

THE IMPORTANT ROLE OF SILK ROAD INITIATIVES FOR GEORGIAN ECONOMY

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Abstract

Belt and Road Forum took place in Georgia, drawing hundreds of delegates from around the world. Georgia's geographic location at a strategic crossroads between two continents - Europe and Asia, has often fueled conflict throughout history, but also trade and wealth. The exploratory research was conducted to clarify the situation about the Silk Road project, and its potential for Georgia. The article presents a brief overview of current situation of the Silk Road, as well as Georgia's role as a transport corridor and regional hub. Besides, the article aims at laying the foundation of further research. This paper aims to elaborate on various Silk Road initiatives, their feasibility, their interactions with one other, and on their possible influences on Georgia, as it is Europe's natural gateway to Asia. Advanced technology, industrial and infrastructural upgrades are crucial to facilitate sustainable growth in the region. It is essential to study economic influence of the Silk Road initiatives on the region, and particularly, upon Georgia. Some researchers have already begun to analyze the potential impact of the New Silk Road on trade and stability in Eurasia and the rest of the world, but the studies are still very scarce.

Keywords: silk road, Caucasus, Georgia, trade, transportation, developing country.

1. Introduction

This exploratory research of secondary data aims at providing insight into the economic importance of the Silk Road for Georgia. Although the Silk Road project has been considering as a strategic important for Georgian economy, there is no previous researches to base on. This research is a first step conducted with the purpose to review literature and to gather secondary data that will serve as a foundation to the further primary research.

The ancient Silk Road was a major trade link between the East and West more than 2000 years ago. Nevertheless, technological change and dramatic declines in transportation costs have since made it obsolete, as container shipping and the advent of cargo flights have shifted trade from the surface to the sea or air. However, China recently announced a new initiative with purpose of establishing new connections between Europe and Asia, which are bypassing more modern transport routes in favor of railway connections (Li & Schmerer, 2017).

Since developing industries demand new markets, technological innovations to facilitate international cooperation, better transportation and logistics in order to increase trade efficiency, and have growing energy demands, they require international cooperation. Consequently, the New Silk Road projects are effective means for regional cooperation, and creating political flexibility, as well as for improving economic growth, offering trade diversifications, and investing in transportation, mining, or energy sectors (Fedorenko, 2013).

Besides, production networks, multinational corporations and their value chains have been expanding their presence across countries and regions. Correspondingly governments invest their efforts in enhancing trade through lower trade barriers and free trade agreements (Tbilisi Belt & Road Forum).

Georgia, a post-soviet developing country is located in Caucasus at a crossroads of Europe and Asia. Thus, the country is Europe's natural gateway towards Asia.

Georgian economic experts see Georgia as a part of Europe, and consider Georgia's transformation into a European-type market economy to be one of the most important aspects in the vector of Georgia's economic development (Papava, 2008).

For centuries, the Silk Road was the most important land route connecting Europe and Asia. This distinctive path became a source of prosperity and intensive trade relationships (Garibashvili, 2015). Georgia's geographic location at a strategic crossroads between Europe and Asia has often fueled conflict throughout history, but also trade and wealth. As wealth today lies in oil and gas, Georgia is again a major transit point.

Moreover, the Georgian government regards Georgia as a regional hub and center for exchange, because Asian products and energy resources reach Europe faster through Georgia. Besides, individuals and companies have easy access to billions of consumers in Asia and Europe. The Silk Road region accounting for two thirds of the world's population and about 60 per cent of its GDP has the potential to become a key force to expand trade, develop new energy resource and supply chains (Garibashvili, 2015). For example, the Anaklia Free Industrial Zone will increase cargo turnover through the territory of Georgia.

At present, Georgia enjoys free trade agreement with about 2.3 billion market. It is the only country in the region, which enjoys free trade agreements with both the European Union and China. This is an invaluable asset to attract foreign investors.

Furthermore, international trade is at the center of global economy, and a major driver for economic growth. Consequently, ancient trade routes, replaced by new transportation and communication systems are the modern highways for the exchange of goods, culture, technology, and knowledge. Thus, countries and businesses focus on emerging possibilities, while international and regional dialogues remain centered around improvement of connectivity and economic openness (Tbilisi Belt & Road Forum).

2. Historical Significance of the Silk Road

According to Fedorenko (2013), for many centuries the historic Silk Road was the most important land route connecting Europe and Asia. Consisting of many different routes and stretching out over a vast geography, the Silk Road was a unique path that not only became a source of prosperity and trade relationships, but also promoted exchange of knowledge and experience as well as cultural interaction among different communities. Land routes, unlike maritime routes, compelled caravans to interact with other communities and different cultures on the way to their final destination. As a result of a trade driven interaction, even the smallest villages were exposed not only to the products of advanced civilizations, but also to the exchange

of ideas, knowledge, experience and beliefs (Fedorenko, 2013).

The significance of the historic Silk Road lies in its unique nature – no authority or government could ever claim a monopoly on creation and control of the Silk Road. There was not a blueprint of the Silk Road for a very simple reason: the Silk Road was so big and complex that its economic strength and capabilities were unmatched by even its contemporary authorities (Fedorenko, 2013). According to the research of Fedorenko (2013), the Silk Road emerged as a result of the multifaceted agglomeration of various demands, with supplies and expectations emanating from various sources ranging from the mighty empires to the smallest villages. However, the Silk Road gradually lost its value and importance in the modern period due to developments in maritime transportation and political circumstances in the region (Fedorenko, 2013).

For centuries, burgeoning cities along the Silk Road traded goods between east and west, including jewels, spices, glassware, medicines, musk and other perfumes, and silk, satin, and other fine fabrics. During the Romanov Dynasty and the Soviet era, a north-south trade axis overlay Eurasia, with Moscow as the main hub (Coulibaly et al., 2012). But today, researchers (Coulibaly et al., 2012) affirm that Eurasia needs to rethink its cities along the Silk Road to face the post-breakup changes.

As a result of the collapse of the Soviet economy the connectivity between Eurasian cities have been weakened. Without subsidies for transporting goods and services cheaply from one city to another, the more remote cities are isolated from global markets and increasingly uncompetitive. Rail networks are hard to run efficiently, even with the lowest electricity prices in Europe. Road networks are expensive to maintain and upgrade. And air infrastructure is becoming more and more important for connecting a landmass that spans nine time zones (Coulibaly et al., 2012).

Furthermore, as Beckwith (2009) concludes, the Silk Road was not only a network of trade routes, or even a system of cultural exchange, but it was the entire local political-economic-cultural system of Central Eurasia, in which commerce, whether internal or external, was very highly valued and energetically pursued. In that sense, the “Silk Road” and “Central Eurasia” are essentially two terms for the same thing. In its more restricted economic sense, the Silk Road was the Central Eurasian economy (Beckwith, 2009).

In sum, the significance of ancient Silk Road has been obviously great in terms of economic, political, social, and cultural development, as well as for the further importance of the Eurasian continent.

3. The Role of the Silk Road for Georgian Economic Development

3.1. The New Silk Road

Researchers argue about the role and importance of the Silk Road. As Beckwith (2009) states, traditional Central Eurasia was coterminous with the ancient continental internal economy and international trade system misleadingly conceptualized and labeled as the Silk Road (Beckwith, 2009). He claims that the Silk Road was not in essence a commercial transportation network at all. But rather it was the entire Central Eurasian economy, or socio-economic-political-cultural

system, the great flourishing of which impressed itself upon the people of Antiquity and the Middle Ages, and the records and remains of which impress even the people of today (Beckwith, 2009). Thus, Eurasian peoples not only engages in trade with each other, but also were tightly interconnected in a single economy.

According to Shepard (2016), the New Silk Road is not a trade pact, neither an economic union nor a treaty organization, but it is a loose conceptual platform for countries to engage in mutually beneficial partnerships through the building of an enhanced economic grid that covers the whole of Europe and Asia. Rather than competing with the various existing geopolitical structures, this is a network that essentially links them together. It is an on-the-ground mechanism for better integrating China's Belt and Road endeavors, the EU, non-EU Eastern Europe, the Eurasian Economic Union, ASEAN, Iran, the Caucasus countries, and parts of South Asia together into an interconnected Eurasia (Shepard, 2016).

As is known, the ancient Silk Road emerged as a natural outcome of market conditions, supply and demand, and the needs of people who resided along the Silk Road, rather than as a planned project by a certain political authority. According to Fedorenko (2013), the current situation in the region with various new Silk Road initiatives resembles the historical prerequisites, and looks even more promising. New Silk Road projects lay the foundation for regional cooperation, while creating political flexibility, improving economic growth, offering trade diversifications, investing in transportation, in mining, and energy sectors. All of these developments represent a historically unprecedented chance for the Central Asian republics to become important players in the world economy. Besides, for many countries located on the path of the ancient Silk Road international trade is an opportunity to sustain economic growth and development. Therefore, the New Silk Road initiatives - large- and small-scale, bilateral or multilateral, governmental and private - indicate a positive climate for building a new trade and exchange system that could bring prosperity to the states located on the Silk Road (much like the historic Silk Road) (Fedorenko, 2013).

Eurasia, as a contiguous supercontinent stretching from the west of Europe to the eastern coast of China, is being drawn together into a massive market covering 65% of the world's population, 75% of energy resources, and 40% of GDP in the world (Shepard, 2017). The concept of interconnected Eurasia has been developed as the modern interpretation of the ancient trade routes, transshipment hubs and economic corridors that once spanned Europe and Asia, has been emerging over the past 15 years as the New Silk Road. This growing network became even large since 2013, when China formalized its enhanced participation in the project with trillion-plus dollars of funding and the political will to actually implement this project (Shepard, 2016). Thus, China sees the New Silk Road as one of the most important incentives for its economic development.

3.2. Georgia's Strategic Location on the Silk Road

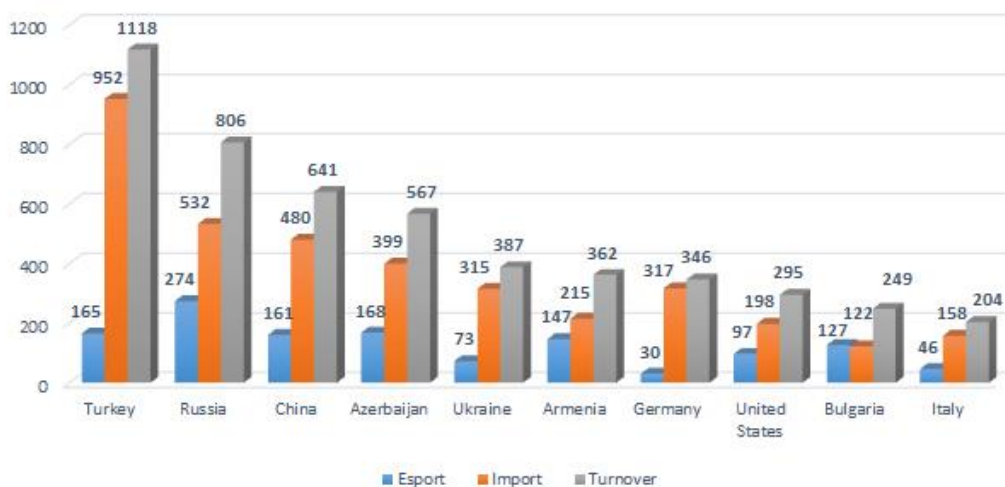
Georgia, as a highly educated and westernized, low-cost and low-tax access point not only to Europe or Eurasia, but also to the Middle East and Asia, is emerging as a regional hub for trade on the Silk Road. The Silk Road may generate more business, and companies can get a valuable

opportunity to expand. With its strategic location along the new Silk Road and competitive market, Georgia is intent on carving out its share and restoring its major regional position between East and West.

Georgia is now less than 10 days overland from China, and within 4 days of any point in Europe. Georgia's first Deep Sea Port on the Black Sea will further enhance this connectivity, and give the opportunity for development of value added services, as it will reach the capacity of handling 100 million tons of cargo annually, and the world's largest container ships (Ministry of Economy and Sustainable Development Georgia). This Anaklia Port Project, estimated at \$2.5 billion, is a joint venture between US- and Georgian firms and will be operated by an American company (Cowgill, 2017).

Georgia already has a Deep and Comprehensive Free Trade Agreement with the EU, and its citizens enjoy visa-free travel to the Schengen countries. In addition, Georgia has free trade agreements also with Turkey, the European Free Trade Association countries, and CIS countries (Commonwealth of Independent States) including Russia, Belarus, Ukraine, Kazakhstan, and other former Soviet Republics. Moreover, Georgia recently signed a free trade agreement with China, which is having an explosive impact on Georgia's export markets and promises to put it in an enviable position along Eurasia's New Silk Road. In all, Georgia currently has free access to a market of over 2 billion consumers (Cowgill, 2017). Yet its main trading partners still remain Turkey and Russia (Figure 1).

Figure 1. Top Trading Partners by Turnover in January-September 2017 (Mln. USD)



Source: www.economy.ge

The country becomes more and more attractive not only to investors, but also to other states for mutual agreements. According to Cowgill (2017), the next logical step in this process is a Free Trade Agreement that offers American investors an opportunity in a busy and growing marketplace. This should be a priority to strengthen the economy and security of both countries

(Cowgill, 2017).

Furthermore, China strives for advancing its economic and business interests, and hence sees Central Asia as an important region, which will contribute to its own economic growth through trade routes. Consequently, its government envisages the creation of a new railroad, motorway and sea networks to distribute their products across Europe, Eurasia and Middle East. China has been involved in construction of numerous railroads on the Eurasian continent (Fedorenko, 2013), including Georgia. The Chinese-backed initiative aims to revive and expand exchange between China and Europe along the ancient Silk Road, along which Georgia's position is strategic. So a new 185 km-long East-West Highway is due for completion in 2020.

Furthermore, Eurasian Economic Union (EEU) - Russia, Kazakhstan and Belarus - is significant for the Silk Road Economic Belt because it represents a common market of over 170 million people. Besides, the economy of the EEU has been predicted to grow by 25% by 2030. China sees the Silk Road Economic Belt as contributing to the economic growth of the EEU by bridging the regional economies of the EEU and the Asia-Pacific, thereby offering an economic stimulus to both regions (Lim, 2015). Russia continues to be involved in the regional economic cooperation over the Silk Road Economic Belt, so it achieves economic gains from this cooperation. As the Silk Road Economic Belt has been designed by China to be a non-hegemonic path towards win-win cooperation and economic growth for all the participating countries, Russia should have no reason to fear that its continued political preeminence in the EEU will be at risk. Under this road map, China will seek to connect its Silk Road Economic Belt with Russia's initiative for a Trans-Eurasian Belt. In particular, Russia's plan for a trans-Eurasian railway will be connected with rail infrastructure development in the Silk Road Economic Belt (Lim, 2015). So the improvements to infrastructure taking place under the Silk Road Economic Belt are favorable for Russian economic development in its Far East.

Georgia is not a part of EEU, and has not even considered its cooperation with this initiative. However, the whole region derives benefit from the Silk Road projects through cooperation. According to Shepard (2017), the various roads are essential similarly to the days of the ancient Silk Road; if one corridor goes down due to an uncooperative government, war, natural disaster, or some other economic upheaval, cargo can simply be rerouted via alternative routes, so that trouble spots can be sidestepped. As a result, healthy competition between corridors can be established to keep transport costs low and the goods flowing (Shepard, 2017).

3.3. Pipelines, Transportation and Communication

In the Soviet era all pipelines went north into Russia. In the post Soviet era new pipelines or new routes using old pipelines developed to provide diversity, and crack the Russian monopoly. The United States, with European backing, supported this diversity with its multiple pipeline strategy. As a result, current route diversity and competition undermine Russia's former monopoly (Coburn, 2010).

There are various pipelines and routes crossing Georgia. For example, pipeline and rail routes starting in Baku, Azerbaijan transiting Georgia carrying oil to the Black Sea ports of Supsa and

Batumi; The Baku-Tbilisi-Ceyhan (BTC) oil pipeline - an 1768 km, 1 million barrels per day crude pipeline from Baku to Ceyhan, a deep-water port on the Mediterranean. BTC provides a significant new route out of the region, breaking Russian monopoly on shipments and also bypasses the Bosphorus bottleneck (Coburn, 2010).

Additionally, all gas pipelines were connected with the Russian gas system, which has been continued also in the post Soviet era. However, Russia's domination of gas transportation can be changed due to emerging alternatives (Coburn, 2010).

The development of the Shah Deniz gas field in the Caspian, in Azerbaijan, led to the construction of the 691 km South Caucasus Pipeline (SCP) that carries gas from Baku through Tbilisi, Georgia to Erzurum, Turkey (BTE pipeline), where it connects to the Turkish gas pipeline network (Coburn, 2010). Now, Turkey and the Caucasus region are linked through oil and gas pipelines (Bagirova, 2017).

In recognition of the potential, there have been considerable efforts to define and develop a network of land trade routes across Eurasia, including through regional agreements and through programs and development projects such as the Central Asia Regional Economic Cooperation corridors, the Transport Corridor Europe-Caucasus-Asia (TRACECA), and the Eurasian Economic Community. New roads, railways, ports, and other transport are being built along such corridors. Overall, more than 40 trade route initiatives link more than 130 major cities across Eurasia (Coulibaly, et al., 2012).

Many transport links connecting Asia and Europe through Central Asia are currently under construction or are planned to be built in the future. Europe's main initiative is TRACECA1, an international transport initiative involving the European Union and 14 member states2. TRACECA aims to promote regional economy by providing reliable and efficient transport links between Europe and Asia (Fedorenko, 2013). It is focusing on five main fields: marine transport, air routes, roads and rails, transport infrastructure and transport security. TRACECA is financed by the member states, which is an important demonstration of their commitment to establish and manage trading routes between Europe and Asia (Fedorenko, 2013).

Moreover, TRACECA program also involves the Silk Wind initiative aiming at construction new high-speed multimodal container transit routes between the countries of Europe, Caucasus and Central Asia, along with advanced technological implementations such as electronic exchange of information, simplification of border crossing procedures and reduction of transportation time. The Silk Wind Project goes hand in hand with Washington's New Silk Road initiative that aims to expand transit routes between Europe and Asia (Fedorenko, 2013).

INOGATE is another important initiative that aims to build energy policy cooperation among the member countries3 (Fedorenko, 2013). The INOGATE Project has four main objectives: (1) to

¹ Transport Corridor Europe-Caucasus-Asia

² Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkmenistan, Turkey, Ukraine and Uzbekistan

³ Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Turkey, Turkmenistan, Ukraine, Uzbekistan, and Tajikistan

converge energy markets on the basis of the EU internal energy market by taking into account the peculiarities of participant countries; (2) to advance energy security by addressing the topics of energy imports and exports, energy transit and demand; (3) to support sustainable energy development including the development of energy efficiency and renewable energy; and (4) to attract investors to energy projects of common and regional interest (inogate.org). Among the ongoing projects within the framework of INOGATE, there is pre-investment project for the Trans-Caspian-Black Sea Gas Corridor and an energy saving initiative in Eastern European and Central Asian countries.

Baku-Tbilisi-Kars rail link

According to Fedorenko (2013), Turkey's Silk Road Initiative is an important contribution to the Silk Road renaissance, primarily focusing on transportation, security, logistics and custom procedures at borders. 16 Countries that are incorporated into the Silk Road Project are Azerbaijan, Georgia, India, Iraq, Iran, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, Syria, Tajikistan, Uzbekistan, Afghanistan, China and South Korea. The Turkish vision of the Silk Road aims at reviving the Silk Road via an extensive railway network, transportation lines, customs gates, energy corridors, and natural gas pipelines, and making this area a major player in the world economy (Fedorenko, 2013).

The 826-km⁴ Baku-Tbilisi-Kars new railway connection link (BTK)⁵ runs through Azerbaijan, Georgia and Turkey (Map 1), and brings the journey-time between Europe and China down to 2 weeks instead of 45 days, which is more than twice as fast as the sea route at less than half the price of flying (Bagirova, 2017). It connects the three countries establishing a freight and passenger link between Europe and China bypassing Russia. According to Shepard (2017), one of the most important incentives for the BTK project is that it completely bypasses Russia and, by extension, their reactionary sanctions against the import and transit of many EU goods.

Map 1. Baku-Tbilisi-Kars Rail link



⁴ 180 km track will be laid on Georgian Territory (mkrailway.ge)

⁵ As of today, approximately 80 % of construction works has been completed

Source: Caucasus Business Week.

Baku-Tbilisi-Kars railway is one of the world's strategic projects and listed among top 100 most significant global projects by world experts (mkrailway.ge).

The line, which includes 105 km of new track, will have the capacity to transport one million passengers and 5 million tons of freight (Bagirova, 2017; mkrailway.ge). By estimation, this capacity would rise to 3 million passengers and 17 million tons of freight by 2030 (Railway Technology). Therefore, BTK is considered to provide an economic boost to the region. Azerbaijan and Turkey finance this railway, as the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development declined to support the project on the grounds that they preferred rebuilding the old route through Armenia. Georgia's 178 kilometer section was funded with loans from Azerbaijan's State Oil Fund (SOFAZ) in the amounts of \$112 million (1% interest) and \$323 million (5% interest) (Shepard, 2017).

The SilkSat Project

In 2000, the countries that span the ancient Silk Road⁶ came to an agreement to commit to a new form of regional cooperation. A key objective of the plan was to enhance the telecommunications infrastructure of the participating countries by introducing and integrating fiber-optic, wireless, and small communications satellite technologies throughout the region. As a result, SilkSat project has been proposed, which will reconstruct the ancient Silk Road by replacing the physical road with a communications highway. Given the project's large scale and its huge financing needs, the plan envisaged forging partnerships among governments, private investors and corporations, and international organizations, using experts and infrastructure in the countries. By facilitating greater communication and informational flows, the Silk Road broadband highway could reduce misunderstanding and discord between countries. Experience in regional cooperation gained through SilkSat could also further regional cooperation in other areas (Berger, 2001).

Black Sea Fiber Optic Cable System

Furthermore, the Black Sea Fiber Optic Cable System (BSFOCS) became one of two new multigigabit submarine cables providing high-quality connectivity in the Black Sea region (the other is the Georgia-Russian system). BSFOCS connects Bulgaria (Varna), Russia (Novorossiysk), and Ukraine (Odessa) (Coulibaly, et al., 2012). The interconnected systems allow the transmission of international traffic from Europe to the Caucasian countries and Asia.

In summary, it is noteworthy to remark that the New Silk Road projects are still implementing under the circumstances of rivalry. According to Coburn (2010), the major powers fight for control of the silk routes in the region: Russia attempting to maintain its political and economic hegemony over the region, China entering into long term relationships to sustain economic

⁶ Armenia, Azerbaijan, Georgia, Kazakhstan, Moldova, Romania, Ukraine, and Uzbekistan

growth and satisfy its energy security, EU seeking new sources of energy (primarily gas) to meet future demand and enhance its energy security; U.S. seeking to enhance its political and economic influence to counterbalance Russia and China; and the region's countries working out a delicate balance among all these competing interests. Under these heightened political circumstances, pipelines become the new Silk Road - the control over them is seen as the way to maintain Russia's political and economic hegemony or the way for each of the other players to break Russia's dominance and at the same time help the countries of the region diversify economically and politically (Coburn, 2010).

4. Conclusions and Further Research

Central Asia including Caucasus historically has been a region, which crisscrossed the various silk routes - overland trade routes from China to the West. In the Soviet era, with Russia's dominance, all pipelines and other modes, rail, electric power lines, and water, went to Russia. Nowadays, the effort to break this monopoly on transport routes is regarded to be of a great importance in the region (Coburn, 2010).

Since the demise of the Soviet Union in 1991, many cracks developed in Russia's energy hegemony over Central Asia and the Caucasus. Diversification of oil routes occurred first, starting in the mid-1990s and continues to the present. Diversification of gas routes occurred much later, and diversification has been emerged in gas export routes. All the countries of the region rely on pipelines for their energy trade, the modern day version of the old silk routes (Coburn, 2010).

Diverse new Silk Road initiatives generally support and complement each other. Historically, the Silk Road was the most important route connecting the Ottoman and Chinese Empires. In an effort to revive the vitality of the ancient Silk Road trade scheme, in the last two decades China has been actively cooperating with Turkey in many areas. Growing volume of trade relationships between Turkey and China will certainly require the use of transportation routes, logistic services and customs regulations that are likely to be provided by Central Asian states (Fedorenko, 2013). Thus, strategically located along China's new Silk Road, Georgia is striving for becoming a regional hub.

Although skeptics may doubt whether it is possible to rebuild the silk road since the history does not repeat itself, yet the Silk Road can still prosper, because as Shepard (2016) notices, the power and potential of the Belt and Road lies in its versatility; and according to Fedorenko (2013), there are many indicators that the new Silk Road initiatives have every reason to thrive.

Furthermore, the Silk Road renaissance facilitated by the various new Silk Road initiatives has already begun. In order to achieve fast-growing and sustained economic development, Central Asian states have no other option but participating in the new Silk Road initiatives since their landlocked economies compel them to cooperate with one another. The future of Central Asia looks promising taking into consideration all these initiatives, including their different goals and benefits, multitude of bilateral and multilateral government agreements, countless small and middle enterprise activities, growing economic indicators and significant infrastructural

improvements, and yet underdeveloped but promising sectors such as tourism (Fedorenko, 2013).

To conclude, while the governments are instrumental in laying the foundation for various new Silk Road initiatives, the most important contributions will come from private companies and small and medium enterprises. Such initiatives consist of various short-term and long-term projects.

Thus, the Silk Road opens up opportunities for the transportation of various investment goods, intermediate goods, and others. Moreover, the New Silk Road may encourage economic development, scientific progress, and cultural exchange between the regions, which span the Eurasian continent, including Central Asia, the Caucasus, the Black and Caspian Seas, the Mediterranean countries, and the European Union. Investments that integrate these countries' infrastructures may serve as a driver of productivity and economic growth and help reduce poverty. Researches suggest, that the benefits of trade infrastructure derive from improvements to the external trade balance, and reductions in income inequality and poverty, which ultimately enhance economic growth (Li & Schmerer, 2017).

Therefore, the Silk Road projects are beneficial for Georgia for economic reasons as the initiatives provide economic boost in the region. The Silk Road, on the one hand, can promote economic growth throughout the region, and on the other hand, can encourage the integration into the world economy through introduction modernized infrastructure and effective cross-border trade. Georgia with its strategic location and welcoming business environment can play a vital role as a regional hub and center for exchange.

Further Research

This exploratory research is a first step conducted with the expectation that further research will provide more conclusive evidence. Additional research is needed to deliver primary data on economic potential of the Silk Road for Georgia. This research can be used to guide and refine those subsequent research efforts. Future research potentials include questions, such as: short- and long-term projections of the influence of the Silk Road initiatives on Georgian economy, expected revenue analysis, and how exactly will be developed the region and in particularly Georgia, when the economic growth begins through the Silk Road projects. The future empirical studies aim to show the full potential of this huge initiative.

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