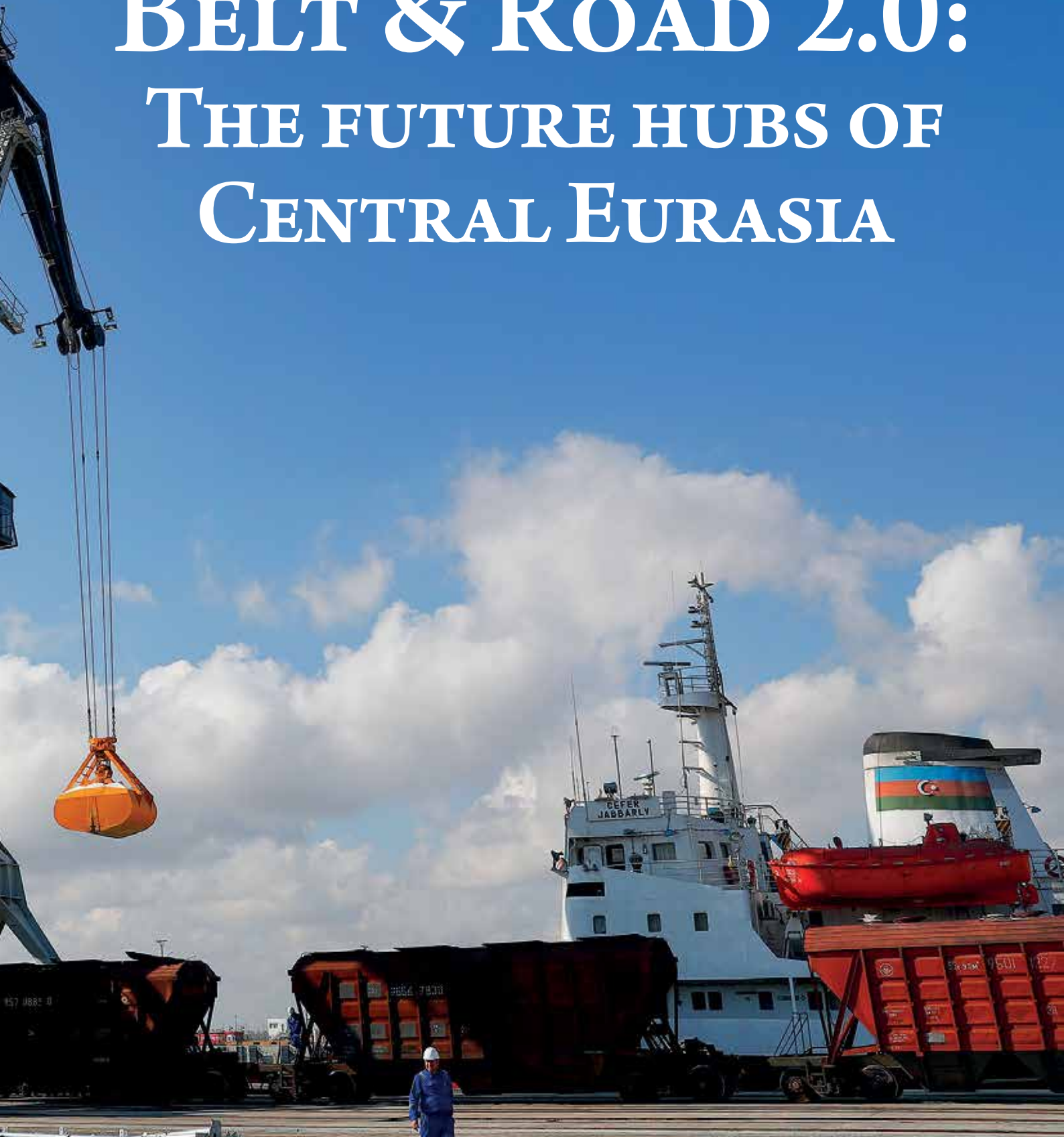




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BELT & ROAD 2.0: THE FUTURE HUBS OF CENTRAL EURASIA





Introduction.
 The countries of the Greater Caspian Region (aka Central Eurasia) have long constituted a land (and sea) bridge for commercial traffic between Europe and Asia, but they have been more than that. Indeed, Silk Road trade brought wealth and prosperity to the region’s inhabitants, but that wealth was also a catalyst for creativity that drove human development far into the future. Coeval with the great Silk Road network were major breakthrough discoveries in mathematics, astronomy, geometry, medicine and other skills and knowledge that impacted profoundly on the advance of human civilization. Ulugh Beg’s *Star Catalogue* in 1437, for example, was drafted in Samarkand and listed 1018 stars; centuries later it guided European sailors on their many world-opening voyages of discovery. Similarly, the early 11th century *Canon of Medicine*, written by Avicenna (Ibn Sina) after studies in prominent Silk Road libraries at Isfahan and Hamadan, was a principal manual for European medicine and academia over the next 500 years.

Along with the exchange of goods went the exchange of new ideas and technologies, enriching and advancing the development of societies along the Silk

Road. Great cities emerged and acted as hubs, connecting and nourishing continents and civilizations – Xi’an, Bukhara, Samarkand, Merv, Balkh, Tabriz, Isfahan, Baghdad, Aleppo and Istanbul were just some of them. The thriving trade between these hubs had remained the backbone of Central Eurasia’s economic prosperity for centuries. However, the subsequent disruption of the ancient trade routes brought suffering and hardship to the region - and the effect was long-lasting. Some commercial cities gradually faded away, as they lost the prominence they once held in Silk Road trade; others have stumbled back into recovery and managed to prosper for few more centuries.

Yet, it was 19th and 20th century inventions - steamboats, ocean-going vessels and shipping containers – that have changed the fortunes of the once-affluent, land-based Silk Road across Central Eurasia. Today, most Euro-Asian trade bypasses the region, and so do the attendant benefits. Large ships carrying thousands of containers have replaced the ancient camel caravans. They now carry most of the trade between Europe and Asia via the Suez Canal; this constitutes more than 90% of all cargo exchanged between the two continents.



The Belt and Road Initiative (BRI) and the 21st century Silk Road.

In September 2013, during a visit by President of the People's Republic of China, Xi Jinping, to Kazakhstan, President Xi and President of the Republic of Kazakhstan, Nursultan Nazarbayev, breathed new life into the idea of reviving the once prosperous ancient Silk Road; the One Belt, One Road initiative was unveiled. Now known as the Belt and Road Initiative (BRI), it was subsequently declared by the Chinese government to be its global development strategy. The plan is to complete BRI by 2049, coinciding with the centenary of the People's Republic of China.

The BRI declaration provoked politicians and specialists around the world into questioning its motivation. BRI is China's support for global development and infrastructure; or – it is just China seeking long-term global domination. China has reached out to a number of regions, offering soft loans, building roads and railways, funding and/or buying key infrastructure projects, including ports. So far, the Chinese have spent some \$200 billion on BRI-related projects, and total investment could reach \$1.3 trillion by 2027. In providing financial

and development assistance to neighbours and BRI participating states, China aims to connect its internal hard infrastructure and diversify sources of imports - energy-related and otherwise.

How will BRI impact the economies of Central Eurasia? Will it help revive the ancient Silk Road? And, most importantly, how will Azerbaijan's hub strategy contribute to building the 21st century's Silk Road?

Economic logic of the ancient Silk Road: hubs, not roads.

What was the economic basis of the ancient Silk Road? Understanding this will help explain the nature of the emerging 21st century version. Unlike today's great maritime ports, the leading commercial cities of Central Eurasia have been land-based hubs. They served as critical logistics and distribution centres for merchants caravanning on journeys lasting months and even years across the continents. They all offered caravanserais, where goods and ideas were exchanged, and people and cultures met and mixed.

These trading centres varied in function, and varied in their contribution to economic growth: some were just small and modest stopovers places; others were the



great cities acting as the hives of commerce and innovation. Think a vast number of 1-star, 3-star and 5-star hotels scattered across Eurasia, connected by a network of continental routes and corridors. While ‘1-star’ stopovers offered just food and accommodation, ‘5-star’ trading megacities were the ancient ‘Silicon Valleys’, where vibrant commercial activity also engendered science, technology, ideas, innovation and enlightenment.

In other words, the core economic logic of the ancient Silk Road was not about connecting roads and building infrastructure. It was about the hubs and their contribution to the social and economic prosperity of their host societies. So, BRI’s success will depend on China and participating states building and connecting 21st century hubs around the world that contribute to that social and economic prosperity.

Belt & Road 2.0: What’s in store for Central Eurasia? Although many will continue to speculate about BRI’s true nature and potential impact, it can only be a positive contribution to the emergence and development of new hubs across Eurasia. Thus, the necessity of a hub strategy which, in turn, necessitates a three-phase path of development. First: the country must have infrastructure to international standards. Without good roads, railways, ports and airports, no country

will achieve economic development and will surely lose out in the competition for key hub status along the 21st century Silk Road. So, governments in the BRI know what they need to do.

Second: once the internal infrastructure is fit for purpose, connectivity becomes the critical issue. Most countries in Central Eurasia are landlocked and depend on each other for import/export and transit activity. Consequently, there must be connectivity between the region’s roads and railways and major markets and economies like the European Union and China. Clearly, cooperation between neighbouring countries is vital to the success of BRI states.

Third: over the next 10-20 years, BRI will bring about major transformations in Central Eurasia. A robust network of innovative 21st century interconnecting hubs will emerge to become the economic backbone of Euro-Asian commerce, linking regional and global economies in new ways. There will be open competition between the hubs that emerge, but only a few will achieve ‘5-star’ hub status.

The next phase of BRI, then, is likely to focus on creating the hub network and selecting strategic hubs across Central Eurasia and the world. The Chinese government is already planning to develop more than 200 hubs with-



in China; they are likely to be linked to global hub networks across the world. The critical question here is how much will these developments benefit local economies and people in BRI states? The answer will depend on the policies and strategies adopted by host governments.

Azerbaijan’s Hub Strategy: a model to replicate.

Today, we are on the threshold of emerging 21st century hubs that will reactivate the underused potential for land-based trade between Europe and Asia. Giving new life to the Silk Road with the BRI to link China and Europe by land can only raise the profiles of Azerbaijan and its new Port of Baku. The country’s strategic location at the crossroads of major Eurasian land and air transport corridors, is making it a vital trade and logistics hub in Central Eurasia.

In Beijing, April 2019, the second Belt and Road Forum heard President of Azerbaijan, Ilham Aliyev state: “the creation of modern transportation infrastructure is one of the priorities of Azerbaijan. Using our geographical location, we invest in building bridges between Asia and Europe. . . . The Belt and Road Initiative not only creates the opportunities in transportation but enhances



trade, tourism, people-to-people contacts, serves the cause of stability and security and peace in Eurasia.”¹

Over the past thirty years, Azerbaijan has used its vast oil and gas resources to modernize its transport and logistics infrastructure, including road, rail, ports and airports. Its strategic ‘hub vision’ for economic diversification has stimulated a common vision for the region — to restore Central Eurasia as a commercial hub on the ancient Silk Road.

1 En.president.az. (2020). Official website of the President of Republic of Azerbaijan - NEWS Events. [online] Available at: <https://en.president.az/articles/32878>.



The Port of Baku is the oldest and one of the largest ports on the Caspian Sea, close by the huge markets in Turkey, Iran, Russia and China. For centuries a key maritime gateway between East and West, today's port is a transit bridge between Europe and Asia. But it aims to become a key dynamic centre of distribution and added value at the heart of Eurasia.

Due to a limited expansion capacity of the old port in the downtown Baku, in 2007, the government of

Azerbaijan decided to move the port to a new location near Alat, a township 70 km south of downtown Baku, at the junction of East-West and North-South corridors. Its 400 hectares are in rapid, phased development. Once completed, the port will be the region's largest transshipment and multi-purpose port, with an annual throughput capacity of 25 million tons of freight and 500,000 TEU.

The Port of Baku is also the launch pad for the new Baku–Tbilisi–Kars (BTK) railway, linking Azerbaijan, Georgia and Turkey with Europe. Already in operation (since October 2017) it connects China and Central Asia with Turkey, the European Union and the Mediterranean (via Mersin Port) - all through Azerbaijan. In fact, the Port of Baku and BTK are indispensable to the BRI's Middle Corridor.

Like the ancient megacities, the Port of Baku will add value to cargo shipments between Europe and Asia and become a major destination for international business seeking a regional HQ in Eurasia. Some 130 million people live within 1,000 km of the Port of Baku - all potential customers of companies and businesses that will set up in Azerbaijan. To facilitate this, on 17 March 2016, President



Aliyev decreed the first-ever free economic zone (FEZ) in and around the Port of Baku. In May 2018, the Milli Majlis (Parliament) adopted a law providing special tax and customs incentives for future FEZ businesses. All this is to stimulate growth in the country's non-oil economy and create a lucrative, stable and protected climate for new sources of foreign direct investment (FDI).

In short, the development model offered by Azerbaijan echoes the '5-star' hubs of the ancient Silk Road - the goal is not to just buy and sell, but to add value, innovate and develop the local economy and society. Azerbaijan's hub strategy envisages an integrated, cohesive and efficient multimodal project of supply chain and logistics hubs within the country and beyond. This vision is likely to be copied and replicated elsewhere in Eurasia as we witness the transformational changes initiated by the BRI.

Conclusion.

The countries of Central Eurasia are building new synergies to secure their place in the globalized economic and political arenas of the future by renewing and reworking the Silk Road that once connected Europe and Asia. Azerbaijan will continue to be a key



regional actor in shaping a common vision and transforming Central Eurasia. The first two phases of its hub strategy are complete. Between 2007 and 2015 it built and renewed major infrastructure: highways, railways, ports and airports. Since 2015, the focus has been on integrating the country's infrastructure with that of its neighbours: Georgia, Kazakhstan, Turkmenistan, Turkey, Russia and Iran. By 2030, Azerbaijan will be a key, innovative and prosperous, '5-star' hub on the BRI, thus renewing its historical position as a commercial hub on the ancient Silk Road. 🌟



