

BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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Five-Star Hubs

Conceptual Key to Innovation and Prosperity

Taleh Ziyadov

One thousand years ago two fundamental human concepts, namely history and time, were united for the first time by a great figure of the Silk Road region. Serving at the court of Qabus ibn Wushmagir (a great scion of the Ziyarid dynasty that ruled over the Southern Caspian basin in present-day Iran), a young man of around thirty by the name of Abu Rayhan Muhammad al-Biruni was provided with the wherewithal to engage in a lifelong, systematic quest to try to understand nations and societies—irrespective of geographic or cultural provenance—as they understood themselves. Surpassing even Herodotus and Thucydides in investigative open-mindedness, Biruni also went on to become the first to standardize a single, objective time-scale measuring system or matrix within which all of the particulars of

human history could be compared chronologically side by side.

In his book *Lost Enlightenment* (2013), a preeminent Western scholar of the Silk Road region, S. Frederick Starr, did much to shed light on this largely forgotten figure of the golden age of this part of the world. One of the most interesting episodes in the life of this great man of inquiry is a fascinating and virtually unprecedented correspondence he maintained for two years with Avicenna (Ibn Sina), including an enlightening epistolary exchange on the interpretation of the Aristotelian corpus that touched upon various aspects of philosophy, mathematics, astronomy, and the like. Although its details fall beyond the scope of this essay, it is sufficient to say, for present purposes, that Biruni stressed time and again that “evidence, not authority, is what counted,” as Starr put it.

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Biruni’s legacy helps remind us that for a millennia or more, the very name and scope of the Silk Road region (otherwise known as the Greater Caspian Region, Central Eurasia, or several other names) invokes the memory of a long-dormant economic legacy that brought great benefits to a vast and multi-civilizational region for centuries. Invoking Biruni today allows us also to recall how the cities and ports of this immensely diverse region were home to one of the most significant endeavors of economic, intellectual, and cultural exchange in human history. Commercial trade in goods, services, people, arts, technology, and ideas flowed unhindered between Europe and Asia across thousands of kilometers by land and sea. In notable ways, the ancient Silk Road was a precursor of the modern concept of globalization.

Biruni’s intellectual output also reminds us how the network of ancient Silk Roads brought wealth and prosperity to the region’s inhabitants; but also that this wealth served as a catalyst for creativity that drove human development far into the future. Coeval with the great ancient Silk Road network were major breakthrough discoveries in mathematics, astronomy, geometry, medicine, and other areas of theoretical and practical knowledge that

impacted profoundly on the advance of human civilization. Ulugh Beg’s *Star Catalogue* (1437), for example, was drafted in Samarkand and listed more than one thousand stars; centuries later it guided western European sailors on their many world-opening voyages of discovery. Similarly, Avicenna’s *Canon of Medicine*, written on the basis of consultations of books in prominent Silk Road region libraries at Isfahan and Hamadan, remained a principal manual for European medicine 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 ancient Silk Road. Great cities like Xian, Bukhara, Samarkand, Merv, Balkh, Tabriz, Isfahan, Baghdad, Aleppo, and Istanbul emerged or grew and acted as strategic commercial hubs, connecting and nourishing continents and civilizations. The thriving trade between these and other hubs remained the backbone of the region’s economic prosperity for centuries.

The Silk Road region began to fade in importance for a number of reasons, including the Crusades, waves of pestilence, and Mongol conquest. Then, around the dawn of the European Industrial Revolution and the entrenchment of colonialism, significant parts of the

Silk Road region entered into a deep period of economic hibernation.

As the geography of capital flows was reoriented, investment dried up, and the ties that bound the Silk Road region together began to fall apart. As other parts of the world prospered, much of the region fell behind. Inventions like steamboats, ocean-going vessels, and shipping containers further 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 percent of all cargo exchanged between the two continents.

Revival Initiatives

In September 2013, during a visit by Chinese president Xi Jinping to Kazakhstan, he and his host Nursultan Nazarbayev breathed new life into the idea of reviving the once prosperous ancient Silk Road through the unveiling of the One Belt, One Road initiative.

Conceptual predecessors from the 1990s include the EU's Transport Corridor Europe Caucasus Asia (TRACECA) program, which

in 2004 fell under the umbrella of the Baku Initiative and aimed to foster cooperation in transportation infrastructure in the context of the EU's Neighbourhood Policy. Then, in 2007, the EU adopted its initial Strategy for a New Partnership with the countries of Central Asia. Just like with various initiatives with regards to the South Caucasus (e.g. the Eastern Partnership program, sundry Association Agreements, and free trade deals), it too prioritized upgrading transport, energy, and digital infrastructure.

The United States also had the idea to strategically revive the ancient Silk Road. In 2011, Secretary of State Hillary Clinton unveiled a vision of regional economic integration and infrastructure connectivity under the New Silk Road moniker, as part of a plan to enhance the political stability of Afghanistan. This later became subsumed as one aspect of the Obama Administration's "pivot to Asia."

Meanwhile, One Belt, One Road became officially known as the Belt and Road Initiative (BRI) and was subsequently declared by the Chinese government to constitute its global development strategy. Such a declaration provoked politicians and specialists from around the world into questioning its

motivation. Does BRI constitute China's support for global development and infrastructure; or is Beijing seeking long-term global domination through BRI? Xi Jinping has consistently emphasized economic interdependence, underscoring that BRI aims to reconnect three continents covering a population of 4.4 billion people, and some have estimated its total investment output to be in the neighborhood of \$20 trillion by its anticipated completion in the middle of the century. Xi has also spoken of BRI's ultimate aim to establish an "open and peaceful community of shared interests, responsibilities, and commitments to freer trade, integrated economic growth, and cultural enrichment."

To that end, 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 neighbors and BRI participating states, China aims to connect its internal hard infrastructure and diversify its sources of imports—energy-related and otherwise.

The European Union's newest strategy paper on Central Asia, which came out in May 2019, also prioritizes connectivity whilst placing greater emphasis on the importance of establishing partnerships in regulatory and standard setting.

However, it was a 2018 document that truly systematized the EU's approach to the Silk Road region, officially called the Connecting Europe and Asia: Building Blocks for an EU Strategy. This document came to be adopted in the wake of an important European Bank for Reconstruction and Development (EBRD) study that calculated the total cost of the region's infrastructure requirements in the transportation, energy, ICT, and water areas to be €1.2 trillion over a five year period (2018-2022).

The 2018 document defined, for the first time, the EU's "vision for a new and comprehensive strategy to better connect Europe and Asia." It thus represents the bloc's intention for full-on engagement with the Silk Road region as a whole. This flagship EU communication contains "concrete policy proposals and initiatives to improve connections between Europe and Asia, including through interoperable transport, energy, and digital networks." It also defines the "European way" of approaching investments in

connectivity: these need to be “sustainable, comprehensive, and rules-based,” it says—or as the EU’s then-foreign policy chief Federica Mogherini defined it, connectivity is understood to be the sum total of both “the physical and non-physical infrastructure through which goods, services, ideas, and people can flow unhindered.”

According to the EU’s 2018 strategy, sustainability refers not only to high environmental standards, but also to social, economic, and fiscal dimensions. The document’s reference to a comprehensive approach indicates a desire to promote the EU internal market’s free movement of people, goods, and services as a model to emulate, including lessening the regulatory burden on trade. Thus, the EU seeks to promote regional integration within the Silk Road geography through its 2018 strategy. Lastly, the emphasis on a rules-based approach is meant to assure a level playing field for economic operators competing in a well-regulated market, including transparency in procurement procedures.

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In other words, the EU stresses that connectivity is as much about, to emphasize Mogherini’s words, “physical” infrastructure (e.g. railways, roads, pipelines) as it is about its “non-physical” aspects (e.g. customs procedures, legal frameworks, technical standards). This holistic approach—the “European way,” as the strategy puts it—is meant to be contrasted to the perceived ways of others.

Ancient Hubs, not Roads

For the countries of the Silk Road region, the fundamental question is this: how will all these plans, strategies, and initiatives impact on their economies? How will they help growth and prosperity? For us in Azerbaijan, there is an additional question—the answer to which we believe could have a positive impact on the geography of the entire region: how can Azerbaijan’s hub strategy contribute to building the twenty-first-century Silk Road?

We can begin with a basic question: what was the economic basis of the ancient Silk Road? Understanding this will help explain the

nature of the emerging twenty-first century version. Unlike today’s great maritime ports, the leading commercial cities of the Silk Road region were land-based hubs. They served as critical logistics and distribution centers for merchants caravanning on journeys lasting months and even years spanning three continents. These hubs all hosted caravanse-rais, where goods and ideas were exchanged, and people and cultures met and mixed.

Cooperation between neighboring countries as well as with the world’s major economies is vital to the success of the region as a whole

These trading centers varied in function as much as they varied in their respective contributions to economic growth: some were just small and modest stopover places, others were great cities acting as hives of commerce and innovation. Think of a vast number of one-star, three-star, and five-star hotels scattered across Eurasia, connected by a network of continental routes and corridors. While one-star stopovers offered just food and accommodation, five-star trading megacities were the ancient equivalent of Silicon Valley: places in which 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 hubs and their contributions to the social and economic prosperity of their host societies.

In my view, the twenty-first century version of the Silk Road will depend on getting all the relevant stakeholders to work in common cause to build and connect twenty-first century hubs that together contribute

to regional social and economic prosperity.

Three Phases

Many will continue to speculate about the true nature and potential impact of not only BRI but also its alternative models whilst seeking clarity on the important question of whether they are ultimately complementary. Yet the prevailing view amongst policymakers in the Silk Road region is that a way can be found to ensure each contributes positively to the emergence and development of new hubs across our geography. That is certainly the Chinese view, and it also seems to be that of the EU.

This last speaks, in my opinion, to the necessity of adopting a hub strategy for the region; this, in turn, necessitates a three-phase path of development. First, each country in the Silk Road geography must ensure its infrastructure is up to international standards. Without good roads, railways, ports, and airports, no state can hope to achieve economic development and will surely lose out in the competition for key hub status along the twenty-first century Silk Road. The task for governments across the region is clear: build the core infrastructure that will match the ambitions of the twenty-first century.

Second, once the internal infrastructure is made fit for purpose, connectivity becomes the critical issue. Most countries in the Silk Road region are landlocked and depend on each other for import/export and transit activity. Consequently, mechanisms of smooth connectivity need to be put in place between the region's roads and railways, on the one hand, and major markets like those represented by the European Union and China, on the other hand. Clearly, cooperation between neighboring countries as well as with the world's

major economies is vital to the success of the region as a whole.

Third, over the next decade or two, the Belt and Road Initiative will bring about major transformations across the Silk Road geography—all the more so when put alongside the plans, strategies, and initiatives of others. A robust

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network of innovative twenty-first-century interconnecting hubs is poised to emerge as the economic backbone of Euro-Asian commerce, linking regional and global markets in new

ways. There will be open competition between the hubs that emerge, but only a few will achieve five-star hub status.

This means that we are likely to witness soon the creation of the aforementioned hub network and the selection of strategic hubs across the Silk Road region and beyond. We know the Chinese government is already planning to develop more than 200 domestic hubs; they are likely to be linked to global hub networks across the world. The European Union is also upping its game, as is Russia, which makes it likely that the United States, India, Pakistan, and Turkey will not be far behind.

The critical question here is how much will these developments benefit the economies and peoples of the Silk Road region itself? The answer will depend in large part on the policies and strategies adopted by their respective governments, working closely with the major powers and other partners.

Azerbaijan's Hub Strategy

Today, we are on the threshold of emerging twenty-first century hubs that will reactivate the underused potential for land-based trade between Europe and Asia. Giving new life to the ancient land-based Silk Road 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 entrenching its status as a vital Silk Road region trade and logistics hub.

In Beijing in April 2019, the second Belt and Road Forum heard Azerbaijan's president, Ilham Aliyev, state that

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 opportunities in transportation but enhances trade, tourism, people-to-people contacts, [and] serves the cause of stability and security and peace in Eurasia.

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 thinking about a common vision for this part of the world: the restoration of the Silk Road region as one of the world's great geographies of commerce.

Port of Baku is the oldest and amongst the largest ports in the Caspian Sea, close to huge markets in the EU, Turkey, Iran, Russia, and China. For centuries a key maritime gateway between East and West, today's port is already a transit bridge between Europe and Asia. It aims to become something more, however: a keystone five-star hub of the Silk Road region—a dynamic center of distribution and added value in the heart of Eurasia.

Due to the limited expansion capacity of the old port located in downtown Baku, in 2007 the Azerbaijani government decided to move the port to a new location near Alat, a township 70 km south of the city, at the junction of flagship east-west and north-south connectivity corridors. Its 400 hectares are in the midst of rapid, phased development. With the first phase having been completed in May 2018, the port became the

region's largest transshipment and multi-purpose port, with an annual throughput capacity of 15 million tons of freight and 100,000 TEU. Its operational capacity is expected to reach 25 million tons and 500,000 TEU, based on future expansion plans.

Port of Baku is also the launch pad for the new Baku-Tbilisi-Kars (BTK) railway, which links Azerbaijan, Georgia, and Turkey with the geography of Europe. In operation since October 2017, it connects China and Central Asia with Turkey, the European Union, and the Mediterranean (via Mersin Port). In fact, Port of Baku and BTK are effectively indispensable components of anyone's strategy to develop a transportation corridor connecting Asia with Europe.

Like the Silk Road region's megacities of old, Port of Baku will add value to cargo shipments between Europe and Asia and become a major destination for international business seeking a regional headquarters in Eurasia. Some 130 million people live within 1,000 km of Port of Baku—all potential customers of companies and businesses that would set up shop in Azerbaijan. To facilitate this, in May 2018 the Milli Majlis (parliament) adopted a law providing special tax and customs incentives

for future businesses operating in the free economic zone (FEZ) in and around Port of Baku. In the same year, the president signed a decree that addressed the establishment of the FEZ's authorized body and its operational frames and responsibilities. All this was done to stimulate growth in Azerbaijan's non-oil economy and create a lucrative, stable, and protected climate for new sources of foreign direct investment.

To respond to those strategic developments, Port of Baku itself initiated large-scale reforms. By 2025, the port plans to become a mainly landlord port. It will work with leading multinationals to develop fertilizer and grain terminals, develop its holistic digital Port Community System, and build new terminals to accommodate container, intermodal, and bulk liquid traffic, as well as other facilities required for a twenty-first-century port to thrive.

Port of Baku will also continue to develop cross-border cooperation with various parties, including the EU, to enhance the operational effectiveness of its new facility. The EU, for instance, has provided technical assistance that has enabled the port to compete in a very competitive international and regional environment through various expert missions and

workshops run under the auspices of the Technical Assistance and Information Exchange (TAIEX) instrument of the European Commission. It has also been the recipient of several EuropeAID-funded projects that supported the enhancement of the new port's operational and human resources capabilities.

Moreover, the port has been active in securing agreements with major European interests to strengthen and expand freight traffic from Europe to the Silk Road region and beyond via the Trans-Caspian International Transport Route. Its partnership with Austria's ÖBB Rail Cargo Group and the Dutch Cabooter Group—formalized in November 2019—is but the latest example of strategic efforts to expand a critical East-West transport corridor from Europe's busiest logistics hubs in The Netherlands and Germany to Turkey, Azerbaijan, Central Asia, and ultimately China.

At the same time, Port of Baku has become a pioneer in implementing best practices related to health, safety, and environmental standards. In September 2017, it was awarded OHSAS 18001:2007 Occupational Health and Safety Management Certification. This was followed in December 2018 by the acquisition of an ISO 14001:2015 Environmental Management Certificate as well

as an ISO 9001:2015 Quality Management System Standard certificate in January 2019. This policy went hand in hand with a strategy to help implement the UN Sustainable Development Goals—in particular SDG7 (Affordable and Clean Energy), SDG9 (Industry, Innovation, and Infrastructure), and SDG17 (Global Partnerships). The conscious choice to adopt cutting-edge technologies—particularly with regards to energy use, waste management, air quality, digitalization, and automation—has been supported and recognized at the European level. As result of these efforts, in October 2019, Port of Baku became the first port in the Caspian basin to be recognized as a “Green Port” by the European Sea Ports Organization.

Lastly, Port of Baku has been working with the OSCE to launch a forward-looking project entitled “Promoting Green Ports and Connectivity in the Caspian Sea Region.” Implementation began in June 2019 and this first-of-its-kind regional endeavor has already begun exploring ways in which optimal use of renewable energy, digitalization, and trade and transport facilitation can be made to promote sustainable connectivity.

In short, anticipated developments will make Azerbaijan an ideal place for cargo traffic between

Europe and Asia, and the development model offered by Azerbaijan and Port of Baku echoes the five-star hubs of the ancient Silk Road: the goal being not to just buy and sell, but to add value, innovate, and develop the local economy and society.

New Synergies

The countries of the Silk Road region are building new synergies to secure their respective places in the globalized economic and political arenas of the future by renewing and reworking the ancient Silk Road that once connected Europe and Asia. Azerbaijan will continue to be a key regional actor in shaping the region's transformative vision.

The country's hub strategy envisages an integrated, cohesive, and efficient multimodal project of supply chain and logistics hubs within its borders and abroad. This vision is likely to be emulated elsewhere in the Silk Road geography as the transformational changes initiated by the various connectivity plans, strategies, and initiatives of the region's partners begin to be seen and felt on the ground.

The first two phases of the country's hub strategy have been already completed. Between 2007 and 2015, Azerbaijan built and renewed major infrastruc-

ture: highways, railways, ports, and airports. Since 2015, the focus has been on integrating the country's infrastructure with neighbors like Georgia, Kazakhstan, Turkmenistan, Turkey, Russia, and Iran. By 2030, Azerbaijan will fully become five-star hub, thus renewing its historical position as a keystone commercial center of the Silk Road region.

The legacy of the era personified by the example of Biruni both reminds us of the golden age of the Silk Road region and can presently serve as a signpost of the strategic opportunities on offer in our current era. In the past, hubs served as the backbone of a robust and interconnected network promoting connectivity, open-mindedness, and innovation. Global trends indicate a similar set of circumstances are now ripe again: working in tandem with partners, the Silk Road region can accomplish in the time ahead a hoped-for restoration of wealth and prosperity to a geography emerging once again onto the world stage. Port of Baku and other potential one-, three-, and five-star hubs will need to play supporting roles in the modern-day endeavor to bring back economic, intellectual, and cultural flourishing to this part of the world, predicated on the unimpeded flow of goods, services, people, arts, technology, and ideas. **BD**



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