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Pipelines, Ports and Pressure: Georgia and the Development of Transit Infrastructure in the South Caucasus

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Abstract

Georgia is an important element in the development of oil and gas reserves in the wider Caspian region, providing a key transport corridor that enables the shipping of hydrocarbons from the landlocked Caspian Sea region to international markets without the need to transit Russian territory. The commercialisation of the Baku–Tbilisi–Ceyhan (BTC) and South Caucasus (SCP) pipelines has created substantial revenues and strengthened the economic and political links among Azerbaijan, Georgia, Turkey and the West. Georgia will also be a crucial component of the next major pipeline project, the EU's Southern Corridor. This article explores the influence of the development of the pipeline and other transit infrastructure on Georgia's foreign policy, as the country seeks to diversify its economic and political links.

Introduction

A small country in terms of territory and population, Georgia has become increasingly important as a strategic corridor and international partner. The wider South Caucasus region constitutes a vital land bridge between Asia and Europe, physically linking the Caspian Sea region and Central Asia with the Black Sea and Western Europe, and thus the region is an important transport and communications corridor, particularly as a transit route for shipping hydrocarbons to international markets. The Georgian government has sought to capitalise on the country's geographic location, which is simultaneously a fundamental strength and critical vulnerability. A key foreign policy objective, outlined in both the National Security Concept and Foreign Policy Strategy 2019–2022, is to establish Georgia as a transport hub between Europe and Asia. In addition to the economic benefits that such a transit role would bring, it would also ensure a greater international interest in the country's stability and security. The construction of transnational pipelines over the past two decades has facilitated the engagement of Western actors in both Georgia and the South Caucasus. However, while the focus has been on pipeline infrastructure, moving forward, the emphasis is broadening to include transport initiatives such as rail transit of goods from further afield, along the East–West axis.

Georgia is the most pro-Western of the three South Caucasus states, and since its independence in 1991, it has consistently sought to maintain an autonomous foreign policy that removes it from the Russian sphere of influence and to develop a democratic state in line with Western values and standards under the protection of a Euro-Atlantic security umbrella. The pursuit of NATO membership and a closer relationship with the EU has remained a central pillar of Georgia's for-

ign policy, despite intense pressure from Moscow, and Tbilisi has deliberately courted external powers, such as the US and EU (and now China), in an attempt to counterbalance Russia's influence. The notion of Georgia 'returning' to Europe and the West has become a common theme in Georgian political and popular discourse, a part of the process of constructing a European identity. China, along with Azerbaijan and Turkey, has also become increasingly important for Georgia in recent years, as Tbilisi seeks to diversify its trade partners and markets, as well as its diplomatic links. However, this foreign policy diversification is not without risk, and Georgia's ongoing democratic reform process is under pressure from external partners.

The development of long-distance, transnational pipelines that transit Georgian territory, such as the Baku–Tbilisi–Ceyhan (BTC) link, symbolise an increasing interdependence between Europe and the South Caucasus and have transformed both Georgia and Turkey into key energy transport hubs. There has been considerable investment in new international export pipelines over the past two decades, which has led to the development of a southern oil and gas corridor between the Caspian and Mediterranean seas and brought significant economic and security benefits. The pipeline infrastructure is a physical manifestation of Georgia's Western-leaning foreign policy and the growing connections both within and between the southern Caucasus region and Europe. Sitting on Russia's southern flank, astride a vital transit route for Caspian hydrocarbons heading for international consumers, Georgia has become an important element in the development of oil and gas reserves in the wider Caspian region. The country provides a key transport corridor, enabling the shipping of hydrocarbons from the landlocked Caspian Sea region to international markets without the need to transit Russian territory.

The ambitious 1,768 km Baku–Tbilisi–Ceyhan oil pipeline is a vital element in the expansion of oil production in the Caspian basin. The pipeline's construction has strengthened the political and economic autonomy of states such as Azerbaijan and Georgia, while reducing Russian influence and cementing the involvement of Western actors such as Europe and the US. The pipeline has also established the Turkish port of Ceyhan as an important oil trading centre. Clear mutual dependencies have developed among the three states: Georgia's geographical location (combined with regional tensions) means that the country is pivotal for Azerbaijan's export of hydrocarbons from the Caspian Sea region to Europe, as well as Turkey's desire to become a regional energy hub.

The Southern Gas Corridor and Georgia

The construction of the BTC was largely driven by the US, which wanted East–West oil export routes from Central Asia and the Caucasus to bypass Iran and Russia, weakening these countries' influence in the region. However, it is the EU that is leading the next major pipeline project, the Southern Gas Corridor (SGC), which is focused on securing sufficient supplies of natural gas. Europe is already the world's largest market for natural gas imports, but it is estimated that over 80 percent of the EU's energy requirements will be imported by 2030 as indigenous reserves decline. Consequently, EU member states are going to become increasingly reliant on suppliers located on the organisation's periphery, particularly to the East and South. Europe is surrounded by gas-exporting countries, such as Azerbaijan: according to some statistics, 80 percent of the global natural gas reserves are located within 4,500 km of the EU, and many can be connected to the region by a pipeline. The SGC is a highly complex infrastructure development, covering over 3,500 km, seven countries and a number of energy majors in a series of separate projects. Georgia is a crucial component of the SGC, as it lies on the route of the Trans-Anatolian (TANAP) gas pipeline from Azerbaijan to Turkey, which will connect with the existing South Caucasus gas pipeline (SCP), the first step in the creation of the SGC.

The commercialisation of the BTC and SCP pipelines has created substantial revenues for transit countries and strengthened the economic and political links among Azerbaijan, Georgia, Turkey and the West. In addition to providing the region with access to world energy markets and bypassing Russia, the pipelines pro-

vide economic benefits in the form of transit revenues. For a country such as Georgia, which does not have an abundance of natural resources such as oil and gas, cementing its role as a transit hub provides a vital source of revenue. The South Caucasus region makes a vital contribution to European energy security, facilitating the diversification of both supply and transit routes. The pipeline infrastructure has also strengthened the political and economic autonomy of Georgia, whilst cementing the involvement of Western actors, such as Europe and the US, who have an interest in the stability of the country and the wider region. These infrastructure initiatives are important in terms of the strategic signals that they send regarding Georgia's autonomy and the country's attempts to diversify its economic and diplomatic partners. Georgia's accession to the European Energy Community in 2017 further strengthened its ties to Europe, demonstrating its commitment to compliance with EU regulatory frameworks and institutions.

A Strategic Hub Between the East and West?

In recent years, the Georgian government has sought to position the country as a vital part of the southern Eurasian corridor, as part of China's Belt and Road Initiative (BRI). China has become increasingly important for Georgia, as demonstrated by the signing of a free-trade agreement in 2018, which can perhaps be viewed as a counterbalance to Russian influence. The signing of a free-trade agreement with Beijing sits alongside the Deep and Comprehensive Free Trade Area (DCFTA) set up with the EU in 2014, which increases market access between Georgia and Europe. The emphasis on future infrastructure projects, such as the deep-water port at Anaklia, suggests that Tbilisi is looking eastwards, as well as to the West. Hopes that Anaklia would become a strategic trading hub between China and Europe have been dented, as the project has become mired in scandal and allegations of Russian pressure intended to thwart the development, which would compete with Russia's Black Sea port of Novorossisk. Speaking in June 2019, the former US Secretary of State Mike Pompeo signalled strong US support for the project, which, in his opinion, would 'enhance Georgia's relationship with free economies and prevent Georgia from falling prey to Russian or Chinese economic influence.'¹

There are parallels between the disagreements surrounding the Anaklia project and the debate over the construction of the BTC pipeline in the early 2000s:

1 'Statements to the Press With Georgian Prime Minister Mamuka Bakhtadze As Part of the U.S.–Georgia Strategic Partnership Commission', Remarks, Michael R Pompeo, Secretary of State, Treaty Room, Washington, DC, 11 June 2019, www.state.gov/statements-to-the-press-with-georgian-prime-minister-mamuka-bakhtadze-as-part-of-the-u-s-georgia-strategic-partnership-commission/

that is, US support for infrastructure projects that are intended to strengthen the political and economic autonomy of post-Soviet states such as Georgia by reducing Russian influence. However, the pursuit of greater economic and political independence threatens Georgia's ambitious aspirations regarding further integration into the Euro-Atlantic community, as the aspirations increase its reliance upon its illiberal neighbours. Years of cooperation among Georgia, Azerbaijan and Turkey has resulted in the successful implementation of regional energy and transportation infrastructure projects, which capitalise on the location of the South Caucasus region to consolidate its role as a major transit route between the East and West. Georgia benefits from transit tariffs that support its economic development and its ambitions to establish the country as a transport hub between Europe and Asia, a goal that was boosted in October 2017 with the inauguration of the Baku–Tbilisi–Kars railway line, which links Azerbaijan to Georgia and Turkey. Nevertheless, as these projects have strengthened Georgia's ties with Azerbaijan and Turkey, Georgia has become more dependent on them: Azerbaijan has become the principal supplier of natural gas to the country and is also one of the largest foreign investors in Georgia, followed by Turkey.

These deepening ties present dangers for Georgia, and there is concern that its increasing economic and political reliance on its two illiberal neighbours is undermining its ability to adhere to declared ideals such as its commitment to democratic values and human rights norms, which could undermine its pursuit of integration into European structures such as the EU. The 2017 cases of Turkish teacher Mustafa Emre Chabuk, who was arrested by Georgian police on terrorism charges at Turkey's request, and the extrajudicial detention of Azerbaijani opposition journalist Afgan Mukhtarli cast some doubt on the Georgian government's ability to resist the undemocratic demands of its neighbours, who also happen to be key strategic partners. Tbilisi needs to ensure that it does not sacrifice its ambitions of closer

integration with European institutions, which requires adherence to liberal democratic norms and values (along with reform and regulatory restructuring), for the pursuit of economic stability and the immediate self-interest of its principal regional partners.

Conclusion

It is evident that Georgia has already achieved its objective of becoming a vital link in the transit of hydrocarbons from the Caspian region to Europe. Moving forward, the question remains as to whether Georgia can progress its ambitions to become a transport hub for goods moving from East to West. The Anaklia deep-water port project is crucial for this aspiration, and its progress (or lack thereof) will provide a good indicator of both the direction of internal reform and the influence of external actors. The geostrategic location of the South Caucasus, between Russia, Turkey and Iran, together with the role of external actors, including regional powers, Western security organisations and, increasingly, China, continue to have a significant influence on Georgia's foreign policy orientation.

The rise in the influence of powers such as China has, to a large extent, been demand-driven, as Georgia seeks greater diversification in its diplomatic and economic ties. However, this diversification could come at a cost, and Georgia will need to protect its domestic reform efforts from potential pressure from illiberal neighbours and partners. Western democracies and European organisations such as the EU and NATO cannot afford to be complacent about their influence in the South Caucasus. Powers such as Russia and China are now able to provide material support to countries in a way that they have not been able to previously, thereby undermining Western influence and conditionality (Frantz/Kendall-Taylor 2017). If Tbilisi is able to successfully balance the interests of both regional and external powers, the country has the opportunity to benefit from the increasing connectivity across the South Caucasus and further afield, enabling it to capitalise on its geostrategic location.

About the Author

Dr Tracey German is a Reader in the Defence Studies Department at King's College, London. Her research focuses on Russia's relations with its neighbours and on conflict and security in the Caucasus and the Caspian region.

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