

## Economic Development Perspectives of Eurasia: Exploration and Concise Synopsis

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**[Abstract]** Economic development in Eurasia is dynamic and diverse in nature, characteristics which are a prerequisite to a thriving society, region, and, ultimately, global community. This article provides a brief background on Eurasia's rich spectrum of economics, describes the major economic powers in the region and their principal initiatives, and offers perspectives on crucial factors for prosperous economic development.

**[Keywords]** Economic development; Eurasia; global economics; economic power

### Introduction

Eurasia is the landmass bridging the traditional continents of Europe and Asia, a region that shares a common history. Most countries represented here come from what some refer to as the post-Soviet era. The last twenty years of transition have seen these countries' economies develop their own unique characteristics as they diverged in their economic development. Although there still remain some similarities in these economies, and though some problems faced by these economies are the same, the process of economic transition has taken each of these economies along their own unique paths. In that sense, this paper promises to be an informative source of information, and we hope to provide a helpful exchange of ideas. It should be noted this paper focuses on economic development rather than economic transition, as the process of transition has for all intents and purposes been completed. By no means is this paper intended to be a comprehensive coverage of economic development of Eurasia, but rather will provide the highlighted perspectives for future pursuit by interested researchers.

### Background on Eurasia and Republic of Georgia

Geographically, Eurasia is the landmass bridging the traditional continents of Europe and Asia. Since the republic of Georgia is at the crossroads of Western Asia and Eastern Europe, we focus here on research and experiences within this exceptional region. In this section, we will briefly provide some basic background information to assist readers with the comprehension of this dynamic region which is a major focus of this paper.

Georgia is a country in the Caucasus region of Eurasia (formerly known as The Democratic Republic of Georgia) created after the collapse of the Russian Empire that began with the Russian Revolution of 1917. The economic background of Georgia was and continues to be agriculture; it has been a typical agrarian country with long wine-making traditions. Land reform managed by the government supported stability for a growing economy. Furthermore, Georgia provided over 70% of the world supply of manganese in the early 20th century, an important factor in its economic growth. In addition, Georgia traditionally served as an international transportation passage through the key Black Sea ports of Batumi and Poti (The Democratic Georgia, 2014).

### *Rich Spectrum of Economics*

There is truly a rich spectrum of economies represented in Eurasia, with countries like the Czech

Republic and Slovakia that today have fully integrated themselves into the European Union and have diverse service and manufacturing economies. The region includes a collection of economies rich in natural resources, such as Russia, Azerbaijan, and Kazakhstan. These economies face different economic issues today. In some of these economies, we hear debates about how to further develop their natural resource industries or to establish networks to deliver them to the global markets. In others, we see a discussion of economic diversification away from the natural resource dependency.

Eurasia holds natural resources, such as natural gas and oil reserves, iron, gold and copper ores that make it one of the most resource-rich regions in the world. After the collapse of the Soviet Union, Eurasian countries progressed tremendously as the prices of commodities on a global level increased, and additional income improved living standards broadly. However, continued challenges to development and the uncertainty of long-term sustainability became more important, and there continues to be a need to protect the future by adhering to economic diversification (Gill, Izvorski, Eeghen & Rosa, 2014).

Furthermore, in addition to a strategy of diversification, the Eurasian economies need to embrace integration within the region and globally (Eurasian Economic Union, 2015). To accomplish such an objective, the Eurasian Economic Union (EEU), also known as the Eurasian Union (EAU), was formed (discussion of the draft EEU Treaty was the key topic of the EEC Council's regular session, 2014). Simply stated, the EEU is a political and economic union established by a treaty signed in May 2014 between the leaders of several Eurasian countries (Tasch, 2014; Druzhinin, 2014). The Union officially became effective on January 1, 2015. The EEU has created a single economic market of 171 million people and a gross domestic product of 3 trillion U.S. dollars (Tasch, 2014).

### ***Economic Powers in Eurasia***

Clearly, China is the foremost economic power in the Eurasian theater, and it is investing more heavily in Eurasia than either the European Union or the United States. China's Eurasian portfolio includes road construction projects, gas pipelines, and hydroelectric plants. Russian-based energy, mining, and metallurgical companies are also heavily invested in Eurasia. To counter Russia's growing assertiveness in the region, the European Union and the United States are investing in Eurasia, as well, although at lower levels.

In one of his leading articles, Ersen (2014) declares countries such as China, Russia, and India have extended greater political and economic influence in the Eurasian subcontinent. An advantage that China has in terms of its influence over the Eurasian theatre is the close cultural and historical ties with the region. Russia and China have been improving their field of security within the Shanghai Cooperation Organization. Furthermore, Russia, China, and Turkey have been working to coordinate and cooperate in strengthening Eurasia. In fact, the Turkish-Chinese rapprochement is based on enhanced cooperation in many fields, including trade, nuclear energy, tourism, and logistics. Ersen further states that within just five years there has been a tremendous increase in trade between the two nations. Eurasia has frequently been compared to a chessboard, but now, with developing nations and economies. Ersen ultimately quoted the following prevalent statement: "They would find it difficult to deny that the number of main players in this chess games has increased abundantly." Lastly, China, Russia, and India representing Eurasia have had a great impact on creating this superpower, making it comparable to Western powers. Additional detailed information may be found in *7th Silk Road International Conference*, listed in the reference section.

Russia, known for its mineral and energy resources, is the world's largest producer of oil and natural gas. In terms of the Eurasian region, Russia, too, is a helping hand in its economy and has been investing in the region (BP Statistical World Review). Russian energy producers provide low gas prices to countries that are already part of or wish to join the Eurasian region. As stated by the World Factbook, the Eurasian Economic Union is an "Energy Superpower" with a production of approximately 20.7% of the world's natural gas. Russia, being a natural resource superpower, as well, is the largest natural gas provider (Central Intelligence Agency).

President Vladimir Putin of Russia declared that he intended to enlarge the "Customs Union to all post-Soviet states, excluding the three Baltic European Union member states" (Henley, 2014). Armenian

President Serzh Sargsyan has joined forces with President Putin in seeking economic development in the Eurasian continent (Durzhinin, 2014). In regard to the news by the *EUobserver*, the Kremlin Communique stated, “The presidents reaffirmed the focus of the Russian Federation and the Republic of Armenia on the further development of economic integration in the Eurasian territory.” Sargsyan similarly declared that “Armenia had decided to join the Customs Union and take the necessary practical steps to subsequently participate in the formation of the Eurasian Economic Union.” Putin’s plan, according to *The Guardian*, is “for the Eurasian Union to grow into a ‘powerful, supra-national union’ of sovereign states like the European Union (EU),” with uniting economies, legal systems, customs services, and military capabilities to form a bridge between Europe and Asia, having the European Union, US, and China as a nemesis by year 2015 (*The Guardian*).

The United States plays a major role in empowering Eurasia’s economy, as well. For instance, the Bureau of European and Eurasian Affairs was created to develop and implement U.S. foreign policy in Europe and Eurasia, thus promoting U.S. policies with regard to international security, NATO, coordination with the European Union and other regional organizations, support for democracy, human rights, civil society, economic prosperity, counterterrorism, and nonproliferation (U.S. Department of State).

Moreover, USAID’s Bureau for Europe and Eurasia works to promote resilient and democratic societies, develops economic growth and energy security, and supports European-Atlantic integration. In 2014, USAID’s total assistance to the Eurasian region totaled to 300.89 million USD. The organization has missions set in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Cyprus, Georgia, Kosovo, Macedonia, Moldova, Russia, Serbia, and Ukraine. The organization believes their support has helped integrate countries into global markets and partnerships, as they prepared for entry into the European Union and transatlantic institutions (USAID).

### ***Principal Regional Initiatives***

There are two central regional initiatives that will tremendously effect the economic development of the region. The focal initiative lies in a variety of international transportation projects interweaved with the modernization of information technology infrastructures. Both initiatives are briefly discussed in the following sections.

### ***International Transportation***

Eurasia’s biggest infrastructure includes its railways. The Eurasian and Central Asian countries are undergoing many road and rail upgrades. A range of international transportation projects are currently underway to create a modern infrastructure for the region. This includes railroad links from Turkey to Georgia and a line linking Kazakhstan and China. China is constructing 12 highways to configure Central Asia as a land bridge linking Beijing with the Black Sea. The China–Kazakhstan railway will connect China and Kazakhstan. This East-West transport corridor will make it possible to ship goods quickly and inexpensively across the Eurasian landmass, reducing the transit time for cargo between the Chinese Pacific coast and the European market to about one week.

Railways play an important role in the transportation of goods between regions, and have done so for centuries. China and Russia are becoming two influential helping hands for Eurasia. Russia’s Economic Eurasian Union and China’s Silk Road of Economic Belt have teamed up and are cooperating in helping the region, rather than competing. Russia has proposed a recreation of China’s Silk Road as a unified transport network (“Silk Express”) which would link its Trans-Siberian railway to link with the railways of South Korea, North Korea, China, and then Europe. Central Asia has, in fact, supported this new innovation, with Kazakhstan making a huge impact. The research conducted by Wang and Wan (2014) suggests the Silk Road Economic Belt will give a “new boost” in developing China’s economic commitment with Russia and the Central Asian countries as well as its integration in the Shanghai Cooperation Organization. PRC Chairman Xi Jinping stated in September 2013 that he suggests that China and the central Asian countries collaborate in the creation of the Silk Economic Belt; he also suggested the Eurasian countries do the same and come to a mutual understanding and cooperation to

strengthen their economic relations. His motives in doing so hinted that the Central Asian countries and Eurasian region can benefit from their economic cooperation. China's motive behind the Silk Road Economic Belt is to strengthen its relation to Central Asia and manage the shipment of goods between the two continents. Because Russia is a connecting point between Central Asia, the Caucasus, and West Asia, it has a strong influence over the general area and will have an impact on the Silk Road. Wang and Wan concluded, in their research, that the cooperation between these regions promises a high level of economic growth and development in Eurasia (Wang & Wan, 2014).

As we indicated in earlier sections, China is investing heavily in the development of Eurasia. In doing so, China has invested in oil and natural gases, as well as in construction and transportation projects. One of China's projects includes transportation networks consisting of transcontinental railway and highway projects. These projects involve road construction across the Eurasian continent, which includes the building of a railroad linking Kars, Turkey and Akhalkalaki, Georgia and the rehabilitation of the Akhalkalaki-Tbilisi-Baku Railway with connections from Kazakhstan to China. With this project, China is also constructing twelve highways, as we have mentioned, to promote Central Asia as a gateway between Beijing and the Black Sea. The twelve highways will connect the Xinjing Autonomous Region with neighboring countries, which include Russia, Kazakhstan, Kyrgyzstan, and Pakistan (Gencer & Gerni, 2012).

Yet another important transportation initiative is the Baku-Tbilisi-Kars railway project began in 2007, with construction starting in 2008. It is a railway linking Azerbaijan, Georgian, and Turkish railways. Its motive is to provide a new "rail-only" pathway from the Caspian Sea to Europe via Turkey. Thus, it will eventually forgo the need to transport by sea. Although it may take time to gain significant attraction, management believes this is the best means to increase transport volumes. Management also is firm in believing trade between the two regions, Central Asia and Eurasia, will provide a great opportunity to capture trade flows and additional volumes. (Georgian Railway, 2015).

### ***Information Technology Infrastructure***

Along with investments in transportation, the Eurasian region is undergoing a modernization of its information technology infrastructure. The Black Sea Interconnection project has developed a high-speed backbone linking the national research and education networks of the South Caucasus countries, allowing connectivity to the pan-European research and education network. This links 45 universities and over 150,000 scholars from Azerbaijan, Georgia, and Armenia with partner institutions in Europe.

The region began its information technology infrastructure back in the early 2000s to modernize and connect the regional bloc to other markets. In early 2007, Russia declared it would be investing \$1 trillion on information technology infrastructure (Bryanski, 2007). President Vladimir Putin stated "they expect that private investors will play an increasingly noticeable and leading role in the large-scale modernization of the economy."

The Black Sea Interconnection (BSI) was launched to build an education network specifically among the Eurasian region. Dr. Sarac of Turkey states the BSI is not only interconnecting based on integration and linking education networks in the Eurasian region, but it also functions as a role model to extend the scope of its achievements across Central Asia (Geant2).

As stated in the Black Sea Interconnection booklet, its mission is to build an international infrastructure among research and education networks in the "South Caucasus" region, connecting it to the pan-European research network. Geant confirms it will connect three countries, and three networks: Armenia, Azerbaijan, and Georgia, over 15 metropolitan networks, and 45 universities, and in addition, "BSI will replace satellite link infrastructure provided by NATO (BSI)" (2). BSI was the first project of its kind. The motive was to develop strategies for connecting the existing infrastructure in the region, knowing the connections, and providing operational support for the network. New services were introduced because of the existence of the interconnections between the South Caucasus countries and connection (Geant 2). This process alone was an essential step towards the integration of the scientific potential in the Eurasian region.

***Crucial Factors for Prosperous Economic Development***

Our economic perspective presented in this paper is based on extensive research that was conducted locally in Georgia, a major player within the Eurasian region, by Mikhail Melnik, one of the authors of this paper, who in the 1990's worked on a Russian Fiscal Reform project. Melnik's conclusion is simple and can be summarized in a single statement: "An economy is like a tree, and like any tree it requires the proper soil: that soil is provided by the government." Melnik is expressing that in economic development, the most important role lies with the government and that that role is to ensure the business sector has the correct regulatory environment that is both business friendly and stable.

It is true that free markets create prosperity. Capitalism is still the best economic system mankind has developed so far. However, free markets can only produce these results in the right environment. The United States serves as an example of what free markets can accomplish when provided with the right soil. This soil includes transparent political and judicial systems, well-defined business regulations, and political stability.

It is important to understand that it is insufficient to just have transparent and well-defined business regulations and judicial systems. The economy requires that these institutions exist in order to function properly. Only when these institutions are perceived as likely to be stable over long periods of time can significant investment take place. If regulations can be changed faster than factories can be moved in or out of the country, then these regulations will not likely lead to economic development. Not the least of these institutions is the political system, and the only way to insure a stable political system is to have it supported by the people, which can only be accomplished in a transparent and democratic state.

In today's environment it is especially important to protect the stability of these institutions, including appropriate and not too burdensome business regulations. Unfortunately, the global crisis that started in 2007 is not over yet. At present, we see the European Debt crisis has resulted in forced austerity, weakening the demand for goods and services imported by the Western European economies. Additionally, growth in the United States continues to remain soft. Expansionary monetary policies in the United States and Europe also have some side effects, including increased volatility in commodity prices. In this uncertain macro environment, it is particularly important for governments to maintain the stability of economic development institutions.

**Concluding Remarks**

Eurasian economies are rich in human capital, natural resources, and the entrepreneurial spirit. These are all the ingredients needed for economic development. Given proper government support, these resources enable their economies to grow, empowering Eurasia and having a positive impact globally.

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