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**PATTERNS FOR COOPERATION IN THE
SOUTHERN CAUCASUS AREA**
*AZERBAIJAN, GEORGIA AND TURKEY - TRIANGULAR
DIPLOMACY IN THE SHADOW OF ENERGY STRATEGY*

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The Caucasus has been defined as a “broken region” by both practitioners and scholars. Although the regional “protracted” conflicts clearly represent a stumbling block to the development of inclusive cooperation schemes, nevertheless the “broken region” interpretation seems to hide a Western prejudice – i.e. a tendency to label as inefficient or ruinous any political relations regulated by values and interests different from the Western ones.

On this backdrop, the partnership among Azerbaijan, Georgia and Turkey, a mutual dependent yet asymmetrical axis for cooperation, is crucial to assess the existence of an effective synergic axis in the contemporary Caucasus-Caspian scenario. The cooperation in the energy field has been the main feature of the trilateral partnership, with a series of spill-over effects as well as connections with balance of power dynamics in the area and within the axis itself.

In order to understand the relations among Azerbaijan, Georgia and Turkey, as well as the impact on those interactions of natural resources and capital flows, this paper will then analyse the landlocked states behaviour - especially the energy producers - and the AGT cooperation system through Theodore Caplow’s theory of coalitions in triads.

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Introduction

The Caucasus has been defined as a “broken region” by both practitioners and scholars.¹ True, the regional “protracted” conflicts in Abkhazia, South Ossetia and Nagorno-Karabakh represent a stumbling block to the development of inclusive cooperation schemes. In particular, due to its inter-state nature, the Karabakh conflict and the resulting occupation of internationally recognized Azerbaijani territories stand as the most intricate knot preempting regional cooperation. Nevertheless the “broken region” interpretation seems to hide a Western prejudice – i.e. a tendency to label as inefficient or ruinous any political relations regulated by values and interests different from the Western ones. Looking at the Caucasus – a seamless area together with Eurasia in Geopolitics – what stand out are the peculiar features in terms of geographical, political and economic continuity affecting both the relations among the regional countries and the Caucasus physical space itself. Focusing on the relations among Turkey, Georgia and Azerbaijan, the definition of *landlocked states* seems then more objective than the *broken region* concept. Despite different domestic structures and foreign policies, the countries in the Caucasus are landlocked states;² and this constraint affects regional cooperation/competition leading to a dense network of relations in an almost enclosed and cohesive subsystem.

On this backdrop, the partnership among Azerbaijan, Georgia and Turkey (AGT), a mutual dependent yet asymmetrical axis for cooperation, is crucial to assess the existence of an effective synergic axis in the contemporary Caucasus-Caspian scenario. The cooperation in the energy field has been the main feature of the AGT partnership, with a series of spill-over effects as well as connections with balance of power dynamics in the area and within the axis itself.

¹ P. Semneby, “The Role of the EU in the Resolution of Conflicts in the South Caucasus”, *Turkish Policy Quarterly* Vol. 5 No. 2 (2006); J. Boonstra, L. Delcour, *A broken region: evaluating EU policies in the South Caucasus*, Fride Policy Brief, No. 193 (2015); See also T. DeWaal, “A Broken Region: The Persistent Failure of Integration Projects in the South Caucasus”, *Europe-Asia Studies*, Vol. 64, No. 9 (2012), pp. 1709-1723.

² Georgia doesn't really belong to the “landlocked states” category; however, the need to pass through the Turkish straits puts Tbilisi into a halfway position as a transit area.

The AGT cooperation axis has been officially established in June 2012 with the Trabzon Declaration, which enhanced the existing partnerships through the implementation of a ministerial platform aimed at strengthening political dialogue and promoting mutually relevant projects.³ Since then, the Forum met yearly and on a rotating base,⁴ focusing its activity on three pillars:

- a. *Political-diplomatic cooperation* - mutual regional and international support.
- b. *Security cooperation* – centered on the resolution of protracted conflicts in Nagorno-Karabakh, Abkhazia and South Ossetia on the basis of respect for the sovereignty, territorial integrity and inviolability of internationally recognized borders of Azerbaijan and Georgia.
- c. *Economic cooperation* - designed to increase economic and infrastructural integration and interaction in energy and transportation sectors.

The AGT axis is the result of a twenty-years long process of trilateral cooperation, coherent with the foreign policy views of the three states. This is especially true for Turkey and Azerbaijan, the two most powerful and politically intertwined elements in the triad. Over the last decade, the Southern Caucasus place in Turkish strategic thinking has been strengthened by the de-securitization process in foreign policy operated by the AKP and by the increased resort to *soft power* means. The area emerged as a key testing ground in order to promote extensive good neighboring relations and economic interdependence, consistently with a *trading state* logic⁵ which is also coherent with the multidimensional and balanced foreign policy of Baku – aiming at creating “friendly

³ Republic of Turkey, Ministry of Foreign Affairs, *Trabzon Declaration Of The Ministers Of Foreign Affairs Of The Republic Of Azerbaijan, Georgia And The Republic Of Turkey*, 08 June 2012, Trabzon, web edition, http://www.mfa.gov.tr/trabzon--declaration-of-the-ministers-of-foreign-affairs-of-the-republic-of-azerbaijan_-georgia-and-the-republic-of-turkey_-08-june-2012_-trabzon.en.mfa [last retrieved 30 April 2015].

⁴ After the Trabzon summit the Forum gathered in Batumi in March 2013, in Ganja in February 2014 and in Kars in December 2014.

⁵ See K. Kirişçi, “The Transformation of Turkish foreign policy: The Rise of the Trading State”, *New Perspectives on Turkey*, No.40 (2009), pp. 29-57; as per the regional application of the *trading state* approach, Ş. Kardas, “Turkey’s Push for Caucasus Stability and Cooperation Platform”, *ADA Biweekly*, Vol. 1, No. 14-15 (2008).

relations with all countries on the basis of universally accepted norms and principles of international law”⁶ in surrounding regions. The rise of economic interdependence as a key element in the Azerbaijani and Turkish foreign policy agendas became a decisive factor for the projection of respective national interests in multi-regional direction. Georgia, as a physical interconnection between the two partners, holds a key role in the development of such vision.

The centrality of the AGT cooperation is inscribed and prioritized by the foreign policy official documents of the three countries. Turkey and Georgia are the first partners in order of importance to be mentioned in the Azerbaijani National Security Concept. Moreover, the Concept stresses the role of the “trilateral strategic partnership and deepening cooperation” as a key factor of regional stability⁷. Likewise, Georgia Foreign Policy Strategy and National Security Concept label as “strategic” the bilateral relationships with Ankara and Baku. On the one hand, Georgian documents portray Turkey as a “leading regional partner, supporting Georgian efforts to develop stable economic, political and military institutions”; on the other hand, they also stress the relevance of large scale infrastructural projects developed with Azerbaijan, which not only contribute to the stability and prosperity of the two countries, but play also a key regional stabilizing role.⁸

In order to understand the relations among Azerbaijan, Georgia and Turkey, as well as the impact on those interactions of natural resources and capital flows, this paper will then analyse the landlocked states behaviour – especially the energy producers – and the AGT cooperation system through Theodore Caplow’s theory of coalitions in triads (Caplow, 1956; 1968).⁹

⁶ *National Security Strategy of the Republic of Azerbaijan, Approved by Instruction No. 2198 of the President of the Republic of Azerbaijan on 23 May 2007*, p. 12.

⁷ *National Security Strategy of the Republic of Azerbaijan* (2007), pp. 12-13.

⁸ Ministry of Foreign Affairs of Georgia, *National Security Strategy of Georgia*, pp. 9-10

⁹ T. Caplow, “Theory of Coalitions in the Triad”, *American Sociological Review*, Vol. 21, No. 4 (1956), pp. 489-93; “Further Development of a Theory of Coalitions in the Triad”, *American Journal of Sociology*, Vol. 64, No. 5 (1959), pp. 488-493; *Two against one: coalitions in triads*, Prentice-Hall, Englewood Cliffs, 1968.

1. Coalitions in triads - The case of the Caucasus region

The relations among countries in the Caucasus and the Caspian Sea regions are intrinsically complex, thus a descriptive approach can be helpful to analyse these connections. At the same time, however, such an emphasis on the political process could hide the influence of structural factors on sub-regional dynamics. Process and structure are both essentials in understanding the political environment and the course of diplomatic relations of the Caucasus area. This study will therefore integrate Caplow's model on triads with some considerations about the landlocked states and the way these countries can escape international isolation.

As Paul Collier stated with regard to the landlocked states, "If you are coastal, you serve the world; if you are landlocked, you serve your neighbors".¹⁰ Azerbaijan played this kind of functional -if not instrumental- role during the Soviet era, when its oil satisfied for decades the bulk of USSR demand without direct benefits from it, neither economically nor in terms of influence within the Politburo. Finally independent, in a changed and uncertain global scenario, after the collapse of the Soviet Union Azerbaijan was resolved to protect its natural resources from the greed of stronger powers.¹¹ In particular, turned into a source of strength rather than a liability since mid-Nineties, Azerbaijani natural resources became an effective tool in implementing an independent foreign policy.

Georgia and Turkey do not share the same geographic constraints with Azerbaijan, not being landlocked states. However, both Tbilisi and Ankara suffer from the lack of natural resources. Moreover, the strong competition with Moscow plays an important role in shaping Tbilisi foreign policy and partnerships. Azerbaijan's territorial contiguity with Georgia as well as the ethnical and linguistic bond with Turkey enhanced this condition of mutual necessity and convergence among strategic interests. The more so taking into consideration Baku's resolve to engage regional partners with a view to isolate Armenia – both physically and politically – in order to restrain Yerevan bargaining power *vis à vis* the protracted occupation of the Nagorno-Karabakh area. Therefore, while

¹⁰ P. Collier, *The Bottom of Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, Oxford University Press, New York, 2007, pp. 56-57

¹¹ M. Mastanduno, D. A. Lake and G. J. Ikenberry, "Toward a Realist Theory of State Action", *International Studies Quarterly*, Vol. 33, No. 4 (1989), pp. 457-474.

Azerbaijan traditionally seeks external protection and energy markets, Turkey aims at increasing its regional influence and looks for energy supplies, while Georgia needs political and economic partners to downgrade Russia blackmail power. This context of mutual dependence generates a three-actors system (triad) in which relations are apparently reinforced by the peculiar features of energy markets, such as the layouts of transport infrastructures and their structural rigidity, as well as their implementation and payback costs. For these reasons, Theodore Caplow's model of interactions in triads can be applied to the study of Azerbaijan, Georgia and Turkey relationships.

Caplow's theoretical framework represents a critical development to the game theory, calling into question - as Angela M. O'Rand states¹²- the hypothesis of power symmetry among actors. More specifically, Caplow argues that examining the diverse type of power and influence among actors, it is possible to forecast the formation of coalitions, as well as the outcome of interactions in the triad (i.e. a minimum social system). Starting from Simmel's observations on game theory, Caplow focuses on the influence of the system's structural features –i.e. the number of the actors and their relative power – on the behaviour of its constituents. That theory has been complemented¹³ with elements coming from different disciplines, such as anthropology, political science and economics, thus making Caplow's model flexible enough to fits an area as complex as the Caucasus. The intricate regional environment restrict the countries' ability in elaborating effective policies.

Turkey, Azerbaijan and Georgia can be seen as a triad in which the resources of the main actor (i.e. Ankara) exceed the aggregate resources of the minor ones (i.e. Baku and Tbilisi), thus $A > B > C$, with $A > B + C$. Given this power distribution, a coalition¹⁴ made by Georgia and Azerbaijan would not be able to challenge the Turkish dominant position. An attempt by the median member of the triad to dominate the weakest one would also generate instability,

¹² M. O'Rand, *The Early Development and Diffusion of Game Theory*, in R.E. Weintraub (ed.), *Towards History of a Game Theory*, Duke University Press, Durham, 1992, pp. 197-198.

¹³ Caplow (1968).

¹⁴ On alliances, their classification and the literature about them, see M. Cesa, *Alleanti ma rivali: teoria delle alleanze e politica estera settecentesca*, Il Mulino, Bologna, 2007.

creating an asymmetric power relationship and leading to a clash of interests¹⁵. In such a scenario, any spiral of aggressiveness would offer the opportunity to an external actor, such as Russia, to become the patron of the two weaker states and a player in the game. Removing Turkey from its position, Moscow would be able to took Azerbaijan and Georgia back to a rank of satellites. Assuming Azerbaijan as a rational actor,¹⁶ these potential developments within the triad look less likely than eventually cooperative scenarios.

Within the triad, Georgia holds a position of structural inferiority. This situation cannot be changed, and it is sharpened by a combination of two elements: an external one - the conflict with Moscow- and an endogenous one - the lack of natural resources to supply its national economy. Nevertheless, two more elements make the Caucasus scenario as peculiar - Turkish interest in balancing Russian influence over the region trough support to Moscow's competitors; and the Azerbaijani need to export its hydrocarbons bypassing Russian territory, in a view to avoid the asymmetric relationship with the Kremlin. As Georgia is functional to Ankara and Baku policies, and a long-time cooperation ties Azerbaijan and Turkey, any competition over Tbilisi does not seem a realistic outcome.

According to Thucydides¹⁷, international politics is divided between those who have power and those who have obligations only, thus the common need of limiting Russia influence over the Caucasus and exporting/importing hydrocarbons characterizes the Turkey-Azerbaijan-Georgia triad. The compliance of interests between Ankara and Baku makes the weaker actor, Georgia, not a political target but the pivot of an energy subsystem in which Georgian security is strengthened by cooperation or trade, rather than internal balancing or external support. Being a landlocked

¹⁵ This peculiar concept is represented by the hegemonic alliance, which involves asymmetrical levels of power and heterogeneous interests. See Cesa (2007).

¹⁶ See C. Holbraad, "The Role of Middle Powers", *Cooperation and Conflict*, no. 6, 1971, pp. 77-90; *Middle Powers in International Politics*, Macmillan, London, 1984; and M. Valigi, "Il comportamento delle medie potenze in ambiente anarchico: un modello", *Quaderni di Scienza Politica*, No. 1, 2010, pp. 163-204.

¹⁷ On Thucydides thinking about international politics, see M. Cesa, *Le ragioni della forza: Tucide e la teoria delle relazioni internazionali*, Il Mulino, Bologna, 1994; and L.S. Gustafson (ed.), *Thucydides' Theory of International Relations: A Lasting Possession*, Louisiana State University Press, Baton Rouge, 2000.

state, Azerbaijan is forced to cooperate with its neighbours in order to translate its great energy potential into political influence. On the other side, even if the Mediterranean position and the control over the Straits provide Turkey with a role of natural energy hub, Ankara needs hydrocarbons for the domestic purposes first, in particular to convey the country productive potential into economic growth. Therefore, Georgia's geography ensures the country the role of connector among Azerbaijani and Turkish needs and interests. Moreover, the partnership among Tbilisi and its neighbours is stabilized by persistent tensions between Georgia and Russia.

If this triad was indeed a system closed to external influences - as in Caplow's study - Georgia would have had a remarkable bargaining power towards Azerbaijan and Turkey. This would have triggered a competitive spiral dynamic: serving the same interests, Baku and Ankara would have strongly hindered Tbilisi, the weakest state in the system. As the regional hegemonic power,¹⁸ Russia constitutes an intervening variable that makes the system more flexible and cohesive. Thus, the system is not just a three-actors one, but a "system with a third actor".¹⁹ Moscow presence in the region represents an external constraint that facilitates the convergence between Baku economic interests with Ankara and Tbilisi political priorities. Turkey aims at expanding its influence over the Caucasus, while Georgia seeks stronger ties with the West, as to gain more independence towards its stronger neighbour. Though Tbilisi has strong incentives to pursue selfish objectives, this circumstance has been avoided by the risk of Azerbaijani and Turkish reprisal. Moreover, that scenario would directly benefit Russia: Moscow would find itself in the perfect position to intervene on behalf of regional stability.

The one tying Ankara, Baku and Tbilisi is indeed a *cooperative bond*, in which attitudes and drives towards Moscow are yet various. However, all this can have divergent outcomes in a long term scenario. Azerbaijan, though seeking economic and internal development purposes and conducting a pragmatic foreign policy (rather accommodating towards Moscow), could find itself isolated

¹⁸ See J.J. Mearsheimer, *The Tragedy of Great Power Politics*, Norton, New York, 2001; Updated Edition, Norton, New York, 2014.

¹⁹ See P.P. Portinaro, *Il terzo: Una figura del politico*, FrancoAngeli, Milano, 1986.

or - even worse - dragged into a conflict with Moscow by Georgia and Turkey's anti-Russian attitude. According to this perspective, it is thus interesting to focus on the Azerbaijani strategy of enfranchisement from both Russia and Turkey and the promotion of its influence in the Caspian neighbourhood.²⁰

2. Energy as the backbone of trilateral cooperation

Energy cooperation plays a central role in the AGT triangular axis. In the 1990s, it has been the catalyst of the three countries' interests and regional politics, while during the 2000s it represented a crucial area to develop functional interdependence among them. Finally, energy provides a privileged area for cooperation in order to strengthen the trilateral partnership as well as ensuring its prosecution in the Twenty-first century. As a matter of fact, energy cooperation clearly portrays the degree of interdependence among Ankara, Baku and Tbilisi, as well as the way in which a mutual interest raised and overlapped in the aftermath of USSR disintegration and before the attempt to exploit the Caspian extraction potential.

The main rationale behind the political process within the AGT triad is the linkage between an energy producer country "having no seacoast whatever, being completely Mediterranean"²¹ as Azerbaijan, and two partners, as Turkey and Georgia, which are crucial for the hydrocarbons transit towards the European markets. On this backdrop, the basic feature of land-locked states is, by definition, the need to interact with transit states²², which creates a

²⁰ See G.H. Snyder, *Alliance Politics*, Cornell University Press, Ithaca, 1997.

²¹ Despite having an access to the sea through the Volga river, Azerbaijan can still be considered a land-locked state: as Glassner wrote, "this definition includes those states, [...] which have access to the sea via internationalized navigable rivers [...]. Such states exhibit some of the characteristics of coastal states, but consider themselves land-locked and are here considered land-locked because they do not exercise 'sovereign' control over their aqueous highways to the sea". I. Glassner, *Access to the Sea for Developing Land-Locked States*, Martinus Nijhoff, The Hague, 1970, p. 2.

²² The "political land-lockness", i.e. the consequences of political relationships with transit states, is an unavoidable corollary of not having access to the sea. D. Anglin, *The politics of transit routes in land-locked southern Africa*, in Z. Cervenka (ed.), *Land-locked Countries of Africa*, The Scandinavian Institute of African Studies, Uppsala, 1973, p. 112.

politically relevant dependency relationship.²³ However, Georgia and Turkey transit role in the AGT subsystem is downgraded by the lack of indigenous energy resources. The resulting need to secure and diversify energy supply channels confers these two countries with a position far from pure “middlemen” in respect to Baku energy export, creating a mutual dependence relationship among the three actors. Thus reciprocity and pragmatic interests, together with specific political and diplomatic practices implemented by Baku, have balanced the unavoidable dependence of a land-locked country from transit states.

Ever since the beginning of the Nineties, Ankara’s involvement in the Caspian energy game had both sound political and economic implications. Lacking indigenous natural resources, the Caspian supply channel has been traditionally seen by Turkey as a means to effectively complement Russian and Middle Eastern hydrocarbons, while enhancing national energy security. Moreover, maximizing energy imports could enable Ankara to launch a re-export process: in this way, Turkey could cut its supply costs and, at the same time, exploit the country’s strategic geographical position as a natural hub between Eurasian main producing and consuming areas. In doing so, Turkey could also help the NIS in cutting the “steel umbilical cord”²⁴ linking them to Moscow – i.e. the former Soviet, Russo-centric energy transportation systems inherited from USSR dissolution.

Apart from economic benefits, the Turkish promotion of an East-West energy Corridor had a relevant political value as well. Indeed, seen as an external anchor for development, Ankara could have played a decisive role in sustaining the economic growth and the complex state-building process of the Newly Independent States (NIS). Aiming at reinforcing NIS sovereignty and independence *vis à vis* both Moscow tendency to domination and the potential raising of Tehran regional influence, Ankara’s regional policy overlapped to a great extent with US and European ones. Thus, while Western governments were reluctant to jeopardize their relations with Russia through an intervention in the former-Soviet space,²⁵ Turkey emerged as a key bridgehead for the

²³ Ibid.

²⁴ R. Ebel, *Energy Choices in the Near Abroad*, Center for Strategic and International Studies, Washington, D.C., 1997, p. 21.

²⁵ As per the US so called “Russia First” policy, see A. Chayes et al., *The*

development of economic, political and strategic relations with regional actors, becoming a fundamental partner to break the political and infrastructural isolation suffered by the South Caucasus republics.

Since the independence, Baku's energy and foreign policy strategies have been shaped by the need to tackle the lack of sea-access as well as the country's physical distance from main regional ports and energy markets. Theoretically, more neighbors – in particular the coastal ones – provide land-locked states with more potential routes,²⁶ reducing the negative effects related to the lack of open-sea access. However, geographical considerations need also to be matched with economic and political ones. In the Azerbaijani case, export channels through Russia and Iran were not feasible: Baku preferred to have its resources passing through non-energy exporting countries, whose reliability might have been affected by the prioritization of their own energy export over those from Azerbaijan.²⁷

Moreover, due to economic considerations, the Azerbaijani government preferred to export its natural resources toward European markets instead of the South Asian ones, cutting off the Iranian option.²⁸ The northern and southern options presented political contraindications as well. While Baku preferred to avoid the Russian route in order to diminish Moscow's influence, the decision to avoid the Iranian one was heavily affected by the US policy of isolating Tehran. Washington support was fundamental in revamping the Azerbaijani energy sector.²⁹ Finally, as for the shortest western route to Turkey via Armenia, the option was hindered by the enduring conflict over the Nagorno-Karabakh and by Yerevan unwillingness to negotiate transit agreements and the suspension of the occupation.³⁰

Development of U.S. Policy Toward the Former Soviet Union, in A. Arbatov et al. (eds.), *Managing Conflict in the Former Soviet Union: Russian and American Perspectives*, MIT Press, Cambridge and London, 1997, pp. 493-536.

²⁶ Glassner (1970), p. 5.

²⁷ A. Idan and B. Shaffer, "The Foreign Policies of Landlocked States", *Post-Soviet Affairs*, Vol. 27, No. 3 (2011), p. 256.

²⁸ V. Baylarbayov, interview with C. Frappi, Baku, April 2013.

²⁹ See, J. Joseph, *Pipeline Diplomacy: The Clinton Administration's Fight for Baku-Ceyhan*, WWS Case Study, no. 1/99, Princeton, Woodrow Wilson School of Public and International Affairs.

³⁰ R. Musabayov, interview with C. Frappi, Baku, April 2013.

Besides a “negative rationale” making Georgia the preferable transit for the bulk of export, the longest Western route had a relevant “positive rationale” as well. Due to its dependency relation with transit states, Azerbaijan would have opted out for a country reliable on both the security and transit matters.³¹ Although far-away from the open sea, Georgia was the wiser long-term political and economic choice, due to the regional balance of power and the good bilateral relations between Baku and Tbilisi. This dynamic was also strengthened by the rise to the Presidency of two “pragmatic westernizers” – i.e. Haydar Aliyev in Azerbaijan and Eduard Shevarnadze in Georgia. The two leaders shared a deep distrust of Russia and its covert attempt to reintegrate and dominate the former Soviet space, as well as by the common interest to solve the domestic “protracted conflicts” consistently with international norms and, finally, by the common aspiration to deepen ties with European and transatlantic structures, looking forward for gradual integration into them in the medium-long term.³²

Georgia’s desire to become a transit state for the Azerbaijani hydrocarbons had sound economic and political motivations. In the beginning of the Nineties, Georgia got close to state failure: becoming a transit state for Azerbaijani hydrocarbons, Tbilisi would have diversified its imports and supported its own economy with transit revenues and foreign investments.³³ Politically speaking, Georgia’s interest was based on the confidence that whoever secured the major share of pipeline transit would “gain enhanced influence not only throughout the Caucasus and Central Asia but also on a global political scale”.³⁴ Therefore, by aligning its

³¹ Idan and Shaffer (2011), p. 256.

³² On the emergence of a “pragmatic westernizer” block within the CIS, see T. Kuzio, “Geopolitical pluralism in the CIS: The emergence of GUUAM”, *European Security*, Vol. 9, No. 2 (2000), pp. 81-114.

³³ It is worth mentioning that the linkage between infrastructural cooperation with Azerbaijan and economic development had deep historic roots. Indeed, around a century earlier, it set the basis for one of the main period of infrastructural and industrial development in Georgian history, with the construction of a railway (1883) and a pipeline (1906) linking the energy production area in Baku with the Black Sea. For a coeval analysis of the economic expansion in the Batumi port area during the same period, see J. D. Henry, *Baku: an eventful history*, Archibald Constable & Co., London, 1905, pp. 218 ss.

³⁴ C. Blandy, *The Caucasus Region and Caspian Basin: Change, Complication and Challenge*, The Royal Military Academy, Sandhurst, 1998, p.4.

foreign and energy policy to the ones of Turkey and the US, Tbilisi found itself in a better position to balance Russia.

Accommodating Ankara's will not to overload the passage through the Bosphorus Strait,³⁵ Azerbaijani choice of Georgia as transit country and Turkey as port state was, therefore, the most rational and proved to be, *ex-post*, the most profitable in both economic and political terms.

The three countries showed a high level of complementarity and convergence of interests: this allowed the completion of infrastructural projects that presented various technical and geological risks³⁶, as well as political and security ones. Even if Azerbaijan become *de facto* a “double land-locked” state, the triangular cooperation axis reinforced the combined weight of its partners: the strong ties between Ankara, Baku and Tbilisi eased the realization of energy infrastructures that looked unrealistic on the economic and financial side. Due to joint efforts from the AGT countries and the valuable support of the Clinton and George W. Bush administrations, the Baku-Tbilisi-Ceyhan (BTC) oil pipeline was inaugurated then in 2005, followed in 2006 by the South Caucasus Pipeline (SCP) - a gas pipeline running on the Baku-Tbilisi-Erzurum route.

3. Fostering “mutual interdependency”: direct and indirect effects of energy cooperation on the AGT axis

The BTC and SCP pipelines had a huge impact, both directly and indirectly, on the Azerbaijan-Georgia-Turkey cooperation axis. This is especially true on the economic side: the two infrastructures attracted foreign investments in the region and boosted both the Azerbaijani and Georgian GDP growth³⁷, while increasing the

³⁵ See Y. Güçlü, “The Legal Regulation of Passage through the Turkish Straits”, *Mediterranean Quarterly*, Vol. 11, No. 3 (2000), pp. 87-99

³⁶ More important than the number of neighboring countries, land-locked or coastal, is the distance and nature of the terrain between the economic core of a land-locked state and the economic and/or political core areas of its neighbors or between its core and a good seaport.

³⁷ Between 2005 and 2008, Azerbaijani GDP grew at an average annual rate of 24.2% compared with an average annual growth of 10.5% of the previous four years – when the country was already benefiting from the inauguration of the Baku-Supsa oil pipeline. In the same timeframe, Georgian GDP grew by 8.4% compared with the average 5.3% growth of the previous four-years period. World

bilateral exchanges among the three actors, even beyond the oil & gas sector. In 2014, Ankara and Baku were Tbilisi's two main commercial partners -accounting respectively for the 17.2% and 10.3% of Georgian annual turnover- and generating more than US\$ 3.1 billion cumulative trade value.³⁸ Turkish cumulative trade with Azerbaijan and Georgia, though relatively less important to the country's total external trade, reached US\$ 5.1 billion in 2014.³⁹ Moreover, the increase in bilateral trade was also made possible by the AGT countries' creation of a trilateral business forum.⁴⁰ Established just before the Trabzon Summit in 2012, this Business Forum is based on the assumption that sustainable development, macroeconomic stability, favorable business and investment climate represent key factors in order to enhance and deepen regional cooperation among the AGT countries.⁴¹ Starting from 2012, the Forum gathered yearly on a rotating basis: Tbilisi and Kars in 2012, Gabala in 2014 and Batumi in 2015.

A look at the number of national companies operating abroad proves how dynamic is the economic interaction among the AGT countries. Turkish firms rank first among foreign companies active in Azerbaijan: in 2014 they were more than 2000, about 36% of the total, having invested around 21.1 billion US\$ in Azerbaijan, 1.5 billion of which fall in non-oil sector. At the same time, about 1100

Bank, *GDP growth (annual %)*, World Bank Databank, online edition, <http://data.worldbank.org>, [last retrieved 30 April 2015]

³⁸ Azerbaijan is the main export market for Georgia, with a share of 19% on Tbilisi's total annual turnover and 544.4 million dollars of cumulative value. This highlights how energy cooperation drove the non-energy exchanges in 2014. National Statistic Office of Georgia, *Georgian exports by countries*, online edition, http://www.geostat.ge/index.php?action=page&p_id=137&lang=eng [last retrieved 30 April 2015].

³⁹ Turkish Statistical Institute, *Foreign Trade Statistics Database*, online edition, http://www.turkstat.gov.tr/PreTablo.do?alt_id=1046, [last retrieved 30 April 2015].

⁴⁰ The Azerbaijan Export and Investment Promotion Foundation (AZPROMO) and the "Invest in Georgia" National Investment Agency of Georgia and Foreign Economic Relations Board of Turkey (Dış Ekonomik İlişkiler Kurulu, DEİK) were also part of the trilateral business forum.

⁴¹ Republic of Azerbaijan, Minister of Economy and Industry, Georgia-Turkey-Azerbaijan *Business Forum was held in Batumi*, «Press release», online edition, http://economy.gov.az/index.php?option=com_content&view=article&id=3120:gurc-ustan-batumi-06-03-2015&catid=8:news&Itemid=263&lang=en [last retrieved 30 April 2015].

Azerbaijani companies are investing in Turkey, while around 300 are registered in Georgia, mainly active in construction, tourism and transport sectors.⁴²

3.1 Common interest for uninterrupted exchanges and its political and strategic consequences

BTC and SCP pipelines had not a purely economic, commercial and financial impact. Regional politics and strategy were also affected by the two infrastructural projects, as their physical presence alone contributed to stabilize the trilateral relationships, creating a common interests for energy exploitation and exportation. This is especially true when it comes to the tactical divergences in regard to the three actors' regional policies and their relations with Moscow. Although all the AGT countries aim at balancing Russia, Turkey and Azerbaijan operate an internal counterbalance, while Georgia appeals to external support. That is, Ankara and Baku mainly lever on their own capabilities *vis à vis* Moscow, whereas Tbilisi tries to balance Russia through alliances with non-regional powers. Therefore, while Turkey and Azerbaijan are confident in pursuing a *regional ownership* principle on Caucasus-related issues, Georgia would find itself too exposed and vulnerable to Russia. This different approach created some contrast in the AGT regional policies, as highlighted by the 2008 Russia-Georgia conflict.⁴³

Political and diplomatic issues also affect bilateral relationships between the three countries. For instance, the presence of ethnic minorities within their respective territories, and particularly Muslim minorities in Georgia, represented from time to time source of bilateral frictions. This is particularly true for the privileged relation between Turkey and the Muslim-inhabited Georgian regions of Abkhazia and Ajaria.⁴⁴ Although to a lesser extent, the same goes for Azeri minority in the Kvemo-Kartli region – which, according to the last national census, represented the largest ethnic

⁴² AZPROMO, *3rd Azerbaijan-Georgia-Turkey business forum was held in Gabala*, online edition, <http://www.azpromo.az/1/en/news/id:15#.VVGj1YX9pRY>,

⁴³ This trend manifested also in the AGT countries' stance over Moscow's policy in the North-Caucasus, especially in conjunction and in the aftermath of the Second Chechen Campaign. While Ankara and Baku in same way cooperated with Russia, Georgia refused to do so.

⁴⁴ See for instance S. Kapanadze, *Turkish Trade with Abkhazia: An Apple of Discord for Georgia*, «Turkish Policy Quarterly», Vol. 13, No. 3 (2014), pp. 55-68.

minority group living in Georgia.⁴⁵ Moreover, the failure in demarcating about one-third of the Georgian-Azerbaijani border represent a further, though minor breach in the bilateral relations between Tbilisi and Baku.⁴⁶

Even Turkish-Azerbaijani relations, the stronger axis within the triad, had experienced some relevant tactical divergences. This proved to be particularly evident between 2008 and 2010, as Turkey tried to normalize its bilateral relations with Armenia, through the so-called “football diplomacy” and the signing of the Turkish-Armenian Protocols on the Establishment of Diplomatic Relations and on the Development of Bilateral Relations in October 2009 in Zurich. As a matter of fact Ankara did not consider the regional dimension of its initiative, as well as the Azerbaijani interests: the attempt to separate its dispute with Yerevan from the resolution of the Nagorno-Karabakh conflict created the most severe crisis in the history of Turkish-Azerbaijani relations. Besides the dynamics that led to the failure of the Protocols' ratification processes,⁴⁷ what is worth noting for the sake of this article is that Ankara and Baku managed to get over the crisis leveraging mainly upon the mutual interest in the joint energy and infrastructural projects. Indeed, the normalization process overlapped with Turkish-Azerbaijani negotiations on the renewal of the energy supply contracts and for the finalization of agreements for the laying of new gas pipelines along the so called EU Southern Corridor. This allowed Baku to assert its growing bargaining power in bilateral relations and, to a wider extent, to highlight the soundness of a partnership rooted in mutual interest for cooperation rather than in the fancy narrative of the ethno-linguistic bond. Simultaneously, the conjunctural bilateral crisis demonstrated the burden to the development of an inclusive perspective of regional relations represented by the perduring conflict in Nagorno-Karabakh.

Past decade saw the interest in maintaining uninterrupted exchanges extending to the broader aim of preserving good

⁴⁵ See International Crisis Group, *Georgia's Armenian and Azeri minorities*, «Crisis Group Europe Report», No. 178 (2006).

⁴⁶ Shiriyev and Kakachia (2013), pp. 26-28.

⁴⁷ See, A. Görgülü, A. Iskandaryan, S. Minasyan, *Assessing the Rapprochement Process*, Turkey-Armenia Dialogue Series, Türkiye Ekonomik ve Sosyal Etüdler Vakfı, Istanbul, 2010.

neighborhood relations and sub-regional stability, overcoming both the strategic divergences and the limits of mere economic benefit. This is especially true when it comes to the Azerbaijani decision of keeping its energy exports towards Georgia uninterrupted even at the expense of its own internal needs.⁴⁸ The same logic applies for Baku's decision of keeping low its natural gas selling price to Georgia and, although to a lesser extent, to Turkey.⁴⁹ While low gas prices represent mainly an economic advantage for Turkey – reducing the financial burden of its import dependency⁵⁰ – as for Georgia, acquiring gas from Azerbaijan offers more than a mere economic benefit. Until the SCP pipeline was completed, Georgia relied on Russian natural gas import,⁵¹ finding itself politically vulnerable towards its lumbering neighbor – traditionally keen on using trade and economic leverage in order to exert pressures on its neighbors. True, apart from politically-motivated decisions, Azerbaijani gas benefits from technical and logistical competitive advantage in Georgian energy market vis a vis Russian one. Indeed, the sole net production cost for Russian gas it is approximately equal to SOCAR selling price for natural gas, leaving aside the higher transportation costs from the far away Russian gas fields.⁵²

The AGT countries' interest in uninterrupted exchanges is closely tied to the need to ensure the infrastructure security and, broadly speaking, regional stability. The AGT countries first joint exercises were indeed focused on pipeline security: starting from 2009, the

⁴⁸ For example, in February 2012 Baku opted not to suspend its gas exports towards Georgia, despite the huge external and internal demand associated with extreme weather conditions.

⁴⁹ SOCAR current selling price to Georgia – 135 USD per thousand cubic meters – has been portrayed as a “gift price”, being even lower than SOCAR's gas price for Azerbaijan's domestic market. G. Rzayeva, quoted in Shiriyev and Kakachia (2013), p.52.

⁵⁰ In 2014 Turkish gas consumption reached 48.6 Bcm, almost entirely ensured by import. Russian gas, in particular, accounted for 55.6% of total imports, while Azerbaijani gas for 10.9%. BP, *Statistical Review of World Energy*, 64th edition, June 2015, pp. 22, 28.

⁵¹ Thanks to the progressive increasing in gas import from Azerbaijan, Georgia managed in breaking free from dependence on Moscow. In the first three quarter of 2014 Azerbaijan has been the main gas supplier to Georgia, accounting for 83.5% of the resource import. Caspian Barrel, 1st November 2014.

⁵² Shiriyev and Kakachia (2013), p. 53.

“Eternity” computer-based, command-staff military drills and exercises took place yearly under NATO aegis.⁵³

The linkage between energy and security cooperation, especially pipelines security, is not new in the Caucasus political context: they went hand to hand since the mid-1990s and the start of transportation project on the AGT energy axis.⁵⁴ In the past, Baku and Tbilisi pursued infrastructure security in order to enhance their relation with NATO, i.e. as a way to obtain an indirect Western commitment to Azerbaijani and Georgian security. This dynamic – which ultimately deepened regional strategic fractures – has actually changed: cooperation for infrastructure security currently follows more defined and pragmatic purposes which, free from political-strategic considerations, seem to ensure more room for success.

Two elements helped the AGT security cooperation in its de-politicization process. The first one is the Azerbaijani balanced foreign policy course, culminating in 2011 with the country’s admission to the Non-Aligned Movement. As a matter of fact, Baku effectively managed in decoupling AGT's infrastructure security needs from the broader regional issue of NATO Eastwards enlargement: in this way, even the NATO-supported “Eternity” exercises' political and strategic meaning was downgraded. The second element contributing to the above mentioned de-politicization process is the increased interaction between the public and private sectors, mainly tied to the regional initiatives of BP – the single largest foreign investor in Azerbaijan and key shareholder of BTC and SCP pipelines. Acting on the basis of the

⁵³ Along with the *Eternity* exercise, AGT countries, launched on Turkish initiative an annual joint military exercise called “Caucasus Eagle”, held for the first time in November 2013. See, E. Kogan, *Trilateral Military and Energy Security Co-operation: Reactions from Moscow and Washington*, Georgian Foundation for Strategic and International Studies, Expert opinion, No. 17 (2014), pp. 9ss.

⁵⁴ In Spring 1999, in the occasion of the Baku-Supsa pipeline inauguration, Azerbaijan and Georgia signed a military cooperation memorandum within the framework of integration into Trans-Atlantic structures and proposed the establishment of a multinational force under GUUAM aegis and within NATO Partnership for Peace framework to protect the security of energy infrastructures. Accordingly, in April 1999 Georgia and Azerbaijan held their first joint military exercise along with Ukraine and with US and Turkish officials as observers. T. Kuzio, *Geopolitical pluralism in the CIS: The emergence of GUUAM*, «European Security», Vol. 9, No. 2 (2000), p. 87.

Voluntary Principles on Security and Human Rights, which provide extractive-industries companies with a framework to maintain the security of their operations while ensuring respect for human rights, BP implemented significant security measures along energy routes, mainly in the form of patrolling and monitoring. In Georgia, in view of a bilateral security agreement signed with the government, BP is training and funding the Strategic Pipeline Protection Department (SPPD), an ad hoc task force designed for infrastructure security.⁵⁵ In Azerbaijan, BP implemented facilities protection and security guard services activities through its private security provider, Titan D, while closely cooperating with the Export Pipeline Protection Department (EPPD),⁵⁶ the government agency appointed to infrastructure security.

In the framework of the trilateral “Trabzon process”, military cooperation among AGT countries was resumed and re-launched, by giving it a multilateral dimension consistent with the Sectorial Cooperation Action Plan for 2013-2015 approved during the 2013 Batumi Summit. Building on the post-2012 enhancement of the trilateral security cooperation, the head of AGT countries' Armed Forces met regularly since 2013 with a view to establish a Coordination Group to regulate the cooperation patterns – i.e. joint exercises, courses and trainings, cooperation in the fields of military education and medicine, coordination on other issues of mutual interest.⁵⁷ Besides the huge potential to increase military cooperation and exchange in light of the development of national defense industries in both Azerbaijan and Georgia,⁵⁸ it is worth noting that the general aim of enhancing regional security closely relates to the protection of energy and transport infrastructures, which emerges as a key vector for cooperation.⁵⁹

3.2 Growing exchanges and the balance of power in the triad

The growth in energy flows had a deep impact in strengthening AGT countries' interdependence and in shaping the balance of power within the triad. Energy imports from Azerbaijan reduced

⁵⁵ BP, *BP in Georgia. Sustainability report 2013*, p.14.

⁵⁶ BP, *BP in Azerbaijan. Sustainability Report 2013*, p.19.

⁵⁷ AzerNews, 5 May 2015.

⁵⁸ Shiriyev and Kakachia (2013), pp.37-40.

⁵⁹ J. Kucera, *Georgia, Azerbaijan, Turkey Agree On Joint Military Exercises*, EurasiaNet, 21 August 2014.

Georgia and Turkey's bargaining power: the two countries' hybrid nature of *transit* and *consumer* states increased their interest towards flows stability and growth. At the same time, Azerbaijan, despite being a land-locked country, augmented its bargaining and retaliation power – as already seen in the case of bilateral relations with Turkey.

Baku's foreign investment policy is another key aspect in the above described trend. Indeed, growing hydrocarbons revenues allowed the Azerbaijani government to expand SOCAR's role in the whole “energy chain”, leading to investments in the *mid* and *downstream* sectors which complemented the ones already made in the *upstream* sector. Therefore, Baku essentially seeks to maximize its profits and support its long-term growth plans while at the same time strengthening its strategic role in the regional energy markets. Accordingly, SOCAR's “going abroad” strategy is mainly directed towards Georgia and Turkey, due to their key role as transit states and energy markets.⁶⁰

Turkey is currently the first recipient of Azerbaijani foreign investments, flowing chiefly to the energy sector. Started with the 2008 purchase of the petrochemical company Petkim, Azerbaijan's investments in the Turkish energy market already reached 5 billions dollar and are expected to reach the 20 billions dollar threshold by 2023 – making SOCAR a key player in Turkish energy market.⁶¹

From 2003, Azerbaijan supported Georgian economy with almost one billion dollars in FDI. In 2014, with its 300 millions \$ investments, Baku was the second investor after the Netherlands, accounting for the 25% of total annual FDIs flow in Georgia.⁶² SOCAR was mainly active in the transport and energy sectors: in the last decade, with the start of BTC and BTE exportation flows, SOCAR entered the Georgian energy market by way of SOCAR

⁶⁰ In accordance to the fundamental role of transit states in the Azerbaijani foreign investments strategy, in 2013 SOCAR acquired the majority stake (66%) of Desfa, the company operating the Greek energy network. SOCAR will indeed use Desfa's structure to export the gas extracted from Shah Deniz II to the European markets.

⁶¹ AzerNews, 08 dicembre 2014.

⁶² National Statistics Office of Georgia, *FDI in Georgia by Countries*, online edition, http://www.geostat.ge/index.php?action=page&p_id=140&lang=eng (last retrieved 1st of April 2015)

Georgia Petroleum (SGP) and SOCAR Georgia Gas (SGG) – established respectively in September 2006 and August 2007 as subsidiary of SOCAR Energy Georgia. SGP is currently the largest importer of petrol and diesel in Georgia and operates a network of 114 filling station. Established with the aim of implementing a gasification program in Georgian territory, to date SGG has constructed new gas pipelines totaling up to 4.000 kilometers in eight Georgian regions, while providing gas to around 211.000 new subscribers throughout the country.⁶³ SGG operates 26 gas filling stations throughout the country and, following the take-over of Itera-Georgia in 2012, became the main gas distributor in Georgia outside Tbilisi area.

4. Deepening and widening trilateral cooperation in a multi-regional perspective

During the 2000s, infrastructural cooperation fostered the enhancement of the trilateral partnership and its bonds with a broader multi-regional dimension. As highlighted by the Trabzon Declaration, the three countries lie at the crossroads of energy, transport and communication corridors between East and West and North and South.⁶⁴ Therefore, future development in the triangular cooperation and the enhancement of the AGT axis multi-regional role seem to be closely related to the exploitation of its strategic geographic location.

By creating a westward exportation channel along the Caucasus-Anatolian route, the BTC and SCP pipelines enhanced the importance of the AGT axis for the major players in the Eurasian energy market: i.e. consumer interested in diversifying their supplies, hydrocarbons producer looking for new exporting markets, International Oil Companies willing to exploit the wider Caspian area resources.

4.1 The AGT axis and the development of a multi-regional scheme for energy flows

The European Union is the key actor falling into the first category mentioned above. Past decade saw the emergence of the Caspian as

⁶³ SOCAR Georgia Gas, *SOCAR Georgia Gas completes gas supply to several villages in Georgia*, Press Release, January 07, 2015.

⁶⁴ Republic of Turkey, Ministry of Foreign Affairs (2012).

the fourth EU natural gas potential supplying channel, after the Russian, Northern European and North African ones. The Caucasus-Anatolian route has thus become the fundamental junction of any future development of the EU Southern Gas Corridor, whose relevance stems mainly from economic considerations. In the medium and long term, the combination of growth in energy demand and decline in domestic production will result in the deepening of dependency on fossil fuel imports, and particularly natural gas. Indeed, gas demand is expected to grow proportionally more than the demand for other primary sources, mainly due to the slow decline in oil demand and the steadier decline in coal and nuclear consumption – which should be primarily compensated by the increase in renewable energy sources and gas consumption.⁶⁵ Accordingly, by 2035 natural gas is set to become the first primary energy source consumed by the Member States, with a projected 30% share of the EU energy mix. Therefore, safeguarding EU energy security mainly translates in the diversification of its energy supply channels, nowadays overly dependent on a small number of suppliers. That's why the Caspian producing area and the Caucasus-Anatolian import axis has traditionally been a key target for Brussels' external energy policies.⁶⁶

That said the Southern Corridor has not only a mere economic relevance, as it has also a clear political-diplomatic importance. Besides the EU will of reducing its energy dependency from Russia, Brussels also aims to create a common energy policy, in order to exploit the member states' joint weight, both in terms of market scale and policy range.⁶⁷ Therefore, EU relations with the AGT

⁶⁵ According to IEA estimates, by 2040 EU need for gas import will increase by almost 50%, reaching around 450 bcm/y and requesting around adjunctive 150 bcm/y of imported gas compared to 2012. International Energy Agency, *World Energy Outlook 2014*, OECD/IEA, Paris, 2014, pp. 139 and 149.

⁶⁶ See C. Frappi, *EU Energy Security Policies and Azerbaijan*, in C. Frappi and G. Pashayeva (eds.), *The EU Eastern Partnership: Ordinary Common Framework or Wider Opportunity? EU-Azerbaijani Perspectives on Cooperation*, Egea, Milan, 2012, pp. 43-68.

⁶⁷ Although the “Southern Gas Corridor” was established only in the mid-2000s, Bruxelles interest in the Caspian resources date back to the issue of the Green Paper “Towards a European strategy for the security of energy supply” in 2000. The exploitation and transportation of regional energy resources were mentioned as a priority with a view to the diversification of energy suppliers and, generally speaking, to safeguard EU energy security from beyond its borders. See

countries represent a testing ground for the new energy policy elaborated in Brussels. This is especially true for some of its key features: the attempt to speak with “a common voice” on energy issues, the ability of establishing functional partnerships in its external relations, the maximization of EU interdependency with its external partners and their engagement with a view to create a “stability arch”, constituted by a “ring of friends” beyond its border.

Beyond the consistency between Brussels policy’s aims and means, it is worth noting that the AGT countries did not act as mere security consumers *vis à vis* the EU. Instead, the AGT states helped the EU in realizing its vision: this is consistent with the AGT aim of appraising the geographic location of their axis in a multi-regional view. The new role of the AGT countries, and the Turkey-Azerbaijan axis in particular, has come up clearly in the infrastructure sector, in accordance with Baku’s “going abroad” strategy and with its increased financial capabilities.

When the 2008 financial crisis threatened the economic bases and rationale of the Southern Corridor pipelines projects, Turkey and Azerbaijan chose to step into the midstream competition by directly taking charge of implementing gas infrastructure projects, along the route running from Eastern Anatolia to the Turkish-EU border. The Trans-Anatolian Pipeline (TANAP) project, jointly put forward in late 2011 by Turkish and Azerbaijani authorities, provided a key impetus to the Southern Corridor realization, acting as a game-changer variable to the finalization of the connected deals – i.e. the final decision over the Shah Deniz Stage 2 investments, the gas transportation and distribution scheme in Europe as well as the sales agreements along the Southern Corridor.

TANAP’s ownership and technical features clearly embody the project’s centrality to the Azerbaijani *going abroad* strategy as well as its role in the multi-regional development of the Caucasus-Anatolian energy route. Indeed SOCAR and the Turkish company BOTAS are the key shareholders of the TANAP consortium – owning respectively the 58% and 30% of its quotas – while the remaining 12% is owned by BP.⁶⁸ Moreover, the pipeline’s

Commission of the European Communities, *Towards a European strategy for the security of energy supply*, COM(2000) 769 final, 29 November 2000, p. 75.

⁶⁸ The agreement for the sales of shares from SOCAR to BP, signed in Ankara in March 2015, is expected to be finalized by June 2015. It is worth noting that, at the

forecasted scalability in capacity – from initial 16 bcm/y of gas to 31 bcm/y – reflects the project’s multi-regional afflatus and the attempt by TANAP promoters to take full advantage of the Caucasus-Anatolian axis, and especially of Azerbaijan. Once depicted as the “cork in the bottle” of wider Caspian energy resources,⁶⁹ Azerbaijan may indeed complement the role of gas producer with a role of key transit state for Central-Asian export, providing alternative outlets to those producers whom, like Baku, struggle with a land-locked location.

Even if significant political and diplomatic obstacles hindered to date the opening of an East-West energy channel between Central Asia and Europe,⁷⁰ a Trans-Caspian gas pipeline (TCGP) would answer both the European consumers and the Central Asian producers’ needs, especially the Turkmenistan’s ones. Not by chance the exploitation of Azerbaijan’s *double value* – as producer and potential transit state – has traditionally been a cornerstone of the EU projection towards the Caspian region. The European Commission, in particular, made a significant political investment in order to facilitate the realization of the TCGP between Turkmenistan and Azerbaijan, engaging in direct negotiations producer and transit states as well as private gas companies.⁷¹ As for Turkmenistan, the possibility to exploit the AGT export channel potential would be no less significant. Opening up a westward export flow to Europe through the TCGP would boost Ashgabat's export diversification strategy. Indeed, having escaped the dependence from the Russia-centric exportation channels thanks to Chinese energy policy in Central Asia, Turkmenistan now risks to find itself trapped in a new dependence relationship with Beijing.⁷²

time of its formation, the TANAP consortium clearly reflected the weight of Azerbaijani initiative. Until the first agreement on the sales of shares between Baku and Ankara in March 2014, SOCAR was by far the key shareholder of the consortium, retaining the 80% of its quotas.

⁶⁹ Z. Brzezinski, *The Grand Chessboard. American Primacy and Its Geo-strategic Imperatives*, Basic Books, New York, 1997, pp. 46-47.

⁷⁰ The reference goes primarily to Russian and Iranian stances on the unresolved issue of Caspian Sea legal status and exploitation rules. For a comprehensive up-to-date analysis of the issue, see B. Janusz-Pawletta, *The Legal Status of the Caspian Sea. Current Challenges and Prospects for Future Development*, Springer, London and New York, 2015.

⁷¹ C. Frappi (2014), pp.57ss.

⁷² Since the inauguration of the Central Asia-China Gas Pipeline in 2009, Beijing

The key role already played by Ankara and Baku in the inauguration of the EU Southern Corridor is emerging in relation to its extension project as well. Indeed, the Turkish and Azerbaijani diplomatic initiative towards Turkmenistan, which led to the creation of a trilateral negotiation mechanism, complements the European one. Established in May 2014 with the joint Baku Declaration,⁷³ this initiative culminated in January 2015, at the Trilateral Summit in Ashgabat, with the decision to create a trilateral format for cooperation involving the three countries' energy company representatives. Moreover, on the same occasion, the Turkish and Azerbaijani Foreign ministers invited Turkmenistan to enhance energy cooperation by joining the TANAP project.⁷⁴

The official EU endorsement of the Turkish-Azerbaijani regional initiative came on the 1st of May 2015, through the “Declaration on the development of cooperation in the field of energy between Turkmenistan, the Republic of Azerbaijan, the Republic of Turkey and the European Union”, adopted in Ashgabat.⁷⁵ Recognizing the importance of “mutually beneficial cooperation in ensuring reliable natural gas supplies from Turkmenistan to Europe”, the Declaration resolved to establish a Working Group responsible for considering organizational, legal, commercial and technical issues related to natural gas supply from Turkmenistan to Europe. Significantly, highlighting the growing multi-regional profile of the AGT axis, the Declaration foresaw the involvement in coming meetings of representatives from Georgia.⁷⁶

has progressively increased gas import from Turkmenistan. In 2014 China imported 25,5 Bcm of gas from Turkmenistan, i.e. 61,3% of total Turkmen annual export. The bilateral agreements undersigned between the parties in September 2013 foresee a gradual increase in volume, potentially reaching 65 Bcm in 2020. BP (2015), p.28; Reuters, 3 September 2013.

⁷³ Republic of Turkey, Ministry of Foreign Affairs, *Baku Statement of the First Trilateral Meeting of the Ministers of Foreign Affairs of the Republic of Azerbaijan, the Republic of Turkey and Turkmenistan*, Baku, 26 May 2014.

⁷⁴ Republic of Turkey, Ministry of Foreign Affairs, *Meeting of the Ministers of Foreign Affairs of Turkey, Azerbaijan and Turkmenistan was held in Ashgabat*, Press Releases & Statements, 29 January 2015.

⁷⁵ European Commission, *Declaration on the development of cooperation in the field of energy between Turkmenistan, the Republic of Azerbaijan, the Republic of Turkey and the European Union*, Ashgabat, 1st May 2015.

⁷⁶ It is worth noting that Tbilisi supported the realization of a gas pipeline between

4.2 *The AGT axis and the full exploitation of the East-West Corridor potential*

Besides energy, the “East-West Corridor” envisions also the commercial, investments, transportation and military spheres. Developing such a vision is one of the main axis of the AGT cooperation, as a way to enhance the triangular relationship and improve its role into the multi-regional context. The development of the “East-West Corridor” represents a priority in the foreign policy agendas of the three countries, and has been officially mentioned in all the final documents subscribed since the 2012 trilateral summit.

There is no novelty in the idea of a corridor linking Central Asia to Europe, capable of supporting the economic development, the political-diplomatic relations as well as the sovereignty and independence of the regional republics. It arose in the aftermath of Soviet Union collapse in order to tackle the isolation of the region from the trans-continental lines of communication. In essence it had a bidirectional nature: on one hand, as a transit route for goods and resources; on the other hand, as a way to promote fundamental values and norms for the challenging state building process in the region. These were the main reasons behind the establishment, in 1993, of the European sponsored TRACECA project, aimed at “supporting the political and economic development in Black Sea Region, Caucasus and Central Asia by means of improvement of the international transport”.⁷⁷ The US government shared the same view on the “Eurasian Land-Bridge” as they issued the Silk Road Strategy Act in 1999, aimed at targeting assistance “to support the economic and political independence of the countries of the South Caucasus and Central Asia”.⁷⁸ The US promoted economic interdependence among its regional partners through the development of the infrastructure network on the East-West axis,

the shores of the Caspian Basin ever since its initial planning. Not by chance it took part, together with Turkey, Azerbaijan and Turkmenistan, to the Intergovernmental Declaration On The principles For Implementing The Trans-Caspian Pipeline, signed in Istanbul during the November 1999 OSCE Summit.

⁷⁷ European Commission, *International Cooperation and Development*, https://ec.europa.eu/europeaid/regions/central-asia/eu-support-transport-development-central-asia_en

⁷⁸ See, *Silk Road Strategy Act of 1999*, 106th CONGRESS, First Session, S. 579, web edition, <https://www.eso.org/gen-fac/pubs/astclim/espas/maidanak/silkroad.html>

while increasing mutual cooperation, enhancing the sovereignty of those countries and the success of their political and market reforms.

As was the case with energy cooperation, the AGT countries' increased regional profile and internal investment capacity allowed the three partners to play a greater role in the infrastructural development of the area. Therefore, also in the transportation sector they came to complement foreign initiative by assuming the direct responsibility to initiate and realize infrastructural projects.

The Baku-Tbilisi-Kars railway (BTK) stands out as the key project established by the AGT countries: initiated with a tripartite agreement in 2005, the railway was implemented since 2007 and should be completed by the end of 2015, for a total of 826 kilometers route. The BTK railway will transport 3 million passengers and 15 million tons of freight every year; the total cost will be approximately 600 million dollars, most of which destined to the rehabilitation of the Georgian route between Marabda and Akhalkalaki, as well as to construct the railway link between the latter and Kars.

Azerbaijan may well be considered both the initiator and the key engine behind the BTK railway project. Indeed, while Ankara covered the cost associated with the Turkish part of the route, Baku chose to fund the Georgian part of the railway, solving the financial issues which threatened the project in absence of European and US support.⁷⁹ Accordingly, pursuant to February 2007 Presidential Decree on the funding of "Baku-Tbilisi-Kars new railway line", SOFAZ, the Azerbaijani State Oil Fund, granted Georgia over 750 mln USD in loan on concessional terms.⁸⁰

The BTK railway has not only a sub-regional importance: it represents the missing link between the Trans-European rail

⁷⁹ Armenia's exclusion from the BTK project was the main reason behind the EU-US unwillingness to finance the infrastructure. S. Lussac, *The Baku-Tbilisi-Kars Railroad and Its Geopolitical Implications for the South Caucasus*, «Caucasian Review of International Affairs», Vol. 2, No. 4 (2008), pp.215-6.

⁸⁰ 200 mln USD were granted at annual rate of 1% with an option of extension allocated for 25 years, while 575 mln. USD at annual rate of 5% with an option of extension allocated for 25 years. SOFAZ, *Baku-Tbilisi-Kars New Railway*, online edition, http://www.oilfund.az/en_US/laviheler/baki-tbilisi-qars-demir-yolu.asp, [last retrieved on 30 April 2015].

system and the Trans-Asian one. By connecting the Caspian region to Anatolia, the BTK will become the faster route from Europe to East Asia, compared to the Russia-centric Trans-Siberian railway and even the sea lanes. The BTK is thus central in the new Silk Road project, as the best option for land transports between the European and Asian markets.⁸¹ The BTK railway would also allow the AGT countries and their partners in Central Asia to take advantage of the Chinese growing projection towards the region, epitomized by the “Silk Road Economic Belt” project put forward in 2013 by the Chinese President Xi Jinping.⁸²

The multi-regional value of the BTK project is well demonstrated by the investment in national transport systems undertaken by the AGT countries, as well as by the diplomatic network with regional partners built around the project. Currently, the development of a cross-border transportation system is a fundamental part of the trilateral consultation mechanism between Turkey, Azerbaijan and Turkmenistan. In a similar way, AGT representatives established technical negotiations with Turkmenistan and Afghanistan for the development of the “Lapis Lazuli Transport and Transit Trade Corridor”, a project running from the Herat province to Turkmenbashi and then towards Baku and the Anatolia region.⁸³

Conclusion

Beyond Energy, new pattern for cooperation in the Caucasus

The AGT partnership has been enhanced by both geographic features and opposite energy needs. After twenty years of substantive cooperation, Turkey, Azerbaijan and Georgia have a deep awareness of their mutual interdependence on both the regional and the international stage. The AGT triangular relationship is based on a pragmatic bond, as every country faces financial and political constraints. Still, entrenched cooperative mechanisms and some features of the Caucasus region make room

⁸¹ See E. Akhundzada, *The importance of Baku-Tbilisi-Kars railway for the development of interregional trade*, Hazar Strateji Enstitüsü, 17 December 2013.

⁸² See, S. R. Karluk, S. C. Karaman, *Bridging Civilizations From Asia to Europe: The Silk Road*, «Chinese Business Review», Vol. 13, No. 12 (2014), pp.730-739

⁸³ Islamic Republic of Afghanistan, Ministry of Foreign Affairs, *First Technical Working Group Meeting on Lapis Lazuli Corridor Held in Ashgabat*, News Release, 15 November 2014, online edition, <http://mfa.gov.af/en/news/news-release-2> [last retrieved 1st of April 2015].

for more joint initiatives - possibly extended to other actors, as seen in relation to Turkmenistan.

The AGT development has been fostered by two different dynamics: the power distribution within the triad, with no actor capable of imposing itself on the others, and the energy markets features, i.e. pipelines' constrained routes, location of oil and gas port terminals, contracts' length. All the three countries profited by the AGT cooperation not only in terms of national interests, but also on the diplomatic stage. Ankara met part of its domestic hydrocarbons demand through its energy partnership with Azerbaijan and Georgia, while also projecting itself as an energy hub for Southern Europe and retaining Turkish presence in the Caucasus, as a balancer for Russian influence in the region. As for Georgia, the AGT cooperation represents both a way to contain Moscow's influence and an attempt to find a better position in the regional balance. In order to hold back any unilateral intervention by Russia, Tbilisi looks for regional and extra-regional partners, both in the public and private sectors, as to create a deep web of political and economic interests. Finally, Azerbaijan found in the AGT cooperation a way to escape its geographic isolation, dictated by the country's land-locked condition. Using the energy functional interdependence with the other two countries, Baku obtained an access to the sea. Moreover, similarly to Georgia, Azerbaijan deepened its relations with Western countries and International Oil Companies (IOCs), in order to diversify the export routes and markets, avoiding any forced partnership with Moscow.

Still, the AGT cooperation has not only an economic meaning: as pointed out by the Trabzon Declaration, the main feature of such a relationship is constituted by the security dynamic centered on the long-time Turkish-Azerbaijani strategic axis.

Since the USSR collapse, political fragmentation, national and ethnic cleavages represent permanent features of the Caucasus region. It is thus unrealistic to consider the promotion of inclusive formal agreements in the area; on the other hand, alliances based on strategic interests, such as the Turkish-Azerbaijani one, show more flexibility, enhancing regional stability and confidence building dynamics among the actors. In particular, the stability of the long-time Ankara-Baku relationships makes space for other joint initiatives, leading to the possible rise of many different triads

in the Caspian-Caucasus region.

Following a similar model to the Caplow's one, Ankara and Baku could replicate the AGT cooperation system with Turkmenistan and even Iran.⁸⁴ The AGT relationship would thus become the backbone of other possible triads and, when it comes to energy cooperation, a model for the implementation of good practices in the region.

Since 2008, the AGT inclination toward the West is making way for a more regional-centered strategy: this is due to different dynamics, such as NATO's changed set-up, Ankara's enhanced international profile, the evolution in Baku-Washington relations and the Western stance vis a vis the Russian-Georgian conflict. The insertion of defined aims and limited arrangements with sure and transparent interests created a stable economic, political and military partnership: the AGT cooperation became thus a model for other triangular relationships.

⁸⁴ In those triads, the median role would be played by either Turkey and Azerbaijan, depending on the circumstances.