of this network is Chongqing. A special economic zone is created in Chongqing where a different tax regime and minimum wage requirements are implemented from the rest of China's region. The infrastructure between Chongqing and other cities are strengthened to shorten transportation time. The most immediate

⁷⁵⁰ Laungaramsri, p. 30.

⁷⁵¹ Aihwa Ong, 'Graduated Sovereignty in South-East Asia', *Theory, Culture & Society*, 17.4 (2000), 55–75 (p. 56).

consequence is the increase of Chongqing GDP. A city's GPD is an indicator of economics of scale and economic of scope of its production and consumption. It reflects the level of welfare of its inhabitants. Therefore, there are positive correlation between its GDP and urban competitiveness rank.⁷⁵² Between 2013 and 2017 the city's GDP has risen almost twofold, from RMB34,5 million to RMB68 million.⁷⁵³ In addition to SEZ, Chongqing is also a Pilot Free Trade Zone (PFTZ) (one of six provinces of China). The administration of Chongqing is further liberalized thanks to this new status with the abolishment of procedures concerning administration and allowing decentralized economic management to the PFTZ.

Chongqing government's attempt to develop linkages with southern and eastern regions of China further upgrade its connectivity. Economically developed Yangzi River Delta and Pearl River Delta are being integrated to land connection to Europe. In addition to China's region, land connection to Hanoi, Vietnam and Yangon, Myanmar is being constructed.⁷⁵⁴ Chongqing's distance from Europe and China's eastern regions are overcome through the application of infrastructure development, solidifying its position on the New Eurasian Land Bridge. These new connections reflect that the nodes on the New Eurasian Bridge are open to development.

The next and most important node is Khorgos. Khorgos is not only significant for the Chongqing-Duisburg network but also for other lines for the New Eurasian Land Bridge corridor, which link China's cities to various European cities. Khorgos is the node where Belt and Road transportation lines are distributed. It is also the point where international gauge system is turned into Russian gauge system. The containers must adapt this system while travelling in Eurasian Union territory.

This transportation hub also evolved into special economic zone. Several companies invest in Khorgos-Eastern Gate (SEZ) taking advantage of its

⁷⁵² Pengfei Ni, Marco Kamiya, and Ruxi Ding, *Cities Network Along the Silk Road The Global Urban Competitiveness Report 2017* (Singapore: Springer, 2017), p. 48.

⁷⁵³ ‘China Gross Domestic Product: Per Capita: Chongqing’, CEIC, 2017 <<https://www.ceicdata.com/en/china/gross-domestic-product-per-capita/gross-domestic-product-per-capita-chongqing>> [accessed 6 February 2019].

⁷⁵⁴ Tim Summers, *China's Regions in an Era of Globalization* (London and New York: Routledge, 2018), p. 72.

geographical position. In Khorgos-Eastern Gate (SEZ) a different tax and custom system, investment procedures, and conditions for foreign workers are implemented to attract more foreign direct investment. Being one of ten SEZs in Kazakhstan, Khorgos-Eastern Gate (SEZ) is run by KTZ company with a Belgian CEO. This signifies a globalized administration model for a territory located in Kazakhstan.

The extraterritoriality of Khorgos-Eastern Gate (SEZ) is further emphasized with the different tax regime imposed on Kazakhstan's domestic consumers and Eurasian Union countries. Any goods produced in Khorgos-Eastern Gate (SEZ) can be sold to Kazakh territory or EEU countries with additional taxes while they can be sold to non-EEU countries without taxes. This demonstrates Khogos-Eastern Gate (SEZ)'s connectivity with Belt and Road network instead of Kazakhstan. Khorgos-Eastern Gate (SEZ) belongs to global chain of trade as much as it belongs to Kazakh regime trade.

While investigating firms' decision-making process in relocating their manufacturing besides traditional concerns such as lower labor cost, infrastructure connections, and government subsidies, the firms seek places where their workers can find entertainment, artistic fulfillment, and educational development.⁷⁵⁵ The construction of new areas, attached to the SEZs has become a trend on nodes on the New Eurasian Land Bridge corridor. The new sub-cities built provide residence for workers and education opportunities for their children.

Nurkent, a new city planned to be completed in 2035, started to be built around Khorgos. The population of this city would consist of people who work in Khorgos-Eastern Gate (SEZ). About \$34 million were allocated for the construction of this city. Even in its current stage, hosting 4,000 residents Nurkent sets an example of other city nodes on the corridor.

Besides Khorgos, other nodes on the same network develop in the same manner. Brest, the last stop of EEU territory, also owes its development to the Chongqing-Duisburg line. A special economic zone exists in Brest, where a special tax, custom, and investment regime is implemented. Brest SEZ was established in 1996 but the real flourishing of this zone was accomplished after the operationalization of the

⁷⁵⁵ Ni, Kamiya, and Ding, p. 227.

New Eurasian Land Bridge. Chinese and European capital increased substantially thanks to Belarus's participation into the Belt and Road Initiative. It is run by a company led by a CEO like Khorgos-Eastern Gate (SEZ). Furthermore, an industrial park located close to Minsk International Airport connected to European cities is being established by China and Belarus. This park holds a special economic zone status. Ansgar Rudolph, who is a project manager at InSite Bavaria, says:

The main idea behind the Industrial Park was to establish an innovative and high-tech manufacturing site with high export potential. Additionally, park residents enjoy greater tax benefits. Most importantly, Great Stone is not only a place for doing business, but also an eco-city with comfortable living conditions for approximately 200,000 people and is located close to Minsk...We are working on an agreement between a German park, a Chinese park and Great Stone to create a chain of free economic zones along the Northern Corridor of the One Belt One Road in order to facilitate the transportation of products from Western Europe all the way to China and back.⁷⁵⁶

Thus, a special economic zone is being built by German company with Chinese and Belarussian capital. It is set to expand up to cover 200,000 people. This is similar to Nurkent's establishment around Khorgos-Eastern Gate (SEZ). Thus, SEZs around the Belt and Road route is an important feature of reterritorialization.

Malaszewicze, which the next node after passing Brest, is one of the most important nodes on the New Eurasian Land Bridge as the rail gauge is rearranged to international standards after containers pass EEU territory. This leads to increase in traffic at Malaszewicze border crossing, which causes bottleneck for companies, which use this route. To rectify this problem the EU and China prepare projects. The expansion of capacity of the zone would alleviate problems, which frustrate companies due to delays at border crossing point.

There is a special economic zone in Malaszewicze where the companies registered in this zone are exempt from income taxes, local taxes, and fees. It is operated by Adampol company. Chinese investments have already upgraded the existing special economic zone by increasing its handling capacity. Other international companies such as DHL are among the major investors in this zone.

⁷⁵⁶ Andrew Wrobel, 'Belarus Is Where the New Silk Road Heads For Europe', *Emerging Europe*, 2016 <<https://emerging-europe.com/intelligence/belarus-is-where-the-new-silk-road-heads-for-europe/>> [accessed 30 December 2018].

These developments are certainly attributed to Malaszewicze's position in the Belt and Road Initiative.

Malaszewicze, like Khorgos and Brest, is attached by a new city that will contain SEZ workers and administrative buildings. Terespol Municipality, where Malaszewicze SEZ exist, merges with Kobylany region, expanding its size and population. This contradicts Poland's commitment to the EU regarding not to establish a new SEZ or expanding the existing SEZs. Nonetheless, Poland's reticence of the establishment of new city demonstrates the Belt and Road requirements overwhelm EU requirements in the minds of Polish policy makers.

On the other hand, within the New Eurasian Land Bridge on the Chengdu-Lodz network, Chengdu experienced high level of investment after it prioritized automobile production. The tax exemptions and land grants incited leading global automobile producers to move their operations into Chengdu. The special economic zone in Chengdu expanded; supplementary new free trade areas have been established. As a result of these incentives, its GDP has increased approximately 40 percent. The direct line between Chengdu and Lodz provided export opportunities for the products manufactured in Chengdu. This line follows the same city nodes that the Chongqing-Duisburg line follows. Lodz SEZ have become a part of the Belt and Road Initiative.

The states on this route voluntarily transfer their sovereignty in these defined areas to benefit commercially. Furthermore, the infrastructure work much needed for the connection among these nodes are accomplished mostly through state guaranteed projects. This is compatible with Manuel Castell's network theory. He asserts this situation as an irony in that nation-states were actually the most active agents of globalization since they tried to extract benefits from unrestricted markets, free flows of capital and technology.⁷⁵⁷ In forming the Chongqing-Duisburg and the Chengdu-Lodz network along the route states also participate. As it is demonstrated states' partners in establishing these networks are private companies and local governments. HP in setting up Chongqing-Duisburg line, Hatrans in setting up

⁷⁵⁷ Manuel Castells, *The Rise of The Network Society: The Information Age: Economy, Society and Culture* (West Sussex: Wiley-Blackwell, 2010), p. xviii.

Chengdu-Lodz line. The participants of this economy have been analyzed by Castells. This new economy is based not on firms, not on governments, not on states, nor on companies. It is organized on segments of firms, segments of states, and segments of public sector.⁷⁵⁸ Although nation states' monopoly in organizing territory diminished, this does not mean the end of nation states. They do not disappear, but they are transforming themselves. The host states on the New Eurasian Land Bridge corridor abolish taxes, fees, and customs, normally implemented in their territories, to attract more foreign investment and to raise their zones' status. Most of these zones are administered by a company with a CEO. This signifies commercialization of sovereignty discussed in the beginning of the chapter, engendering a complex system of governance comprised of multiple actors such as national governments, local governments, municipalities, and the administration of zones.

This process in Eurasia has been invigorated by the Belt and Road Initiative. The lines of the corridor enabled the establishment of new railroads, setting up new special nodes, expanding the capacity of the existing special economic zones, and connecting businesses among these nodes. In Chengdu, the special zone is expanded and solidified with the attachment of Tianfu New Area. In Poland, the country itself has become a special economic zone divided into 14 zones. This decentralization in economic management increases the states' economic development by attracting foreign direct investments. This new territorial configuration supposes more flexible and mobile than rigid territorial organization. This is materialization of hybrid sovereignty in which the SEZs are located in state territory, but they are part of global supply chain system.⁷⁵⁹

Another aspect of these lines is that cities are encouraged to compete with each other and specialize in manufacturing. Chongqing and Chengdu, which are neighboring cities located in southwestern China, had been competing with each other to attract foreign investment and be linked to global market. They eventually

⁷⁵⁸ Castells, 'The Contours of the Network Society', p. 154.

⁷⁵⁹ Khanna, p. 281.

formed a common special economic zone in 2011. Chongqing specialized in producing notebooks whereas Chengdu encouraged automobile companies to move their production bases. Quoted in Ma and Timberlake, Sassen diagnoses this feature:

Cities do not simply compete with each other for the same business. There is an economic system that rests on distinct types of locations and specializations each city represents. Furthermore, it seems likely that the strengthening of transnational ties between the leading financial and business centers is accompanied by a weakening of the linkages between each of these cities and its hinterland and national urban system.⁷⁶⁰

This statement captures the formation of the New Eurasian Land Bridge. Through direct transportation lines offered by the Belt and Road Initiative Chongqing is directly linked with Duisburg whereas Chengdu is linked with Lodz, forming a global economic network. By these networks the products manufactured in these Chinese cities are sold in European cities.

The state of networks on the New Eurasian Land Bridge allows overcoming territorial trap that Agnew identifies. Agnew's argument is that politics is not restricted in territorial containers, state-based, or nation-based. Networks between agents do not conform at all to the territorial borders of states.⁷⁶¹ The transportation nodes on the New Eurasian Land Bridge are connected to global network rather than domestic market. In Khorgos-Eastern Gate (SEZ) a custom system, which aims at differentiating Khorgos from the EEU and integrating it to global markets is implemented. Non-EEU goods are not subject to additional custom duty whereas EEU originated goods including goods from domestic market of Kazakhstan are subjected to additional custom duty. This signifies political and economic exclusion of Khorgos-Eastern Gate (SEZ) from Kazakhstan and the EEU.

Therefore, the Belt and Road Initiative moves beyond state centrism in reconfiguring Eurasian space. The states on the New Eurasian Land Bridge are active participants in the progress of the corridor's effectiveness by transforming their territories according to the needs of the New Eurasian Land Bridge. They ease

⁷⁶⁰ Ma and Timberlake, p. 256.

⁷⁶¹ John Agnew, 'Revisiting the Territorial Trap', p. 47.

border crossing by implementing common electronic systems. They establish special economic zones where different sovereignty regimes are imposed, increase these zones in their territories, and grant concessions enacted in these zones. Even Belarus, perceived as the last dictatorship of Europe, and Poland, which has been pursuing illiberal policies recently, are not shy in expanding special economic zones and granting exclusive rights to foreign direct investments within Belt and Road framework. These developments are parallel with Brenner's argument in that while territorial states are acting as agents of globalization, they also reterritorialize themselves.⁷⁶²

Chongqing-Duisburg line and Chengdu-Lodz line are selected as they are the most completed and representative of seven lines on the New Eurasian Land Bridge. As the nodes on these networks are analyzed, the starting and ending points differ but the cities between them are same. The same development pattern is more likely to develop on the other lines within the New Eurasian Land Bridge. The reconfiguration of Eurasia through the Belt and Road is not, however, limited to the New Eurasian Land Bridge. The transportation nodes on the China-Central Asia-West Asia corridor, however unfinished, are replicating the patterns of the finished corridor of the New Eurasian Land Bridge in setting up special economic zones and free trade regimes. These nodes located on the cities on the China-Central Asia-West Asia corridor are still developing. Yet, the processes experienced in the development of the New Eurasian Land Bridge are similar to the China-Central Asia-West Asia corridor.

6. 3. The China-Central Asia-West Asia Corridor

While the New Eurasian Land Bridge is expanding special economic mainly in Central Europe, the China-Central Asia-West Asia corridor encourages the expansion of special economic zones in the South Caucasus and Central Asia. The

⁷⁶² Neil Brenner, 'Beyond State-Centrism? Space, Territoriality, and Geographical Scale in Globalization Studies', *Theory and Society*, 28 (1999), 39–78 (p. 41).

China-Central Asia-West Asia corridor has the central and southern sub-corridor. The central sub-corridor proceeds from Urumqi in China to Khorgos and Aktau on the Caspian Sea shore. From Aktau the Trans-Caspian shipment offers a connection to Alyat port in Azerbaijan and Tbilisi in Georgia. The southern sub-corridor follows Urumqi, Almaty, Bishkek, Samarkand, Ashgabat, and Bender Abbas port. The nodes on western sub-corridor is more developed than the nodes on southern sub-corridor. This section examines what kind of territorial configurations have developed on the China-Central Asia corridor.

6. 3. 1. Urumqi

Urumqi is situated in the central Xinjiang region, western part of China. Urumqi, which used to be an important transportation center in the ancient Silk Road, has also turned into a significant node in the Belt and Road Initiative. It is the starting point of the central sub-corridor of the China-Central Asia-West Asia corridor. Fu Xuejun, manager of Volkswagen car plant in Urumqi, said that: “Urumqi is closer to Central Asian countries than to other major Chinese cities. It saves logistics cost if we export our cars to Central Asia. After we get the green light from China and Germany, we’ll be ready to export.”⁷⁶³ Being aware of Urumqi’s geographic importance in the Belt and Road Initiative, China increased its investments into the region. Between 2010 and 2017, China invested approximately \$83 billion into Xinjiang, including in residential buildings, roads, and jobs. Urumqi, the capital of Xinjiang, looks like one large construction site, including new residential houses, office building, multistoried building, subway, and hard-surfaced roads.⁷⁶⁴

⁷⁶³ Zhao Yuheng, ‘Urumqi: Belt and Road Initiative Opens up Central Asian Market for Companies’, CGTN, 2018 <https://news.cgtn.com/news/3d3d514d31516a4e7a457a6333566d54/share_p.html> [accessed 23 January 2019].

⁷⁶⁴ ‘Heart of Eurasia: A Closer Look at the Key Region of China’s New Silk Road’, *Sputnik*, 2017 <<https://sputniknews.com/business/201705101053460240-china-silk-road-xinjiang/>> [accessed 14 January 2019].

There is a special economic zone in Urumqi called the Urumqi Economic and Technological Zone, established in 1994. In this zone, foreign invested enterprises pay 15 percent of income tax, but they are exempted from tax for two years. In the third year tax deduction for foreign companies is 50 percent.⁷⁶⁵ It is managed by Urumqi Economic and Technological Development Zone Construction Investment Development Co., Ltd. It is responsible for heating supply, land development and transfer, project agency, guarantee, and management service. It also focuses on the investment, development, and construction of road networks, water supply and drainage systems, and other municipal engineering projects under government repurchase agreements; and development and construction of supporting real estate, including employee housing projects in the Urumqi Economic Development Zone.⁷⁶⁶

The economy of Urumqi Economic and Technological Development Zone has developed because of Urumqi's participation into the Belt and Road Initiative. It reached a total export-import trade of \$620 million in the first half of this year. According to Zhang Ding, head of foreign trade office of the zone's commerce bureau, this increase indicates a year-on-year increase of 11.2 percent in the zone. Zhijing E-commerce Innovation and Entrepreneur Center have become clusters for cross-border e-commerce companies. At present, approximately 87 cross-border e-commerce companies are registered in the center.⁷⁶⁷ Urumqi's economy increased 10.5 percent in 2015 and 7.6 percent in 2016.⁷⁶⁸

This increase in the traffic required the expansion of the Urumqi Economic and Technological Development Zone. A free trade zone is established with the zone in

⁷⁶⁵ ‘Investment Guide’, *Xinjiang China Daily*, 2011 <https://xinjiang.chinadaily.com.cn/urumqi_toutunhe/investmentguide.html> [accessed 14 January 2019].

⁷⁶⁶ ‘Company Overview of Urumqi Economic and Technological Development Zone Construction Investment Development Co., Ltd.’, *Bloomberg*, 2019 <<https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=158353622>> [accessed 21 January 2019].

⁷⁶⁷ ‘Toutunhe Speeds up E-Commerce Trade’, *China Intercontinental Communication Co., Ltd.*, 2017 <http://en.chinaxinjiang.cn/01/201708/t20170829_557395.htm> [accessed 16 January 2019].

⁷⁶⁸ ‘Urumqi (Xinjiang) City Information’, *HKTDC Research*, 2018 <https://xinjiang.chinadaily.com.cn/urumqi_toutunhe/2016-07/18/content_26183308.htm> [accessed 23 January 2019].

2016. The area enjoys preferential policies from the local government and specializes in logistics, processing, foreign trade, international procurement, product exhibition and sales, international transfers and finance.⁷⁶⁹ In Urumqi Free Trade Zone a cross-border e-commerce center is planned to be built. Xinjiang E-Port has already been operational since 2017. The new will mainly provide customs clearance service for B2B and B2C e-commerce companies and logistic companies. Toutunhe district has set up an office to manage the development of the e-commerce industry and attracted over 200 e-commerce companies.⁷⁷⁰

In Toutunhe district within the Urumqi Economic and Technological Development Zone there is an industrial park. This industrial park hosts bio-pharmaceutical industry, grain and oil processing industry, machinery manufacturing industry, color printing and packaging industry, equipment manufacturing industry, food processing industry, new building materials and metal products industry.⁷⁷¹ A new intelligent terminal industrial park will also be established. The park's total area is 16-hectare with a cost of two billion yuan (\$302.1 million). When it is completed in 2019, it is expected to produce 36 million (or suites of) mobile intelligent terminal products, valuing eight billion yuan. This park is being established by the collaboration of the local government of Urumqi, the administration of Toutunhe Industrial Park, and Benavi Electronics, which is a high-tech enterprise specializing in the production of smartphones and intelligent household systems, listed in the top 100 industrial design enterprises in Shenzhen.⁷⁷²

⁷⁶⁹ ‘Urumqi Free Trade Zone Nears Completion’, *Xinjiang China Daily*, 2016 <https://xinjiang.chinadaily.com.cn/urumqi_toutunhe/2016-07/18/content_26183308.htm> [accessed 24 January 2019].

⁷⁷⁰ ‘Urumqi to Build First Cross-Border e-Commerce Service Center’, *Tianshannet*, 2018 <<http://english.ts.cn/system/2018/02/01/035087146.shtml>> [accessed 23 January 2019].

⁷⁷¹ ‘Toutunhe’s Six Other Investment Projects Start Construction’, *Xinjiang China Daily*, 2018 <https://xinjiang.chinadaily.com.cn/urumqi_toutunhe/2018-10/29/content_37178018.htm> [accessed 23 January 2019].

⁷⁷² ‘New Industrial Park to Boost Toutunhe Electronics Industry’, *Xinjiang China Daily*, 2018 <http://www.chinadaily.com.cn/m/xinjiang/urumqi_toutunhe/2018-06/29/content_36480686.htm> [accessed 23 January 2019].

A new city development in Urumqi is also taking place. New residential and office high-rise buildings are being constructed. The construction of some of these buildings have already been completed. In 2015, the Hilton Urumqi was opened. Hong Guang Shan glass tower, which consists of 34 floors glass wall tower, will be central to the new city plan. This new city is also planning to be linked with railways and roads. In 2011, a new bus rapid transit (BRT) system opened; the project of a new high-speed rail terminus to reduce travel time is underway and a new subway system will open its first line in 2019.⁷⁷³

These developments discussed above replicates the processes experienced in the nodes on the New Eurasian Land bridge. The activity in the Urumqi Economic and Technological Zone has increased since Urumqi's attachment to the Belt and Road Initiative. In this zone, a different tax regime is implemented to attract foreign direct investment. This zone expands by adding free trade zone and industrial park. The private company, Benavi Electronics, actively involved in creating these new spaces by collaborating with Urumqi local government. Furthermore, the development of a new city, which is a recurrent characteristic of the nodes on the New Eurasian Land Bridge is witnessed in Urumqi. A new city is being built around Urumqi, developing its linkages with its neighboring nodes. As Khorgos is discussed in the previous chapter, the next link is Aktau.

6. 3. 2. Aktau

Although Aktau, located on the Caspian shore, is not as popular as Khorgos, Aktau provides sea access to Kazakhstan. Originally, a desolate town like Khorgos, Aktau is at prime geographic position on the China-Central Asia-West Asia corridor. Steve Huang, the CEO of China operations for DHL, which promotes this corridor. said that:

⁷⁷³ Robert L. Wallack, ‘Urumqi “New City” Construction Is Modernizing Ancient Silk Road in China’, *American Journal of Transportation*, 2018 <<https://www.ajot.com/premium/ajot-urumqi-new-city-construction-is-modernizing-ancient-silk-road-in-china>> [accessed 24 January 2019].

The rail connection from Khorgos to Aktau port will enable cargo to be transported along the Caspian Sea and the Caucasus to Europe as well as to the south through Iran to the Persian Gulf. With the new railway line connecting Georgia & Turkey, can now be shipped via Aktau over the Caspian Sea and then by rail through Azerbaijan and Georgia for delivery in Turkey and beyond.⁷⁷⁴

There is a special economic zone in Aktau ‘Seaport Aktau’. It was established in 2002. The total territory is 2000 hectares. It consists of six subzones and coastal zone where a special tax regime is implemented. The investors are exempted from corporate income tax, land tax, property tax, VAT for imported goods, import customs duties, and land lease rate. The quota imposed for foreign labor in the rest of Kazakhstan is not implemented in Seaport Aktau zone. These foreign workers are not required permits to work.⁷⁷⁵ Although this special regime is created in the zone, the state does not withdraw itself from its development. The infrastructure connection for Seaport Aktau is provided by public funds. The completion of the infrastructure improvement is planned by 2023. The state also provides electricity, gas, water, and telecommunications.⁷⁷⁶ Nonetheless, the administration of Seaport Aktau is carried out by a company. The management company was JSC owned by Mangystau regional government where Aktau is located. In May 2018, Dubai based DP World company acquired 49 percent of Seaport Aktau SEZ.⁷⁷⁷

The SEZ, thus, invited foreign participation. In 2013, Kazakh officials called for the expansion of the port of Aktau. Albert Rau, Vice Minister of Industry and New Technologies, claimed that the existence of SEZ helped the port to attract more investment. The private investment received is three times larger than public

⁷⁷⁴ Wade Shepard, ‘Aktau: A Look Inside Aktau, Kazakhstan’s Other Hub On The “New Silk Road”’, *Forbes*, 2017 <<https://www.forbes.com/sites/wadeshepard/2017/04/15/a-look-inside-aktau-kazakhstans-other-hub-on-the-new-silk-road/#565c7c427e1c>> [accessed 24 January 2019].

⁷⁷⁵ ‘Tax and Customs Preferences’, *SEZ Aktau Seaport* <https://www.sez.kz/en/for_investor/preferencii> [accessed 24 January 2019].

⁷⁷⁶ ‘Special Economic Zone “Seaport Aktau”’, *Japan-Kazakhstan Network* <<http://www.jp-kz.org/data/seaportaktau.pdf>> [accessed 10 February 2019].

⁷⁷⁷ ‘B. Sagintayev, Sultan Ahmed Bin Sulayem Discuss the Development of Transit Potential’, *Government of Kazakhstan*, 2018 <<http://www.government.kz/en/novosti/1014577-b-sagintayev-sultan-ahmed-bin-sulayem-discuss-the-development-of-transit-potential.html>> [accessed 10 February 2019].

funds.⁷⁷⁸ Besides the aim of attracting foreign investment, increasing traffic also propelled the port to be upgraded. Container traffic in 2013, which uses the port of Aktau, totaled 10 million tons. This number exceeds estimated target by 300,000 tons. Three new terminals, constructed in 2014, raised the capability from 16.5 million tons to 19 million tons.⁷⁷⁹ The participation of the port of Aktau in the Belt and Road Initiative led to its improvement due to the requirement to handle increasing freight traffic.

Other complexes near the port of Aktau have been built and given special economic zone status. A new sub-zone area of 500 hectares, which processes several industries, is estimated to create 2,500 jobs. Another area in Kenderli with SEZ status aims to become a gambling center at world standard level.⁷⁸⁰ The expansion of Seaport Aktau SEZ is the replication of the expansion of SEZs on Belt and Road corridors. To increase commercial and financial benefits of the SEZs thanks to being a node on the corridor these SEZs are expanded with the initiative of the host government. The next node on the China-Central Asia-West corridor is Azerbaijan's Alyat port located at the shore of the Caspian Sea.

6. 3. 3. Alyat

The port of Aktau is linked with the port of Alyat located in Azerbaijan through the Trans-Caspian shipment. The port of Alyat is the beginning of three international rail routes: through Baku to Russia, to Iran, and through Tbilisi, Georgia to Kars,

⁷⁷⁸ Michelle Witte, ‘Officials Call for Increased Special Economic Zone Development’, *The Astana Times*, 2013 <<https://astanatimes.com/2013/07/officials-call-for-increased-special-economic-zone-development/>> [accessed 19 February 2019].

⁷⁷⁹ ‘Port of Aktau, Kazakhstan’, *Seaports* <<http://seaport.homestead.com/files/aktau.html>> [accessed 18 February 2019].

⁷⁸⁰ ‘Special Economic Zone “Seaport Aktau”’, *Traceca* <http://www.traceca.org/uploads/media/02.-24072012_Presentation_SEZ_Seaport_Aktau_ENG.pdf> [accessed 18 February 2019].

Turkey.⁷⁸¹ The latter forms the backbone of the central sub-corridor of the China-Central Asia-West Asia corridor. The port of Alyat is connected to Baku, then Europe through the Baku-Tbilisi-Kars railway.

To enhance its role in regional connectivity and to increase commercial activity, a free economic zone, which covers the port of Alyat, was established in 2016, as the first free economic zone of Azerbaijan. This free trade zone adopted Jebel Ali Free Zone, located in Dubai as a role model in its development. For this purpose, DP World, the company which operates Jebel Ali Free Zone has been assigned as a main advisor for the port of Alyat FEZ.⁷⁸² This demonstrates concurrent process of deterritorialization and reterritorialization in Eurasia. Being a node on the China-Central Asia-West Asia corridor enabled improvement of Alyat's status as free economic zone. The port of Alyat imitates Dubai's experience of integration into the global economy so it hires DP World as an advisor company. DP World is also 49 percent of owner of the port of Aktau, which is another node on the China-Central Asia-West Asia corridor. This reflects Central Asian countries' desire to be integrated into the global market. The China-Central Asia-West Asia corridor provides opportunity for the realization of this desire by making the port of Alyat a transportation center. Taleh Ziyadov, the director general of the port of Alyat, commented that:

We don't view the Port of Baku as just a port...In 10, 20 years time Alyat is going to emerge as Jebel Ali city of Baku. Alyat is currently about 10, 12 thousand people, but with all the development that is going take place around the port in the free trade zone it obviously will generate new workplaces, new apartments will emerge, new schools will emerge, new businesses, new spillover effect of this free trade zone in this city will change entirely the urban stature of this place. Instead of a small town you will have quite a considerable, sophisticated, satellite town that is going to be emerging as a hub along central Eurasia.⁷⁸³

⁷⁸¹ 'The New Port in Alat', *Port of Baku* <<http://portofbaku.com/en/The-New-Port-in-Alat/>> [accessed 19 February 2019].

⁷⁸² Wade Shepard, 'An Inside Look At The New Crossroads Of Eurasia: Azerbaijan's New Port Of Baku', *Forbes*, 2016 <<https://www.forbes.com/sites/wadeshepard/2016/11/03/an-inside-look-at-the-new-crossroads-of-eurasia-azerbaijans-new-port-of-baku/#7094fc0653a4>> [accessed 18 February 2019].

⁷⁸³ Shepard, 'An Inside Look At The New Crossroads Of Eurasia: Azerbaijan's New Port Of Baku'.

This statement declares hope of gaining geopolitical and financial benefits by offering free economic zone status to the port of Alyat. Ziyadov uses the term of central Eurasia in emphasizing the connectivity among Central Asian and South Caucasus countries. The full operationalization of the China-Central Asia-West Asia corridor contributes to realization of this connectivity.

In fact, the container traffic processed through the port of Alyat has risen. Ziyadov said that:

In 2016, 100% growth was demonstrated in the number of trucks as compared to 2015, and about 23,000 trucks were sent from Turkey to Central Asia and vice versa. During the four months of this year, we have already sent more than 10,000 trucks in both directions. This is a very positive trend, and we hope that it will continue.⁷⁸⁴

In an interview, Ziyadov revealed that 80 percent of cargo, processed in Alyat, transshipment, which means the cargo was not destined for Azerbaijan. However, full operationalization of Alyat FEZ will improve Alyat's status as both transportation and commercial hub.⁷⁸⁵

The establishment of a legal regime helped enhancement of the free economic zone. In June 2018, the President of Azerbaijan Ilham Aliyev signed the Law on Alyat Economic Zone. According to this law, all businesses and investors operating in the zone are exempted from all taxes and custom duties. A special administrative body has been created to set up its own rules in the zone.⁷⁸⁶ This legal regime supposes minimal state intervention in the management of the zone. It also separates the port of Alyat from the rest of Azerbaijan by rescinding taxes and custom duties in the zone, which are valid in Azerbaijan.

⁷⁸⁴ Georgi Gotev, ‘Azerbaijan Moves Forward with “5-Star” Free-Trade Hub’, *Euractiv*, 2017 <<https://www.euractiv.com/section/transport/news/azerbaijan-moves-forward-with-5-star-free-trade-hub/>> [accessed 19 February 2019].

⁷⁸⁵ ‘Interview: Economic Diversification, Ports, And International Logistics in Azerbaijan’, *SAIS Perspectives*, 2016 <<http://www.saisperspectives.com/idevblop/2016/4/17/interview-economic-diversification-ports-and-international-logistics-in-azerbaijan>> [accessed 19 February 2019].

⁷⁸⁶ ‘No Tax Jurisdiction on the Shores of Caspian Sea – Alyat Free Trade Zone’, *Remells*, 2018 <<http://remells.com/2018/06/05/no-tax-jurisdiction-at-the-shores-of-caspian-sea-alyat-free-trade-zone/>> [accessed 19 February 2019].

The EU also funds a project, which aim at developing the operational capacities of the free economic zone in the port of Alyat and strengthen it to upgrade cross-border and international trade. The project starts in November 2017 and ends in November 2019. Its budget is €1 million.⁷⁸⁷ Henrik Hololei, who is the European Commission's director general for mobility and transport, explained that the modernization projects include the spread of digitalization in processing cargoes and technical assistance.⁷⁸⁸ EU's contribution in the improvement of the port of Alyat represents its desire to accelerate its connection with South Caucasus, Central Asia, and China. The port's connection to the Baku-Tbilisi-Kars railway has already enhanced the port of Alyat's position as an important linkage. When it is completed, this improvement enables the port of Alyat to become a transportation and commercial hub.

6. 3. 4. Tbilisi Free Zone and Hualing Kutaisi Free Industrial Zone

The participation into the Belt and Road Initiative through the Baku-Tbilisi-Kars railway bolstered Georgia's strategic importance by linking China and Europe and offering Georgia a chance to connect with Europe and China. To further utilize the benefits, two free trade zones have been established on Belt and Road route: Tbilisi Free Zone and Kutaisi Free Industrial Zone. Each zone implements tax exemptions, which invite especially foreign investors and industries.

Tbilisi Free Zone was established in 2015. BitFury Group, which is a blockchain technology company, owns the zone. A flexible tax regime is implemented in which companies save 15 percent of corporate tax, 18 percent of import tax, 18 percent of

⁷⁸⁷ ‘EU Support to the Enhancement of Operational Capabilities of New Port of Baku & Free Trade Zone at Alyat’, *Development Aid* <<https://www.developmentaid.org/#!/references/view/106949/eu-support-to-the-enhancement-of-operational-capabilities-of-new-port-of-baku-free-trade-zone-at-aly>> [accessed 20 February 2019].

⁷⁸⁸ Maksim Tsurkov, ‘European Commission Allocates Funds for Baku Int’l Sea Trade Port’, *Trend News Agency*, 2018 <<https://en.trend.az/azerbaijan/politics/2854220.html>> [accessed 19 February 2018].

VAT, and 5 percent of dividend tax.⁷⁸⁹ In 2016, seven companies including an Azerbaijani drug company started production in Tbilisi Free Zone.⁷⁹⁰ This exemplifies the opportunities in establishing regional trade connectivity thanks to free zones.

Another free zone was established in Kutaisi in 2015. Kutaisi is a city on the route of the Baku-Tbilisi-Kars railway. It is 210 km far from Tbilisi. It is owned by the Chinese company Hualing, specialized in foreign trade and industrial projects. The bureaucratic procedures to register in this zone is reduced to one or two days. Companies are exempted from all taxes including corporate, profit, property, dividend, import, and VAT. Only 4 percent fee is implemented on sales to Georgia.⁷⁹¹

Besides tax incentives, Georgia's inclusion into the Belt and Road is strengthened with its free trade deals with the rest of the world. Georgia has free trade regime with Central Asian countries, China, and Turkey; Deep and Comprehensive Free Trade Agreement with EU countries; Free Trade Regime with Switzerland, Liechtenstein, Norway, and Iceland; and Preferential Trade Agreement with USA, Canada, and Japan.⁷⁹² These agreements raise the attractiveness of Georgia for foreign companies to relocate their businesses in Georgia. It will also encourage Chinese industries to move their production bases in Georgia to benefit from Georgia's free trade agreement with the EU. Hualing's buying of the city Kutaisi reflects this appeal. French Atlantic Group, which is one of the leading

⁷⁸⁹ ‘TFZ Advantages’, *Tbilisi Free Zone* <<https://www.tfz.ge/en/512/>> [accessed 22 February 2019].

⁷⁹⁰ ‘Azerbaijani Company Starts Drug Production In Tbilisi Free Zone’, *Caucasus Business Week*, 2016 <<http://cbw.ge/healthcare/azerbaijani-company-starts-drug-production-in-tbilisi-free-industrial-zone/>> [accessed 22 February 2019].

⁷⁹¹ ‘Hualing Kutaisi FIZ’, *Hualing Free Industrial Zone* <<https://hualingfiz.ge/about/hualing-kutaisi-fiz/>> [accessed 20 February 2019].

⁷⁹² ‘Hualing Free Industrial Zone’, *Hualing Group*, 2015 <<http://hualing.ge/language/en/hualing-free-industrial-zone/>> [accessed 22 February 2019].

companies, has built a factory of electric heaters in Kutaisi Industrial Zone. In total, in 2017, investments into the zone reached \$100 million.⁷⁹³

Georgia solidifies its connection with Europe in attracting foreign capital and investment. It already has free trade agreements with most of its surrounding countries. However, the China-Central Asia-West Asia corridor strengthens Georgia's connection with China, Central Asia, Turkey, and Europe. The start of the Baku-Tbilisi-Kars railway offers a multimodal transport connection by attaching the port of Alyat, linked to the port of Aktau. Thus, an uninterrupted linkage has been set up starting from Urumqi to Kars. Tbilisi and Kutaisi, as important nodes on this network, have set up special economic zones to fully benefit from this geographical advantage. Although these zones have not developed fully and investments have been at initial stage, the zones are spreading in Georgia as the Belt and Road proceeds.

6. 3. 5. Kars

Kars is located at the northeastern Turkey. Currently, there is no special economic zone in Kars. However, a logistics center is being built to handle cargo traffic, which passes through Kars. It targets to process 412 thousand tons of cargo when it is finished. Its construction started in 2017. This logistics center is going to be integrated with Kars Organized Industrial Zone. A rail line will be built to connect Kars Logistics Center with Aktaş Border Zone so the logistics center is directly linked with Georgia. For connection with Central Anatolia, the Center is attached to Ankara-Kars railway, which will be completed by 2023.⁷⁹⁴

⁷⁹³ ‘Dimitry Kumsishvili Opened Atlantic Georgia’s New Factory of Electric Heaters’, *Ministry of Economy and Sustainable Development of Georgia*, 2018 <<http://www.economy.ge/?page=news&nw=652&s=dimitri-qumsishvilma-qutaissi-kompania-atlantik-jgufis-eleqtrogamacxeblebis-qarxana-oficialurad-gaxsna&lang=en>> [accessed 23 February 2019].

⁷⁹⁴ ‘Kars Lojistik Merkezi Projesi’, *Proje Detayları*, 2017 <<https://projedetaylari.com/kars-lojistik-merkezi-projesi/>> [accessed 25 February 2019].

Although the construction of Kars Logistics Center is not finished, a transportation and commercial hub is being built at the ending point of the Baku-Tbilisi-Kars railway. In order for companies, which will use this corridor to be linked with Europe, the management of domestic transportation is important. This logistics center provides a hub, which redirects the Baku-Tbilisi-Kars railway to Turkey's domestic lines. Its integration with Organized Industrial Zone has a potential to raise the commercial significance of Kars Logistics Center.

6. 3. 6. The Southern Sub-Corridor

Unveiling southern sub-corridor which connects China's Xinjiang region to Bender Abbas port. Kazakhstan, Uzbekistan, Turkmenistan, and Tajikistan are the countries, which are affected by this sub-corridor. Proposed Kazakhstan-Uzbekistan-Turkmenistan railway reflects the attempt of interconnectivity among Central Asian countries. Although this railway is partially completed, the nodes on this network started to emerge. Besides Kazakhstan where the Belt and Road Initiative has progressed considerably, special economic zones are being established in Kyrgyzstan, Uzbekistan, and Turkmenistan. The main financier of these zones are Chinese companies, which make investments within the Belt and Road Initiative. In Uzbekistan seven, in Kyrgyzstan five special economic zones exist. These zones either have been established or developed since the start of the Belt and Road Initiative. However less developed, the establishment of these SEZs is not a small achievement. These Central Asian countries have been keen on preserving their sovereignty after the break-up of the Soviet Union. Nonetheless, relinquishing sovereignty in these zones reflect an enthusiasm to attract foreign investors and to participate in transnational trade. The zones are developing as southern sub-corridor of the China-Central Asia-West Asia corridor progresses. However, unlike central sub-corridor they are less developed and lack interconnection.

6. 3. 7. Bishkek Economic Zone

Although Kyrgyzstan has five free economic zone, only Bishkek and Naryn FEZs are operational since three other FEZs lack basic infrastructure requirements. In 2016, the FEZs contributed to 1.2 percent of Kyrgyzstan's GDP. Bishkek FEZ is responsible for almost all of this contribution.⁷⁹⁵ Bishkek FEZ consists of two free land plots: Ak-Chiy, 60 hectares, and Kara-Balta, 94 hectares. It was established in 1995 but a comprehensive law, which regulated special custom regime was introduced in 2014. According to this law, imported raw materials are exempted from tax and custom charges. The foreign currency agreed by the parties can be used in the zone.⁷⁹⁶

Despite these privileges, Bishkek FEZ has not been very successful in attracting foreign capital. In 2015, the total FDI flow into the zone was \$1.6 million. In 2016, this amount increased to \$6 million.⁷⁹⁷ Bishkek is located on the Kazakhstan-Turkmenistan-Iran railway route. This participation into the southern sub-corridor of the China-Central Asia-West Asia corridor has raised the appeal of Bishkek FEZ. In 2016, three major global companies invested in Bishkek FZE. The most important one is New Tech LL, which is German solar battery manufacturer, opened its factories, expecting that it would export all goods produced in the zone to Germany.⁷⁹⁸ The rationale for this expectation was Bishkek's rail connection with Urumqi, and then Europe realized by the China-Central Asia-West Asia corridor and the New Eurasian Land Bridge corridors. The opportunity of land connection with Europe encourages FDI to flow into Bishkek FEZ, upgrading its economy.

⁷⁹⁵ *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks* (Manila: Asian Development Bank, 2018), p. xii.

⁷⁹⁶ ‘Conditions of the Land Renting, Letting of the Premises, Which Are Situated on the Territory of FEZ “Bishkek”, Free Economic Zone ‘Bishkek’ <<http://eng.fez.kg/for-investors/>> [accessed 27 February 2019].

⁷⁹⁷ *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, p. 3.

⁷⁹⁸ *A Diagnostic Study of Kyrgyz Republic's Free Economic Zones and Industrial Parks*, p. 31.

6. 3. 8. Angren Free Economic Zone

Angren FEZ is located in Tashkent. It was established in 2012. This FEZ is connected to China through Qamchiq Tunnel built within the Belt and Road Initiative. This tunnel is one of the most ambitious projects, whose length is 19.2 km. It began operation in 2016. Tashkent and Beijing expressed that this tunnel is a part of West Europe-West China transportation network.⁷⁹⁹ This guarantees Angren's connectivity with the global markets, encouraging companies to invest in the zone.

The privileges promulgated for investors have increased the appeal of Angren FEZ. The investors are exempted from all taxes and custom duties. They are only required to pay custom fees.⁸⁰⁰ Combining these favorable conditions with transportation network, which connects Angren FEZ with Europe raised foreign direct investment into the zone. An Angren representative informed that:

The investments of \$89.1 million were disbursed from January to December 2017, as part of the implementation of projects in the territory of Angren, which is 57.1 percent more than in the same period in 2016. Five new production facilities with a total cost \$8.6 million were put into operation during 2017, of which \$5.1 million fell on direct foreign investments...The new enterprises created more than 1,900 new jobs and employed primarily graduates of lyceums and colleges of the cities of Ahanharan and Angren.⁸⁰¹

These investments are related with Angren FEZ's participation in the China-Central Asia-West Asia corridor. Since the companies are reassured that their production can be transported to China and Europe with lower costs, the direct railway lines encourage companies to locate their production base in the zone. As foreign direct investment flourishes in Bishkek Economic Zone thanks to this zone's

⁷⁹⁹ Farkhod Tolipov, ‘One Belt, One Road and Many Countries’, *China in Central Asia*, 2017 <<http://chinaincentralasia.com/2017/02/07/one-belt-one-road-and-many-countries/#more-1605>> [accessed 28 February 2019].

⁸⁰⁰ ‘Privileges and Exemptions’, *Free Economic Zone Angren* <<http://fez.uz/page/lgoty-i-preferentsii>> [accessed 1 March 2019].

⁸⁰¹ ‘Uzbek Free Economic Zone Angren Triples Number of New Enterprises’, *AzerNews*, 2018 <1 March 2019>.

attachment to Belt and Road corridors, Angren FEZ also attracts foreign investment when the infrastructure connectivity with China and Europe is being upgraded.

6. 4. Characteristics of the Nodes of the China-Central Asia-West Asia Corridor

The nodes on the China-Central Asia-West corridor are not as developed as the nodes on the New Eurasian Land Bridge. This is due to the fact that the construction transportation infrastructure, which connects the nodes, is not completed. Most of the SEZs on the New Eurasian Land Bridge, on the other hand, had already been built when the Belt and Road Initiative has started. The transportation infrastructure increased traffic on these SEZs, upgrading its structure. Freight cargo traffic is also regular and organized. The SEZs on the China-Central Asia-West Asia corridor, however, are being constructed as the transportation infrastructure is being developed. Therefore, the SEZs on the China-Central Asia-West Asia corridor are less evolved than the SEZs on the New Eurasian Land Bridge.

The central sub-corridor is more assembled than the southern sub-corridor of the China-Central Asia-West Asia corridor. There are dry ports such as Urumqi, Khorgos, and Tbilisi and port such as the ports of Aktau and Alyat on the China-Central Asia-West Asia corridor. Kars, the final node of the Baku-Tbilisi-Kars railway has engaged in building a special transportation zone to handle traffic. Therefore, the city nodes on the central sub-corridor are much more connected with each other. The southern sub-corridor, however, is less organized and less developed than the central sub-corridor. The SEZs have either recently been developed or are being developed on this sub-corridor.

Still, the establishment of the SEZs on the China-Central Asia-West Asia corridor has been accomplished thanks to Chinese involvement. Khorgos-Eastern Gate (SEZ) owes its gateway status to its participation into the Belt and Road Initiative. The SEZ on western sub-corridor are developed because they are nodes on the corridor. Chinese financial investments support the SEZs on southern sub-

corridor. In 2013, Kunming Pharmaceutical invested \$7 million in Angren SEZ in Uzbekistan.⁸⁰² This investment appears to encourage the leaders to establish a new SEZs. In 2017, Shavkat Mirziyoyev, the President of Uzbekistan, issued a decree for the establishment of four economic zones. However, the numbers might be deceptive. The home country's commitment in ensuring efficiency affects the operation of the SEZs. In Kyrgyzstan, there are five SEZs, but they are not effective.⁸⁰³ Besides the home country's management skill, the transportation infrastructure also plays role. Belt and Road projects in Kyrgyzstan and Uzbekistan are either being constructed or being planned. The completed transportation projects such as railway between Khorgos and Aktau and the Baku-Tbilisi-Kars railway on western sub-corridor contributed to relative development of SEZs on this sub-corridor.

The intra-regional integration of SEZs is limited. The SEZs on the central sub-corridor are mainly providing the flow of goods from China to Europe instead of promoting the trade connection among these zones. The SEZs on southern sub-corridor are linked with China without connecting with each other. This aspect was emphasized in the meeting held by the Asian Development Bank. For the SEZs to function more efficiently the representatives suggested that the SEZs in the region must be organized in a regional network, which encompass Central Asian and Chinese SEZs.⁸⁰⁴ The establishment of a regional network, however, requires a developed transportation network. Although the China-Central Asia-West Asia corridor started to improve infrastructure between the SEZs by building railroads and roads, most of the projects especially in southern sub-corridor are not finished. Therefore, establishing a more organized SEZ network in the region will take more years.

Besides hard infrastructure deficit, the soft infrastructure also prevents a full intra-regional integration. The report prepared by IMF claims that the SEZs in

⁸⁰² Lain, p. 8.

⁸⁰³ Lain, p. 8.

⁸⁰⁴ ‘SEZs of Central Asia and China Need to Be Integrated into a Regional Network’, *Kazakh-Tv*, 2016 <https://kazakh-tv.kz/en/view/news_kazakhstan/page_164329_> [accessed 1 March 2019].

Central Asia and the South Caucasus help global and intra-regional trade integration. Still, the level of integration is low. The share of Central Asian and South Caucasus countries of global trade is 0.5 percent. Intra-regional trade for oil exporters is at five percent and for oil importers 15 percent. The factors such as restrictions on foreign business, tariffs, and bureaucratic procedures impede the integration into regional and global trade but the Belt and Road Initiative might help these countries overcome these obstacles.⁸⁰⁵

Despite the current bleak appearance, since the independence the South Caucasus and Central Asian countries have been offered an opportunity to connect with themselves and global economy thanks to their participation into the Belt and Road Initiative. The China-Central Asia-West Asia corridor, which is the most relevant corridor for these countries have led to the establishment of the SEZs in the cities where the transportation nodes pass. The SEZs are areas, where the foreign capital has invested, and foreign businesses relocated their businesses. This is mostly because these firms are assured that their products can be exported to Europe and China. The participant states, which consider the benefits received from the SEZs are not shy away establishing new SEZs. Achieving a regional integration model for the SEZs is decided as a goal to further develop these SEZs in the region.

⁸⁰⁵ *Opening Up in the Caucasus and Central Asia Policy Frameworks to Support Regional and Global Integration* (International Monetary Fund, Washington, DC, 2018), pp. 7–8.

CHAPTER 7

CONCLUSION

The present study seeks to analyze transformation of space across Eurasia. For this purpose, it has examined the effects of the Belt and Road Initiative in deterritorializing and reterritorializing Eurasian space. There are specific reasons why I chose the Belt and Road Initiative as the catalyst of deterritorialization across Eurasia. The foremost reason is that the Belt and Road Initiative with its scope and budget is the most ambitious economic, political, civilizational, and cultural integration project, which concerns Eurasia, since the end of the Cold War. It aims to usher regional connections on a global scale, which helps to break the isolation of newly established states in Central Asia and the South Caucasus by commencing new railways, roads, and pipelines. Second, China, which is the main backer of the Belt and Road Initiative, promotes itself as the new champion of globalization in the current era when most of prominent Western powers have shifted to protectionist policies. Space reconfiguration processes as it was examined in the second chapter is very much related with global capitalist dynamics. The President of Xi Jinping presented China as the new defender of globalization at Davos Meeting in 2017. The Belt and Road Initiative is the embodiment of Chinese participation in globalization and defines Xi's foreign policy endeavors. While unveiling the infrastructure, financial, and trade projects, which aim at providing connectivity in those areas, the Belt and Road Initiative has also changed the spatial structure of the regions.

This study attempts to blend the deterritorialization discussions and the Belt and Road Initiative by analyzing the interplay between the Belt and Road Initiative and new spatial configuration in Eurasia. Although the Belt and Road Initiative has been an issue discussed widely by the scholars, policy-makers, and journalists, its spatial impact has not been touched upon except Maximillian Mayer and Daniel Balasz,

who call Belt and Road's initiation of corridorization, which outstrips nation-state boundaries, across Eurasia.⁸⁰⁶ In addition to Mayer and Balasz, Tim Summers points out the spread of networks along the Belt and Road route thanks to China's investments.⁸⁰⁷ However, these articles do not show how the Belt and Road Initiative actually leads to spatial reconfiguration in a wider scale. The literature, which analysis the Belt and Road Initiative discusses the geopolitical, geo-economic, and financial consequences but neglects the spatial consequences. This thesis attempted to remedy this gap by focusing on how the grandiose infrastructure projects and financial investments transform Eurasian space by establishing connectivity among cities, countries, and regions. My main hypothesis for this thesis is that deterritorialization emerged as a result of radical connectivity reconfigures Eurasian space. Taking place simultaneously with deterritorialization, reterritorialization projects such as ports, dry ports, and SEZs, which transcend bounded nation-states are starting to ensue. The Belt and Road Initiative is the most important agent of this transformation in Eurasia by laying out economic corridors, connected by transportation networks. It commences connectivity by surpassing nation-state boundaries.

Following this line of reasoning, I formulated two research questions. These two research questions, therefore, helped me to structure my thesis and elaborate my argument. My first research question -How does Belt and Road Initiative corridors deterritorialize and reterritorialize Eurasia? guided me to structure my chapters in the thesis. Each chapter in my thesis seeks to address the concepts in this question frame. The second chapter aimed to situate Eurasia as a region whereas the third chapter conceptualized deterritorialization and reterritorialization. The fourth chapter offered a literature review of the Belt and Road Initiative. The fifth and the sixth chapters tried to demonstrate how deterritorialization and reterritorialization took place in Eurasia thanks to Belt and Road corridors.

⁸⁰⁶ Mayer and Balasz, 2018, p. 212.

⁸⁰⁷ Summers, 2016, p. 1628.

My second research question -What are the main impediments in the flow of goods, people, finance, and ideas that constitute deterritorialization across the Belt and Road route? How are these obstacles tried to be overcome?, on the other hand, allowed me to specify the impediments of connectivity in this process. The effects and measures taken to eliminate or allay these problems have also been discussed.

To address these questions, firstly, my first aim was to demonstrate different conceptions regarding Eurasia. I tried to present how Eurasia's boundaries and connections with other regions have been affected due to political, ideological, and economic changes. Although geographically defined as an amalgamation of Europe and Asia, Eurasia's exact boundaries have been conceived differently according to geopolitical or ideological concerns. In geopolitical tradition pioneered by Sir Halford Mackinder, Eurasia has been regarded as a prize to be conquered by the major powers in the road of establishing a world hegemony. This approach had firstly been articulated just before the First World War when the great power struggle had been eminent. It was revived by Brzezinski just after the dissolution of the Soviet Union. He regarded Eurasia as a geopolitical prize for regional and global powers. Aside from its political implication, spatially, this approach considers Eurasia as a separate geographic entity from rest of the world regions, disregarding the connectivity with other regions.

Influenced by geopolitical thinking, the classical Eurasianists such as Savitski, Trubetzkoy, and Vernadsky and modern Eurasianists such as Dugin and Zygunov view Eurasia as a region composed of a unique civilizational entity in which Russia is the most prominent civilization. This approach has rather isolated and narrow approach in evaluating Eurasia by claiming that Eurasia offers different civilization, separated from the rest of the world, especially Europe. Thus, European component of Eurasia is extracted from this understanding of Eurasia, stressing its Asian elements. Although Eurasianists focus on civilizational aspect, their approach hints the requirement of Russian dominance by suggesting that only Russia can help protecting this unique Eurasian civilization.

The dissolution of the Soviet Union, however, caused the emergence of new paradigms concerning the countries which comprise Eurasia. Although the first

decade of the independence of Central Asian and South Caucasus countries from the Soviet Union did not bring immediate integration, the integration of Eastern and Central European countries, which had been under the Soviet yoke, into the EU and NATO also brought about new discussions. Several scholars and policy-makers from the region put forward integration attempts with each other and the rest of the regions. These views started to be put forward in relation with the discussion of globalization. The economic and transportation integration constitutes main prerequisites of trade, financial, and people integration. The views, which emphasize connectivity, stress that through the developments in the integration Eurasia can be linked to Europe, the Middle East, and the Far East.

The changing conceptions of Eurasia led me to step forward to question the concept of territory itself. I intended to present that territory is not frozen concept, but it emerges as a result of social interaction. Agnew's articulation of 'territorial trap' is very relevant. It points out that thinking nation-states is the natural form of territorial organization is wrong.⁸⁰⁸ Territoriality gives meaning to territory through political, social, and economic practices. In this respect, I investigated the current effects of globalization affect territoriality, which causes transformation of territorial organization. Thus, I tried to analyze the concepts of deterritorialization and reterritorialization.

Deterritorialization is closely associated with globalization. The main elements of deterritorialization are increasing speed of cross-border transactions and activities transcending nation-state boundaries. It suggests moving away from territoriality in that strict territorial logic in organizing space is abandoned through the participation of several sub- and supra-national actors. Another important finding is that deterritorialization does not suggest the end of geography, but it transforms and reorganizes space.

This last assumption brings discussions about reterritorialization, which complements deterritorialization. Although the social and economic practices, which organize nation-state territoriality, fall apart, the states do not simply disappear. They participate in setting up new kinds of territorial forms in which the economic

⁸⁰⁸ Agnew, 'The Territorial Trap', p. 53.

networks are the most widely recognized forms. A network is comprised of nation-states, local governments, supranational institutions, and transnational corporations. The connectivity among cities is the embodiment of this kind of network organization. The degree of cities' connections with their states in which they are located and with each other globally is an important point for me to observe how this network form takes place in the Belt and Road route.

Before moving on the effects of deterritorialization on Eurasia, I offered a detailed account of the Belt and Road Initiative to examine what the Belt and Road Initiative is and how it is viewed by the scholars. While answering the question of what, I used official documents prepared by the Chinese state. This aspect actually helped me to claim Belt and Road's first characteristic. Although there are over 70 participant countries, this initiative is driven politically and economically by the Chinese state. The most important source is the Vision and Actions paper issued by the National Development and Reform Commission (NDRC). The priorities of the Belt and Road Initiative are professed in this paper: Policy coordination, infrastructure connectivity, finance integration, trade relations, and people-people bond. Other official documents mostly specify the constitution of institutions created to set up connectivity.

There are six economic corridors: the China–Pakistan Economic Corridor, the Bangladesh– China–India–Myanmar Economic Corridor, China Mongolia–Russia, the New Eurasian Land Bridge, China–Central and West Asia, and China–Indochina Corridor. According to World Bank, the Belt and Road Initiative covers 30 percent of total GDP in the world. It includes 62 percent of world population and 75 percent of energy reserves.⁸⁰⁹ These figures point out the enormous scope of the Belt and Road Initiative. Such a big project has also tremendous consequences. These consequences are evaluated differently by different perceptions. I divided literature into three perceptions. The liberal account mainly focuses on the economic benefits of the initiative whereas realist literature stresses the political competition, which the

⁸⁰⁹ ‘Belt and Road Initiative’, *The World Bank*, 2018 <<https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>> [accessed 15 July 2018].

initiative will bring. There is also critical account, which refers the environmental impact of the Belt and Road Initiative.

The foremost implication of the Belt and Road Initiative is in the economic field. Therefore, it is not surprising that economic benefits are widely discussed. In this perspective, Belt and Road's role in revitalizing trade in China's neighborhood and in alleviating infrastructure gap in Central Asia and South Caucasus are the most emphasized subjects. The importance of Chinese investment in reducing these economic problems in Belt and Road countries is stressed. Another point articulated is the existence of multilateral financial institutions to fund the ambitious infrastructure projects. The Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB) are two main bodies. The multilateral feature and participation many countries in establishing in these institutions is perceived as an indicator of Belt and Road's inclusionary characteristic.

Realist literature, however, focuses on the political implications of economic consequences. The main issue, highlighted by scholars and policymakers, is economic investments hinder China's attempts to establish hegemony in the global arena and in its immediate neighborhood. The biggest concern was expressed by the US scholars and policy makers. It is argued that the Belt and Road is the expression of China's endeavor to replace US as a world hegemon. Other concerns emanate from regional powers. The EU, Russia, India, and the South Asian countries are concerned about the infringement of sovereignty due to China's infrastructure arteries and its huge investments which entail debt burden for the recipient countries. In evaluating these concerns, I encountered a paradoxical expectation of the participant countries in that these countries need China's investments and capital, but they do not want these investments and debts to harm their sovereignty, which might create turbulence for the administration of these countries. Thus, the Belt and Road Initiative has many tensions and challenges.

The critical approach, which mainly dwells on environmental impact, examines several cases in which Belt and Road projects harm environment and local population. Although initially this may seem trivial in analyzing such a big initiative, which has many consequences, most of discontent emanated from Belt

and Road projects emerges out of displacement of local population and environmental degradation. Therefore, environmental concerns will also constitute big place in future discussions regarding the progress of the Belt and Road Initiative.

This chapter allowed me to present Belt and Road's priorities, scope, participants and organizations. I tried to show liberal, realist, and critical accounts, which view the Belt and Road Initiative from different perspective. Each of these studies are valuable in their own account and they presented a different aspect of the initiative. However, examining these different accounts also enabled me to discover a gap in the literature concerning the spatial consequences. Belt and Road's deterritorializing characteristic is argued in the next chapter.

Deterritorialization refers to the process through which the activities of mobile capital, goods, and people transcend nation-state boundaries. The main deterritorializing elements, which the Belt and Road Initiative employs are infrastructure and transport connectivity. Trade, financial, and people-to-people connectivity proceed infrastructure connectivity. The corridors, themselves, represent an aim of establishing connectivity in these areas beyond nation-state boundaries. Mayer and Balazs argue that Belt and Road maps accentuate six large corridors instead of borders, suggesting an unprecedented level of connectivity among regions.⁸¹⁰ Although there are six corridor in the Belt and Road Initiative, I chose the New Eurasian Land Bridge and the China-Central Asia-West Asia corridors because they are the most completed corridors, which traverse Eurasian landmass. The patterns on these corridors helped me to uncover deterritorializing process in Eurasia.

The New Eurasian Land Bridge, which consists of seven lines, has been established as a result of collaboration among global companies, local governments, and China's central government. Its main goal is to deliver the goods manufactured in Chinese cities to European cities through railways, which traverse six or seven countries depending on the particular line before reaching destination.

While evaluating this corridor's consequences in terms of deterritorialization I considered transportation time, trade, and financial connectivity. The foremost effect

⁸¹⁰ Mayer and Balazs, p. 212.

of the New Eurasian Land Bridge corridor is that this corridor reduced travel time on land between Chinese cities and European cities to approximately two weeks. This reduction of transportation time helps container trade develop. The frequency of trains run between lines increases, indicating a rising trade connectivity. Between 2010 and 2016, railway container trade increased almost 50-fold. From 2016 to 2017 it increased 2 percent.⁸¹¹ Trade and transportation connections cause financial integration. For instance, besides trade volume China's investments into Central European countries rose to \$8 billion.⁸¹² These numbers indicate increasing trade connectivity among distant regions in different areas. Transportation connectivity, then trade, and financial connectivity provided by the New Eurasian Land Bridge corridor conquer the distance across Eurasia.

It is also important to analyze the impediment of deterritorialization on the New Eurasian Land Bridge corridor. Ironically, any hurdle, which obstructs flow of goods and people leads to an upgrade of the connectivity on the New Eurasian Land Bridge corridor, which will ease the procedures especially at border crossings. To increase the flow of goods the uniformity of customs tried to be established.

Tracking and security of goods are other concerns articulated by the companies, which use this corridor. Improvements in digital infrastructure support physical infrastructure connectivity. Digital Silk Road program, which was initiated to upgrade the Belt and Road Initiative, improves security, increases visibility, fastens custom procedures, and develop digital infrastructure on the New Eurasian Land Bridge corridor.

Besides the New Eurasian Land Bridge, the China-Central Asia-West Asia corridor also leads to changes in Eurasian space. There are two sub-corridors: The central and southern sub-corridors. The central sub-corridor is more developed than the southern sub-corridor. The central sub-corridor bypasses Russia by connecting China and Europe through Central Asian transportation line. Its most significant result is to strengthen Central Asian countries' integration with each other and the

⁸¹¹ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, p. 8.

⁸¹² Shepard, 'Russia Is In A Unique Position To Either Make Or Break The New Silk Road'.

rest of the world. Central Asia's status is elevated through being a key region in this corridor by getting rid of its peripheral status in the world. The southern sub-corridor, on the other hand, links landlocked Central Asian countries to the Persian Gulf.

Although the China-Central Asia-West Asia corridor is linking Central Asian and South Caucasus countries, which lagged behind globalization process, to China and Europe, it is incomplete. The central sub-corridor is functioning, but there are several factors such as corruption, lengthy custom processing, speed of flow, and concerns about Chinese influence prevents full utilization of the line. One of the most important concerns is immigration issue. The flow of Chinese migrants exacerbates feeling of Chinese intrusion. In fact, immigration is double edge sword. These countries need Chinese skilled labor, which they lack but they have to manage discontent due to increasing Chinese labor inflow.

Belt and Road projects on the southern sub-corridor are mainly at planning stage. The initiated projects are partially finished due to lack of funding provided by the governments. Therefore, the connectivity on this sub-corridor are not as developed as on the central sub-corridor. Still, Kyrgyzstan, Uzbekistan, and Tajikistan, which very much need foreign investment have started to attract foreign companies to the SEZs connected to China and Europe.

As deterritorialization proceeds, reterritorialization follows it. My last chapter what kind of new configurations take place on Belt and Road corridors. The main form of spatial configurations on the transportation nodes on these corridors is special economic zones. The regime in the SEZs signifies sacrifice of sovereignty for nation-states to invite foreign investment and capital. The first experiment concerning the success of the SEZs was made in China itself. The SEZs established after the 1980s helped China increase its GDP and attract foreign capital. Through the Belt and Road Initiative this model is spreading to Eurasia by creating financial and trade hubs on transportation nodes on the corridors. The incentive of receiving Belt and Road related investments and the initiatives of China prompt the states to relax the administrative and economic regimes in these nodes.

I did not include all seven lines on the New Eurasian Land Bridge but I examined the nodes on Chongqing-Duisburg and Chengdu-Lodz lines because 60 percent of cargo traffic is being transported on Chongqing-Duisburg line.⁸¹³ Therefore, the nodes on this line are the most developed and the changes on spatial reconfigurations can be observed. Chengdu-Lodz line uses same transportation nodes while connecting these two cities. They are also included to emphasize the development of SEZs.

Although the China-Central Asia-West Asia corridor is less developed than the New Eurasian Land Bridge corridor, the development of SEZs is also observed in Central Asian and South Caucasus territories. This development is astonishing because since the independence, these countries have been keen on protecting their sovereignty at the expense of lagging behind of trade integration with global economy. The progress in the China-Central Asia-West Asia corridor also transforms these areas, integrating these zones to China and Europe.

On Chongqing-Duisburg and Chengdu-Lodz lines special political and economic regimes are administered in the SEZs. In the SEZs the economic and political rules, which are valid for the states where the SEZs are located, are not implemented. A special tax regime has been enacted. A new special management company with a CEO is responsible for the management of the SEZs. These SEZs on these lines are more connected with each other than the states' territories where they are located. The SEZs in Central and Eastern European countries were established in 1990s but their success is thanks to the Belt and Road Initiative. As Chongqing-Duisburg and Chengdu-Lodz lines have become more regular, the projects, which aimed at enlarging and flourishing the SEZs on these lines, have been enacted.

As deterritorialization and reterritorialization proceed slowly on the China-Central Asia-West Asia corridor, the development of the SEZs is still new on the nodes on this corridor. Still, it is an admirable endeavor for Central Asian and South Caucasus countries to establish the SEZs where they give up most of the sovereignty functions. I documented some of economic benefits. For example, the SEZs in

⁸¹³ *Silk Road Transport Corridors: Assessment of Trans-EAEU Freight Traffic Growth Potential*, p. 41.

Uzbekistan and Turkmenistan attracted European companies, which moved its production bases. The main reason for relocation of production bases is these zones' railway connection with China and Europe.

Therefore, the transportation connectivity among cities, countries, and regions are key to achieve trade, financial, political, and cultural connectivity. This aspect is the main theme of this thesis. It explored deterritorialization and reterritorialization in Eurasia in the context of the Belt and Road Initiative by focusing on firstly, upgrade in transportation infrastructure; then, the effect of transportation infrastructure over trade, financial, and population connectivity. The connectivity in these fields lays out a different spatial configuration in that the activities on Belt and Road corridors transcend nation-state boundaries. The economic regime of transportation nodes on the corridors examined are more integrated to Belt and Road system than the regimes of the states where they are located. While examining space reconfiguration brought by the Belt and Road Initiative, this study wanted to offer a baseline of the spatial consequences of the Belt and Initiative.

There are, of course scarce of this study, which should be considered, starting with limited opportunity of observing the consequences as the Belt and Road Initiative has recently been announced. Most of the project within the New Eurasian Land Bridge, however, had been initiated before the official announcement of the Belt and Road Initiative. Then, these projects have been gathered within the Belt and Road Initiative. Therefore, the transportation connectivity among the nodes on this corridor are the most developed. Choosing this corridor as one of the case studies helped me to remedy this limitation.

The second limitation is related with the scope of the thesis. As the thesis covered several nodes on the New Eurasian Land Bridge and the China-Central Asia-West Asia corridors, the nodes on these corridors have only been examined in a broader manner. Another problem is linked to the location of these nodes. Since they are dispersed on the vast Eurasian landmass, the field research would cost money and time, which are beyond the capacity of the thesis. Still, I tried to include many views from the zones concerning the operationalization of the projects to reduce this deficiency.

Although these limits should be taken into account, this thesis in general, aimed at observing transformation of Eurasian space in the post-Soviet period. The dissolution of the Soviet Union signified a major point regarding the organization of space due to the loss of influence of the Soviet Union over the Eastern and Central European countries and the independence of the South Caucasus and Central Asian countries. By 2010s, however, the integration of these regions especially, the South Caucasus and Central Asia, into the globalization process had been limited. China's self-pro-claimed role as a leader of globalization unleashed a process in which these regions are becoming integrated with each other and the rest of the regions. The Belt and Road Initiative is the materialization of this process. Through the economic corridors within the initiative the nation-state boundaries are being challenged and new kind of sub- and supra- level formations are taking place. This thesis attempted to show these formations such level financial organizations, trade regulations, and legal provisions in supra level, and ports, dry ports, and the SEZs in sub level. Despite the limitations mentioned above, the approach based on deterritorialization and reterritorialization concepts improves the spatial consequences of the Belt and Road Initiative. I hope that the spatial impact off the Belt and Road Initiative besides its economic and geopolitical consequences will be discussed, complementing the existing literature.

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APPENDICES

APPENDIX A: CURRICULUM VITAE

PERSONAL INFORMATION:

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Degree	Institution	Year of Graduation
B. A.	Bilkent University Political Science	2012
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High School	Abdulkadir Kılavuz Anatolian High School, Uşak	2007

FOREIGN LANGUAGES

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PUBLICATIONS

The Regional Dimension of Turkish Energy Policies” 1. Uluslararası Avrasya Enerji Sorunları Sempozyumu Bildiri Tam Metni Kitabı, İzmir Kâtip Çelebi University Publication No: 3, December 2015, 463- 481.

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“The Security Challenges of Belt and Road Corridors” Journal of Research in Economics, Politics, and Finance, April 2019: 91-105.

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APPENDIX B: TÜRKÇE ÖZET/TURKISH SUMMARY

Bu çalışma Avrasya'da alanın yeniden yapılanmasını incelemektedir. Sovyet sonrası dönemde Avrasya'daki Rus hegemonyasındaki gevşeme, bu büyük kara kütlesinin kendi içindeki ve diğer bölgelerle olan entegrasyonunu geliştirmektedir. Baltık ve Doğu Avrupa ülkeleri Avrupa ile entegrasyon sağlarken, Orta Asya ve Güney Kafkasya bölgesel entegrasyon politikalarında Rusya'nın ekonomik ve politik etkisinden kurtulamamıştır. Bu ülkeler, başta Avrupa olmak üzere diğer ülkelerle yaptıkları ticarette Rusya'nın Sovyet döneminde inşa edilen altyapıları kullanmaktadır. Bu durum, Orta Asya ve Kafkasya ülkelerinin Rusya'dan bağımsızlıklarını sağlama yönünde eksik kalmasına ve küreselleşme sürecinden de geride kalmasına yol açmaktadır.

Davos 2017 Forumunda Çin Halk Cumhuriyeti Başkanı Xi Jinping korumacılığın yeni bir trend olduğu politik atmosferde Çin'in küreselleşmenin yeni lideri olduğunu deklare etmiş ve korumacı politikaların karşısında olduğunu söylemiştir. Başkan Xi'nin görevi geldiği tarihten itibaren dış politikasının yapitaşını oluşturan Kuşak ve Yol Projesi ise bölgeler arası ekonomik ve ticari ilişkiler altyapı bağlantıları yoluyla artırarak küreselleşmeyi geride kalmış bölgelere yaymaktadır. Bu etki, Avrasya alanını yersiz yurtsuzlaşmasını teşvik ettiğini ve alanın yeniden yapılanmasını sağlamaktadır.

Bu bağlamda, bu çalışma ilk olarak Kuşak ve Yol Projesinin Avrasya'yı nasıl yersiz yurtsuzlaştırdığı ve yeniden yapılandırdığını sormaktadır. Bu araştırma sorusu tezin bölümlerini yapılandırma da rehber olmuştur. Bu sorudaki bütün konseptler tezin bölümlerinde ele alınmış ve açıklanmaya çalışılmıştır.

İkinci araştırma sorusu ise Kuşak ve Yol Projesinin ilerlemesinde karşılaştığı engeller ve bu engellerin nasıl aşılmasına çalışıldığıdır. Bu soru Kuşak ve Yol Projesinin süreç izlemesinin tezde yapılmasını sağlamıştır. Süreç taraması ise Kuşak

ve Yol Projesinin Avrasya alanında neden olduğu değişimler için tezde izlenen önemli bir metottur.

Tezin hipotezi ise Avrasya global ekonomideki gelişmelere bağlı olarak küreselleşmenin etkisine girmekte ve yersiz yurtsuzlaşmaktadır. Bu yertsiz yurtsuzlaşma ile birlikte yaratıcı yeniden yapılanma süreçleri Avrasya'da yaygın hale gelmektedir. Kuşak ve Yol Projesi ise Avrasya'nın yersiz yurtsuzlaşma ve yeniden yapılanma sürecinin en önemli projelerinden biridir. Projenin ortaya koyduğu ekonomik koridorlar ulus devlet sınırlarını aşmakta ve bölgede koridorlaşma sürecini başlatmaktadır. Yeniden yapılanma sürecinde ise bu koridorlar üzerinde devletlerin gönüllü olarak egemenliklerinden vazgeçikleri kuru limanlar ve özel ekonomik bölgeler yaratmaktadır.

Bu bölümler tezin giriş bölümünde ele alınmıştır. Giriş bölümünü takip eden ikinci bölümde ise Avrasya'nın düşünürler ve liderler tarafından nasıl ele alındığı incelenmiştir. İlk önce Avrasya'nın fiziksel tanımının nasıl yapıldığı sunulmuştur. Eduard Suess'in tanımı Asya ve Avrupa'nın bir araya gelerek Avrasya'yı oluşturduğu politik ve kültürel tanımların gölgesinde kalmıştır.

Avrasya düşüncesine dışardan gelen en etkili müdahale İngiliz teorisyen ve devlet adamı Sir Halford Mackinder'den gelmiştir. Sir Mackinder Avrasya'yı dünya adası olarak nitelendirmiş ve dünya hakimiyetine giden yolun bu bölgenin kontrolünden geçtiğini iddia etmiştir. Daha sonraki makalelerinde bu bölgeden heartland olarak bahsedecektir.

Mackinder kendisinden sonra gelen Avrasya konusunda çalışan düşünürlere ilham kaynağı olmuştur. Klasik Avrasyacılar olarak adlandırılan başlarını Trubetskoy, Vernadskiy ve Savitskii'nin çektiği grup Mackinder'in teorisini kültürel elementleri güçlendirerek revize etmişlerdir. Bu düşünürlere göre Avrasya, Asya ve Avrupa'dan farklı olarak kültürel bir bütünlük göstermektedir. Rusya ise bu bölgenin karakteristik kültürel liderliğini yapacak tek adaydır.

Sovyet döneminde jeopolitik düşüncede yaşanan duraklama Sovyetler Birliği'nin dağılmasının ardından bölgede güç boşluğunun doğmasından sonra Avrasya'ya

yönelik ilgiyi artırmıştır. Sovyet sonrası dönemin en önemli jeopolitik uzmanı Zbigniew Brzezinski'dir. Brzezinski Avrasya'yı jeopolitik ödül olarak adlandırmada ve Amerika Birleşik Devleti'nin Avrasya'daki güç mücadeleşine daha fazla kayıtsız kalmaması gerektiğini savunmaktadır. Fakat, Rusya ve Amerika Birleşik Devletleri gibi süper güçlerin yanında Çin, Iran, Hindistan ve Türkiye de bu güç mücadeleşinde artık taraftır. Amerika Birleşik Devletleri küresel üstünlüğünü sürdürmek için ne pahasına olursa olsun Avrasya'yı tek bir gücün kontrolüne bırakmamalıdır.

Brzezinski'nin bu önermesine karşı olarak Yeni Avrasyacılar ise Rusya'nın tarihten gelen bağlar, politik ve ekonomik olarak bölge ülkelerine olan üstünlüğüne istinaden Avrasya'nın doğal lideri olduğunu iddia etmektedirler. En ünlü yüzü Aleksandır Dugin olan bu grup bölge ülkelerinin Rusya'nın izinden gitmesini; bunun kültürel, medeniyetsel ve politik bir zorunluluk olduğunu söylemektedir.

Fakat, özellikle Orta Asyalı düşünürler ve Batılı akademisyenler Orta Asya ve Güney Kafkasya'nın Rusya'nın kontrolünde gereğinden uzun kaldığını iddia etmektedirler. Bu düşünürler Orta Asya ve Güney Kafkasya'nın bir bütün olarak Rusya olmadan birleşme ihtimallerinden bahsetmekte bu bölgeyi Genişletilmiş Avrasya veya Merkez Avrasya olarak adlandırmaktadır. Bu bölgenin Avrupa ve Uzak Doğu ile Rusya'dan bağımsız ilişkiler kurmasını savunmaktadır. Böyle iddialı bir projenin Orta Asya ve Güney Kafkasya'nın ulaşım altyapısına bağlı olduğu açıktır.

Nicolas Spykman, Halford Mackinder'dan sonraki jeopolitik alanında çalışma yapan en etkili bilim insanıdır. Mackinder'in tersine Dünya Adası'ni çevreleyen Rimland bölgesi olarak adlandırdığı Rimland bölgesinin dünya hakimiyeti için en önemli alan olduğunu iddia etmiştir. Spykman'a göre Orta Asya'nın bu bölgeyle kesintisi, bu bölgenin geri kalmasındaki en önemli etmendir. Fakat bu durum ulaşım altyapısının güçlendirilmesiyle aşılabilir.

Özbekistan'ın vefat etmiş lideri İslam Kerimov ve Kazakistan eski lideri Nursultan Nazarbayev, antik İpek Yolu'na atıf yaparak Orta Asya ülkelerinin ticaret

ağına bağlanmasını savunmaktadır. Böylece, Orta Asya ülkeleri de küreselleşme sürecine katılarak ekonomik ve politik gelişmelerden faydalana bilicektir.

Avrasya konusunda dile getirilen bu yeni paradigmalar Avrasya'nın artık izole ve tedriç edilmiş pozisyonundan kurtulma konusundaki arzuları göstermektedir. Klasik ve Yeni Avrasyacı akademisyenlerin dile getirdiği Avrasya'nın diğer bölgelerden farklı özel bir medeniyete sahip olduğu ve bu bölgenin Rus liderliğine ihtiyaç duyduğu argümanlarına rağmen azaldığına işaret eder. M.Ö. 3. yüzyıldan Orta Çağ'a kadar gelen Antik İpek Yoluna yapılan atıflar ise en baştaki politika yapılardan başlayarak çoğalmaktadır.

Antik İpek Yolunun mirasçısı sayılan Kuşak ve Yol Projesine geçmeden önce kullandığım alan, alansallık, yersiz yurtsuzlaşma ve yeniden yapılandırma kavramlarını ve bu kavramların küreselleşme ile ilişkileri incelenmiştir. Alan, bir politik egemenlik altındaki toprak parçasıdır. Alansallık ise alanın politik, ekonomik ve sosyal süreçler doğrultusundaki yönetim sürecidir. Alan donmuş ve statik bir konsept olmaktan ziyade, politik ve ekonomik gelişmelere bağlı olarak sürekli olarak yapılanma ve değişim sürecindedir. Ulus devlet yapılanması da bu politik ve ekonomik şartların sonucudur. Ulus devlet şeklindeki örgütlenme biçiminin bu yüzden doğal ve sonsuza kadar geçerli bir politik örgütlenme biçimini olarak ele alınmaması gereklidir.

Yersiz yurtsuzlaşma (deteritorializasyon) terimi ise ilk önce Gilles Deleuze ve Felix Guattari tarafından kapitalist üretim biçiminin sosyo-kültürel yapıyı etkilemesi olarak bahsetmiştir. Deleuze ve Guattari'ye göre yersiz yurtsuzlaşma hiyerarşik yapılanmadan daha esnek ve dalgalı bir yapılanmaya işaret etmektedir. Uluslararası ilişkiler kapsamında ise yersiz yurtsuzlaşma politik ve ekonomik aktivitelerin bir ülkenin sınırları içinde kalmayıp diğer ülkelerin egemenlik alanlarına sıçramasını ifade etmektedir.

Bu tanımıyla yersiz yurtsuzlaşmanın küreselleşme ile olan ilişkisi görülmektedir. Ünlü politik coğrafyacı Eric Ian Scholte kısaca yersiz yurtsuzlaşma küreselleşmedir diye bir tanımlama yapmaktadır. Bu durumu küreselleşmenin bir tanımının

yapılmasını bu tez için gerekli kılmaktadır çünkü küreselleşme kavramı yerli yersiz o kadar çok kullanılmaktadır ki bu konseptin ağırlığı kaybolmaktadır.

Bu tez küreselleşme konseptini kullanırken sınırlar arasındaki aktivitelerin yoğunlaştığı, sınırların eski önemini kaybettiği, ulusal ve ulus-üstü aktörler arasındaki bağımlılığın arttığı bir süreci tanımlamaktadır. Bu süreçle beraber özellikle finans ve ticaret alanlarında sınırlar ortadan kalkmakta ve yeni bir ulus-üstü alan yaratmaktadır.

Bu gelişmelere rağmen yersiz yurtsuzlaşma ve küreselleşme süreçleri devletin ya da coğrafyanın sonu anlamına gelmemektedir. Bu süreçler devletin yeniden organizasyonu sonucunda yeni bir politik alan yaratmaktadır. Bu tartışma ise yeniden yapılanma konseptiyle ilgilidir.

Yeniden yapılanma yersiz yurtsuzlaşan alanın yersiz yurtsuzlaşmış unsurlarıyla yeni bir politik alana dönüşümünü ifade eder. Bu tartışma Manuel Castells'in ortaya attığı ağ toplumu teorisile de ilgilidir. Ağ teorisine göre kişiler arasındaki ağlar aynı sınırı paylaşmaktan daha önemlidir. Ağ toplumu ağ ekonomisini de yaratmaktadır. Ağ ekonomisinde devlet organları, ulus-üstü kuruluşlar, küresel şirketler ve yerel yönetimler aynı ekonominin içinde iş birliği yaparak yeni bir ekonomik ve politik alanda faaliyet göstermektedir.

Bu yeni ekonomik modelde şehirlerin rolü de artmıştır. Küresel şehirler bağlı bulundukları devletlerden ziyade küresel ekonomiye bağlıdır. Küresel ekonomik faaliyetlerin artması şehirlerin devletlerle olan bağını daha da zayıflatmakta ve kendisi gibi küresel şehirlerle bağını artırmaktadır. Bu süreç Batı yarımkürede daha yoğun yaşanırken, Avrasya bu sürecin içine tam anlamıyla entegre olamamıştır. Kuşak ve Yol Projesi Batı yarımküredeki bu sürecin Avrasya'da yaşanmasına yardımcı olabilecek en önemli projedir. Kuşak ve Yol Projesinin ekonomik koridorlar yaratması birbirine uzak bölgeleri birbirine bağlamakta ve bu bölgeler arasındaki mesafeyi ulaşım alt yapısıyla aşarak ekonomik aktiviteleri çoğaltmaktadır. Kuşak ve Yol Projesinin Avrasya'daki etkisine geçmeden önce literatürde nasıl tanımladığı dördüncü bölümün konusudur.

Kuşak ve Yol Projesi 2013 yılında Çin Halk Cumhuriyeti Başkanı Xi Jinping tarafından Kazakistan ziyaretinde Antik İpek Yolunu tekrar canlandırma isteği şeklinde duyurulmuştur. Ekim 2014 tarihinde ise projenin deniz ayağı olan Deniz İpek Yolu Projesi duyurulmuştur. Yani Kuşak ve Yol Projesi iki kısımdan oluşmaktadır. Projenin kara kısmı İpek Yolu Ekonomik Kuşağı ve deniz kısmı Deniz İpek Yolu Projesidir. İpek Yolu Ekonomik Kuşağı, Çin ile Orta Asya, Güney Kafkasya, Avrupa, Orta Doğu ve Güney Asya arasında kara bağlantısı hedeflemektedir. Deniz İpek Yolu ise Çin'in limanlarını Basra Körfezi, Avrupa limanları, Güney Çin Denizi ve Hint Okyanusundaki limanlarla birleştirmeyi amaçlamaktadır.

Proje değişik kaynaklarda Yeni İpek Yolu Projesi veya Bir Kuşak Bir Yol Projesi olarak da anılmaktadır. Çin'in resmi İngilizce tercüme dokümanları Kuşak ve Yol Projesi olarak basılmıştır. Bu yüzden bu çalışma isim olarak tezin geri kalanında Kuşak ve Yol Projesi olarak kullanmıştır.

Kuşak ve Yol Projesi beş temel alanda bağlayıcılık hedeflemiştir: Politika, ticaret, finans, altyapı ve insan etkileşimi. Bu bağlayıcılığı gerçekleştirmek için Kuşak ve Yol Projesi katılımcı ülkeler arasında ticaret bariyerlerinin kaldırılmasını, altyapı yatırımlarında birbirlerine yardımcı olunmasını, Kuşak ve Yol Projesini ilgilendiren kanunların çıkarılmasında politik alanda işbirliği yapılmasını ve katılımcı ülkeler arasında insanların serbestçe dolaşmasını sağlayacak düzenlemelerin yapılmasını sağlayacak düzenlemelerin yapılmasını savunmaktadır.

Kuşak ve Yol Projesinde altı ekonomik koridor bulunmaktadır: Yeni Avrasya Köprüsü, Çin-Orta Asya-Batı Asya Ekonomik Koridoru, Çin-Pakistan Ekonomik Koridoru, Bangladeş-Çin-Hindistan-Myanmar Ekonomik Koridoru, Çin-Moğolistan-Rusya Ekonomik Koridoru, Çin-Indoçin Ekonomik Koridoru.

Yeni Avrasya Köprüsü Çin'in Avrupa ile bağlantısını sağlayan ana ekonomik koridordur. Çin-Orta Asya-Batı Asya Ekonomik Koridoru ise Rusya'nın elimine edilmesi ile Çin'in Orta Asya ve Güney Kafkasya üzerinden Avrupa ile bağlantı kurduğu ekonomik koridordur. Çin-Pakistan Ekonomik Koridoru Çin'in Kaşgar şehrinin Pakistan'ın Gwadar limanına bağlamaktadır. Bangladeş-Hindistan-Myanmar

Ekonomik Koridoru adı geçen ülkeler arasında kara bağlantısı sağlamaktadır. Çin-Moğolistan-Rusya Ekonomik Koridoru bu üç ülke arasında altyapı bağlantısını güçlendirerek ticareti geliştirmeyi hedeflemektedir. Çin-Indoçin Ekonomik Koridoru aralarında Singapur, Vietnam, Laos ve Tayland'ın olduğu Güney Asya ülkeleri arasındaki bağlantıyı güçlendirerek Güney Asya ülkeleri arasında ticaret ve finansal entegrasyonu sağlamayı amaçlamaktadır.

Kuşak ve Yol Projesi duyurulduğu andan itibaren politika ve akademi alanında büyük ilgi uyandırmıştır. Bu büyük projenin etkileri hem politika yapıcılar hem de akademisyenler arasında tartışılmıştır. Akademik dünyada Kuşak ve Yol Projesi çeşitli boyutlarda ele alınmış ve bu konuda hayatı sayılır bir literatür oluşmuştur. Bu tezde bu literatür liberal, gerçekçi ve kritik olarak üç başlık altında incelenmeye çalışılmıştır.

Liberal literatür, Kuşak ve Yol Projesinin ekonomik alanda getirdiği faydaları incelemektedir. Kuşak ve Yol Projesinin temel amacı zaten altyapı bağlantılarını güçlendirerek bölgeler arasındaki ekonomik bağlantıları güçlendirmek olarak Çin Halk Cumhuriyeti'nin resmi dokümanlarında belirtirmiştir.

Kuşak ve Yol Projesi 60'ın üzerinde ülkeyi kapsamaktadır. Bu ülkelerin oluşturduğu toplam gayri safi milli hasıla dünya toplam gayri safi milli hasısanın yüzde 60'na tekabül etmektedir. Projenin dünya büyümESİNE katkısı yüzde 0.1; dünya ticaret hacmine katkısı yüzde 0.3'tür. Çin'in altyapıyı geliştirmesi ile kendisini çevreleyen ülkelere bağlanması yoksul olan Kırgızistan ve Tacikistan için hayatı önemde ekonomik yatırımı bu ülkelere çekmiştir.

Altyapı yatırımları Orta Asya için çok önemlidir. Asya Kalkınma Bankası'nın verilerine göre Orta Asya'nın altyapı eksikliği toplam gayri safi milli hasısanın yüzde 2.5'una tekabül etmektedir. Eğer Çin kendisini bu süreçten çekerse bu eksiklik yüzde 5'e yükselmektedir. Bu eksikliğin farkında olarak Kuşak ve Yol Projesi çevresinden başlayarak altyapı yatırımlarına büyük yatırım yapmaktadır. PwC raporuna göre Kuşak ve Yol Projesinin 2016 yılındaki altyapı yatırımları yüzde 47 artmıştır.

Altyapı yatırımlarının yapılabilmesi için Kuşak ve Yol Projesi kapsamında iki uluslararası finansal kuruluş kurulmuştur: İpek Yolu Fonu ve Asya Altyapı Yatırımları Geliştirme Bankası. İpek Yolu Fonu'nun hacmi 40 milyar doları bulmakta ve özellikle altyapısı gelişmemiş olan Afrika ve Orta Asya'da altyapı yatırımı yapmak isteyen ülke ve şirketlere Kuşak ve Yol Projesi çerçevesinde kredi vermektedir. Asya Altyapı Yatırımları Geliştirme Bankası ise 100 milyar dolarlık hacmi ile kendisi gibi altyapı yatırımı yapan Dünya Bankası'na alternatif olarak ortaya çıkmaktadır. Bu iki uluslararası yatırım bankasının yanında Changan, China Mobile, Çin Kalkındırma Bankası özel ve devlet destekli bankalar da Kuşak ve Yol Projesi çerçevesinde yapılan yatırımlara kredi sağlamaktadır.

Kuşak ve Yol Projesi Çin Halk Cumhuriyeti'nin çevresindeki ülkelere yatırım sağladığı gibi Çin Halk Cumhuriyeti'nin az gelişmiş batı bölgelerini hem Çin Halk Cumhuriyeti'nin gelişmiş doğu bölgelerine hem de Avrupa ve Güney Asya ülkelere direkt olarak demir yoluyla bağlayarak bu bölgelerin ihtiyaç duyduğu ekonomik yatırımı çekmesini sağlamaktadır.

Yukarıda sayılan ekonomik faydalardan yanı sıra Kuşak ve Yol Projesinin Çin Halk Cumhuriyeti resmi para birimi yuanın uluslararası para birimi olmasına zemin hazırladığına yönelik argümanlar vardır. Fakat bazı finans kuruluşlarının hazırladığı raporlara göre bu etki göz ardı edilebilir seviyededir.

Uluslararası ilişkilerdeki gerçekçi bakış açısından göre Kuşak ve Yol Projesi Çin Halk Cumhuriyeti'nin uluslararası alanda hâkim güç olma iddiasını destekleyen bir dış politika aracıdır. Kuşak ve Yol Projesi çerçevesinde kurulan İpek Yolu Fonu ve Asya Altyapı Yatırımlarını Geliştirme Bankası, Amerika Birleşik Devletleri'ne karşı finansal bir meydan okumadır. Çin Halk Cumhuriyeti'nin başını çektiği bu finansal kuruluşlar İkinci Dünya Savaşı sonunda Amerika Birleşik Devletleri'nin başını çektiği ve Avrupa'yı şekillendirmiş Marshall Planına benzetilmektedir. Amerika Birleşik Devletleri'nin dışında Hindistan ve Rusya gibi ülkeler de Çin Halk Cumhuriyeti'nin bu ülkelerin kendi etki alanları olarak gördükleri bölgeler direkt ulaşımından rahatsızlıklarını dile getirmektedir. Özellikle Hindistan bu projeyi

kendisine yönelik bir meydan okuma olarak gördüğünü en yetkili ağırlardan ifade etmişlerdir.

Avrupa Birliği ise Çin yatırımını hem istemekte hem de bu yatırımların Avrupa Birliği'nin bütünlüğüne vereceği zararlardan çekinmektedir. Doğu ve Orta Avrupa'nın Kuşak ve Yol Projesinde aktif güzergah noktalarına ev sahipliği yapması bu bölgelerin Avrupa Birliği'nin etkisinden çıkip Çin Halk Cumhuriyeti'nin etkisine gireceği yönünde değerlendirmelere neden olmuştur. Özellikle Almanya bu konudaki çekincelerini hem akademisyenler düzeyinde hem de politikacılar aracılığıyla dile getirmektedir. Bu bölgelerin Avrupa'dan uzaklaşmaması için Avrupa Birliği Kuşak ve Yol Projesine katılmakta ve düzenlediği müktesebatlalar ile Kuşak ve Yol Projesinin Avrupa ayağı projeleri Avrupa normlarına uymasını sağlamak istemektedir.

Amerika Birleşik Devletleri, Rusya, Avrupa Birliği ve Hindistan gibi küresel ve bölgesel güçlerin yanında alansal ve ekonomik olarak küçük olan Güney Asya ve Orta Asya yönetimleri de Çin Halk Cumhuriyeti'nin Kuşak ve Yol Projesi çerçevesindeki yatırımları araç olarak kullanarak egemenliklerine yönelik müdahalelerinden çekinmektedir. Özellikle Çin Halk Cumhuriyeti'nin borçların silinmesi karşılığında Kenya ve Sri Lanka'daki limanların kontrolünü ele alması bu korkuları pekiştirmekte, Çin Halk Cumhuriyeti'nin amacının altyapıyı geliştirmeye bahanesiyle ülke egemenliklerine zarar verme amacını taşıdığı kanaatini güçlendirmektedir. Özellikle Deniz İpek Yolu'nun Çin Halk Cumhuriyeti'nin Güney Çin Denizindeki etki sahasını genişletme çabalarını maskeleyen bir proje yönündeki dile getirilen düşünceler Güney Çin Denizine kıyıdaş Güney Asya ülkelerini endişeye sevk etmektedir.

Uluslararası ilişkilerdeki kritik bakış açısı ile genel olarak Kuşak ve Yol Projesinin yol açtığı çevresel sorunlarla ilgilidir. Genel olarak ekonomiyi geliştiren demiryolu yapımı, yol ve baraj inşası gibi büyük projeler, bu projelerin yapıldığı alanlarda çevresel problemlere neden olmaktadır. Bu bölgede yaşayan insanlar ise projelerin yapıldığı ülkenin yönetimi tarafından ise göçe zorlanmaktadır. Kritik

bakış açısı Kuşak ve Yol Projesinin neden olduğu bu problemlere dikkat çekmektedir.

Bu çalışma, Kuşak ve Yol Projesinin literatürde nasıl ele alındığını incelemenin yanında Kuşak ve Yol Projesinin uygulanmasında karşılaştığı zorlukları da göstermek istemiştir. En başta gelen problemlerden birisi güvenlik problemidir. Kuşak ve Yol Projesinde ekonomik koridorlar Şincan, Pakistan gibi terör olaylarının yaşandığı ve silahlı çatışmaların olduğu politik açıdan istikrarsız alanlardan geçmektedir. Bu durum koridorlardaki kargo ve konteynırların ilerlemesinde güvenlik riski taşımaktadır.

Diğer sorunlar ise katılımcı ülkelerdeki iktidar değişikliklerinin Kuşak ve Yol Projesindeki ilerlemeleri durdurmasıdır. Bu durum Pakistan ve Malezya gibi ülkelerde yaşanmış ve katılımcı ülkelerin Kuşak ve Yol Projesine olan bağlılıklarını sorgulatmıştır. Bir diğer problem de altyapı yatırımlarının geri dönüşlerinin uzun vadeli olmasıdır. Bu durum özel sektörü Kuşak ve Yol Projesindeki altyapı gelişim projelerine yatırım yapmaktan soğutma ve devlet garantisine mecbur etmektedir. Diğer problem ise Kuşak ve Yol Projesindeki katılımcı ülkelerde yaşanan yönetişim ve yozlaşma sorunudur. Bu ülkelere yapılan yatırımların ortalama olarak yarısı yozlaşma ve yönetim bozukluklarından dolayı boş gitmektedir.

Bütün bu eksiklere ve sorunlara rağmen Kuşak ve Yol Projesi ilerlemeye devam etmektedir. Özellikle altyapı alanında inşa ettiği demir yolları çok uzun mesafeler arasında direk ulaşım imkanı sağlamış ve bu uzun mesafeler arasında şehirlerin birbirine ulaşım ağıyla bağlandığı bir ekonomik alan yaratmıştır. Avrasya böylece izole bir alandan çeşitli bölgelere demir yolu ağıyla bağlanarak küreselleşen ekonominin bir parçası olma sürecindedir. Tezin beşinci bölümü ulaşım ağlarıyla Avrasya'daki ekonomik ve politik alanın nasıl yersiz yurtsuzlaştığını incelemektedir. Bu tez Yeni Avrasya Köprüsü ve Çin-Orta Asya-Batı Asya koridorlarını vaka çalışması olarak almıştır çünkü bu koridor Kuşak ve Yol Projesinin Avrasya alanından geçen koridorlar olması nedeniyle yersiz yurtsuzlaşma fenomeninin nedensel mekanizmalarının gözlenebilmesi için tipik vakalar olarak Kuşak ve Yol Projesi içinde ortaya çıkmaktadır.

Yeni Avrasya Köprüsü yedi farklı hattan oluşmaktadır: Yu-Xin hattı Çin Halk Cumhuriyeti'ni Chongqing kentini Kazakistan'ın Khorgos, Rusya'nın Moskova, Beyaz Rusya'nın Brest, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak Almanya'nın Duisburg kentine bağlamaktadır. Rong-Avrupa hattı Çin Halk Cumhuriyeti'nin Chengdu kentini Kazakistan'ın Khorgos, Rusya'nın Moskova, Beyaz Rusya'nın Brest, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak Polonya'nın Lodz kentine bağlamaktadır. Xan-Xin bağlantısı Çin Halk Cumhuriyeti'nin Wuhan kentini Kazakistan'ın Khorgos, Rusya'nın Moskova, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak Çezya'nın Pardubice, Fransa'nın Lyon ve Almanya'nın Berlin kentlerine bağlamaktadır. Zheng-Avrupa bağlantısı Çin Halk Cumhuriyeti'nin Zheng kentini Kazakistan'ın Khorgos ve Almatı, Rusya'nın Moskova, Beyaz Rusya'nın Minsk, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak Almanya'nın Hamburg ve Litvanya'nın Klaipeda kentlerine bağlamaktadır. Suzhou-Varşova hattı Çin Halk Cumhuriyeti'nin Suzhou kentini Kazakistan'ın Khorgos, Rusya'nın Moskova, Beyaz Rusya'nın Brest, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak Polonya'nın başkenti Varşova'ya bağlamaktadır. Hefei-Hamburg hattı Çin Halk Cumhuriyeti'ni Kazakistan'ın Khorgos, Rusya'nın Moskova, Beyaz Rusya'nın Brest, Polonya'nın Malaszewicze ve Polonya kentlerini ulaşım nodları olarak kullanarak Almanya'nın Hamburg kentine bağlamaktadır. Yi-Xin-Avrupa hattı Çin Halk Cumhuriyeti'nin Yiwu kentini Kazakistan'ın Khorgos, Rusya'nın Moskova, Beyaz Rusya'nın Brest, Polonya'nın Malaszewicze kentlerini ulaşım nodları olarak kullanarak İspanya'nın başkenti Madrid ve Birleşik Krallık'ın başkenti Londra'ya bağlamaktadır.

Yeni Avrasya Köprüsünün en önemli etkisi birbirlerine ortalama uzaklıklarını 12.000 km olan şehirleri tek bir hat altında birleştiriyor olmasıdır. Bu şehirler demir yolu aracılığıyla bu mesafeyi iki hafta gibi kısa bir sürede kat etmektedirler. Aynı mesafenin deniz yolu aracılığıyla 40-50 gün gibi bir sürede aşıldığı düşünüldüğünde üreticilerin tüketicilere daha kısa bir sürede Yeni Avrasya Köprüsündeki hatlar sayesinde ulaştığı görülür.

Yeni Avrasya Köprüsü bölgeler arasındaki konteynerizasyonu artırmasıdır. Paul Krugman'a göre konteynerizasyon üretici ile tüketici arasında direkt mal alışverişini artırarak küreselleşmenin pekişmesini sağlamaktadır. Avrupa ve Çin Halk Cumhuriyeti arasında 2010 yılında demir yolu aracılığıyla mevcut olan 1,300 TEU konteyner ticaret hacmi Yeni Avrasya Köprüsü hatlarının işlediği 2016 yılında 50,000 TEU'ya yükselmiştir. 2010 ile 2016 arasındaki Çin Halk Cumhuriyeti ile Avrupa arasındaki konteyner trafiği 5,600 TEU'dan 100,000 TEU'ya yükselmiştir. Konteyner trafiğinin küreselleşmenin göstergelerinden biri olduğu göz önünde bulundurulursa Yeni Avrasya Köprüsünün katkısı açıktır. Konteyner ticaretinin artması sadece Çin Halk Cumhuriyeti ve Avrupa arasındaki ticaret etkilenmemiştir. Kazakistan, Beyaz Rusya, Polonya ve Rusya gibi katılımcı ülkelerin hem birbirile hem de Çin Halk Cumhuriyeti ve Avrupa arasındaki ticaret de artmıştır.

Yeni Avrasya Köprüsü, Kuşak ve Yol Projesinin amaçlarına uygun olarak Avrasya Ekonomik Birliğiyle ortak çalışmaktadır. Hatta Avrasya Ekonomik Birliğinin Yeni Avrasya Köprüsüne eklemendiği bile söylenebilir. Avrasya Ekonomik Birliğinin sağladığı gümrük birliği sayesinde Yeni Avrasya Köprüsü üzerindeki ticarette konteyner ve kargolar sadece Khorgos ve Malaszewicze'de gümrük kontrolünden geçmekte; bu durum hatlar arasındaki akışkanlığı güçlendirmektedir.

Bütün bu gelişimlere rağmen bazı engeller Yeni Avrasya Köprüsünden tam olarak faydalılmasını engellemektedir. Bunların başında deniz yolu taşımacılığının halen şirketlerin favori ulaşım aracı olmasıdır. Çin Halk Cumhuriyeti ve Avrupa arasındaki ticaretin sadece yüzde 5'i kara yoluyla gerçekleşmektedir. Bunun ise sadece yüzde 1'i demir yoludur. Ayrıca Çin Halk Cumhuriyeti'nden Avrupa'ya trenler kargolarla dolu gitmekte fakat Avrupa'dan Çin Halk Cumhuriyeti'ne ise gidenlerin trenlerin ise yarısı boşтур. Bu durum Yeni Avrasya Köprüsünün hatlarının karlılığını düşürmektedir. Bunun sonucunda ise hatların işlerliğini koruyabilmek için Çin Halk Cumhuriyeti'nin kentleri bu hatları sübvanse etmek zorunda kalmıştır.

Eski Sovyet ülkelerinde kullanılan demir yolu ray ayarıyla uluslararası alanda kullanılan ray ayarı arasındaki fark trenleri Khorgos ve Malaszewicze’de Çin Halk Cumhuriyeti’nden kalkan trenlerin önce Rusya ayarına daha sonra da uluslararası ayarlara çevrilmesini gerektirmektedir. Bu durum ise zaman ve para kaybına yol açmaktadır. Ayrıca katılımcı ülkeler arasındaki tren boyları sınırlarının farklı olması trenlerin ülke sınırlarını geçtikten sonra bölünüp birleştirilmesine neden olmaktadır.

Yeni Avrasya Köprüsü üzerindeki bazı problemler ciddiye alınmakta; çözüm önerileri öne sürülerek koridor üzerindeki bağlantılar güçlendirilmektedir. Dünya Ekonomik Forumunun çıkardığı bir rapora göre bu koridoru kullanan küresel şirketlerin en şikayet ettiği konulardan biri hatlar üzerindeki konteynerlerin gerçek zamanlı olarak izlenememesidir. Bu şikayetlere cevap olarak Kuşak ve Yol Projesi üzerinde Dijital İpek Yolu Projesi ortaya atılmıştır. Böylece koridor üzerinde hareket eden kargoların gerçek zamanlı izlemesi mümkün olabilecektir. Küresel GPS sisteminin Çin muadili olan Beidou uydu sistemleri ilk önce Kuşak ve Yol Projesine entegre edilip bölgenin dijital olarak entegrasyonun sağlama hedefindedir. Uydu sistemlerinin yanın Çin Halk Cumhuriyeti, Kuşak ve Yol Projesi kapsamındaki demir yolu ve yol yapımının yanında internet bağlantısını sağlayan fiber optik kabloları da Orta Asya ülkelerine dösemektedir. Böylece, uzun yıllar boyunca kendisine uzak Basra körfezinin ağ sistemine mahkûm olan Orta Asya ülkeleri küresel ağ sistemine entegre olmaktadır.

Son problem ise hukuk sistemlerinin farklı olmasıdır. Demir yoluyla alakalı olarak Avrupa COTIF sistemini kullanırken; Orta Asya ülkeleri, Iran, Slovakya, Çin Halk Cumhuriyeti, Arnavutluk, Vietnam, Moğolistan, Macaristan ve Slovakya SMGS’yi kullanmaktadır. Kuşak ve Yol Projesinde bu iki başlılığı kaldırmak için SMGS Kuşak ve Yol Projesinin resmi kullanımı olarak belirlenmiştir. Ayrıca, Avrasya alanındaki yersiz yurtsuzlaşma hukuk alanında da yaşanmaktadır. Norm koyucu olarak sadece devletler yasa yapımında yer almamakta hukuk şirketleri, küresel ticari şirketler de yasa yapımına katılmaktadır. Önemli küresel ticari şirketler ve uluslararası alanda görev yapan avukatlar oturmuş yapısı ve market dostu

hükümleriyle Kuşak ve Yol Projelerinin neden olduğu hukuksal problemlerde İngiliz genel hukukunun uygulanmasını savunmaktadır.

Çin-Orta Asya-Batı Asya koridoru ise iki alt koridordan oluşmaktadır: Merkez alt koridoru ve Güney alt koridoru. Merkez alt koridoru Çin Halk Cumhuriyeti'nin Urumçi kentini Kazakistan'ın Almatı ve Aktau limanıyla trans-Hazar deniz yoluyla Azerbaycan'nın Alyat kentine bağlamaktadır. Alyat limanı Azerbaycan'nın Bakü kentine demir yoluyla bağlanmaktadır. Bakü kenti Bakü-Tiflis-Kars demir yolu vasıtasıyla Gürcistan üzerinden Türkiye'nin Doğu Anadolu'sunda bulunan Kars kentine bağlanmaktadır. Kars ise Türkiye'nin ülke içi ulaşım ağıyla İstanbul'a; sonra da Avrupa'ya Balkanlar üzerinden bağlanmaktadır. Çin-Orta Asya-Batı Asya koridorunun güney alt koridoru Çin Halk Cumhuriyeti'ni Kırgızistan'ın başkenti Bişkek, Özbekistan'ın Semarkant, Türkmenistan'ın Aşkabat kentlerini ulaşım nodları olarak kullanarak İran'ın başkenti Tahran'a, sonra da İran'ın Bendar Abbas limanına bağlamaktadır. Çin Halk Cumhuriyeti'nin Kuşak ve Yol Projesiyle ilgili hukuki sorunları görmek üzere Şenzen'de Birinci Uluslararası Ticaret Mahkemesini ve Şian'da İkinci Uluslararası Ticaret Mahkemesini kurması bir uzlaşma kararı olarak nitelendirilebilir. Mahkemeler Çin Halk Cumhuriyeti'nde olmasına rağmen uluslararası hukuk bu mahkemelerde geçerlidir ve mahkeme görevlileri İngilizce eğitiminden geçirilmektedir.

Çin-Orta Asya-Batı Asya ekonomik koridorunun en büyük etkisi Rusya'nın bu koridorla baypas edilmesidir. Böylece Orta Asya ülkeleri Rus ulaşım altyapı sistemlerini kullanmaya mecbur olmadan Avrupa'ya ve Basra körfezindeki Bendar Abbas limanına iki alt koridorla beraber ulaşma fırsatına sahip olmuşlardır. Bu durum Orta Asya ülkeleri üzerindeki Rus baskısını hafifletmesi yönünde önemli bir adımdır. Rus baskısından kurtulma yolundaki Orta Asya bir çok akademisyen ve politikacılarının sözünü ettiği Genişletilmiş Avrasya ve Merkez Avrasya konseptlerinin gerçekleşmesini sağlayabilir.

En önemli jeopolitik düşünürlerinden Spykman, Orta Asya'nın geri kalmasındaki en önemli nedenlerden birini Orta Asya'nın kara ile çevreli olmasını göstermiştir. Çin-Orta Asya-Batı Asya koridoru sayesinde kara ile çevreli olmaktan

kurtulup dünya limanlarına bağlanmaktadır. Böylece Orta Asya dünyadaki görece izole pozisyonundan kurtulma imkanına sahip olmakta; dünya ticaretinin önemli bir bölümün gerçekleştiği ticaret limanlarına bağlanarak küresel ticarete entegre olma imkanını elde etmektedir.

Çin-Orta Asya-Batı Asya ekonomik koridoruyla yatırım açısından çok da cazip olmayan Orta Asya ve Güney Kafkasya kentleri Çin Halk Cumhuriyeti'nden ve küresel şirketlerden yatırım çekmekte; altyapı projeleri için kredi bulmakta Kuşak ve Yol Projesine entegre olmalarından dolayı zorlanmaktadır. Ayrıca Güney Kafkasya ve Orta Asya ülkelerinin kendi aralarındaki ve Avrupa ve Çin Halk Cumhuriyeti ile olan ticari ilişkileri direk ulaşım yollarının inşa edilmesinden dolayı artmıştır.

Ticari ve finansal ilişkilerin artmasının yanında Çin Halk Cumhuriyeti'nden Orta Asya ülkelerine olan göçmen işçiler Kuşak ve Yol Projesi kapsamında üç katına çıkmıştır. Çin Halk Cumhuriyeti de Orta Asya'daki yetenekli ve eğitimli gençlerin Çin Halk Cumhuriyeti'ne girişlerini ve ülkede kalmalarını kolaylaştıracak düzenlemeler yapmıştır. Bu Kuşak ve Yol Projesinin amaçlarından biri olan insanlar arasındaki bağlantının artlığına işaret eder.

Çin-Orta Asya-Batı Asya koridoru Yeni Avrasya Köprüsü koridorunun aksine tamamlanmamıştır. Bu yüzden sağladığı bağlantı düzeyi Yeni Avrasya Köprüsü koridorunun altındadır. Bu koridorun en önemli problemi az kullanılmasıdır. Çin-Orta Asya-Batı Asya koridoru sadece deniz taşımacılığıyla değil aynı zamanda Yeni Avrasya Koridoruyla da rekabet etmektedir. Bunun yanında kompleks gümrük prosedürleri, gümrükteki bekletmeler, rüşvet ve yolsuzluk bu koridoru kullanan iş adamlarının en önemli şikayetleri arasındadır. Öteki şikayet konusu ise merkez alt koridor bağlantısında önemli yeri olan trans-Hazar yolu ise normal trans deniz taşımacılığına göre dört kat pahalıdır ve seferler özellikle kış aylarında düzensizdir.

Güney alt koridorunun ise ülkeler arasındaki rekabetlerden dolayı ilerlemesinde sorunlar bulunmaktadır. Bunun en büyük örneği Çin-Özbekistan demir yolunun ilerlemesinde çıkan zorluklardır. Kırgızistan'daki akademisyenler ve politikacılar bu demir yolu bağlantısının Özbekistan'ın Kırgızistan'da yaşayan Özbek nüfusu direkt

olarak etkileyebileceğini savunarak bu demir yolunun Kırgızistan bağlantısının inşasına karşısıdır. Diğer problem ise bölgedeki artan Çin Halk Cumhuriyeti'nin varlığıdır. Kuşak ve Yol Projesinde çalışan Çinli işçilerin artması işsiz lokal nüfus arasında tepkiye yol açmıştır. Kuşak ve Yol Projesindeki altyapı inşası için ülke dışından politik yapılara toprak satışı ise tepkilerle karşılaşmıştır. Bu tepkilerin yaz aylarında Kazakistan'da büyük çaplı protestolara yol açması ise bu durumun ciddiyetini göstermektedir.

Yine de bu iki koridor bölgedeki ulus devlet sınırlarını aşmakta ve yeni bir coğrafi alan tanımlamasının Avrasya kara kütlesine getirmektedir. Tezin altıncı bölümü ise bu koridorlar üzerinde ulaşım nodlarının idaresinin nasıl bir yönetime evirildiğini incelemektedir. Bu bölümde Yeni Avrasya Kuşağında Chongqing-Duisburg ve Chengdu-Lodz hatları seçilmiştir çünkü Chongqing-Duisburg hattı Çin Cumhuriyeti ve Avrupa arasındaki ticaretin yüzde 60'ının geçtiği koridordur. Chengdu-Lodz hattı da Chongqing-Duisburg hattının kullandığı ulaşım nodlarını kullanmaktadır bu yüzden bu hatta gerçekleşen karakteristiklerin bu hatta da gerçekleştiğini gözleme imkanı olacaktır. Bu hatların yanında bu bölüm aynı zamanda Çin-Orta Asya-Batı Asya koridorundaki ulaşım nodlarını da inceleyecektir.

Chongqing-Duisburg hattı Chongqing yerel yönetiminin dizüstü bilgisayar firması HP'yi Chongqing'i üretim üssü olarak kullanmaya davet etmesi sonucu kurulmuştur. HP bu daveti kabul etmiş ama yerel yönetiminden ürettiği ürünleri satabilmek için Avrupa'ya ulaşım hattı istemiştir. Yerel yönetim bu hattın inşası için merkez hükümete başvurmuş. Pekin yönetimi de diğer hükümetlere lobi yapmıştır. Bu bağlamda bu hattın inşası Manuel Castells'in ağ ekonomisi olarak adlandırdığı yerel hükümetin, merkez hükümetin, uluslararası organizasyonların, küresel şirketlerin oluşturduğu ekonomik modelin ders kitabı örneği niteliğindeki bir yansımasıdır. Acer, Dell gibi dizüstü bilgisayar üretim şirketleri de üretimlerini Chongqing'e taşımıştır. Dünya'da satılan dizüstü bilgisayarların yüzde 60'tan fazlası Chongqing'te üretilmekte ve Avrupa'da alıcı bulmaktadır. Aynı durum Chengdu-Lodz hattında da tekrar etmiş Polonya'nın Hatrans lojistik şirketinin çabalarıyla kurulmuştur. Chongqing'in dünya dizüstü üretim merkezi olması gibi

Chengdu da otomobil üretim merkezi olmuş, burada üretilen otomobiller Avrupa'da satılmaktadır.

Chongqing-Duisburg ve Chengdu-Lodz hatlarındaki Chongqing, Khorgos, Moskova, Brest, Malaszewicze, Lodz nodları incelendiği vakit bu ulaşım nodlarının özel ekonomik bölgelere evirildiği gözlenir. Özel ekonomik bölgeleri devletlerin içinde olmakla beraber içinde farklı vergi, yönetim ve idari sistemin olduğu özel alanlardır. Bu alanlar içinde hibrit egemenliğin uygulandığı alanlardır. Bu hibrit egemenlik alanında özel ekonomik alanlar devletlerin içindedir fakat küresel ticari ağa eklemlidir. Bu durum ulus devletlerin egemenlik alanını sınırlamaktadır. Bu durumda önemli nokta ulus devletlerin bunu küreselleşme baskısına bir tepki olarak kendi alanlarını daha çok yatırım çekebilmek için yeniden yapılandırmaları ile ilgilidir.

Chongqing-Duisburg ve Chengdu-Lodz hatlarındaki ulaşım nodları ulus devlet sınırlarını aşan koridorlar üzerindeki durak noktaları olarak bu ulaşım merkezi olan konumlarını avantaja çevirmek için vergi ve idare tarzında liberalleşmeye giderek küresel şirketlerin ve finans kuruluşlarının yatırımlarını çekmeye çalışmaktadır. Bunun içinde bu nodlardaki vergiler yarıya düşürülmüş; özel ekonomik bölgeler yaratılarak bu alanların yönetimi şirketlere devredilmektedir. Bu şirketler bir CEO ile yönetilmekte ve market dostu rejimler uygulamaktadırlar. Bu ticari, finansal ve ulaşım nodları bağlı bulundukları ülke topraklarından ziyade küresel ekonominin bir parçasıdır.

Şehirlerin gayri safi hasılası şehirlerin büyümeyi gösteren en önemli göstergelerden biridir. Bu şehir nodlarının Kuşak ve Yol Projesine eklenmesiyle beraber gayri safi hasılları arımıştır. Yani Kuşak ve Yol Projesi bu ulaşım nodlarını ekonomik açıdan geliştirmiştir ve küresel şehir ağına bağlamıştır. Bunun haricindeki en önemli özellik ise özel ekonomik alanlarda çalışan uluslararası işçiler ve yöneticiler için özel şehirlerin bu alanların etrafına inşa edilmesidir. Bu süreç örnekleri arasında Khorgos'un etrafında Nurkent, Malaszewicze'nin etrafında Koblany ve Chengdu'nun etrafında kurulan Tianfu alanlarıdır.

Çin-Orta Asya-Batı Asya ekonomik koridorundaki ulaşım nodları Kuşak ve Yol Projesindeki ulaşım ve ticaret nodları kadar gelişmiş olmasa da yine de Orta Asya ve Güney Kafkasya'da yeni bir alan tanımlaması getirmesi yönünden önemlidir. Merkez alt koridorunun ulaşım nodları Urumçi, Aktau, Alyat, Tiflis ve Kars'ta özel ekonomik bölgeleri olmuş ve bu alanlarda ilgili devletler kendi egemenliklerinin bir bölümünden vazgeçerek yönetimleri özel şirketlere ve özel idarelere bırakmışlardır. Özellikle liman kentleri olan Aktau ve Alyat küresel düzlemede başarılı olmuş limanların büyümeye modellerini takip etmiş ve bunları uygulayan küresel şirketleri yönetimden sorumlu kılmışlardır. Aktau ve Alyat'ın Dubai modelini takip etmelerinden dolayı Dubai limanını geliştiren DP World şirketinin bu limanlarda hisse sahibi olup yönetimde katılması sağlanmıştır. Bu güzergahta önemli bir nod olan Tiflis'te iki özel ekonomi alanı oluşmuş ve Çinli şirketler tarafından işletilmektedir.

Güney alt koridorundaki ulaşım nodları ise Çin-Orta Asya-Batı Asya ekonomik koridorunun merkez alt koridorundaki ulaşım nodlarından daha az gelişmiştir. Bu alt koridordaki nodlar birbiriyle bağlantılı değildir. Sadece Çin Halk Cumhuriyeti'nin Urumçi kentine bağlanarak Avrupa şehirlerine bağlanmaktadır. Böylece bu nodların bölge içindeki ticari bağlantı üzerindeki etkileri sınırlı olmaktadır. Yine de bölgedeki ulaşım nodlarının özel ekonomik alanlara evrilmesi Sovyetler Birliği'nin yıkılmasından sonra kendi egemenliklerini korumada titiz davranışın bu ülkelerinin kendi egemenliklerinin bir kısmından vazgeçmeleri küresel ekonomiye katılma isteklerini gösteren önemli bir göstergedir. Örnek olarak Kırgızistan'ın başkenti Bişkek'te kurulan Bişkek Özel Ekonomik Bölgesi üç büyük küresel şirketi bu alanda üretim yapmaya özel vergi ve idare sistemi ve ulaşım sistemiyle ikna edebilmiştir. Bunlardan biri olan Alman güneş pili üreticisi New Tech LL.'dir. Bu şirket Bişkek Özel Ekonomik Bölgesine yatırım yapma nedeni üretikleri ürünleri Avrupa'ya Çin Halk Cumhuriyeti üzerinden bağlanan direkt demir yolu ile ihraç edebileceğini bilmesidir.

Sonuç olarak bu çalışma Avrasya bölgesinde meydana gelen alanın yersiz yurtsuzlaşması ve yeniden yapılanmasını incelemektedir. Bu süreci incelerken Çin

Halk Cumhuriyeti Devlet Başkanı Xi Jinping'in 2013'te duyurduğu Kuşak ve Yol Projesini alanın yeniden yapılanmasında ana aktör olarak görmektedir. Başkan Xi Jinping'in 2017 Davos Ekonomik Forumunda dünyada yaygınlaşan korumacı politikalara karşı çıkması ve Çin Halk Cumhuriyeti'ni küreselleşmenin yeni lideri olarak tanımlaması, Başkan Xi Jinping dönemini tanımlayan ana unsurlardan biri olan Kuşak ve Yol Projesinin küreselleşmenin yaygınlaşmasındaki rolünü incelemeye alınmasını gerekliliğidir. Duyurulduğu andan itibaren akademisyenlerin ve politika yapıcılarının ilgisini çeken Kuşak ve Yol Projesi çeşitli boyutlardan ele alınmıştır. Bu tez bu görüşleri liberal, gerçekçi ve kritik görüşler altındaki etiketler altında incelemiş ve Kuşak ve Yol Projesinin alansal sonuçlarının hak ettiği şekilde incelenmediği kanaatine varmıştır. Bu çalışma literatürdeki bu eksikliği gidermek amacıyla yazılmıştır. Kuşak ve Yol Projesi sahip olduğu büyük finansal güçle ve inşa ettiği altyapı projeleriyle önemli alansal sonuçlar yaratmıştır. Başta Çin Halk Cumhuriyeti ve Avrupa arasındaki mesafe direk demir yolları hatlarıyla iki büyük finansal güç arasındaki ticaretin daha düşük bedellerle yapılmasını sağlamıştır. Çin Halk Cumhuriyeti ve Avrupa birbiriyle bağlanırken aradaki transit ülkeler transit olmanın ötesine geçmiş ve hem birbiriyle hem de Çin Halk Cumhuriyeti ve Avrupa ile ticari, kültürel, altyapısal ve kültürel bağlantı geliştirme yollarına gitmişlerdir. Ulus devlet sınırlarını geçen ekonomik koridorlar Kuşak ve Yol Projesinin temel unsurları olmuştur. Bu ekonomik koridorlar üzerindeki ulaşım nodları küresel ticarete daha çok entegre olmak ve daha çok finansal yatırım çökebilmek için bulunduğu devletlerden farklı vergi, yasal ve idari rejimler ile yönetilmeye başlanmıştır. Bu tez bu karakteristikleri göstermeye çalışmıştır. Bu tezin yazarı Kuşak ve Yol Projesinin alansal sonuçları daha sonraki çalışmalarında da daha ayrıntılı olarak ele alınacağını ummaktadır.

APPENDIX C: TEZ İZİN FORMU/THESIS PERMISSION FORM

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Soyadı/Surname : .Tekir

Adı/Name : Gökhan

Bölümü / Department : Bölge Çalışmaları

TEZİN ADI/TITLE OF THE THESIS (İngilizce/English): Reterritorialization of Post Soviet Eurasia

TEZİNTÜRÜ/DEGREE: YüksekLisans/Master

Doktora /PhD

- 1. Tezin tamamı dünyaçapında erişime açılacaktır./Release the entire work immediately for access worldwide.**

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- 3. Tez altı ay süreyle erişime kapalı olacaktır./Secure the entire work for period of six months.***

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