

# Georgia and Azerbaijan: From Partnership to Interdependence

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The fates of Georgia and Azerbaijan have been closely linked for most of their histories, and now this is true more than ever. The past twenty-five years have demonstrated that without their close strategic partnership, neither country would be able to sustain its independence or achieve greater economic prosperity.

This commentary discusses the ways in which Georgia and Azerbaijan have faced similar challenges since the restoration of their independence: armed conflicts and the occupation of significant parts of their territories, internal strife, and destabilization. These challenges have been followed by partnerships on international energy projects that have drastically changed their strategic importance on the world's geopolitical map. Thus far, this partnership has helped to consolidate the independence of both Georgia and Azerbaijan, but in order to sustain this achievement, the two countries must seek to amplify their international geo-economic role. While the world around us is undergoing dynamic changes, Georgia and Azerbaijan must reach out to the neighbors on the eastern shore of the Caspian Sea, in order to encourage them to place greater priority on the South Caucasus transport corridor. Beyond the existing function of supplying/transporting energy to Western markets, Azerbaijan and Georgia must reinvent themselves as the bridge between the Greater Caspian and Greater Black Sea regions.



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### *Historical background*

Both nations declared their independence in Tbilisi two days apart in May 1918 and embarked on building two of the most progressive states of their time. Azerbaijan was one of the world's first democratic and secular Muslim republics and the very first to grant women equal rights. Georgia became the world's first social democracy with a political system far ahead of many European nations, widely admired by Western European socialists. In the words of Professor Stephen Jones: "[The Democratic Republic of Georgia] was, at the time, a genuine beacon of hope (a beacon of liberty too) among social democrats such as Emile Vandervelde, Karl Kautsky and Ramsay MacDonald, all of whom visited the republic and wrote about it as a viable democratic alternative to other authoritarian and more statist models."<sup>1</sup>

Georgian and Azerbaijani independence was initially championed by Germany, whose military forces were briefly stationed in the South Caucasus at the very end of World War I. After their military defeat, the Germans left but were replaced by another European power – Great Britain, which was also supportive of the newly independent states in the Caucasus. Aside from

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purely geopolitical considerations, both German and British interests in supporting Georgia and Azerbaijan were based on the prevailing geo-economic conditions. Azerbaijan was one of the major sources of oil, and a pipeline through Georgia provided a route to the world markets. Oil had been a strategic commodity since at least 1912 when the British Navy switched to liquid fuel.<sup>2</sup> It was followed by other powerful nations, sparking the worldwide race for control over oil-rich regions.

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The Bolshevik military campaign in 1920 and 1921 was made

<sup>1</sup> Dr. Stephen Jones, *On the 90th Anniversary of the DRG*, 30 August 2009, Available at: <http://matiane.wordpress.com/2009/08/30/stephen-jones-on-the-90th-anniversary-of-the-democratic-republic-of-georgia/> (Accessed: 10 May 2017).

<sup>2</sup> Eric J. Dahl, *Naval Innovation: From Coal to Oil*, 2001.

considerably easier by the internal divisions and conflicts within the South Caucasus; specifically, territorial disputes and armed conflicts with Armenia, another shared reality for both Georgia and Azerbaijan.

Baku fell during the Bolshevik invasion of April 1920, and it took only a few months for Georgia to follow in February 1921. Without an independent Azerbaijan, Georgia lost its strategic and economic value for the British Empire, which withdrew its forces and left the Democratic Republic of Georgia alone against the advancing Red Army. It is worth noting that just after taking Baku, the Bolshevik government signed a treaty with the government of Georgia on May 7, 1920, recognizing Georgian independence in exchange for its pledge of neutrality and other political concessions. However, within just eight months, Bolshevik Russia reneged on its international commitment and invaded the sovereign country, violating its security guarantees.

As dramatic as these developments were, this period taught Georgians and Azerbaijanis several valuable lessons: they discovered that together, they attracted the geopolitical and economic interests of major powers. While Western nations demonstrated interest by supporting independence, Russia sought to crush it at the first opportunity. The second lesson is that territorial disputes within the South Caucasus not only prevent regional cooperation but also undermine its security, and ultimately, saw all three countries lose their independence. The third lesson is that Georgia and Azerbaijan are unlikely to sustain their independence without one another.

In other words, the first republic highlights the fundamental reality that for both countries, independence and economic development are based largely on an international geo-economic function. They share this function and, therefore, the two nations must actively cooperate to attract international partners whose interests in keeping the South Caucasian nations independent are more powerful than any Russian attempts to undermine them.

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*Rebuilding independence, seeking a new geopolitical role*

Let us examine the continued relevance of these historical

experiences, and how well we have absorbed those lessons.

After the dissolution of the Soviet Union in late 1991, the national borders and geopolitical fault lines shifted once again. The three Caucasian republics of Georgia, Azerbaijan, and Armenia re-emerged as independent states. One of the most important implications was that a potential Azerbaijani-Georgian partnership was re-opening the Caspian region to the West.

However, this new era presented not only great opportunities but also old challenges: Azerbaijan and Armenia clashed over Nagorno-Karabakh, the internationally recognized territory of Azerbaijan. Georgia, the only non-Baltic republic which had refused to join the CIS, was soon punished by Russia. Georgia's first democratically elected government was ousted following an armed coup, while Moscow-friendly separatists in Abkhazia and South Ossetia received full Russian support. Russia sought to fuel regional conflicts in order to maintain its influence over the South Caucasian countries.

While Russia's "divide and rule" approach significantly affected the region, these impediments were not enough to completely halt the region's cooperation with the West. While conflict with Azerbaijan left Armenia isolated from the regional cooperation, Azerbaijan and Georgia collaborated with the US leadership to develop the infrastructure for delivering Caspian energy to Western markets. At the first stage, the Baku-Supsa early oil pipeline was built. This served as a pilot project that became known as the 'Project of the Century' – the Baku-Tbilisi-Ceyhan (BTC) main oil pipeline. The Baku-Tbilisi-Erzurum natural gas pipeline soon followed.

It is difficult to overestimate the importance of these projects for the region. Not only did they jumpstart Azerbaijan's economic development but, more importantly, they became a defining factor in reinforcing Azerbaijani and Georgian political independence.

The West has put billions of dollars into developing the Caspian oil and gas fields, and with that has come huge political investment. Anyone involved in the process of multinational negotiations over the BTC pipeline is well aware that without the hands-on political involvement of the US administration in the 1990s and throughout the entire planning and implementation process,

the pipeline probably would never have been constructed. This is perhaps the most important - although not the only - reason behind Russia's hostility. As President Putin declared in 2005, the collapse of the Soviet Union was the greatest geopolitical catastrophe of the 20<sup>th</sup> century. But even before Putin came to power, Russia did everything in its power to assert its exclusive sphere of influence over the former Soviet Union republics, its self-declared 'near-abroad'. Beyond geopolitical motives, Russia is also driven by financial interests; most notably, in the hydrocarbon sector, which remains the single largest source of its revenues.

From Moscow's perspective, every barrel of oil and every thousand cubic meters of natural gas that bypasses the Russian pipeline system in its journey from the Caspian region to the Western markets represents lost revenue. Not only that, this is also a lost political leverage in the manipulation of both the European energy market and the suppliers in the Caspian region.

The future of the entire region was seriously threatened in 2008 when Russian tanks rolled into Georgia, a blatant act of intimidation and aggression. Under international pressure, they were forced to retreat, but 20% of Georgia's territory remains occupied and under Russian control, while the Kremlin continues to exert political and economic pressure over Tbilisi.

At this stage, Russia is directing its efforts towards to the region's economic and political cooperation with the West. Russian opposition to its neighbors' NATO membership aspirations is widely known; in addition, Russian leaders have made it very clear that Eastern Partnership countries will be made to pay a hefty price for closer integration with the European Union.

Once Russia stops pursuing a zero sum game and reconciles itself to the independence of the former Soviet republics – which seems highly unlikely under President Putin – it will realize that the benefits of stable and prosperous neighbors outweigh any gains made by undermining their security. Russia can still play a positive role in the Caspian energy projects; Russian companies have already been invited to join the international

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consortium that operates oil and gas fields in Azerbaijan. There is a possibility that Russia's own oil could be transported via the BTC if, as discussed by Russian and Azerbaijani officials, the Baku-Novorossiysk pipeline could be used for reverse flow.

*Prospects of greater regional role*

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Let us now take a broader look at our region, going beyond transportation of energy. For centuries Georgia and Azerbaijan were an important part of the historic Silk Road. The South Caucasus should try to revive and expand its historical function by offering the countries on the eastern side of the Caspian region an alternative gateway to Western markets. This would entail diversifying rather than replacing the existing transport and energy arteries. While Russia has no right to claim a monopoly over the transportation of Caspian oil and gas to Western markets, a cooperative Russia should not be excluded from the potential benefits of regional collaboration.

In order to fully utilize their potential, the Caspian region countries must cooperate more closely. At this stage, only Azerbaijan and Georgia (in conjunction with Turkey) can be described as strategic partners in the region. The other countries around the Caspian Sea have closer ties with Russia than with one another. If unaddressed, this lack of cooperation will make it impossible to develop the infrastructure that is necessary for the region to maximize its geostrategic potential, located as it is between the world's economic giants, Europe and China. In the absence of strategic collaboration, the regional countries will also forgo the full economic benefits of their hydrocarbon resources, which can

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only be achieved via proper access to the European and global markets. Furthermore, they will remain vulnerable to security threats.

By joining the Russian-led Customs Union and creating artificial barriers to trade with more developed partners, member states have taken a step towards self-isolation, and a step away from fully realizing their economic and social potential.

The region is strategically positioned to play an increasingly significant role in the globalizing world through its natural

resources, and potentially through future transport infrastructure. But to realize this potential, change is needed.

There are two fundamental determinants of the role and future prospects of the Caspian region: first, the region's ability to effectively harness its enormous energy resources; and second, its location midway between two major global economic forces – Europe and China. Energy demand will continue to grow both east and west of the Caspian. If the necessary infrastructure is developed, the region could attract a considerable share of the cargo transit between the Caspian region's eastern and western neighbors.

Azerbaijan must be commended for a number of strategic initiatives it has taken. The Trans-Anatolian Pipeline (TANAP), designed to deliver Azerbaijani natural gas to the countries of southern Europe, is one such example. Currently, TANAP has the relatively modest ambition of supplying 10 bcm of gas to Italy via the Trans-Adriatic Pipeline (TAP).

According to some experts, the selection of TAP as a partner project for TANAP has sounded the death knell for the much-discussed Nabucco project, failed to materialize due to dithering on the part of European partners. But a larger gas project may still be possible. Once the infrastructure to carry large volumes of Caspian gas directly to European consumers is in place, the eastern Caspian states – in particular, Turkmenistan – will need to give much more serious consideration to the proposed Trans-Caspian Gas Pipeline (TCP) project, which has fallen off the agenda. The European market has been buying Turkmen gas for years via Russian pipelines and on Russian terms. With TANAP, the prospect of Turkmen participation in the TCP project is much more plausible.

While the political obstacles to an agreement on the TCP are obvious (that are not limited by objections by Russia and Iran), Turkmen involvement in TANAP could significantly increase the viability of this pipeline and even revitalize Nabucco as the second phase of the project. Of course, if Europe remains passive, Turkmenistan will direct the larger share of its 17.7 trillion cubic meters of proven gas reserves towards China, or reach a new deal with Russia.

Kazakhstan has been the most cautious of all of the Central Asian countries, seeking to avoid irritating Russia through involvement in energy projects that do not have Moscow's approval. However, there is a precedent for the transport of Kazakh oil via the Southern Energy Corridor. Since the 1990s, Chevron has sent modest amounts of oil from Kazakhstan over the Caspian Sea and onwards to the Georgian Black Sea coast by railway. Given the right political climate, there is a solid commercial rationale for Kazakh participation in the future trans-Caspian energy supplies. The same can be said of the 'sleeping energy giant' Uzbekistan, although chances of Uzbek involvement are probably more remote.

As mentioned above, it is difficult to imagine the world that will not require a more developed transport infrastructure. The Caspian region, particularly Kazakhstan, is already playing an increasing role in the transportation of goods between China and Europe (via Russia).

Over the last decade, Turkey has significantly developed its transport infrastructure, creating new opportunities for the closer integration of the South Caucasus and Caspian regions into European road and railway networks. The project connecting the Turkish and Georgian railway systems is due to be completed in the near future. The project will, potentially, provide an additional route for the rail transportation of goods between Western Europe and China. Again, this project does not have global ambitions and is not an alternative to the Russian route. But as well as providing much-needed rail access between Azerbaijan and Turkey, the project can also offer new capacity for additional volumes of cargo, and thus quite literally pave the way for economic growth both within the Caspian region and across the continent.

In addition to road and railway infrastructure, Azerbaijan is committed to creating an air transportation hub near Baku. The strategic location and unlimited supply of local fuel are strong factors in this regard.

### *Conclusion*

To sum up, the past 25 years have entailed truly historic challenges, achievements, and opportunities for Georgia and Azerbaijan. After 70 years of Soviet rule, we both had the opportunity to

rebuild our independent states. At the same time, Georgia faced tremendous opposition in the form of hostility from the former imperial ruler. Both countries have had to cope with separatist conflicts, which remain the greatest security, political and economic challenge in the form of territorial occupation and the hundreds of thousands of IDPs and refugees.

Nonetheless, our two countries have managed to overcome the chaos of the early 1990s. Through close cooperation and support from our strategic ally Turkey along with Western partners, we have achieved considerable success in building viable states and becoming respected members of the international community.

The Georgian and Azerbaijani leaders have wisely drawn upon the strategic geographic location and mineral wealth of their respective countries to forge a strong alliance, in accordance with the South Caucasus's important international geo-economic function.

Thus far, this partnership has helped to consolidate the independence of both Georgia and Azerbaijan. But in order to sustain it, the two countries must seek to expand their international geo-economic role. The world around us is undergoing dynamic changes; we must try to reach out to our neighbors on the eastern side of the Caspian Sea in order to encourage them to place greater priority on the South Caucasus transport corridor. Beyond their existing function in supplying and transporting mainly Azerbaijani energy to Western markets, Azerbaijan and Georgia must reinvent themselves as a bridge between the greater Caspian and greater Black Sea regions.

This is no easy task. Even the Central Asian countries are vulnerable to Russian pressure. So far, they have not managed to develop effective regional economic or political cooperation, remaining more closely connected to Russia than with one another.

Together, via their vision for transport infrastructure, Georgia and Azerbaijan could provide Central Asian nations with the shortest and the most reliable access to the West, including markets in Turkey, Europe, and the Mediterranean.

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Europe's need to reduce its dependence on Russia and diversify its energy supplies creates a historic opportunity for the countries of the entire Caspian region. This opportunity must be grasped with both hands because this window of opportunity will not be there for much longer. This is a competitive environment, and if the Central Asian nations do not act now, they will not only miss out on the chance to gain a share in the lucrative European energy market but also on the prospect of consolidating their political sovereignty.

Obviously, Georgia and Azerbaijan alone cannot be able to persuade their eastern neighbors to collaborate on energy and transportation initiatives that risks irritating Russia. In the current context, when Turkey is undergoing historic changes, the European Union is coping with Brexit, and the United States is unsure of its role on the world stage, Georgia and Azerbaijan should promote the idea of greater trans-Caspian cooperation to both their Western and Central Asian partners.

Having already established the South Caucasus as an important energy and transport corridor, Georgia and Azerbaijan should prepare the ground for an expanded role, serving as a gateway between the greater Caspian and the greater Black Sea regions. As ambitious as it sounds, this goal is not unrealistic if the leaders of our countries make it their strategic priority. Not long ago, some people called the Baku-Tbilisi-Ceyhan project 'a pipedream'. But this pipeline was built and has made its mark on the world energy market due to the vision, dedication, and partnership of our leaders supported by many professionals.

I think it is time for Georgia and Azerbaijan, together with their partners, to unite once again for the greater good of our region.