The Value of Interconnectedness? Azerbaijan and the BRI

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A study on the impact of China's Belt and Road Initiative
on the growth and development of the Azerbaijani economy

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Abstract

This thesis explores the impact of the Belt and Road Initiative (BRI) on the middle-high income economy of Azerbaijan. The research specifically focuses on whether public statements made by Azerbaijani and Chinese politicians – asserting that the BRI has promoted Azerbaijan's economic growth – align with economic realities. This is examined through four facets: the BRI's role in Azerbaijan's emergence as a transit hub, economic diversification, overall economic growth, and Sino-Azerbaijani cooperation beyond the transport sector. The results seem to suggest an association between BRI partnership and positive economic changes, such as economic diversification and GDP growth. However, the assertion that the BRI is the sole driver of these changes is premature, considering other influencing factors and the recent establishment of the BRI. Therefore, while political rhetoric may not entirely match the economic reality, the findings suggest potential for future bilateral benefits and economic growth. A need for further long-term research is needed to solidify any of the conclusions.

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List of Abbreviations

AIIB	Asian Infrastructure Investment Bank
BRI	Belt and Road Initiative
BCIMEC	Bangladesh-China-India-Myanmar Economic Corridor
BTK	Baku-Tbilisi-Kars Railway
CAREC	Central Asia Regional Economic Cooperation program
CCP	Chinese Communist Party
CCWAEC	China-Central Asia-West Asia Economic Corridor
CICPEC	China-Indochina Peninsula Economic Corridor
CMREC	China-Mongolia-Russia Economic Corridor
CNPC	China National Petroleum Corporation
CPEC	China-Pakistan Economic Corridor
CRCC	China Railway Construction Corporation
FDI	Foreign direct investment
GDP	Gross Domestic Product
GNI	Gross National Income
GVC	Global value chain
MC	Middle Corridor
MSR	Maritime Silk Road
NELB	New Eurasia Land Bridge Economic Corridor
OBOR	One Belt One Road
OECD	Organization for Economic Cooperation and Development
PSA	Production sharing agreement
SREB	Silk Road Economic Belt
SOCAR	State Oil Company of the Azerbaijani Republic
TANAP	Trans-Anatolian Natural Gas Pipeline
TASIM	Trans-Eurasian Information Highway
TCTC	Trans-Caucasus Transit Corridor
TITR	Trans-Caspian International Transport Route

1. Introduction

The idea that China and its Belt and Road Initiative have had an impact on Azerbaijan's economic growth seems to have been expressed by the Azerbaijani President and published by his Chinese counterpart: July 23, 2021, marked the centennial of the founding of the CCP. According to a report published on June 6, 2021, in the 'China News' section of the official Chinese Foreign Affairs governmental website, for this occasion, Azerbaijani President Ilham Aliyev conducted a phone call with Chinese President Xi Jinping with the scope of personally congratulating him. During this phone call, President Aliyev mentions how 'the sound [Sino-Azerbaijani] bilateral cooperation in fields such as politics, economy, and transport plays an active role for Azerbaijani economic growth', and that Azerbaijan 'welcomes more Chinese enterprises to invest in its country, and hopes to increase communication and cooperation with China in regional affairs'. In order – among other reasons – to have a better insight into the tangible outcomes of diplomatic relations such as the Sino-Azerbaijani ones, this thesis aims at answering the following research question: *Does the statement – made by both Azerbaijani and Chinese politicians – that the BRI has been contributing to Azerbaijan's economic development and growth reflect of deviate from economic reality?*

The Republic of Azerbaijan is located in the South Caucasus along the western shores of the Caspian Sea, on the intersection between Russia and Iran, and between Eastern Europe and Central Asia. It is a small open economy primarily known for its abundant hydrocarbon resources. In fact, Azerbaijan has been known as the 'Republic of Oil' already since the times that it was part of the Soviet Union (Karimov 2015: 39). During the 1970s and the 1980s, exhaustion in the surface layers caused a gradual fall in oil production, which was however resumed after the country gained independence in 1991. This resulted in the 1994 signing of the 'Contract of the Century', a production sharing agreement (PSA) between Baku and a consortium of eleven oil companies distributed over six countries (Sanjian 1997: 11; Guliyev 2014: 1; Humbatova 2019: 381). From this moment onwards, the country took a path of economic growth fully dependent on non-renewable resources and, therefore, impossible to sustain in the long run. However, it allowed Azerbaijan to expand its financial potential and achieve political stability (Babayev & Ismailzade 2020: 4).

Three major turning points for the Azerbaijani economy are the 2008 global financial crisis, the 2014 fall in world oil prices, and the 2015 devaluation of the *manat* – the Azerbaijani national currency. These events called for long-awaited economic reforms in terms of diversification.

From this moment onwards, the Azerbaijani government seems committed to shifting the investment from its natural resources to those sectors tied to its (regionally strategic) geographical position. Among these, agriculture, tourism, logistics, and transport stand out in terms of priority among the eleven industries outlined in the 'Strategic Road Map' for diversification approved by the Azerbaijani president in 2016.

By prioritizing those sectors, we see the country's national investment focus mainly on infrastructural development, both in terms of transport infrastructure – with the intent to become a regional multimodal logistics hub between Asia and Europe and increase its share of transit trade in the region – and on irrigation and water infrastructure, crucial for the development of the agricultural sector and the subsequent diversification of the country's export (Das, Ginting, Hampel & Horridge 2022: 122). The tourism sector is most likely to benefit from both types of infrastructure development described hereinabove, as both decent transportation connectivity and easy access to water are needed for it to thrive. By investing first and foremost in developing its infrastructure, Azerbaijan aspires to actively start to participate in interregional and international trade and slowly diversify its economy in a successful and sustainable manner.

The reform plans of the Azerbaijani national economy take shape more or less parallel to some economic developments on a much larger scale. Let's shift the attention back to 2015, when the People's Republic of China, one of the region's indisputable economic giants of the modern era, launched a highly ambitious project promoting interconnectedness on all different levels – first and foremost through transportation infrastructure – promising to be highly impactful for the Eurasian region and beyond. The project that strongly recalls the second-century BCE ancient Silk Road was initially baptized as 'One Belt One Road' (OBOR) – when it was first announced in 2013 – and later rebranded as 'Belt and Road Initiative' (BRI). Banerjee (2016: 2) describes the Initiative as China's attempt to create a link first to its neighboring countries, strengthening already existing bilateral cooperation with countries such as Pakistan and those in Central Asia, as discussed by Lianlei (2016: 36). Subsequently, China plans to connect to the rest of the world, including the Middle East, Africa, and Europe (Yang & Yang 2019: 736).

The idea – and the explanation behind the Initiative's name – is that the original Silk Road will be replicated on land through routes collectively referred to as the 'Silk Road Economic Belt' (SREB). The land routes seemingly pass through Central Asia, Iran, and Turkey, eventually reaching Europe. Instead, the 'Maritime Silk Road' (MSR) comprises the routes connecting the region's multitude of ports. These sea routes seem to have their origin in the South China Sea

and pass through the Malacca Strait, the Indian Ocean, and the Red Sea, finally reaching the Mediterranean Sea (Çolakoğlu 2020: 1; Bogdan & Najdov 2020: 6). According to Banerjee, the MSR replicates the routes traversed by Admiral Zheng He at the beginning of the fifteenth century. As a matter of fact, China has yet to sketch the precise routes, as they remain – perhaps strategically – unspecified to date.

The same ambiguity surrounds individual BRI projects: it is unclear which projects exactly belong or relate to the BRI framework, which projects are simply Chinese-funded, and which ones are not part of China's plans. The Initiative's vastness is its main characterizing feature and its main point of criticism, as it implies extremely vague, if not nonexistent, limits: it seems to cover a large variety of sectors, from industrial manufacturing and finance to energy and culture. As Banarjee (2016: 2), Hillman (2018: 1), Yang & Yang (2019: 763), Shubbert & Thees (2020: 21-22), and Bogdan & Najdov (2020: 6) point out, it is 'a project that goes well beyond the ancient network of the Silk Road both in scope and scale', as its goal of interconnectedness is being reached not only through ports, roads, and highspeed rail connectivity but also through pipelines, fiber optic cables and even through art exhibits, fashion shows and marathons.

Despite the unclear goals and timelines of the project, according to Bogdan & Najdov (2020: 2, 6) and World Bank (2019), the governments of many countries have signed BRI cooperation agreements with China since the establishment of the project. Perhaps, as Gubayev (2017) commented, they signed primarily not to miss out on attracting any potential Chinese investment and loans. Unsurprisingly, Azerbaijan became an official BRI partner in no time, probably because the Chinese Initiative overlaps with Baku's strategic interests in many aspects. Therefore, signing presumably seemed for Azerbaijan a natural and harmless decision.

However, the moment of Azerbaijan becoming a BRI partner (2015) does not coincide with the establishment of the diplomatic foundations of the two countries: April 2, 2022, marked the thirty-year anniversary of Sino-Azerbaijani relations. On this occasion, on April 4, CCP-owned *China Daily* published an article titled 'Azerbaijan-China: 30 years of cooperation that can become an example for the world' (Mammadov 2022), in which bilateral relations are celebrated through the highlighting of their most important milestones of the past three decades. In this Chinese article, a section is dedicated specifically to the recent efforts of the Azerbaijani government in support of the BRI. This section makes it clear that the Chinese government does not take credit for any Azerbaijani infrastructural development up to this date, citing that Azerbaijan has '*independently* implemented large-scale transport and infrastructure projects'.

Now, one may wonder whether at all the BRI has had an impact on Azerbaijan's economic growth, as the Caucasian country seems, as suggested by the 2022 online newspaper article and as confirmed by this thesis' literature review in *Chapter 2*, to have invested in its transport infrastructure all by itself. Azerbaijan becoming an official BRI partner could be limited to a formal agreement and could even be a parallel occurrence that remains fairly disconnected from the country's actual activity as a developing transport hub. For Baku's economy to be impacted by China and its BRI, more is required than just signing an agreement. The clearest indication of any impact would be if China actually started using Azerbaijan as a transit country for its international freight to Europe, which will be discussed in *Chapter 4*.

Aside from this initial question (if and how the BRI has impacted the Azerbaijani economy), two follow-up questions arise: *What is intended by 'economic growth'?* And *What are the actual factors – related to China and its BRI – that allegedly contribute to the growth of the Azerbaijani economy?*

The first follow-up question searches for a definition of 'economic growth' and ways to measure economic growth and its contributing factors. This clarification is needed as BRI cooperation between Azerbaijan and China seems to be very much different from, for example, the case of cooperation between China and other BRI partners: in the cases of BRI cooperation with countries such as Sri Lanka, The Maldives, Pakistan, Cambodia, and Laos, as described in Wignaraja, Panditaratne, Kannangara, & Hundlani (2020), China directly accounts for a percentage of these countries' GDP through BRI direct investments in i.a. their transport infrastructure. On the contrary, in the case of Azerbaijan, China's share in the country's economic growth cannot be directly attributed to Chinese direct investment in transport infrastructure. This is because the Chinese government has publicly confirmed that Azerbaijan has invested in it autonomously, and no immediate reasons arise why China, the founder of an initiative that seemingly expands beyond all limits, should not take credit for direct investment in a BRI partner country. This being said, the research on the contribution to economic growth in Azerbaijan should probably be approached differently than in the case of other BRI partner countries, where one could focus on observing Chinese Foreign Direct Investment (FDI).

The second follow-up question – around BRI-related factors that contribute to the Azerbaijani economy – arises from the fact that, according to the 2022 article mentioned earlier in this Chapter, the Azerbaijani President himself states that Sino-Azerbaijani bilateral cooperation plays an active role for Azerbaijani economic growth. Therefore, it searches for the actual

China-related factors that contribute to it. Given the initial assumptions suggesting that the Chinese contribution to Azerbaijani economic growth is unrelated to infrastructure investment, these factors are probably found in the BRI activity that Azerbaijan is directly involved in.

Since there is no mutually agreed definition of 'BRI project', as emerged from *Chapter 2*, this thesis considers all Chinese cooperation with and investment in BRI partner countries to be within the BRI framework. The same is done when discussing the case of Azerbaijan, which is the BRI partner country this research focuses on. As mentioned earlier, according to Azerbaijani President Aliyev's words, Azerbaijan's economic growth is promoted through Sino-Azerbaijani cooperation in 'fields such as politics, economy, and transport'. Since this thesis is placed within the framework of the BRI, the research focuses on Chinese collaboration with and investment in Azerbaijan and the role that China plays in Azerbaijan's path to reaching its full potential as a transport hub.

This being the overall focus, this thesis investigates – as introduced at the beginning of this Chapter – whether the statements made by Azerbaijani and Chinese leaders about the importance of the BRI and its impact on the Azerbaijani economy are reflected in – or deviate from – economic reality.

To answer this research question, the next Chapters of this thesis are organized as follows. Due to the complexity and broadness of the topic of international freight transport interconnectedness, the purpose of *Chapter 2* is to organize single topics as part of this broader context. This general introduction is done primarily to provide a well-rounded overview of the context in which this research can be placed, before zooming in on the case of Azerbaijan. *Chapter 2* also discusses the most relevant existing literature on these topics, published between 2016 – i.e., relevant research published right after the establishment of the Belt and Road Initiative and the signing of a 'Memorandum of Understanding' between China and Azerbaijan – and 2020, a limit specifically chosen to restrict the timeframe to 'pre-pandemic' times to avoid complicating external factors. The structure and content of *Chapter 2* serve the double purpose of making the whole research more understandable for the reader and highlighting some of the gaps in the existing literature that are taken as a starting point for the original research of this thesis. The final section of *Chapter 2* motivates the thesis' choice of researching the impact of the BRI on Azerbaijan's economy in particular and formulates the thesis' hypothesis before moving on to *Chapter 3*.

Chapter 3 introduces the structure, methodology, and sources used in *Chapter 4*. It includes a conceptual framework describing concepts and macroeconomic indicators related to 'economic growth' and 'economic development', leading to four sub-questions answered in *Chapter 4*.

The research conclusions are drawn in the final Chapter of this thesis, *Chapter 5*, followed by a few suggestions for follow-up research.

2. Literature Review and Hypothesis

This Chapter is organized as follows. *Chapter 2.1*. provides an overview of the Belt and Road Initiative's core principles, goals, outlined corridors, collaboration with and prospects for transit countries, and the main criticism around the project. *Chapter 2.2*. highlights the main reasons behind China's interest in Azerbaijan for the BRI and looks into some of what has been written on Sino-Azerbaijani relations, their compatibility as partners, and their recent history of cooperation. *Chapter 2.3*. looks into Azerbaijan's progress regarding the diversification of its economy and the country's most recent infrastructure development. *Chapter 2.4*. looks into Azerbaijan's reasons for interest in partnering with the BRI and into the remaining challenges and competition for Azerbaijan in this specific context. *Chapter 2.5*. formulates the hypothesis for this thesis and explains the purpose and relevance of elaborating on the existing literature on this broad topic by researching the economic impact of the BRI on Azerbaijan.

2.1.The BRI and its Routes

2.1.1. Characteristics and Goals of the BRI

The announcement of the BRI happened in 2013, during the President's visits to Kazakhstan and Indonesia, while its establishment took place in March of 2015 when the document on the 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road' was first published by the Chinese government (Akman 2019; Wu, Hou & Xin 2020: 1; Çolakoğlu 2020: 1; Bogdan & Najdov 2020: 6). On a surface level, the Belt and Road Initiative seems to be the modern Chinese take on the Ancient Silk Road and consisting of a constantly developing plan for a network of regional infrastructure projects that aspires to improve connectivity. However, the BRI is described to be so much more, and scholars have tried to define and make sense of the ever-expanding project and pinpoint its goals since the very announcement of the plan by President Xi Jinping.

The undefined nature of the project has led some, for example, Wu, Hou & Xin (2020: 5), to go so far as to describe the BRI policy and investment program as a 'true experiment'. As for individual BRI projects, Hillman (2018: 1) emphasizes how ambiguous it is to determine which projects qualify as such, as there are also Chinese-funded projects with similar characteristics in countries that are not official BRI partners.

As described by Banerjee (2016: 5-6), the original BRI document outlines the five principles that are meant to shape all future policies, which are 'policy coordination, facilitation of connectivity, unrestricted and free trade across borders, financial integration, and the strengthening of people-to-people contacts'. In his article, the author also defines what, according to them, the BRI *is not*: it is not a free trade regime, although it promotes low-cost movement of peoples and goods; it is not a security alliance nor a treaty-based system, as it does not concern a group of countries linked through treaties and such, to begin with; it is not a plan to grow Chinese hegemony, as the Chinese government itself has been keen to emphasize. This last point, in particular, has been questioned throughout the literature on this topic, as elaborated in *Chapter 2.1.3*.

Yang & Yang (2019: 736), among others, take a stand that is more or less the opposite of Banarjee's (2016): they stress that the aim behind the ambitious initiative is to strengthen the Chinese economic leadership. Some other scholars' position on this particular issue remains somewhat neutral: Babayev & Ismailzade (2020: 2), for instance, describe the project as Beijing's instrument to increase its economic and political presence in the region – that is, by facilitating the implementation of infrastructure projects in countries along the 'Silk Road' through i.a. financial support – without touching on personal gain as potentially being the primary motivation behind the Chinese initiative, but instead focusing on the aspects that concern regional growth and cooperation.

2.1.2. Corridors and Collaboration with Individual Countries

In the article titled *China's Belt and Road is Full of Holes*, Hillman (2018: 5) makes an observation worth mentioning, which is that China can decide to draw any corridor in its plans, but of course, it cannot force any country that happens to be on that route to collaborate with China and its projects nor to become a BRI partner. This gives countries along the route freedom

of action when deciding whether or not to attract or even block China's ambitious moves in their direction and the power to shape Chinese-led or BRI projects to fit their interests.

That being said, as already mentioned in *Chapter 2.1.1.* the BRI and its individual projects are characterized by a lack of limits and definition. Roughly speaking, all there is, is a set of principles according to which future BRI policies are shaped. As emerging from existing literature, mainly Hillman (2018: 3) and Bogdan & Najdov (2020: 6), the same goes for the exact coordinates of the Silk Road Economic Belt's six major corridors – which are described more in-depth, i.a., in Hillman (2018: 2-3); Akman (2019); Babayev & Ismailzade (2020: 2); Çolakoğlu (2020: 1); Bogdan & Najdov (2020: 4; 6) – and for the respective individual countries situated along each of those.

However, Hillman (2018: 2-3) has attempted to identify the countries along these land routes based on BRI foundational policy documents, maps, articles published by Chinese state media, and statements made by single Chinese officials. According to his research, the countries to be found along the economic routes are up to twenty-two.

On the other hand, Bogdan & Najdov (2020: 2), whose research is perhaps the most recent that is available on this topic, insist that it is not possible to know the exact number of countries situated along the SREB and the MSR and believe that based on geographical observations alone there could be up to seventy-one in total. They also report that according to World Bank 2019, up to one hundred and twenty-five countries – both situated along the routes as well as beyond – have signed BRI cooperation agreements with China (Bogdan & Naidov 2020: 6). The country of Azerbaijan, central in this thesis, isn't directly situated along one of the six official routes, but is to be found among this last group.

2.1.3. Prospects for Transit Countries and Criticism

In the existing literature on this subtopic, the BRI is being portrayed by some authors as an initiative that is a direct product of the Chinese government's positive intentions, as it creates opportunities for the improvement of connectivity and the economic development of the region. Wu, Hou & Xin (2020: 1), for example, report that the BRI is 'based on the principles of consultation, contribution, and shared benefits' and that it is 'in line with the needs of the countries along the routes to accelerate domestic economies', and Shubbert & Thees (2020: 21) believe that despite some issues remaining rather vague, the Chinese-led infrastructure projects will at least help improve the connectivity between some of the region's countries. By others,

the BRI is portrayed negatively as China's strategic, self-centered plan to extend its regional and global hegemony, aiming at 'mainly sustaining [its own] domestic economic growth' (Wu, Hou & Xin 2020: 1).

Another point on which the BRI receives much criticism is its undefined, ever-expanding nature and lack of project transparency. In relation to this, Hillman (2018: 1) brings attention to the fact that when assessing the BRI, researchers tend to exaggerate its size and risk to 'impose order where, by design, it does not exist'. Overall the BRI is – at least according to Shubbert & Thees (2020: 21) – discussed critically, especially from a European 'outsider' perspective, creating high contrast with the enthusiasm of many of the developing countries in the BRI region themselves, who 'see high potentials for economic development while acting as a transit country'.

Yang & Yang (2020: 735) and Bogdan & Najdov (2020: 4) believe that the initiative has the potential to transform transportation, urbanization, employment, and trade across countries in the region and beyond: countries participating in BRI projects could use this opportunity to address their gaps in infrastructure, lower their trade costs and barriers, and perhaps even gain additional fiscal revenue and accelerate their regional and international economic integration. According to Wu, Hou & Xin (2020: 1), this transformation has, to some extent, already successfully taken place, at least when it comes to increasing economic and trade cooperation between China and BRI partner countries. Nevertheless, this rapid 'transformation' process might have serious consequences, especially for low-income and emerging economies, as it might result in massive urbanization, air and water pollution, and other severe environmental issues. However, the authors note that this might be counteracted by China putting effort into making the BRI 'greener', which would also benefit China itself as this would protect the project's reputation in the long run (Yang & Yang 2020: 746).

These last observations tie in with a study conducted by Hu & Pan in 2018 on the overall levels of development of sixty-five of the countries found along the BRI's SREB and MSR, in which they conclude that the countries that so far benefitted the most from the BRI are the ones that have good governance and that are the most politically stable. In this study, Azerbaijan ranks forty-third out of sixty-five, which makes it not very clear whether it could actually belong to this group of countries. In conclusion, based on Hu & Pan (2018) and Yang & Yang (2020), it seems that the countries that ultimately benefit the most from BRI projects are medium- to high-income countries with a stable political environment. As an upper-medium income economy,

Azerbaijan is to be found among this group. However, few case studies have so far been conducted on the impact of the BRI on countries belonging to this income group.

2.2.China's Interest and Policies Towards the South Caucasus for the BRI

2.2.1. China's Interest in Expanding Its Economic Impact in the South Caucasian Region

As is the case for several Central Asian countries, China's recent interest in Azerbaijan can be justified by the Caucasian country's geographical advantage of being located within the area of convergence between China, Europe, and Russia. According to Lianlei (2016: 29), the fast and continuous growth of the Chinese economy will, in the upcoming decades, work towards a context where the East Asian economic circle will expand at a tempo that is eventually impossible for the EU and Russia to keep up with, causing the convergence area to move slightly westward and positioning Azerbaijan and the western shore of the Caspian Sea at more or less the exact point of a new joint area of economic influence. Yang & Yang (2019: 741) and Babayev & Ismailzade (2020: 2, 4) mention the country's strategic position as the key factor as a gateway to potentially becoming a 'major transit center for goods flowing between Europe and Central Asia', as it could function as an international hub and as a strategic partner for Beijing, connecting China's trade roads with Europe and the Middle East and therefore creating opportunities for the implementation of the various projects that fall under the Belt and Road Initiative. Even more so, considering that Azerbaijan has a solid base of already existing and constantly improving transportation infrastructure – described in *Chapter 2.2.* – that allows it to participate in regional and international projects. According to Babayev & Ismailzade (2020: 5), Azerbaijan 'has not only the technical and financial capacity but also the political will to further promote the Chinese BR Initiative'.

Another factor that could explain China's attraction to the South Caucasus, although controversial in the literature reviewed for this research, is connected to the fact that Chinese trade has up to recently been carried out by maritime routes: Akman (2019) believes that overland routes could significantly cut the total expenses and duration of China's freight transportation – increasing Beijing's regional dominance – whereas Bogdan & Najdov (2020: 4) state the opposite about the routes' cost efficiency, namely that an overland route would be costlier for China than a pure sea route. For what concerns the duration, Babayev & Ismailzade (2020: 4) mention multiple times throughout their article that 'the shortest railway road between China and European countries passes through Azerbaijan'.

Lianlei (2016: 29-30) and Bogdan & Najdov (2020: 4, 10) consider Azerbaijan to be a pivotal country in the China-Central Asia-West Asia Economic Corridor (CCWAEC) – which is one of the BRI's six economic corridors mentioned in *Chapter 2.1.2*. – as 'the shortest route from China to Europe is through Baku'. Principally, the authors refer to the Trans-Caucasus Transit Corridor (TCTC), which connects China to Europe. According to Bogdan & Naidov, this route presents itself as an alternative to the New Eurasian Land Bridge (NELB) – the one passing through i.a. Russia and Belarus. It originates at the Alat International Sea Trade Port (described in *Chapter 2.3.2.*) in Azerbaijan, extends to its East to China, crossing the Caspian Sea and then passing through Kazakhstan, and to its West to the Georgian border where the route splits into two branches, one of which reaches Georgia's ports of Batumi and Poti – from which cargo can reach Europe via Romania and Ukraine – and the other continuing to Kars in Turkey and from there westward to Europe.

Another factor that justifies China's interest in Azerbaijan and the Caspian Sea is, according to Mammadova & Hasanli (2020: 666), the economic crisis of countries in the region as a consequence of EU and US sanctions against Russia, Turkey, and Iran. This factor and the one concerning the TCTC as an alternative to the NELB could be particularly interesting to consider in future research in light of the 2022 regional developments.

2.2.2. Sino-Azeri Relations, Compatibility as Partners, and Cooperation

Azerbaijan's cooperation with China in the context of the Belt and Road Initiative started in 2015 when the two countries signed a 'Memorandum of Understanding on Joint Encouragement of the Establishment of Silk Way Economic Belt' between the Republic of Azerbaijan and the People's Republic of China during a visit of President Ilham Aliyev to China. As reported by Lianlei (2016: 32-33), Bogdan & Najdov (2020: 4, 8-9), and Babayev & Ismailzade (2020: 3), the two countries see the BRI and mutual partnership as a significant development opportunity, and Azerbaijan considers it to be a major priority despite the fact that it 'does not borrow from China for its infrastructure developments', that China has not been that big of an investment partner for Azerbaijan in previous years, and that Azerbaijan has been investing 'twice as much in China as China invests in Azerbaijan'. In fact, President Aliyev has repeatedly expressed his support for the Chinese initiative. During the 'Second One Belt One Road forum' in April 2019, he reiterated his country's importance for the initiative by underlining the transit opportunities Azerbaijan creates for many countries in the region.

During President Aliyev's most recent visit to China, both leaders expressed the willingness to reinforce the existing partnership. This includes the aim to incorporate the Alat International Sea Trade Port into the BRI to use it as an integrated regional logistics and distribution center on the CCWAEC and possibly China's intention of investing in underwater infrastructure between Azerbaijan and Kazakhstan as part of the 'Trans-Eurasian Information Highway' (TASIM) project (Bogdan & Naidov 2020: 8-9).

Despite the partnership seeming to have developed relatively out of the blue over the course of past decades, according to the authors mentioned above, bilateral cooperation between the two countries derives from historical opportunities that originated from their similar, parallelly evolving development strategies throughout the years: they both 'prioritize interconnectedness', and they both have 'outward facing foreign and trade policies' that are being pursued independently and peacefully as both countries are keeping off from joining exclusive military and economic blocs. For both, political stability and non-interference with other countries' internal affairs are a precondition for economic development, something that they both value and prioritize and for which they have set similar goals towards which the two leaders aim to lead their countries: China wishes to transform into a medium-developed country by 2050, while Azerbaijan has similar long-term plans in regards to the realization of a 'competitive, non-oil, export-oriented, and high-income economy'. This makes them excellent partners, as Azerbaijan's diversification plans can be integrated into China's plans for an economical upgrade, and similar challenges – such as the shared strive for the unification of their territories – contribute to an even deeper mutual understanding (Lianlei 2016: 32-33).

2.3. Azerbaijan's Path to Diversification Through Infrastructure Development

2.3.1. Diversification of Azerbaijan's National Economy

Azerbaijan's era of reliance on the oil and gas sector is slowly but surely coming to an end, but, as described in Babayev & Ismailzade (2020: 4), it has boosted the country's economic growth and left it with increased financial potential and a relatively stable political environment, at least compared to some other countries in the region. In combination with its strategic location, all this has enabled the country to invest and successfully participate in regional transport projects. Over the past years, Azerbaijan's government has been modernizing its transport infrastructure both in collaboration with neighboring countries and on a domestic level. It has invested around thirteen billion dollars in railways, roads, and other infrastructure from 2010 to 2015 alone

(Yang & Yang 2019: 741), financed primarily by Azerbaijan's State Oil Fund (Bogdan & Najdov 2020: 4).

Lianlei (2016: 32) and Mammadova & Hasanli (2020: 668-670) both point, in their articles, at a document published on the Azerbaijani President Ilham Aliyev's official website in 2012 called 'Azerbaijan 2020: Outlook for the Future'. This document indicates the country's government's intentions set, at that time, to 'develop a competitive, non-oil, export-oriented, and high-income economy'. There is a 2021 version of this document, called 'Azerbaijan 2030', to be found on the same website and illustrating the upcoming plans for the development and diversification of the Azerbaijani economy.

Bayramov & Abbas (2017: 154-155), Yang & Yang (2019: 741-743), and Mammadova & Hasanli (2020: 668-670) provide background on when the need for diversification started to push through in the specific case of Azerbaijan: just like in the case of other economies, the country and its growth path was strongly affected by the global financial crisis and the fall in world oil prices in 2014 – and on top of that, the 2015 double devaluation of the manat – while prior to the crisis there had been a boom in oil prices that led to an increase in foreign direct investment (FDI) and public spending. When the crisis hit, the government of the country was confronted with the fact that continued dependence on hydrocarbon export was just not feasible anymore and instead presented itself, at this specific turning point, as a major domestic vulnerability that demanded a plan to 'rapidly diversify the economy by creating a more business-friendly environment and pursuing structural reforms' (Yang & Yang 2019: 741), and one that focused on 'strengthening the private sector' (Mammadova & Hasanli 2020: 668).

This plan was approved by the Azerbaijani President in 2016 in the form of strategic roadmaps for eleven main industries. Among these, one was dedicated to the development of logistics and trade, defining a plan for the period up to 2020, 2025, and beyond the year 2025. According to Bayramov & Abbas (2017: 154-155), already in 2015, 'more than sixty percent of investment expenditure was devoted to infrastructure projects', of which around forty-four percent regarded transportation infrastructure and circa twelve percent agriculture. The authors report that this last factor can be considered to have undermined the export potential of this specific sector early on.

According to Guliyev (2020: 353), the country's challenge is to develop truly self-sufficient non-oil sectors. However, Azerbaijan's main goal for the sustainable growth and diversification

of its economy from 2015 onwards seems to be that of becoming a regional logistics hub that is strongly connected with other countries, and so 'increasing its share of transit trade in the region' (Mammadova & Hasanli 2020: 669). As reported by Guliyev (2020: 357-358), this aspiration prompted the country already in the mid-2000s to 'invest in the upgrading of its pipeline, road infrastructure, agriculture, and industrial base' and to join the Central Asia Regional Economic Cooperation program (CAREC) in 2003.

As for the fall of oil prices in 2020 due to a new and unexpected global crisis, Guliyev (2020: 357) believes Azerbaijan is in need of more serious economic reforms, which he describes point by point in his article, but this goes slightly beyond the timeframe selected for the research of this thesis. For the same reason, this section elaborates in a selective way on some of the country's – at least up to 2020 – remaining connectivity gaps and challenges (see *Chapter 2.4.2.*), but if one wished to look into it, at least five of these can be found discussed in detail in Bogdan & Najdov (2020: 14-15).

2.3.2. Azerbaijan's Transport Infrastructure Development

Railways and Roads

Mammadova & Hasanli (2020: 668) report that according to the 2019 edition of the Global Competitiveness Report, Azerbaijan scored 70.8 out of 100 – 100 representing the optimal score – in terms of rail service efficiency, and therefore ranked eleventh out of one hundred forty-one countries, exceeding the scores of i.a. the USA, Germany, and Sweden. The index gives an indication based on frequency, punctuality, speed, and costs. Although this probably is, at this point, not the most recent version of the index available, it gives a good and fairly updated indication of the quality of the Azerbaijani rail service. When it comes to Azerbaijan's roads, the country's position in the ranking of the World Economic Forum is thirty-fourth in the world in terms of quality. In fact, Azerbaijan has, over the past decade, been investing in the reconstruction of all its major roads that connect the republic with neighboring countries Russia, Georgia, and Iran (Bogdan & Najdov 2020: 11; Mammadova & Hasanli 2020: 668, 670). In regards to the East-West Highway – the E-60 that connects Western Europe to Central Asia – Bogdan & Najdov (2020: 12) mention that, in Azerbaijan, it passes through the country towards the Georgian border starting from the Alat port and runs through Baku and Ganja. The high quality of this road makes it the ideal and often preferable route for both international and local freight transit.

Azerbaijan's most important railway project is the Baku-Tbilisi-Kars Railway (BTK). This regional eight-hundred-twenty-six-kilometer-long transport corridor runs from Azerbaijan to Turkey, passing through Georgia. It was completed and became operational in 2017. It is important on its own and potentially in the context of ambitious projects such as the BRI as it connects Central Asia to Europe. Its advantageous features are outlined by Mammadova & Hasanli (2020: 668), who describe it as 'economically efficient, stable, safe, and fully complying with world environmental standards'.

According to the same authors and Lianlei (2016: 31), the BTK railway line project's long-term goals are for Azerbaijan to 'expand [its] possibilities of multimodal transport' to 'ensure the growth of passenger and freight traffic', and to eventually 'connect [the BTK Railway] to the European railway system, which will help integrate the South Caucasus with the European economic space': as reported by Bogdan & Najdov (2020: 12), the railway could reduce the time for cargo transiting between Asia and Europe by half, if to be compared to other routes, and the authors predict that the railway's capacity as for 2020 will potentially threefold over time. However, Bogdan & Najdov also highlight that the route is not seamless: Turkey uses European standards for its railways, whereas Azerbaijan and Georgia use Russian ones. This causes a break of gauge at the Turkish border.

Seaports and Shipyards

According to Mammadova & Hasanli (2020: 670), the Port of Baku ferry terminal serves around eighty percent of the total transit cargo destined for the European market coming from Kazakhstan and Turkmenistan by rail. It has access to the Baku-Tbilisi-Kars Railway, to the railway running from Baku to the North-West through Southern Russia, to the railway running from the South-West to Turkey through Iran, and to the one running from the South to Astara, which are four major international railways. An advantage for specifically the Port of Baku that the above-mentioned authors underline, is that it provides cargo services at prices lower than those provided by other transport partner countries while maintaining high-quality service.

Azerbaijan's International Sea Trade Port is today's largest port on the Caspian Sea, located about sixty-five kilometers south of the capital Baku, where the original port is located (Bogdan & Najdov 2020: 12). According to Mammadova & Hasanli (2020: 669), the completion of the port – which has thirteen berths and can handle up to 100,000 tons of cargo annually – 'accelerated the receipt of strategic benefits for Azerbaijan from transport projects'. The

literature on this topic seems to be conflicting when it comes to whether or not the port has been completed by 2020: according to Bogdan & Najdov (2020: 12), the port's construction started in 2012 and is still ongoing. The importance of this port is its relevance to the Trans-Caspian International Transit Route (TITR) and its ability – as reported by Mammadova & Hasanli (2020: 670) – to speed up the transport by sea of cargo from China up to three times as it is four and a half thousand kilometers shorter than the Southern Corridor and one and a half kilometers shorter than the Southern Corridor.

According to its official website, the Baku Shipyard was established in 2011 and inaugurated in September 2013 and is the largest shipyard in the Caspian Sea. The shipyard's website reports that the main activities of the Baku Shipyard are 'the construction of a variety of vessels ranging from offshore support vessels, general cargo vessels, tug boats, crane vessels, specialized vessels, passengers vessels to tankers'. The yard is also said to 'undertake ship repair and conversion of such vessels'. According to Mammadova & Hasanli (2020: 668), it will allow 'the production of all types of vessels and increase cargo transportation on the Caspian Sea' and 'the establishing of communication with Central Asian and European countries'.

2.4.The BRI's Potential Contribution to Economic Growth in Azerbaijan

2.4.1. Azerbaijan's Interest in Partnering with the BRI

Becoming a logistics and transport hub connecting Europe and Asia would allow the Caspian country to benefit from transit and transportation fees of cargo traveling both East-West and North-South. As discussed in previous sections, the Belt and Road Initiative overlaps with Azerbaijan's strategic interests and is therefore highly attractive to Baku: cooperation with China's grand infrastructure initiative, particularly within the TITR project, would provide the advantage of possibly receiving China's 'technical support and additional foreign direct investments from Chinese private and public companies'. This means that successful cooperation with the BRI could result in an increase in aggregate income from transportation and transit fees, a quicker and more stable path to economic diversification by tapping into global value chains (GVCs), and the attraction of foreign capital to fill Azerbaijan's funding gap, and therefore yield long term economic benefits. However, some studies show that to maximize the long-term benefits of infrastructure investment, the implementation of complementary policies is key (Yang & Yang 2019: 741; Babayev & Ismailzade 2020: 3-4, 6; Bogdan & Najdov 2020: 4-5). According to Bogdan & Najdov (2020: 4), if the conditions for

cooperation are optimal, the BRI could increase Azerbaijan's GDP by up to twenty-one percent in the long run.

2.4.2. Challenges

Challenges that could slow down the way to Azerbaijan's successful integration with – and eventually the country's share of profit through – the BRI remain, and it could be worth discussing the ones that have been identified by Lianlei (2016) and Bogdan & Najdov (2020), especially because their respective research has been published far enough apart to give an idea of some of the challenges at the beginning stages of the BRI, and ones that have been perceived as such in the fairly recent year of 2020.

Let's start with the fact that, despite its strategic geographic position and advanced infrastructure, Azerbaijan is not the only feasible transit country that can and wishes to serve as a hub on the routes connecting East and West Asia – and, in the grand scheme, China to Europe. In fact, as pointed out by Lianlei (2016: 35-36), there are – without considering the maritime route – several candidates that form real competition for Baku: one is Kazakhstan, and the other is Turkmenistan. However, the completion of the BTK Railway would guarantee success for Azerbaijan, at least when it comes to Trans-Caspian International Transport Route, as the route of the BTK Railway seems to be the most promising one that connects the South Caucasus to Europe, and in regards to further connectivity to it, Azerbaijan can actually benefit of the competition between Kazakhstan's Aktau Sea Port and Turkmenistan's Turkmenbashi International Seaport, as both could be connecting the port of Baku to corridors further East.

Further competition could be identified in the completion of the China-Pakistan Economic Corridor (CPEC) – which strategically connects the Belt with the Road – through which Central Asia and West China could gain direct access to the Indian Ocean, and so diversifying cargo traffic from the overland route and impacting Azerbaijan's profit as a transit country. However, this competition should not impact the Azerbaijani economy that much, as the Central Asian trans-border cargo is relatively small – as is its importance for the Baku harbor – and given the fact that it mainly consists of low-value-added products.

Azerbaijan could definitely be – and is proactively investing in the strong infrastructural foundation to become – a pillar in the context of interconnection within the BRI. According to Lianlei's predictions in his 2016 article, the factors that determine Baku's success are 'the

completion of the BTK railway, the openness of North-South transport corridor through Azerbaijan, and the increased demand of relevant countries for land-based transportation'.

If to look at the challenges that were pointed out in the more recently published article by Bogdan & Najdov (2020: 4-5), these mainly seem to relate to a lack of container-focused infrastructure, although fundamental for Azerbaijan's successful integration into the Belt – think of container terminals, ferries, and logistics that would facilitate the seamless regional trans-border freight transportation.

2.5.Hypothesis and Relevance

As emerges from the existing literature described in *Chapter 2.1.3.*, the BRI has the potential to contribute to the transformation of low- or lower-middle income and emerging economies, in particular in regard to transportation, urbanization, employment, and trade. Multiple case studies exist around the cooperation of such countries with the BRI, such as Newcomb (2020) on Kenya and Negara (2021) on Indonesia. The purpose of researching the impact of the BRI on Azerbaijan's economy in particular is to explore whether economic growth and development can be achieved through partnership with the BRI for an upper-middle income economy which does not require addressing gaps in infrastructure or whether, in these cases, BRI partnership remains limited to diplomacy.

This thesis' hypothesis is that China and the BRI have provided a secure and stable opportunity for cooperation and interconnectedness on a regional level, enabling Azerbaijan to develop into a transport hub – at least 'on paper'. Given the novelty of the BRI and China's preference for the more appealing NELB, positive sectoral and overall GDP growth in Azerbaijan are not to be ascribed to China and its BRI but to Azerbaijani domestic developments and the sum of (a variety of) factors. Therefore, Azerbaijani and Chinese political rhetoric around China's impact on Azerbaijani economic growth does not coincide with economic reality at the time that the statements are made. However, well-established diplomatic relations provide potential for future bilateral benefits and economic growth.

The testing of this thesis' hypothesis will start to shed light both on the potential economic impact of the BRI through an 'Azerbaijan case study' and on whether Sino-Azerbaijani bilateral relations are, in reality, more of a formality or a true opportunity for the South Caucasian economy's growth and development.

3. Research Framework and Methodology

This Chapter will explain how this thesis' original research, which will be presented in *Chapter 4*, has been conducted.

In *Chapter 3.1*., the thesis' research question will, first of all, be subdivided into four separate sub-questions in order to provide a separate analysis for each of the most relevant aspects that need to be taken into consideration in order to provide a well-rounded answer to the main research question. This section will be followed by a description of the sources of the data and literature used in the analysis conducted in *Chapter 4*, while it will be explained how the data have been used in the analysis and how the analysis itself has been conducted in each of the four sub-chapters. The last section of *Chapter 3.1*. will address potential issues around Azerbaijani national statistics and provide a few suggestions for future research.

Chapter 3.2. will provide a conceptual framework that explains 'economic growth' and 'economic development' as two separate concepts and will describe the macroeconomic indicators and indexes that are most commonly used in research – and that have been selected for this thesis' research – in relation to each of the two concepts.

3.1.Research Methodology

In order to answer the research question introduced in *Chapter 1*:

Does the statement – made by both Azerbaijani and Chinese politicians – that the BRI has been contributing to Azerbaijan's economic development and growth reflect of deviate from economic reality?

this thesis has taken into consideration a number of different aspects – and analyzed them one by one – based on the following hypothesis, which has been formulated at the end of *Chapter 2.5.*:

China and the BRI have provided a secure and stable opportunity of cooperation and interconnectedness on a regional level, enabling Azerbaijan to develop into a transport hub – at least 'on paper'. Given the novelty of the BRI and China's preference for the more appealing NELB, positive sectoral and overall GDP growth in Azerbaijan are not to be ascribed to China and its BRI, but to Azerbaijani domestic developments and the sum of (a variety of) factors. Therefore, Azerbaijani and Chinese political rhetoric around China's impact on Azerbaijani

economic growth does not coincide with economic reality at the time that the statements are made. However, well-established diplomatic relations provide potential for future bilateral benefits and economic growth.

In practice, this means that based on the hypothesis above, the following sub-questions have been formulated, which this thesis attempts to answer in respectively *Chapter 4.1.*, *Chapter 4.2.*, *Chapter 4.3.*, and *Chapter 4.4.*:

a. Is the BRI essential for Azerbaijan to function as an international transit hub? Would this goal be achievable in the absence of the Chinese presence and initiatives in the region?
b. Has the growth of Azerbaijan's transport sector resulted in the development and diversification of its economy? If so, can this be attributed to the BRI?
c. Has Azerbaijan's economy grown since becoming a BRI partner in 2015?
d. China has not directly invested in the development of Azerbaijani transport infrastructure. Has Azerbaijan attracted any other Chinese investment or cooperation?

A combination of a quantitative (*Chapters 4.2* and *4.3*) and qualitative (*Chapters 4.1* and *4.4*) approach was used to formulate a well-rounded answer to the research question.

For *Chapter 4.1*, a qualitative, descriptive method based both on primary and secondary sources was used to answer the sub-question. The Chapter explores the BRI-related facts and factors that allow Azerbaijan to develop into and function as an international transit hub.

The sources used to identify these factors are the official website of Azerbaijani President Ilham Aliyev 'president.az', the official governmental website 'azerbaijan.az', and 'adycontainer.com'. The reliability of the first two sources lies in the fact that Azerbaijan's foreign policy and overall decision-making revolves mainly around the figure of the President, as emerged from most of the articles and official reports that have been looked at for this thesis' research: President Ilham Aliyev's name is to be found in all official documents and state-owned websites, as well as in most Azerbaijani news articles, which shows the high level of his authority.

These two state-owned websites provide information on the 'restoration of the Great Silk Road', which includes details on the steps taken by Azerbaijan to participate in the regional plans for the promotion of transport interconnectedness from an Azerbaijani point of view. This information is particularly useful to understand where Azerbaijan positions itself in the context

of regional infrastructure developments and in regard to the BRI. The information provided by the two websites on the purpose and the reasons behind the success of Azerbaijani transport infrastructure has been, in the analysis, backed up by information provided by the news outlet 'newsilkroaddiscovery.com'.

Details on the actual usage of Azerbaijan as a transit hub – and how it is used by China – are retrieved primarily from the monthly reports found in the 'news' section of the 'ADY Container' website, which is the third and main primary source used in this sub-chapter. ADY Container is a subsidiary of 'Azerbaijan Railways', the company responsible for all railway transportation of containers in Azerbaijan. Primarily, it manages transportation within the framework of the Trans-Caspian International Transport Route (ADY Container 2018). Founded in 2017, it provides services between different terminals, including the ones in Baku and in Alat, where the country's international ports are located. According to its main website, the company aims to provide 'cost-effective and reliable services' when it comes to cargo transportation via railway, sea, and road.

Remarks on the region's transport projects – the BRI, the TITR, and the Middle Corridor (MC) – have been made based on the articles written on Turkey's Middle Corridor by Akman (2019), Çolakoğlu (2020), and an article on Azerbaijan's Contribution to the BRI, written by Babayev & Ismailzade (2020).

Chapter 4.2. looks into Azerbaijan's economic development since becoming a BRI partner in 2015. In answering the sub-question for this Chapter, a quantitative method has been adopted, using data from primary sources.

This was done through the creation of tables that report yearly data – for the period of cooperation with the BRI and a varying number of years prior to cooperation – on the percentages of Azerbaijani hydrocarbon export, share in GDP, and the number of workers in selected sectors of the Azerbaijani economy, and Azerbaijan's yearly coefficients of selected indexes. These tables have then been analyzed in order to determine the degree and characteristics of Azerbaijan's general economic development and its economic diversification based on the definitions of economic development chosen for this research in *Chapter 3.2.2*. The choice for the macroeconomic indicators used in this Chapter was also based on *Chapter 3.2.2.* of this thesis' conceptual framework.

In *Chapter 4.2.*, economic diversification has been looked at as a separate sub-topic of economic development, again according to *Chapter 3.2.2.* The data used in the tables originates from different online databases: the Observatory of Economic Complexity (OEC), which according to oec.world is 'an online data visualization and distribution platform focused on the geography and dynamics of economic activities' that 'integrates and distributes data from a variety of sources to empower analysts in the private sector, public sector, and academia'; the State Statistical Committee of the Republic of Azerbaijan, which according to stat.gov.az provides 'annual reports combining 20-27 statistical tables […] that incorporate statistical data on the population, workers, fairs, factories and plants, the circulation of plants and products and fairs, the commercial prices of major goods, the number of militants and other information'; World Bank, which according to data.worldbank.org provides 'a collection of development indicators compiled from officially-recognized international sources'; Knoema, which, as described on business.knoema.com, hosts 'databases on social, economic, financial, political, and industry-specific topics and trends'; The Global Economy – which provides data 'on GDP, inflation, credit, interest rates, employment, and many other indicators' that serves 'researchers, business people, academics, and investors who need reliable economic data on foreign countries'.

The selection of these sources was based on perceived reliability and on the availability of data for the years that this thesis focuses on. However, some of the databases lack data on one or more years: stat.gov.az provides data for years up to 2018, and as for the Gini Index, data.worldbank.org provides data for the years up to 2005. Therefore, data on the Gini Index were added to by business.knoema.com, which provides data for the availability of data for the years.

Chapter 4.3. looks into the growth of Azerbaijan's economy since 2015. Also in this Chapter a quantitative method has been used to answer the Chapter's sub-question, using data from primary sources.

The analysis made to answer the research question's third sub-question was, also in this case, done through the observation of tables made for this research that report yearly data – for more or less the same periods as the ones in *Chapter 4.2.* – on the percentages of Azerbaijani GDP growth, the share of oil GDP and non-oil GDP, and the GDP from specific sectors. The analysis and comparison of the tables were done in order to determine the degree of Azerbaijan's economic growth based on the definitions of economic growth selected for this thesis' research

in *Chapter 3.2.1*. The macroeconomic indicator that this Chapter focuses on is GDP, also described in *Chapter 3.2.1*.

The data used in the tables originate from one of the online databases used for *Chapter 4.2.* – which is the State Statistical Committee of the Republic of Azerbaijan – and from a database of the Baku Research Institute, which according to bakuresearchinstitute.org is 'a non-profit think-tank launched by independent experts aiming to provide a local and international audience with analysis, opinion, surveys, and research on a variety of issues in Azerbaijan, including […] the economy'. For some of the tables in this Chapter based on the database hosted by stat.gov.az, data is available only up to 2018.

The final section of the analysis, which is *Chapter 4.4.*, explores the remaining areas in which Azerbaijan has attracted Chinese investment and cooperation since 2015, the year of becoming a partner of the Belt and Road Initiative. The premise made to answer this section's sub-question is that due to a lack of definition of what should be considered a 'BRI project', all Chinese cooperation with and investment in BRI partner countries – in this case, Azerbaijan – from the establishment of the initiative onwards can be placed within the context of the BRI. Therefore, in order to provide a well-rounded answer to the main research question in *Chapter 5*, *Chapter 4.4*. looked at the remaining BRI activity in Azerbaijan from 2015 onwards. For this qualitative part of the research, a descriptive approach is adopted.

The research was carried out based on information provided by primary sources – the official websites of Azerbaijan's Ministry of Foreign Affairs, the Asian Infrastructure Investment Bank, and the State Oil Company of the Azerbaijani Republic – and by secondary sources, which are publications by Jafarli (2020), Gachaev (2021), and Guliyev (2022), and articles published by Azerbaijan's State News Agency, azernews.az, and the Baku Research Institute.

For the interpretation of the data used in this thesis' original research, it is worth addressing a concern that could potentially arise about the reliability of official Azerbaijani national statistics. Freedomhouse.org (2023), a notorious independent watchdog organization, describes Azerbaijan as an authoritarian regime where corruption is rampant. Khan, Abedin, Rahman & Khan (2022) argue that in the presence of corruption and an authoritarian regime, open data quality is likely to be compromised. Therefore, the data might not truthfully reflect the reality of corruption and cronyism in the country's economy and the subsequent financial mismanagement in the country.

According to Magee and Doces (2015), both democracies and dictatorships have good reasons to exaggerate their economic growth rates. However, authoritarian regimes do not face the same constraints on executive authority as democracies do and therefore have the opportunity to lie when reporting their economic growth and success. According to the authors, annual GDP growth rates are estimated to be overstated by 0.5–1.5 percentage points in the statistics that leaders of authoritarian regimes report to the World Bank. However, the data used for this thesis' research reflect percentile change on a macro level over time and therefore remain valuable for this research even in the face of potential statistical failings or corruption.

For further research, it would be interesting to explore statistical methods – such as regression models – to answer this research question in a more factual accurate way rather than the more analytical and descriptive one chosen for this thesis, but as for now, this goes beyond the scope and limits of this MA thesis.

3.2.Conceptual Framework

For the purpose of this research, it can be appropriate to clarify, based on the theory selected to best fit this thesis, the definitions of – and the indicators conventionally used to measure – a couple of concepts that are often used interchangeably or that are likely to create confusion when used in the same context. These concepts are 'economic development' and 'economic growth'.

According to Amsden (1997), economic growth could be viewed as both a precursor to and a result of economic development: economic growth provides the necessary resources to invest in economic development, which, if done sustainably, can provide again a solid base for economic growth.

This thesis prefers to distinguish between the two concepts but assumes that when Azerbaijani President Aliyev mentioned that Sino-Azerbaijani cooperation contributes to Azerbaijan's economic growth, he used the 'economic growth' as an umbrella term for both 'growth' and 'development'. For that reason, the thesis has researched both aspects as separate but highly interconnected, in an attempt to formulate a comprehensive answer to the research question.

3.2.1. Economic Growth

Although the definition of economic growth seems really straightforward, it can be useful to look at some of the existing definitions given to this concept.

One of the first definitions of modern economic growth might be the one given by Nobel Prize winning economist Simon Kuznets (1973), who describes it as a country's 'long-term rise in capacity to supply increasingly diverse economic goods to its population' in which the growing capacity is 'based on advancing technology and the institutional and ideological adjustments that it demands'.

According to Roser (2013), who provides a more up-to-date and simplified definition, economic growth is a fairly recent phenomenon in history and 'describes an increase in the quantity and quality of the economic goods and services that a society produces and consumes', and is often measured through economic indicators, among which the most important one – and the one that has been taken into consideration in this research – is GDP.

Accounts on a country's GDP – or economic growth – are being published routinely by statistical offices and are easily retrievable online. These will be looked at in *Chapter 4.4.* when discussing Azerbaijan's GDP growth since becoming a BRI partner in 2015.

GDP

The most popular example of an economic indicator has to be the Gross Domestic Product (GDP), which is, citing the definition given by the official website of the OECD, 'an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs)'.

Roser (2013) defines GDP as 'the measure of an economy's total production', or – to be more precise – the 'monetary value of all final goods and services produced within a country or region in a specific time period'. When comparing GDP between different countries or over time, Roser (2013) reminds us that we should take into account that there are complicating factors such as price, quality, and currency differences. For this reason, we usually see the USD used as a conventional exchange rate for country-to-country comparisons. By dividing a country's GDP by the size of its population, we obtain GDP per capita, which indicates the average prosperity of a person in that country or the average income of people in that economy.

Last but not least, Investopedia.com hints at the difference between 'nominal GDP' and 'real GDP', which is that the first of the two is calculated using current prices, while inflation is taken into account in the latter. For this reason, when conducting research around long-term national

economic performance, real GDP is usually the suggested version of the indicator to look at, which is also the case for this research.

3.2.2. Economic Development and Diversification

According to Schumpeter (1961), economic development is the fundamental transformation of an economy and involves 'transferring capital from established methods of production to new, innovative, productivity-enhancing methods'. It also involves the 'alteration of the industrial structure'. According to this definition, Azerbaijan's path to economic diversification and investment in non-oil sectors such as logistics and transport could be well considered a part of 'economic development'.

Feldman, Hadjimichael, Lanahan & Kemeny (2016) highlight what they consider to be an important difference between economic growth and economic development, namely that economic growth can be measured periodically – quarterly or annually, for example – while for economic development, it might take decades to observe a positive gain. They propose the following definition: 'Economic development is the means to achieve sustained increases in prosperity and quality of life realized through innovation, lowered transaction costs, and the utilization of capabilities toward the responsible production and diffusion of goods and services'.

The precondition for economic development is, according to the authors, governmental stability: when a government works as it should, it mitigates risks, and various sectors are able to benefit through 'greater productivity and efficient use of resources' and realize their potential, with the government itself as their 'main investor'. The same is believed by Radu (2015), who states that 'an unstable political environment will reduce investment and the speed of economic development'.

There are various indexes and governance indicators available that can be looked at to determine a country's political stability, such as the 'Political Stability and Absence of Violence/Terrorism' and 'Rule of Law' ones provided by World Bank.

As for economic diversification, the official website of the UNFCCC (United Nations climate change) simply defines the concept as 'the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets'.

Some of the economic indicators commonly used to describe economic diversification and development can be found below. These have been used in *Chapter 4.2*. when discussing Azerbaijan's economic development and diversification through the growing transport sector.

GDP by Sector

GDP is the broad measure of a country's domestic production. However, one can also look in an isolated way at a 'portion' that contributes to total GDP, that is, an economy's single sector.

According to Shehabi (2019), the size of GDP or its contribution to exports of a country's sector can be an indicator of an economy's level of diversification and of whether or not a specific sector can be considered vulnerable. However, the indication is considered a rough measure. This is, according to the author, because there is no fixed set of economic indicators to measure economic development or diversification to begin with.

HDI Index

The Human Development Index (HDI) is an index used to measure a country's development. It was developed by the UNDP's (United Nations Development Programme) Human Development Report Office, and according to their official website, the index focuses on people and their capabilities as the criteria for assessing a country's development instead of economic growth alone.

This composite index is the summary measure of the dimensions of health through life expectancy at birth, access to education through expected years of schooling, and standard of living measured by gross national income (GNI) per capita.

The HDI can address issues such as national policy choices and compare countries with the same level of GNI per capita but different human development outcomes.

Gini Index

According to World Bank (2022), the Gini Index measures 'the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution'.

In this index, 0 represents perfect income equality, while 1 (or 100) represents perfect inequality: a score of 0 would mean that everybody earns exactly the same, while a score of 1 (or 100) would mean that one person earns everything and the rest of the population nothing.

According to Investopedia (2022), the Gini Index is a great tool for analyzing a country's or region's income distribution. However, low-income countries and high-income countries could have similar Gini coefficients: a country's GDP per person does not determine a country's Gini coefficient.

One of the shortcomings of this specific index is that shadow economies and informal economic activity contribute to a coefficient that might not accurately represent reality.

4. Analysis

4.1.The BRI Factor in 'Azerbaijan as a Transit Hub'

Is the BRI essential for Azerbaijan to function as an international transit hub? Would this goal be achievable in the absence of the Chinese presence and initiatives in the region?

Both on the official website of Azerbaijani President Ilham Aliyev, 'president.az', and on the official Azerbaijani website 'azerbaijan.az', an entire section is dedicated to Azerbaijan as 'Eurasia's Transport Hub', from which can be understood how important being on its way to become an international transport hub is for Azerbaijan in terms of national pride and identity: indeed, this ambition resembles some of the characteristics that make Azerbaijan a unique and in a regional and international context important country. Azerbaijan has, for example, a for transit purposes ideal geographical location – being on the intersection of different countries, continents, and economic realities. The aspect of national pride is to be found primarily in the Azerbaijani government stressing the country's adaptability, innovation, and independence in terms of infrastructure investments and connectivity achievements.

Based on the literature used for the research for this thesis, it can be said that on these last points, there is general agreement: as we saw in *Chapter 1* and *Chapter 2*, China, who has directly invested in the infrastructure of a number of other economies along the Belt, has reported on its own state-owned websites that Azerbaijan has been investing in its own infrastructure autonomously.

The aspect of independence seems stressed by the Azerbaijani government also on the Azerbaijani President's official website, and in particular in the first couple of sentences of the section on the 'Restauration of the Great Silk Road'. Here, attention is brought to Azerbaijan as one of the first countries to have had the idea to revive the Ancient Silk Road, and that has played a crucial role in determining the main development trajectories around its revival. On the Azerbaijani President's official website, the fact that Azerbaijan is currently a partner of the Chinese BRI is mentioned only after this long premise, but this fact is, according to this thesis' hypothesis, a more determining factor in Azerbaijan's success as a transport hub than the fact that the Azerbaijani government hosted an important conference on the topic years ahead of the announcement of the Belt and Road Initiative.

Whether or not this is the case could become clearer by looking at the actual purpose and use of Azerbaijan's main transport infrastructure: where does the freight that passes through the Alat International Sea Trade Port and the Baku-Tbilisi-Kars Railway originate from, and where is it headed? Which corridors do the two connect?

BRI, Middle Corridor, and Trans-Caspian International Transport Route

China's Belt and Road Initiative is not the only ambitious trans-continental grand scheme existing for the region: Turkey has come up with its very own plan, which is called the 'Middle Corridor'. The MC is comparable to the SREB: based on Çolakoğlu (2020: 2; 4), the initiative's main objectives seem to overlap for the most part with those of the BRI, e.g., that of connecting Europe to Asia, 'notably the Caucasus, Central Asia, East Asia, and South Asia […]'. The idea behind the MC is basically to establish a railway network connecting the countries in the region – just as in the case of the BRI – by extending the existing Turkish railway line to Central Asia via the Caucasian countries of Georgia and Azerbaijan (Çolakoğlu 2020: 2). If effectively adopted, it could 'help Turkey and Central Asian countries to benefit from China-Europe trade and infrastructure' (Akman 2019). Central in this project is again the since 2017 operational Baku-Tbilisi-Kars Railway. The MC mostly overlaps with BRI's CCWAEC but bypasses Iran. According to Akman (2019), substantial progress around the MC will be on hold without a substantial infrastructural investment in the modernization of railways and ports.

Another regional project is the Trans-Caspian International Transport Route, signed in 2016 by Azerbaijan, Georgia, and Kazakhstan. This initiative focuses on the improvement of transit through the Caspian region and its countries, and runs through China, Kazakhstan, the Caspian

Sea, Azerbaijan, Georgia, and Turkey, the latter of which provides access to Europe. According to Babayev & Ismailzade (2020: 5-6), the TITR is the shortest railway connection between China and Europe and is, therefore, a good fit within the framework of the BRI. The project also does not require a large financial investment, as Azerbaijan has already created the necessary infrastructure.

However, based on this description of these two transport projects, Turkey's 'Middle Corridor' and the 'Trans-Caspian International Transport Route' both seem to reach their potential by benefitting from China-Europe freight transport, and it can therefore be said that they ultimately function within the very context of the BRI.

Baku-Tbilisi-Kars Railway

As reported by the Azerbaijani government on president.az, commissioned in 2007 by President Aliyev and ready for use in 2017, the BTK Railway is a connecting corridor 'designed to restore the Great Silk Road through linking the Trans-European and Trans-Asian railroad networks', allegedly capable of speeding up the time of transit between China and Europe by two times, in comparison to the by China traditionally chosen route. It also provides easy access for the Central Asian countries of Kazakhstan, Turkmenistan, Uzbekistan, and Kyrgyzstan to the European and world markets.

According to this thesis' literature review and reaffirmed by i.a. a May 2021 article on newsilkroaddiscovery.com, in combination with the Alat International Sea Trade Port, the BTK Railway forms the shortest route in the East-West direction – the so-called Trans-Caspian International Transit Route, as part of a 'Middle Corridor' – allowing goods to travel between China and Europe within only twelve days.

As mentioned in *Chapter 2*, this route presents itself as an alternative to the BRI's New Eurasian Land Bridge that passes through Russia and Belarus: originating at the Alat International Sea Trade Port, it extends to its East to China, crossing the Caspian Sea and then passing through Kazakhstan, and to its West to the Georgian border. There, the route splits into two branches, one of which reaches Georgia's ports of Batumi and Poti and the other continuing to Kars in Turkey and from there westward to Europe.

Azerbaijan's Activity as a Transport Hub

In multiple 'ADY Container' news reports published starting from February 2017 to February 2018, the potential, realization, and subsequent inauguration of the BTK Railway are being discussed.

A report dated February 6, 2018, describes an international conference held in Beijing on the role of the TITR, which seems to be a turning point in Sino-Azerbaijani cooperation in the context of the BRI. The conference was reportedly initiated by Azerbaijan, and in his speech during the event, the chairman of Azerbaijan Railways, Javid Gurbanov, focused on promoting once again the importance of a 'Middle Corridor' for the expanding economies of China and the EU in terms of diversification of routes. That is, presenting it as a viable alternative to the NELB. Gurbanov's main argument during the conference was that the BTK Railway 'lowers the price of cargo transportation' and 'reduces the delivery time of cargo' (ADY Container 2018). During this conference, the first step towards *actual* Sino-Azerbaijani cooperation – since becoming official BRI partners – was made through the signing of a Memorandum between China Railway Construction Corporation (CRCC) and Azerbaijan Railways. The two companies jointly planned to launch 30 container trains by 2019.

The first container transportation along the TITR was carried out on October 28, 2017. The train carried 30 containers and was sent from the Kazakhstani city of Kokshetau to the Turkish port of Mersin, passing through the Kuryk Port of Kazakhstan and Alat Port and traveling to its destination along the BTK Railway (ADY Container 2017). Another train, one of 32 containers, departed from Kazakhstan's Kokshetau station on November 28 of the same year, directed again to Turkey's Mersin Port along the BTK Railway (ADY Container 2017).

In April 2019, the sea route connection between the Kazakhstani Aktau Port and the Alat Port was eased by implementing a new feeder vessel, a type of ship meant to transport containers. The vessel is meant to regularly carry out container transportation along the TITR across the Caspian Sea.

The first container transportation from China to Azerbaijan in the light of the TITR has taken place on the Lianyungang-Baku route around five months later, in March 2019. It took the train 20 days to reach its destination. This was again reported in the 'news' section of the official ADY Container website. A month later, in April 2019, the website reported that freight transportation along the China-Azerbaijan route has become regular. In July of the same year,

another freight train traveled from China to Azerbaijan, this time from Xi'an, passing through the ports of Aktau in Kazakhstan and Alat in Azerbaijan. The train consisted of 21 45-foot and 15 40-foot containers.

In September 2019, the Third Railway Economic Forum was held in Krakow, Poland. During the forum, it was noted that the Xi'an-Baku container block train route has been extended to reach Ukraine and Turkey. During the same event, it was also reported that roughly 90 % of the more than 6300 freight trains on the China-Europe route in the year prior had passed through Poland (ADY Container 2019). This indicates China's clear preference up to 2018 for using the NELB to transport its freight. It remains, however, unclear what the percentage of total Chinese freight is that passed through Azerbaijan in 2019, the year in which the TITR has been used by China for the first time, and the years following.

The first container train traveling directly from China to Europe without interruption departed in October 2019 from Xi'an. The train, consisting of 42 containers, traveled along the Trans-Caspian International Transport Route and the BTK Railway through the Marmaray tunnel in Turkey and had Prague as its final destination (ADY Container 2019). It could be said that this event symbolizes the realization of what the Azerbaijani government aspired to achieve since 2015, the year in which it signed a Memorandum of Understanding with the PCR in the light of the BRI: this is the real first step in successful regional cooperation.

However, in order to become a *successful* transit hub – and one from which the Azerbaijani economy can actually profit – the volume of cargo transportation along the TITR needs to increase significantly. Increased use of the TITR as an alternative route to Europe for China could actually be part of a feasible scenario, as recent developments in Russia and Ukraine might seriously compromise the by China so far preferred NELB in upcoming years.

Azerbaijan's Remaining Transport Activity

According to the reports provided in the 'news' section of ADY Container's official website, Azerbaijan's freight transport activity is not limited to the TITR. In July 2017, a meeting was held between representatives of the transportation sector of Azerbaijan, Georgia, and Iran to discuss the implementation status of the 'North-South' International Transport Corridor. In fact, a bridge was built over the Astara river in order to connect Azerbaijan and Iran through railway. Also, four terminals were realized in this context for the unloading of cargo (ADY Container 2017).

Regular freight transport also occurs between Azerbaijan and its neighboring countries, Turkey and Georgia. An example of this is the train of 19 containers of Azerbaijani urea – a chemical compound mainly used as a fertilizer – being transported in January 2020 from Sumgayit, Azerbaijan, to Izmir and Iskanderun, Turkey (ADY Container 2019).

Cooperation between Azerbaijan and a number of other European and Asian countries – think of Italy, Hungary, Korea, Japan, and Russia – has been discussed in several meetings held in the timeframe from 2017 to 2020, according to ADY Container. However, it is important to note that the freight transport cooperation plans that have been fulfilled so far are those described in this Chapter.

Conclusion

The success of the BTK Railway seems to be found not simply in the fact that it connects Azerbaijan to Turkey through Georgia but in the fact that it acts as a strategic 'connecting chain' between Europe and the already existing corridors in the East, which are part of the BRI. This could mean that the BTK Railway and the Alat Port, which are Azerbaijan's main transport infrastructure projects and definitely represent 'Azerbaijan as a transport hub', reach their potential especially in the broader context of the BRI.

Since its early partnership with the BRI, Azerbaijan has made clear efforts to promote itself, within the Trans-Caspian International Transport Route, as a quick and cost-efficient alternative to the NELB for freight traveling between the PRC and Europe. Although Azerbaijan also held meetings with the transport sector representatives of multiple other countries in the region, it seems that the country's largest efforts in terms of diplomacy and transport infrastructure investment were made to serve best within the aspired scenario of 'Azerbaijan as a connecting chain between China with Europe'.

In October 2019, the first container train traveling directly from China to Europe without interruption departed from Xi'an, traveling along the Trans-Caspian International Transport Route and the BTK Railway to Turkey and finally reaching Prague. This event symbolizes the realization of what the Azerbaijani government aspired to achieve since 2015, the year in which a Memorandum of Understanding was signed with the PCR in the light of the BRI: Azerbaijan is now technically an international transit hub. Therefore, it would not be wrong to conclude that China's BRI is essential for Azerbaijan to successfully function as an international transit hub, as all freight passing through Azerbaijan seems to be traveling along a China-Europe route,

even when one of the two extremes – Europe or China – happens to not be the freight's final destination.

However, the 'objective' of becoming a transport hub seems to be reached only on a conceptual level, as the volume of cargo that is transported along the TITR needs to increase significantly if Azerbaijan wants all its transport infrastructure investments to bear fruit and account for a decent share of its national GDP. If to look at the individual container train 'success stories' reported by ADY Container's news section and described in this sub-chapter, Azerbaijan is still far from being a functioning transport hub. Most probably, this is due to the BTK Railway still being – despite the chairman of Azerbaijan Railways Gurbanov claiming the opposite – a less cost-effective option in comparison to lengthier but cheaper freight routes, such as the NELB, that surrounding countries such as China may prefer to use.

Despite the NELB being the more trustworthy and convenient option, recent developments in Russia and Ukraine might seriously compromise the NELB in the upcoming years, which could actually play in Azerbaijan's and the TITR's favor.

4.2.The BRI Factor in Azerbaijan's Economic Development

Has the growth of Azerbaijan's transport sector resulted in the development and diversification of its economy? If so, can this be attributed to the BRI?

Azerbaijan has heavily depended on 'one commodity' since 1994 and at least up to ten years ago: according to Aybar, Rasulova & Qasimli (2015: 41; 58), in 2011, the oil sector made up 52.4 % of Azerbaijan's total GDP and 94.4 % of the country's exports. However, the imminent exhaustion of the country's territories' natural resources demands immediate action from the Azerbaijani government, which to some extent has, at this moment in time, already been taken. The necessary action regards the development of the republic's non-oil sectors.

According to the authors mentioned above, one of Azerbaijan's priorities has been, over the past decade and a little beyond, to expand transit facilities to create a competitive transport-transit system that meets international standards and makes maximum use of the potential of the country's geographic location.

The following sections analyze some aspects of Azerbaijan's economic diversification and development on the basis of what a selected number of macroeconomic indicators and indexes commonly used by researchers and economists tell about the years leading up to – and the actual

years of – economic cooperation between China and Azerbaijan in light of the BRI, to then answer this Chapter's sub-question.

Exports and Share of GDP by 'Services' Sector

If to look at the official website of the International Trade Administration, in 2020, the oil and gas sector made up for 40 % of Azerbaijan's GDP and 86 % of its exports. However, it only accounted for 5 % of the country's total employment. This could indicate that the Azerbaijani economy has undergone some degree of diversification throughout the past decade, but not necessarily relevant overall economic development.

2011	2012	2013	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
94.4 %	92.4 %	91.6 %	90.7 %	**86.9 %**	**81.5 %**	**88.7 %**	**90.4 %**	**89.1 %**	**86 %**

Table 1: Total hydrocarbon export Azerbaijan (Data: OEC).

By taking a closer look at export alone, and specifically the yearly changes in percentages of Azerbaijan's total oil and gas export – based on the data published by the website of the Observatory of Economic Complexity (OEC) – a yearly decrease in-between one and two percent can be observed for the years between 2011 and 2014, followed by a yearly decrease of around four and five percent between 2014 and 2016. In 2017, there is a sudden increase of seven percent, growing by an additional two percent in 2018 and then decreasing again until 2020 by two to three percent yearly.

As described in *Chapter 2.3.1* on the diversification of the Azerbaijani economy, in 2012, the government of Azerbaijan came up with a plan around the country's intentions to 'develop a competitive, non-oil, export-oriented, and high-income economy' (Aliyev 2012). In the five years – 2012 included – leading up to the realization and publishing of this plan on President Ilham Aliyev's official website, the yearly total percentage of oil and gas export had been respectively 94 %, 92.3 %, 94.4 %, and 92.4 %. The lowest yearly export percentage since the publishing of the 2012 diversification plan was reached in 2020, with a total of 86 %. With 94.4 % being the highest total yearly percentage reported for Azerbaijan's oil and gas export out of the five years leading up to the 2012 'Azerbaijan 2020' plan, the year 2020 saw an overall 8.4 % percent drop, which, if to look at the isolated yearly percentages of 2012 and 2020 – without

paying attention to the fluctuations in the years in-between – roughly indicates the country moving away in a non-linear way from its 'one commodity', at least as for export.

In the light of this thesis' research, two things should be noticed. The first one is the 2017 sudden increase of 7 % in total hydrocarbon export in comparison to one year prior. One possible explanation could be that 2017 has been the year in which the Baku-Tbilisi-Kars Railway has become fully operational, connecting Asia with Europe and transporting – according to railway-technology.com – principally oil. The second thing that should be noticed is a decrease for the year 2015 – the year in which Azerbaijan becomes a BRI partner – after which the yearly percentage up to 2020 remains below the yearly percentage of all years, at least those included in the table, leading up to 2015. This drop in the percentage of total hydrocarbon export from 2015 to 2020 could indicate the development of another sector that accounts for a growing percentage of Azerbaijan's total GDP.

2013	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
30.91 %	33.62 %	**40 %**	**38.69 %**	**37.58 %**	**34.80 %**	**36.49 %**	**42.03 %**

Table 2: Value added of Services as percentage of GDP (Data: The State Statistical Committee of the Republic of Azerbaijan).

Indeed, if we look at Azerbaijan's 'Share of services' provided by stat.gov.az and theglobaleconomy.com, we see the opposite of what we saw for the percentage of total oil and gas export: as can be observed in the table below, from 2015 onwards the 'Services sector' – which includes transport, wholesale and retail trade, financial services, education, health care, and real estate – contributed to the country's total GDP with yearly percentages higher than yearly percentages of the recent years preceding 2015. In 2013, the service sector's share in GDP was 30.91 %, in 2014 it was 33.62 %, and in 2015 and 2020 it grew to 40 % and 42.03 %. This shows a clear growth of this sector's share in Azerbaijan's GDP since the year in which the country began to collaborate with China and its BRI projects. This does not necessarily mean, however, that the growth is in any way related to BRI partnership. The value added by specific non-oil sectors will be discussed more in-depth in *Chapter 4.3*.

2010	2011	2012	2013	2014	**2015**	**2016**	**2017**	**2018**

112.2	113.4	117.3	122.3	120.2	**127.3**	**123.8**	**126.1**	**126.8**

Table 3: Average annual number of workers in Azerbaijan's Transport Sector (thsd.person) (Data: The State Statistical Committee of the Republic of Azerbaijan)

Table 3 shows the data on the average annual number of workers in Azerbaijan's transport sector, retrieved from the official website for Azerbaijan's national statistics azstat.org. As can be observed, in the years preceding 2015, the sector created a maximum annual number of 5k new jobs, precisely between 2012 and 2013. In 2015, the number of workers in the transport sector increased by 7.1k relative to the year prior, and from that year onwards, the annual number remained higher than in pre-2015 years throughout the whole period of BRI cooperation up to at least 2018, which is the most recent year for which the source provides data.

Gini Index and Human Development Index

2002	2003	2004	2005	**2018**
25.3	26.8	26.6	26.6	**28.6**

Table 4: Gini coefficient Azerbaijan (Data: World Bank; Knoema)

As for the GINI Index, coefficients for Azerbaijan are, unfortunately for this thesis' research, not available for each year. According to the data published by World Bank, the coefficients for the years between 2002 and 2005 were, respectively, 25.3/100, 26.8/100, 26.6/100, and 26.6/100. The enterprise datahub 'knoema.com' is the one website that can be found to this date among open sources that reports Azerbaijan's GINI coefficient for a fairly recent year, which is 2018. According to the website, the coefficient for this year was 28.6/100 – 100 implying perfect inequality of distribution of income. To put it into perspective, this is the same score as the Netherlands in 2014 – keeping in mind, however, that according to Gulaliyev, Kazimov, Abasova, Gurbanova, Mammadova & Tagiyeva (2020), most developed countries' Gini coefficient is below 40. In comparison to pre-BRI years, the 2018 value shows a slight increase.

2013	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**

0.74	0.75	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.76**

Table 5: Human Development coefficient Azerbaijan (Data: The Global Economy).

As for the HDI index, coefficients for Azerbaijan are made available by The Global Economy for at least two years leading up to the year of the country joining the Belt and Road Initiative up to 2020. Very little improvement can be seen between 2015 – the first year of cooperation – and 2020, five years into the initiative: the coefficient grew only by 0.01 in a seven-year period. Both in the case of the Gini index and the HDI, it would be farfetched to link the improvement in coefficient to BRI-related economic activity.

As described in *Chapter 3.2.2.* , it could take decades to observe a positive gain when it comes to overall economic development. Since the BRI is a fairly recent initiative, if it were to be true that it positively impacts Azerbaijani economic development, minimum changes in macroeconomic indicators and indexes' coefficients would not come as a surprise, given a timeframe limited to five years.

However, if Azerbaijan's economic diversification away from the hydrocarbon industry proceeds successfully and results in the development of a number of specific industries – such as transport and agriculture – in a couple of decades, it should be more clear whether this path ultimately led to improvement of things such as income disparity, standard of living, general well-being of the Azerbaijani people and overall development of the country's economy.

Conclusion

To answer this Chapter's sub-question, the conclusions that can be drawn are based on the definition chosen for this research. This definition describes economic diversification as 'the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets' (UNFCCC 2022).

Having taken a closer look at the yearly changes in percentages of Azerbaijan's total oil and gas export found in the data provided by the website of the OEC, a clear drop in oil and gas export can be observed in the timeframe from 2011 onwards, reaching a maximum decrease of -8 % in 2020. The decrease in hydrocarbon export percentage for the year 2015 was followed by yearly percentages lower than the yearly percentage of all recent years leading up to 2015. It would be extremely farfetched to attribute this to BRI partnership, as a Memorandum with

China had just been signed and, as found in *Chapter 4.1*, tangible collaboration between Azerbaijan and the BRI started only a couple of years later. It is safe to say that the main force causing this shift has more likely been the 2014 plunge in global oil prices, and therefore the perceived signs of 'diversification' in terms of reduced percentage of oil and gas export do not necessarily imply that the Azerbaijani government has made a voluntary and conscious step away from the hydrocarbon industry.

However, this happened in correspondence with the growth of the 'service' sector's – to which the transport sector belongs – share in Azerbaijan's GDP. Since 2015, the year in which the country began to collaborate with China and the BRI, the service sector's share in total GDP increased and reached a maximum of 8 % growth in 2020. Still, this does not necessarily mean that the increase is in any way related to BRI partnership. The growing percentage of the service sector's contribution to Azerbaijan's total GDP, in correspondence with the 2012 plan of the government of Azerbaijan to 'develop a […] non-oil […] economy', indicates that the government is, however, guiding the diversification in a direction that makes the economy rely increasingly less on its prior 'one commodity', and instead on different – although much smaller – sectors such as the one that includes transport. On this path, the Belt and Road Initiative has given Azerbaijan the necessary platform – and perhaps incentive – to develop the sector that regards transport connectivity.

The average annual number of workers in Azerbaijan's transport sector, which increased by an initial 6 % since partnership with the Belt and Road Initiative, indicates either an augmentation in job opportunities made possible at least partially by the regional interconnectedness promoted and provided by the BRI, or an augmentation in jobs created preventively by the Azerbaijani government in that sector in the attempt to create the conditions necessary to hook onto the BRI in the near future.

Finally, the answer to the first part of this sub-chapter's question is positive: the Azerbaijani economy underwent some degree of diversification through the growth of at least one smaller sector, the 'service sector', to which the transport sector belongs. However, the reduction in Azerbaijan's hydrocarbon export has been one of the inevitable consequences of falling oil prices, and the growth of the transport sector is most likely to be explained by a combination of global circumstances, domestic plans, and regional opportunities – among which the BRI. That being said, the events that led to diversification cannot be attributed to the BRI.

4.3.The BRI Factor in Azerbaijan's Economic Growth

Has Azerbaijan's economy grown since becoming a BRI partner in 2015?

According to Roser (2013), economic growth is 'an increase in the quantity and quality of the economic goods and services that a society produces and consumes' and is often measured mainly through GDP. For this reason, economic growth is a less broad topic to explore in comparison to economic development. This section of the chapter will first look at the general GDP growth from 2011 to 2020 and the economy's share of non-oil GDP for the same period. After that, it will specifically look into the transport sector's added value to Azerbaijan's GDP.

Annual GDP Growth and Share of Non-oil GDP

	GDP (millions of US dollars)	**Share of oil GDP (%)**	**Share of non-oil GDP (%)**
2011	56951.63	57.8 %	42.2 %
2012	68730.91	51.5 %	48.5 %
2013	73569.86	48.0 %	52.0 %
2014	75188.42	44.0 %	56.0 %
2015	**52996.78**	**36.6 %**	**63.4 %**
2016	**37862.77**	**40.5 %**	**59.5 %**
2017	**40747.79**	**42.9 %**	**57.1 %**
2018	**46939.59**	**57.9 %**	**52.1 %**
2019	**48047.65**	**45.6 %**	**54.4 %**
2020	**42235.29**	**38.4 %**	**61.6 %**

Table 6: Azerbaijan annual GDP growth (millions of US dollars), share of oil GDP (%), and share of non-oil GDP (%) (Data: Baku Research Institute; The State Statistical Committee of the Republic of Azerbaijan).

As seen in *Table 6*, Azerbaijan's GDP has been growing annually from 2011 up to 2014, which is the period prior to collaboration with the BRI. However, in 2015 the economy experienced negative GDP growth. This is, without doubt, primarily related to the 2014 financial crisis as a result of the drastic drop in oil prices. Negative growth was also experienced in 2016 when Azerbaijan's GDP was at its lowest point since 2007. An economic overview published in 2017 by Azerbaijan's Center for Economic and Social Development (CESD) explains this year's low point. According to the document, the main reason for the GDP's growth slowdown was an economic decline of 27.6% in the construction sector – which is, according to the national accounts of azstat.org, the second biggest sector in Azerbaijan in terms of value added to GDP – compared to 2015. The negative GDP growth for 2020 is likely related to the negative impact of the Covid-19 pandemic on global economies.

As for the period of BRI partnership, it can be observed that in 2015 the country's GDP experienced a drastic decline of over 22 billion US dollars, as explained earlier. From 2015 onwards and up to 2020, GDP growth has fluctuated without however exceeding the 2015 value. However, the economy started to recover – in terms of GDP – from 2017 until the start of the Covid-19 economic crisis in 2020, despite a drop in the percentage of the economy's share of non-oil GDP. 2017 is the year that the BTK Railway has become fully operational, and therefore, as discussed in *Chapter 4.2.*, the assumption can again be made that Azerbaijan's oil export profited from this new opportunity in transport infrastructure.

GDP from Transport and from Repair of Transport Means

2010	2011	2012	2013	2014	**2015**	**2016**	**2017**	**2018**
5.6 %	5.1 %	4.9 %	4.4 %	4.5 %	**6.0 %**	**6.7 %**	**6.7 %**	**6.3 %**

Table 7: Value added by the transport industry (Data: The State Statistical Committee of the Republic of Azerbaijan)

2010	2011	2012	2013	2014	**2015**	**2016**	**2017**	**2018**
6.4 %	6.3 %	6.7 %	7.1 %	7.9 %	**9.9 %**	**10.3 %**	**10.4 %**	**9.6 %**

Table 8: Value added by the industry of repair of transport means (Data: The State Statistical Committee of the Republic of Azerbaijan)

Table 7, which is based on the data provided by azstat.org, shows the percentage of the value added to the country's total GDP by the transport sector from 2010 to 2018, the latter of which is the most recent year to this date for which the website provides data. According to the table, in the first year of transport cooperation between Azerbaijan and China, the transport sector's contribution to the national GDP grew by 1.5 %. From that moment onwards, up to 2018, the annual percentages never went lower than in case of any of the four years leading up to the 2015 signing of the Sino-Azerbaijani 'Memorandum of Understanding'. Given the fact that Azerbaijan's main transport infrastructure projects reach their potential mainly in the broad context of the BRI – as concluded in *Chapter 4.1*. of this thesis – the positive growth in the percentage of added value could be partially explained by BRI cooperation.

However, as the 2014 fall in oil prices resulted in a reduced percentage of hydrocarbon export and a lower share of the oil and gas sector in total GDP, it could also be that the percentage of other sectors' contribution to Azerbaijan's total GDP changed accordingly. These possible factors contradict each other and can, therefore, not be used to draw any solid conclusions.

The same can be observed in *Table 8*, which shows the 2010-2018 yearly percentage of value added by the 'repair of transport means' sector – which provides Azerbaijan's third largest share in GDP after respectively mining and construction – also based on the data provided by 'azstat.org': from 2014 to 2015, the sector's contribution to national GDP grew by 2 %, and saw its peak in 2017, with a 2.5 % growth relatively to 2014, which is the most recent pre-BRI year that had the highest yearly value added in GDP. In this sector's case also, the post-2015 yearly percentages remained higher than those of the years prior to cooperation with the Chinese project, which could be linked to the in 2013 inaugurated Baku Shipyard – described in *Chapter 2.3.2.* – reaching its full potential in the BRI context, being the largest ship repair service in the Caspian Sea. In fact, according to the 'completed projects' section of the official website of Baku Shipyard, most repaired vessels to this date belong to Kazakhstan, which is a key country in the TITR.

However, many others belong to Dutch, British, and Belgian companies. None of the repaired ships that are reported on the Baku Shipyard website belong to Chinese companies. The doubts in drawing a definite conclusion are the same as for *Table 7*.

Conclusion

As described in *Chapter 3.1.1.*, economic growth is defined by Kuznets (1973) as a country's 'long-term rise in capacity to supply increasingly diverse economic goods to its population', in which the growing capacity is 'based on advancing technology and the institutional and ideological adjustments that it demands', and according to Roser (2013) as 'an increase in the quantity and quality of the economic goods and services that a society produces and consumes'.

To answer the sub-question for this Chapter, according to the first half of Kuznets' definition, no definite conclusions can be drawn on whether Azerbaijan's economy has grown since becoming a BRI partner in 2015. The reason behind this is simply to be found in the fact that the establishment of the Belt and Road initiative and Azerbaijan's signing of a partnership with the project are both fairly recent, and it is therefore impossible yet to observe any potential long-term rise.

However, by just looking at the 2011-2020 yearly changes in the country's GDP – the main macroeconomic indicator that measures economic growth – we can observe negative growth for 2015 and 2016, the first two years of BRI cooperation. This should probably be ascribed to two external factors: the consequences of the 2014 fall in oil prices and the 2016 major economic decline in the construction sector.

Between 2017 and 2019, we observe GDP growth and a simultaneous decrease in the percentage of share of oil GDP, which could indicate that the country's economy is profiting from sectoral diversification. Again at the same time, growth in the percentage of GDP share can be observed for the sectors of 'transport' and 'repair of transport means', both of which relate to the BRI through Azerbaijan's infrastructure projects such as the International Sea Trade Port, the Baku-Tbilisi-Kars Railway, and the Baku Shipyard.

In that sense, BRI partnership could be partially accredited with the country's GDP growth, but it was decided not to draw any solid conclusions on this matter again due to the fact that the 2014 fall in oil prices resulted in a reduced percentage of hydrocarbon export and a lower share of the oil and gas sector in total GDP: this could indicate that the percentage of other sectors' contribution to Azerbaijan's total GDP changed accordingly.

4.4.The BRI Factor in Azerbaijan's Remaining Industries

China has not directly invested in the development of Azerbaijani transport infrastructure. Has Azerbaijan attracted any other Chinese investment or cooperation?

As touched upon in *Chapter 1*, the Belt and Road Initiative is an ever-expanding project extending to a multitude of fields and sectors. This thesis' introduction also highlights that due to the vastness of the initiative and its single projects and a lack of definition of what should be considered a 'BRI project', all Chinese cooperation with and investment in BRI partner countries from the establishment of the initiative onwards can potentially be placed within the context of the BRI. Therefore, this thesis considers any Chinese investment in Azerbaijan to be BRI related.

According to Azerbaijani President Aliyev's words, Azerbaijan's economic growth is promoted through Sino-Azerbaijani cooperation in 'fields such as politics, economy, and transport' (Aliyev 2022). On the two countries' shared political interests, some observations have been made in *Chapter 2.2.2.*, but this topic is not expanded upon in this research, as it is non-essential to answering this thesis' research question. The topics of transport and economy are analyzed and discussed in *Chapters 4.1*., *4.2*., and *4.3*.

This last sub-chapter will be more descriptive and will be based on the last part of what President Aliyev reportedly said in the in *Chapter 1* mentioned phone call with President Xi Jinping on the occasion of the celebration of the centennial of the establishment of the CCP. In this phone call, the Azerbaijani President reportedly mentioned that Azerbaijan 'welcomes more Chinese enterprises to invest in its country […]' (Aliyev 2021). As the Azerbaijani government has encouraged foreign investment in multiple fields of its economy, the next sections will give an overview of non-transport-related areas of Chinese investment in Azerbaijan from the year of signing for BRI cooperation in 2015, in order to give final insight into Sino-Azerbaijani economic activity before proceeding to *Chapter 5*, which will discuss this research' findings and draw final conclusions.

Asian Infrastructure Investment Bank

According to its official website, the Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank that aims to finance regional infrastructure projects that are 'green, technology-enabled' and that 'promote regional connectivity'. It was officially launched

by Chinese President Xi Jinping on a state visit to Indonesia in 2013. It was then founded in 2016 with the intent of funding BRI projects, and Azerbaijan became one of its founding members.

As stated by a report on the AIIB website and by a report on the website of Azerbaijan's Ministry of Foreign Affairs, this bank approved a loan of 600 million US dollars in 2016 to finance the construction of the Trans-Anatolian Natural Gas Pipeline (TANAP), which was inaugurated in June 2018. According to the AIIB report, enabling this pipeline's construction plays a large role in strengthening the Azerbaijani economy while supporting energy security in Turkey. According to Guliyev (2022), the Azerbaijani government has plans for future cooperation with the AIIB in regard to the implementation of green and smart concepts in Azerbaijan that are part of the country's Sustainable Development Goals for 2030.

Oil and Gas Sector

It should not be surprising that Azerbaijan's major industry – oil and gas – has attracted Chinese investment in Azerbaijan during recent years of cooperation. Responsible for the exploring, producing, processing, and transporting of Azerbaijani oil and gas in Azerbaijan is the State Oil Company of the Azerbaijani Republic (SOCAR).

According to Jafarli (2020), Gachayev (2021), and SOCAR's official website, SOCAR and CNPC – which in turn is China's National Petroleum Corporation – have signed a Memorandum of Cooperation in 2016 for GPC, which is a project that contributes to providing end users in the country with purified natural gas. This is the largest investment made between the two companies to this date, amounting to more than 4 billion US dollars.

ICT

Another field of Chinese investment in Azerbaijan since BRI partnership is ICT. According to Guliyev (2022), in 2016, Huawei – which is one of China's major multinational companies – launched a five-year 'Seeds for the Future of ICT Program' that facilitates access to internships for Azerbaijani students at the company's summer training center in Shenzhen, China.

Furthermore, according to an article published on the website of the Azerbaijan State News Agency on the 8th of December 2021, a trilateral Memorandum of Understanding was signed in December 2021 by the Ministry of Digital Development and Transport of Azerbaijan, Baku's ADA University, and Huawei. This Memorandum was signed in order to establish a Joint

Research and Development Centre in the Azerbaijani capital, meant to contribute in the long term to the ICT sector of the country: this project will train highly qualified Azerbaijani specialists in ICT – in areas such as 5G, GPON, and IP technologies – with Huawei certificates. This project resonates with the Azerbaijani Minister of Digital Development and Transport's goal to 'build a creative and innovative society' in Azerbaijan in the course of the upcoming decade.

Hi-tech

According to an azernews.az article published on January 8th, 2018, titled 'High-Tech Park to create a platform for China-Azerbaijan business relations', the cooperation between the China-Russia Innovation Tech Park and the High-Tech Park of the Azerbaijan National Academy of Sciences (ANAS) – that was established in 2016 – reached a new level in 2018. The latest accomplishment of the joint collaboration has been the creation of a portal by Azerbaijan's High-Tech Park that has become a 'platform for establishing business relations between Chinese and Azerbaijani entrepreneurs'. Between these two organizations, a Memorandum of Cooperation has been signed to jointly work on the implementation of scientific and technical programs and other innovative projects.

Sino-Azerbaijani Agreements for Future Cooperation

The Second Belt and Road Forum for International Cooperation was held in China in 2019. For this occasion, an Azerbaijani delegation – led by President Aliyev himself – visited Beijing to attend the event, which resulted in the signing of a total of ten documents in various areas by Azerbaijani and Chinese companies, with a cumulative worth of 821 million US dollars.

According to the Baku Research Institute, the agreements regard the construction of a tire plant in the Sumgayit Chemical Industrial Park, a modern greenhouse complex in Kurdamir, agro-logistical industrial parks in Guba, Khachmaz, and Goychay, an Asia-Europe telecommunications corridor under the Azerbaijan Digital HUB program, and an Azerbaijan Trade House in Chengdu, China. They also regard the export of Azerbaijani wine to China. During the forum, it was also mentioned that China wants to increase imports from Azerbaijan of agricultural, industrial, and chemical products and cooperate in the creation of an 'Internet Silk Road' (Jafarli 2020).

As shown in this Chapter, in the case of Azerbaijan, the BRI is a project that goes far beyond the commercial areas of trade, transit, and logistics, and explores opportunities for interconnectedness and mutual cooperation even in areas such as science and technology.

5. Conclusion

The Belt and Road Initiative (BRI), known as the modern Chinese echo of the Ancient Silk Road, was established in 2015 to foster regional and global interconnectedness not only through transport projects but also through cultural, scientific, and technological cooperation. The Initiative's vastness is both its main characterizing feature and its main point of criticism, as it implies extremely vague – if not nonexistent – limits. This study aimed to fill the literature gap about the potential impact of the BRI on a middle-high-income economy such as Azerbaijan, as most of the existing studies focus on low-income economies.

Sino-Azerbaijani relations began in 1992 and have, in recent years, been strengthened by the 2017 signing of a Memorandum of Understanding in the context of the BRI. As the bilateral relationship reaches its 30-year anniversary in 2022, the Azerbaijani government expresses the intention to welcome more Chinese investment in the country as well as collaboration in various sectors, including politics, economy, and transport, which – according to Azerbaijani President Ilham Aliyev – contributed to the country's economic growth.

This thesis took politicians' public statements as a starting point and studied the impact of the BRI on Azerbaijan's economy. The relevance of this choice is explained by the fact that the Caucasian country aspires to diversify its economy away from hydrocarbon dependence and utilize its strategic location between Asia and Europe and become an international transit hub. This study was ultimately conducted to answer the thesis' research question and thus to determine whether the claims made by Azerbaijani and Chinese politicians – that the BRI has been instrumental in promoting Azerbaijan's economic development – align with or deviate from economic reality.

The hypothesis tested was that China and the BRI have provided a secure and stable opportunity for cooperation and interconnectedness on a regional level, enabling Azerbaijan to develop into a transport hub – at least 'on paper'. Given the novelty of the BRI and China's preference for the more appealing NELB, positive sectoral and overall GDP growth in Azerbaijan are not to be ascribed to China and its BRI but to Azerbaijani domestic developments and the sum of (a variety of) factors. Therefore, Azerbaijani and Chinese political rhetoric around China's impact

on Azerbaijani economic growth does not coincide with economic reality at the time that the statements are made. However, well-established diplomatic relations provide potential for future bilateral benefits and economic growth.

This hypothesis was tested across four sub-chapters, focusing respectively on the role of the BRI in 'Azerbaijan as a transit hub', its role in Azerbaijan's economic diversification, its impact on the country's economic growth, and Sino-Azerbaijani cooperation in fields other than transport:

1. Azerbaijan's emergence as an international transit hub is due, in part, to the BRI, especially seen the context in which transport routes like the Trans-Caspian International Transport Route (TITR) and Baku-Tbilisi-Kars (BTK) Railway thrive. However, the actual economic benefit is yet to be seen due to the low cargo volume traveling along these routes. Developments such as potential issues with the New Eurasian Land Bridge (NELB) route used by China could benefit Azerbaijan and the TITR.

2. While Azerbaijan's economy shows signs of diversification, with an increasing contribution from the service sector and a decrease in oil and gas exports since becoming a BRI partner in 2015, it is premature to attribute this shift to BRI partnership. The 2014 global oil price crash and internal decisions also play a significant role. Nonetheless, the growing transport sector, likely influenced by regional opportunities and domestic plans, may suggest some degree of economic diversification influenced by the BRI.

3. Economic growth requires long-term observations and can therefore not be observed in the case of Azerbaijan since the year of BRI partnership. What *can* be observed from 2015 onwards is fluctuations in GDP and in the share of oil in the country's GDP. These changes could hint at possible profit from diversification through non-oil sectors. However, the precise impact of the BRI on the economy remains uncertain, given the fact that Azerbaijan has only recently become a BRI partner.

4. The 2015 BRI partnership has encouraged Chinese cooperation and investment in various Azerbaijani sectors, including natural gas pipeline construction, oil and gas, ICT, hi-tech, and plans for future collaborations like the 'Internet Silk Road'. These areas can potentially stimulate further economic growth.

A longer time frame for analysis is necessary to draw firm conclusions on overall economic growth and development: this study was restricted by the relatively recent establishment of the BRI. Future research could include a longer-term analysis, the use of time series regression, or an exploration of potential impacts on the success of the Trans-Caspian International Transport Route due to geopolitical tensions around Russia and Ukraine.

In conclusion, this thesis suggests that the statements made by Azerbaijani and Chinese politicians about the role of the BRI in Azerbaijan's economic development do not entirely align with economic reality. In fact, they seem to more accurately reflect public relations strategies intended to persuade potential future bilateral and regional cooperation. While politicians' claims of BRI's positive influence on Azerbaijan's economy are not entirely inaccurate, further research is certainly needed to solidify these assertions.

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