

CENTER FOR STRATEGIC STUDIES

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# SAM REVIEW

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## **AZERBAIJANI-GEORGIAN RELATIONS**

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THE FOUNDATIONS AND CHALLENGES  
OF THE STRATEGIC ALLIANCE

Zaur Shiriyev & Kornely Kakachia

BAKU-2013



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### **About Center for Strategic Studies (SAM)**

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The Center for Strategic Studies ([www.sam.az](http://www.sam.az)) is Azerbaijan's first government-funded, non-profit and academically independent think tank, known as SAM (Strateji Araşdırmalar Mərkəzi in Azerbaijani). The mission of SAM is to promote collaborative research and enhance the strategic debate as well as providing decision-makers with high-quality analysis and innovative proposals for action. Through publications, brainstorming meetings, conferences and policy recommendations, SAM conducts rigorous research guided by a forward-looking policy orientation, thus bringing new perspectives to academic research in international level. SAM was ranked 124<sup>th</sup> in the top 150 global think tanks according to 2012 Global Go To Think Tanks Rankings and associated trends report by Pennsylvania University.

### **About Georgian Institute of Politics (GIP)**

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The Georgian Institute of Politics ([www.gip.ge](http://www.gip.ge)) is a Tbilisi-based non-profit, non-partisan, research and analysis organization founded in early 2011. GIP strives to strengthen the organizational backbone of democratic institutions and promote good governance and development through policy research and advocacy in Georgia. It also encourages public participation in civil society-building and developing democratic processes. The organization aims to become a major center for scholarship and policy innovation for the country of Georgia and the wider Black Sea region. To that end, GIP is working to distinguish itself through relevant, incisive research; extensive public outreach; and a brazen spirit of innovation in policy discourse and political conversation.

# Abbreviations

AIOC	Azerbaijan International Operating Company
BP	British Petroleum
BTE	Baku-Tbilisi-Erzurum gas pipeline
BTC	Baku-Tbilisi-Ceyhan oil pipeline
BTK	Baku-Tbilisi-Kars railway
CIS	Commonwealth of Independent States
CRRC	The Caucasus Research and Resource Center
DCFTA	Deep and Comprehensive Free Trade Agreement
EU	European Union
GD	Georgian Dream
GDP	Gross domestic product
GUAM	GUAM Organization for Democracy and Economic Development
LNG	Liquefied Natural Gas
MFA	Ministry of Foreign Affairs
MoD	Ministry of Defence
MoU	Memorandum of Understanding
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NDN	Northern Distribution Network
OSCE	Organization for Security and Cooperation in Europe
PfP	The Partnership for Peace
TANAP	Trans Anatolian Natural Gas Pipeline Project
SOCAR	State Oil Company of Azerbaijan Republic
TAP	Trans Adriatic Pipeline
TRASECA	Transport Corridor Europe-Caucasus-Asia
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNM	United National Movement
UNSC	United Nations Security Council
US	United States
WTO	World Trade Organization

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We believe that this report will be a valuable addition to the existing body of work, and we hope that it will inspire other academics and analysts to contribute to the field in order that we can all better understand the regional and international dynamics of the Azerbaijani-Georgian partnership.

# INTRODUCTION

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Azerbaijan and Georgia have a centuries-old relationship, and had similar experiences throughout the 20<sup>th</sup> century. Both countries gained independence in May 1918, and after Azerbaijan lost its independence in 1920, Georgia survived only one year more. The joint efforts and mutual support during the 1918-1920 period included a joint lobby for international recognition. In 1919, the France-Caucasus Committee was established in order to develop economic relations between France and the republics of Transcaucasia. In the same year, the Azerbaijani and Georgian governments signed an agreement with US Congressman William Chandler to promote their opinions in the West and to get support from the United States. Furthermore, both countries cooperated at the Paris Peace Conference, and signed a defensive military pact in 1919. Boosting economic cooperation was the founding principle: both countries needed an enduring alliance to survive independence and build prosperity. The words of Azerbaijani intellectual and statesman Yusif Vazir Chamanzamanli, writing in 1919, clearly describes this principle of enduring support at the regional and international levels:

the friendship between Georgia and Azerbaijan has benefits for both sides. And it is undoubtedly true that both would like to be independent. In this case if any fear emerges for Georgia it may also damage Azerbaijan. Because the independence of these two countries is mutually dependent, such if one of them lost its independence, the other will be forced to lose it too. And we have to work together to defend the Caucasus Mountains between the Black Sea and Caspian.<sup>1</sup>

Beyond this principle, which was developed during the first independence period, the other founding principle of the strategic alliance also dates back to this period. This second principle was based on “peace and stability initiatives and ignoring expansionist wars”. Although in 1918-1919 both countries had unresolved territorial issues, they never fought each other, and also bilateral peace and stability was promoted through the signing of peace agreements with each other and with the Ottomans. Looking to the defensive pact between the two countries, to which Armenia was also invited to join, it is clear that building peaceful relations and defending the region from foreign invasions were key factors for both countries. This kind of approach also features in a speech on given on 27 June 1919 before the Azerbaijani parliament. Azerbaijan’s Minister of Foreign Affairs Mammad Yusif Jafarov, after paraphrasing the Azerbaijan-Georgia Defence Pact, emphasized that:

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<sup>1</sup> Yusif Vazirov, “Georgia and We”, *Azerbaijan Newspaper* 15 July 1919, N.225 ( Yusif Vəzirov, “Gürcüstan və biz”, *Azərbaycan qəzeti*, 1919-cu il 15 iyul, N.225)

Georgia and Azerbaijan may lose their independence. But they will live in the neighborhood together. This agreement will hold great efficiency and promise for the two neighboring republics. In Nicholas's [Tsar Nicholas II] time we saw that the Caucasus nations were not capable of coexisting, and in fact they wanted to annihilate one another. This agreement shows that if the nations in Caucasus will be exposed to dangers in bad situations, they can put aside their domestic issues and coexist as equals or die.<sup>2</sup>

Further, even the making of war was only ever conceived of as a means of defending the homeland—as seen in the epic Azerbaijani-Georgian love story *Ali and Nino*. The hero of novel, Ali (Khan Shirvanshir), says: “There was no enemy in my country. No one threatened Transcaucasia’s steppes. Therefore this war [World War One] was not my war.”<sup>3</sup>

Indeed, both countries’ short-lived independence did not instantly guarantee cooperation in all areas, and there were some problems in bilateral relations. But while there were periods of ups and downs, this did not damage the overall sense of a strategic alliance. During the Soviet era, they enlarged cooperation in many fields, and then following the dissolution of the Soviet Union they started to cooperate as independent countries.

In this light, after two decades of independence, an appraisal of the historical and present essence of Azerbaijani-Georgian relations both illustrates and proves the words of former US President John F. Kennedy. When he uttered these words, he was not of course speaking of the Azerbaijani-Georgian partnership, but they are apt nonetheless: “geography has made us neighbors. History has made us friends. Economics has made us partners, and necessity has made us allies.”

Judging two countries relationship based on JFK’s quote, we can see that after the collapse Soviet Union—the “prison of nations”—Azerbaijan and Georgia became “prisoners of the three Gs”: geography, geo-economics and geopolitical competition. However, the two countries turned those obstacles into advantages with good neighborly relations. Thus Azerbaijan gained direct access to the Black Sea; the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline were built; the Baku-Tbilisi-Kars railway will soon be completed; and, most importantly, the Azerbaijani-Georgian relationship was not merely born of “geopolitical necessity” or the legacy of historical destiny but goes deeper, as we indicated before. Still both countries today identify the relationship as the “Caucasian Tandem”, a “time-tested Friendship”. And importantly, each country’s National Security strategy paper identifies the other as a “strategic partner”.

When the 2008 August Russia-Georgia war broke out, and Azerbaijan continued to support Georgia despite the Russian threat, Azerbaijani MP Asim Mollazade said, in reference to solidarity between the two countries, that “When Russia switched off the lights a number of times in Georgia, Azerbaijan helped to switch them back on.”<sup>4</sup> Overall, the continued high-level im-

2 Azerbaijan People’s Republic, *Parliament (Stenographic Reports)*, Azerbaijan Publishing House, First Volume, 1998, Baku, Azerbaijan, pp. 709-711.

3 Kurban Said, *Ali and Nino: A Love Story*, New York, Anchor, 2000, p. 72.

4 “GUAM after Riga Summit”, Event Summary, Hudson Institute, December 2006, at [http://hudson.org/files/pdf\\_upload/GUAMEventSummary.pdf](http://hudson.org/files/pdf_upload/GUAMEventSummary.pdf).

provements in bilateral relations have demonstrated that for Azerbaijan, the “Geo” in Georgia is always stronger than the “geo” in “geopolitics”.

The strategic alliance has developed on an equal basis; Georgia has enabled Azerbaijan to deliver its energy resources to the European market, acting as a “door” for Azerbaijan’s oil and gas. Georgia’s role as a key transit country has made it an important bridge in the East-West axis. Georgia’s support for this alliance has not been limited to serving as an energy transit route. At the international level, Georgia has a good reputation in European capitals and Washington, enabling Tbilisi to bring regional problems to the agenda of Western decision makers. In this way, it has provided a great service not only to Azerbaijan, but to all regional countries. In 2008, the Russia-Georgia war demonstrated both Georgia’s importance to regional security, and also the negative impact of the continued fragility of the regional security situation.

In the post-2008 period, the language used to describe the situation in the Caucasus changed from “after the collapse of the Soviet Union” to “after the August war”. This had an impact on ongoing energy and gas projects, as well as the trilateral level strategic alliance between Azerbaijan, Georgia and Turkey. In 2008-2009, Turkey’s attempts at normalizing relations with Armenia and opening the border created tension between Azerbaijan and Turkey, which in turn had a negative effect on Georgia. In same way, after the October 2012 parliamentary elections in Georgia, initial statements by the new Georgian government gave rise to concern and frustration in Azerbaijan, leading to some minor questioning of the bilateral strategic alliance. Therefore, taking into account the situation prior to the August 2008 war, and the government change in Georgia, it seems that both countries have needed to take a closer look at the more fragile areas of cooperation, and to focus on these areas with a view to institutionalizing the ties.

The positive outcome of this is that in the last two years in particular, both Azerbaijan and Georgia have learned from the developments described above, and are now looking forward and working on the institutionalization of key areas of cooperation (economy, tourism, military, etc.), as well as institutionalizing trilateral cooperation with Turkey.

This report consists of three parts. The first seeks to identify the level of cooperation across various pillars, including politics, economy, energy, tourism, business, education, media, cultural, military and defense. The second part discusses Georgia’s Azerbaijani community and Azerbaijan’s Georgian community, and how they affect political cooperation. The third part draws some conclusions, and provides recommendations for both governments, as well as suggestions for action at the regional and international levels. The authors have used a number of sources for data and graphics. All photographs are original.

This report provides an overview of different areas of cooperation, informed by historical developments. The authors examine the above mentioned issues in order to assess the terms of a healthy Azerbaijani-Georgian relationship. Such a relationship will not only help to develop both countries’ interests in the region, but could also be important for any country with traditional or strategic interests in the Caucasus and Central Asia region.

## PART I

### BILATERAL RELATIONS ACROSS MULTIPLE SECTORS

Following the break-up of the Soviet Union in 1991, Georgia and Azerbaijan have been perceived as small states<sup>5</sup>, both faced with the challenges of survival and strategic orientation.<sup>6</sup> Baku and Tbilisi established diplomatic relations on 18 November 1992<sup>7</sup>; as newly independent states, they had to rely on foreign policy as a means of establishing themselves within the international system. Both countries saw the development of foreign and security policies based on alliances with more powerful regional and extra-regional states as a key strategy. However, both countries initially struggled to develop viable foreign and security policies towards their immediate neighbors, due to a combination of inherited political cultures lacking in democratic tradition, politicians inexperienced in making foreign policy decisions, scarce financial resources, and harsh social conditions.

Relations between Azerbaijan and Georgia have always been very strong and cordial. Both countries share geography, a similar past, many common cultural practices, and a long, intertwined history. The fall of the Soviet Union and the ensuing independence brought similar challenges, and the two countries have become increasingly close, especially as relations with Russia have faltered over increasingly Western-oriented foreign policies in Baku and Tbilisi. After more than two decades of independence, the close relationship between the two countries has developed into a strategic partnership. They are often described as ‘strategic allies’ - although in current political discourses, this terminology is not, in fact, used. Azerbaijanis generally names Turkey as its historical strategic ally, referring both to Turkish support during the first independence period (1918-1920), and post-1991. With Georgia, the focus is on strong identity ties and cultural links. Georgians acknowledge their alignment with Azerbaijan, but state that the country does not have historical strategic allies. Nonetheless, in light of the above-mentioned principles and in the context of the overall report, we would posit that it is reasonable to describe the countries as “strategic allies”.

### The Origins and Principles of the Strategic Alliance

The less controversial but long acknowledged issue is the definition of the partnership between these two countries. It is often described as a strategic alliance – a term for which there

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5 There is no satisfactory definition for “small states”, beyond the Cold War-era definition of “small states” – which generally meant “weak states”. The complexity of today’s international system demands a new vocabulary. Under our definition, “small state” corresponds to the political situation of the 1990’s, not that of today. Nowadays, Azerbaijan and Georgia both nations prefer the term “small power”.

6 Alexander Rondeli, *The choice of independent Georgia*, The security of the Caspian Sea Region / edited by Gennady Chufrin, Oxford University Press, 2001 p. 195.

7 Azerbaijan-Georgia relations, Brief Information on Diplomatic Relations, Ministry of Foreign Affairs of Azerbaijan Republic, at <http://mfa.gov.az/files/file/Azerbaijan%20-%20Georgia%20relations.pdf>

is no uniform definition among international relations scholars. However, leading scholars in alliance politics have provided a simple definition of an alliance as ‘a relationship between two or more states based on shared interest, an exchange of benefits, security cooperation, specific written agreements, and/or an expectation of continuing ties’.<sup>8</sup> Under another definition, an alliance is “a formal or informal arrangement for security cooperation between two or more sovereign states.”<sup>9</sup> An alliance is most often understood in terms of security-based cooperation between states based on a promise of mutual assistance. This understanding has been debated relatively little during the post-Cold War era, although it does not always seem to fit the reality. This is due to a paucity of scholarship on small states, even in the contexts of strategic partnerships with neighboring states. Moreover, today, security threats are handled through multiple formats - formal partnerships, ad hoc coalitions, or military-defense alliances. Consequently, not all members of big alliance coalitions like NATO behave as strategic allies outside the direct NATO context.

Returning to the formation of the Baku-Tbilisi alliance, its founding principles and management remain crucial; in the words of Stephen Walt, the ‘failure to understand origins of alliances are fatal.’<sup>10</sup> In this light, our assessment of the alliance relations between Azerbaijan and Georgia includes both the strengths and weaknesses, together with the founding principles of the origins of the alliance.

First of all, the Azerbaijan-Georgia alliance is a *political alliance*. It includes security cooperation and commitments, but overall the strategy towards external threats, in particular towards Russia, was to balance and deter threats, based on similar foreign and security policies. In this context, close alignment with Turkey and US were integral to this policy and its success – specifically in reducing Russian influence. But in the last decade both countries’ strategies have shifted slightly and diverged. Azerbaijan pursues a policy of balancing and hedging toward Russia, and has developed a closer relationship with Turkey to help balance the pressure that comes from Moscow’s support for Armenia. In Georgia’s case, the government moved away from its balancing policy towards Russia after the Rose Revolution in 2003. This shift has not, however, damaged Tbilisi’s relations with Baku. The explanation for this apparent resilience is that Baku-Tbilisi alliance has seen a number of practical successes and visible results. With support from Turkey and the US, Russia’s regional influence since the 2008 August War has been balanced.

Second, this is a *defensive alliance* – the countries defend on another through political means and via economic support in difficult times. There is one question among the political elites, especially in Azerbaijan when they discuss bilateral relations with Turkey and Georgia. In general, the view is that Ankara is a strategic ally, because it will support Azerbaijan in a hard situation, even if that situation involves a military confrontation or war. This view is shared by the public opinion. According to a large-scale survey conducted by the ‘Puls R’ Sociological

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8 Jeremy Pressman, *Warring Friends: Alliance Restraint in International Politics*, Cornell University Press, 2008, p.5.

9 Stephen Walt, *The Origins of Alliances*, Cornell University Press, 1987, p.12.

10 Stephen Walt, *ibid*, p.2.

Services during 2006-2010,<sup>11</sup> a significant majority of Azerbaijanis said that Turkey was the country's main close ally/friend. Georgia was in fourth place, after Russia and then the US. Similarly, according to the Caucasus Barometer 2011, 90% of Azerbaijanis cited Turkey as the country's closest ally. In the same poll, Georgians responded that Azerbaijan is the country's second most important friend after the US.<sup>12</sup>

In this sense, if a strategic ally is understood as a country that has provided help and defended its ally, Turkey fits the definition. In the military realm, Ankara has neutralized Armenia's military cooperation with Russia; when Armenia and Russia signed an agreement extending the lease for Russian military bases in Armenia, Azerbaijan and Turkey signed the "Agreement on Strategic Partnership and Mutual Assistance" at the same time. The August 2010 agreement prioritized security cooperation "using all possibilities" in the event of a military attack or act of aggression against either country.<sup>13</sup> A close look at the traditional Baku-Ankara strategic alliance suggests that the minor problems and the testing of the strategic alliance have taught both countries the importance of respecting one another's foreign policy choices, as well as underlining that they can benefit from close cooperation. This assuages fears about threats to national interests, which in some issues are very divergent. Thus, there are clear differences between the Azerbaijan-Georgia and the Azerbaijan-Turkey relationships. In the case of *casus forederis*, overall Azerbaijan's support for Georgia's economic development - along with mutual support on the international scene—were key. During the 2008 August Russia-Georgia war, Azerbaijan was theoretically neutral, but in reality, Georgia felt its support, especially through economic cooperation during the war. On the other hand, the Georgian public expected more vocal support from Baku, beyond its somewhat muted official statement. However, overall Baku's support was very important in enabling Georgia to maintain its internal functionality.<sup>14</sup>

Third, this is a *mutually dependent* alliance. In every alliance there may be disagreements over some issues, but as Glen Snyder emphasizes, "when mutual dependence is high, the alliance will be cohesive, when it is low, the alliance will be fragile."<sup>15</sup> This is applicable to the Baku-Tbilisi relationship. Sometimes, there have been suggestions that Georgia's dependence on Azerbaijan represents domination by Baku, but the origins of the relationship suggests that each country supports the stabilization and growth of the other, and as such any kind of unstable situation creates concern. For Georgia, Azerbaijan is a defensive shield against possible threats from the South, a bridge to Central Asia and the Muslim world both geographically and politically, and an economic stabilizer via its energy resources. For Azerbaijan, Georgia is key transit route to Europe, a defensive shield against possible threats from the North, and guarantor of European engagement with the South Caucasus countries. The phenomenon of mutual dependence was underscored by Georgia's president, Mikheil Saakashvili: "Any opponent of Azerbaijan or Georgia is an enemy of both these countries. Our strength is in unity. This is not just what's

11 Funded by the Friedrich Ebert Foundation

12 Caucasus Barometer 2011, Georgia, permalink: <http://www.crrc.ge/oda/?dataset=16&row=152>

13 Beyond this mutual support promise, under the 1921 Treaty of Kars, Turkey is a guarantor power for the Azerbaijani enclave, the Nakhchivan Autonomous Republic.

14 Colloquy with Ghia Nodia, *Caucasus International*, Vol.1. No.2, 2011, p. 62.

15 Glen H. Snyder, *Alliance Politics*, Cornell University Press, 2007, p.27.

written on our coat of arms, it is the truth. Those who seek to undermine this unity are opposing our country's interests. Our countries interests lie in strengthening this strategic partnership."<sup>16</sup>

Last but not least, the strategic partnership has great potential. In terms of foreign policy development, Azerbaijan can offer a bridge to the Muslim world for Georgia. Tbilisi could benefit from a deeper relationship with Muslim countries; Georgia can also help Azerbaijan by raising its national and regional problems at the European level. Beyond these issues, the founding principles of the strategic alliance - the result of a two decade-long partnership – are outlined below.

### *Founding Principles of Strategic Alliance*

The Azerbaijan-Georgia relationship is built on the basis of the principles that made them allies, according to the first National Security concept of Georgia, which was introduced by the Georgian parliament in 2005. The document states that “the relationship with Azerbaijan developed into a strategic partnership”,<sup>17</sup> and the latest version of the concept,<sup>18</sup> adopted on December 23, 2011<sup>19</sup>, also underlines the accord of strategic partnership. Likewise, Azerbaijan's National Strategic Concept, adopted in 23 May 2007, stressed the importance of developing the bilateral relationship into a strategic partnership.<sup>20</sup>

However, despite this “official friendship” and the frequently mentioned mantra of their historic closeness, it is also reasonable to say that at the level of implementation, both sides have mostly failed to realize concrete long term cooperation synergies.

Thus last year's pledge by both sides to support constructive work with between different institutions was an effective and timely commitment, which could solve remaining issues and expand areas of cooperation. Beyond concrete mechanisms for bilateral engagement, it is the principles outlined below that keep the alliance healthy:

The first principle is *mutual support for survival and strengthening of independence*. This principle has a long legacy; as mentioned before, both countries engaged on this basis during their early periods of independence. With the collapse of Soviet rule, Moscow's retreat has provided a golden opportunity for Azerbaijan and Georgia to make new diplomatic friends and influence people in Washington and European capitals. Coordinated bilateral efforts gave rise to internal stabilization, and then consolidation of independence. Thus even though they chose in 1993 to join the Commonwealth of Independent States (CIS) (a Moscow-led organization), this was part of a broader strategy to secure geopolitical prizes—such as strengthening independence by opening Caspian oil and gas reserves to world markets and expanding the space for political maneuvering, which was essential until the end of 90's, at which point Western support was consolidated. However, the actual price paid to Moscow was different.

16 President Saakashvili and Azeri President Ilham Aliyev unveil monument to former Azeri leader in Tbilisi, 5 December 2007, at <http://www.president.gov.ge/en/PressOffice/News/Releases?p=3565&i=1>

17 National Security concept of Georgia, Tbilisi, Georgia, 2005, at [http://www.parliament.ge/files/292\\_880\\_927746\\_concept\\_en.pdf](http://www.parliament.ge/files/292_880_927746_concept_en.pdf)

18 National Security Concept of Georgia, Tbilisi, Georgia, 2011, at [www.nsc.gov.ge/files/files/National%20Security%20Concept.pdf](http://www.nsc.gov.ge/files/files/National%20Security%20Concept.pdf)

19 National Security Concept of Georgia, Tbilisi, Georgia, 2011, at [www.nsc.gov.ge/files/files/National%20Security%20Concept.pdf](http://www.nsc.gov.ge/files/files/National%20Security%20Concept.pdf)

20 National Security Concept of the Republic of Azerbaijan, Baku, Azerbaijan, 2007, at <http://merln.ndu.edu/whitepapers/Azerbaijan2007.pdf>

Unlike Georgia, Azerbaijan did not allow Russian military bases on its territory, nor the presence of Russian peacekeepers in conflict zones. A reasonable explanation might be that in Georgia, domestic political instability made it hard for the leadership to address challenges, and Moscow's unwavering stance made it harder to achieve a compromise. Mutual support for one another in the international arena is a substantial element. Azerbaijan and Georgia are also striving to expand their roles in the framework of internationally-sponsored economic projects, and are pursuing a vision of security based on regional economic cooperation. As a result, Baku and Tbilisi have forged energy-transport deals, and Baku provided much-needed energy supplies to Tbilisi during its standoff with Russia.<sup>21</sup>

The second principle is *refusing join the Moscow-sponsored military/security institutions*. In 1999, both countries declined to join Moscow's collective security treaty under the CIS, which later became the Collective Security Treaty Organization. Azerbaijan and Georgia did not want to join this collective security scheme mainly they saw it as an "Al Capone" alliance: an unequal alliance between a small power and a contiguous imperialistic Great.<sup>22</sup> Official Baku's explanation was that Azerbaijan could not participate in a "security system" in which one country (Russia) provides military support to another (Armenia) at war with a third (Azerbaijan).<sup>23</sup> Similar grounds were stated by Georgia; from Tbilisi's standpoint, one country (Russia) was providing military and financial support to separatists (in South Ossetia and Abkhazia), which precluded Georgia's membership. Following the 2008 August War, Georgia left the CIS completely. For both countries, it was not only the issue of the unequal security alliance, but also another initiative proposed by Russia: the "Caucasus Four" (Azerbaijan, Armenia, Georgia and Russia). This format for cooperation was launched in January 2000 at the first CIS summit, but failed to get off the ground. Through this format, designed to support regular political meetings, Russia's aim was to prevent "military-political competition from developing in the region", an obvious attempt to curtail Georgia's and Azerbaijan's increasing cooperation with the West on security issues.<sup>24</sup>

The third principle is *fostering peace and stability in Caucasus* through constructive engagement of regional and global powers. This aim was declared in 8 March 1996, in the Tbilisi Declaration, also known as the "Declaration on Peace, Security and Cooperation in the Caucasus Region", which endorsed the principles for resolution of conflicts, attracting foreign investments, step by step integration into the international system.<sup>25</sup> The declaration was open to any country that agreed to all the principles in the declaration. Following this declaration,

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21 Kornely Kakachia, "The Post-conflict South Caucasus within New Geopolitical Framework - View from Georgia", Edited by Mustafa Aydin, NATO Science for Peace and Security Series - E: Human and Societal Dynamics. IOS Press. Vol. 77. p.194.

22 "Al Capone alliance" - remaining a faithful ally protects the small state not against the outside threat, but rather against the great power itself. The name comes from the similarities to businessmen paying 'protection money' to Capone's gang in Chicago, not to protect themselves from other gangs but from Capone's own thugs. See: Robert O. Keohane, The Big Influence of Small Allies, *Foreign Policy*, No. 2 (Spring, 1971), p.180.

23 "Azerbaijan to stay out of CIS Security Pact", *Eurasia Daily Monitor*, Volume: 5 Issue: 26, February 8, 1999 at [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=15454&tx\\_tt\\_news%5BbackPid%5D=213](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=15454&tx_tt_news%5BbackPid%5D=213)

24 "Caucasus Four Limping on One Leg", *Eurasia Daily Monitor*, Volume: 8 Issue: 65, April 3, 2002, at [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=24051&tx\\_ttnews%5BbackPid%5D=216](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=24051&tx_ttnews%5BbackPid%5D=216)

25 See appendix. (Declaration on Peace, Security and Cooperation in the Caucasus Region)

which was arguably the first written Stability Pact initiative in South Caucasus, the idea was later shared among other regional countries as a basis for bilateral and multilateral relations. This was demonstrated by a series of statements made by the Presidents of Azerbaijan, Georgia and Turkey, as well as Armenia, at the OSCE Istanbul Summit held in November 1999. The leaders of South Caucasus countries voiced their respective views on the necessity of establishing a regional security and stability framework. After that, based on both the 1996 Tbilisi declaration and statements at the 1999 Istanbul OSCE Summit by regional leaders, the Caucasus Stability Pact was produced by a European think tank (CEPS) in 2000. However, the central aim of fostering intraregional integration ultimately failed to materialize, largely due to the non-resolution of regional conflicts.

On the fourth principle, *supporting one another in the international arena in conflict resolution*, both countries faced similar challenges, including ethnic separatism and occupation of sovereign territories. Mutual support took the form of statements of support from government officials, supporting one another at bilateral and multilateral meetings including at the United Nations and in European Union Parliament resolutions. This support included the raising not only the situation in the conflict zones, but also the status and living conditions of internally displaced persons, and the humanitarian situation as a whole. Georgia's consistent formal recognition of Azerbaijan's territorial integrity<sup>26</sup> has significantly affected Georgia's relations with Armenia. While Tbilisi has sought to keep relations open, Yerevan seems less enthusiastic. But, looking Armenia's position, Yerevan has either followed Russia's voting pattern on, for example, UN resolutions, or has abstained from the voting process. This has given rise to frustration in Georgia, and the Azerbaijani public continues to respect Georgia's strategic position in the context of alliance politics. With regard to conflict resolution and gaining the support of the international community, both countries face *Cassandra syndrome*;<sup>27</sup> they have both acknowledged the fragile nature of the status quo in conflict zones, and the possibility of war, as seen in the 2008 Russia-Georgia war.

The fifth principle is *making the region strategically important as an energy and transport hub in the Caucasus and Central Asia*. The two countries have worked in tandem to build a corridor of oil and gas pipelines to ship Caspian Sea reserves through their territory to Western markets, and as a result, the region has become an emerging energy hub in the Caucasus-Central Asia, consolidating the strategic East-West connection. Georgia's and Azerbaijan's foreign policies have emerged as a product of classic geopolitical factors, whereby geographic location remains one of the central features for political development. The strategic location of the two countries, nestled between the Black Sea and Caspian Sea, Russia, Iran and Turkey, gives them strategic importance far beyond their size.<sup>28</sup>

The sixth principle is *integration with Euro-Atlantic structures*, an important focus since their

26 Khazar Ibrahim, "Azerbaijan's position remains unchanged, we recognize Georgia's territorial integrity", *Today.az*, 27 August 2008, at <http://www.today.az/news/politics/47215.html>

27 In political terminology, Cassandra syndrome describes the condition of being able to predict the future, but having no one believe your prophecy until it transpires. The origins of the term lie in Greek mythology.

28 Kornely Kakachia, "Georgia's Identity-Driven Foreign Policy and the Struggle for Its European Destiny", *Caucasus Analytical Digest*, No. 37, 29 March 2012, at <http://www.css.ethz.ch/publications/pdfs/CAD-37-4-7.pdf>

involvement in NATO's Partnership for Peace (PfP) program and closer integration with the European Union. According to Elmar Mammadyarov, Azerbaijan's Minister of Foreign Affairs, Azerbaijan's cooperation with the EU goes beyond the country's security needs and is being expanded to economic, political and social spheres.<sup>29</sup> The same applies to Georgia, though Tbilisi has accelerated the integration process, seeking to become a member of both NATO and the EU. In comparison, Azerbaijan's situation can be described as "not so close, not so far". Nonetheless, according to Elin Suleymanov, Ambassador of Azerbaijan to the US, Azerbaijan and Georgia are the acknowledged leaders of Euro-Atlantic integration and considered to be the core of the NATO-friendly zone in the post-Soviet space.<sup>30</sup>

## Political Cooperation and Politico-Security Challenges

Beyond these founding principles, which have resulted in two decades of cooperation, officials from the two countries have developed good formal as well as informal dialogues, on very strong legal foundation.

Although Georgia formally declared its full secession from the Soviet Union (9 April 1991) before Azerbaijan (18 October 1991), both countries signed their first agreement on "Friendship and Good Neighboring Relations" on 12 July 1991, stating mutual commitment to building a peaceful region and establishing good neighborly relations. Following this agreement, Azerbaijan officially recognized Georgia's independence on 30 October 1991. In both Georgia and Azerbaijan, nationalistic leaders Zviad Gamsakhurdia and Abulfaz Elchibey (who came to power in Azerbaijan after Gamsakhurdia was removed from the Georgian presidency) both championed independence. During the early period of independence, both countries were involved in territorial conflicts; Azerbaijan with Armenia, Georgia with South Ossetia and Abkhazia. The difference was that Gamsakhurdia's ethno-nationalistic doctrine (*Georgia for Georgians*) triggered civil war in Georgia, which gave rise to concern among the Azerbaijani minority in Georgia, as well as within Azerbaijan. For Baku, this period saw a cooling of bilateral relations and frustration with the Georgian leadership. But during the period of civil war in Georgia, the Supreme Council of Azerbaijan (Parliament) adopted a letter of appeal to the Georgian nation on 25 December 1991, after the coup d'état that deposed Gamsakhurdia, in which Azerbaijani MPs emphasized their concern about the civil unrest in Georgia. The letter included an offer of help:

*The members of parliament are ready to play the role of mediator in the achievement of national reconciliation in Georgia.*<sup>31</sup>

Thus after a short period of rule as a democratically elected president, Gamsakhurdia was

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29 Elmar Mammadyarov, "Walking a Tightrope: Azerbaijan's Foreign Policy Strategy in a Changing Environment", *Azerbaijan Focus*, Vol.1.No.1, July 2009, p.25.

30 Elin Suleymanov, "The South Caucasus: Where the US and Turkey Succeeded Together", *Turkish Policy Quarterly*, Spring 2005, at <http://www.turkishpolicy.com/images/stories/2005-01-TRUSrelations/TPQ2005-1-suleymanov.pdf>

31 The original document, Appeal to the Georgian Nation (Gürcü xalqına müraciət haqqında) can be found at [http://e-qanun.az/files/framework/data/6/f\\_6806.htm](http://e-qanun.az/files/framework/data/6/f_6806.htm)

militarily removed in the name of democracy, ousted by his own former supporters.<sup>32</sup> As a consequence, there was anger towards Gamsakhurdia in Azerbaijan, resulting in a denial of his appeal for asylum.<sup>33</sup> After this development, the situation in Georgia began to stabilize, especially after Eduard Shevardnadze came to power. Even though the bilateral relationship did not seem to develop very quickly, on 3 February 1993, both countries signed an agreement on “Friendship, Cooperation and Mutual Security”. However, the agreement was not implemented for some time due to internal chaos in Azerbaijan.

Only after Presidents Heydar Aliyev and Eduard Shevardnadze came to power - following a brief nationalist interlude in both countries - did pragmatism become a trademark policy for Baku and Tbilisi.<sup>34</sup> Both leaders had worked together during the Soviet period, and the personal friendship has a positive impact on bilateral relations. Joint efforts produced important agreements to export Caspian resources via Georgia.

In particular, the 8 March 1996 Declaration on Peace, Security and Cooperation in the Caucasus Region was a manifesto of the two countries’ foreign policy strategy towards conflict resolution, European integration, and joint efforts to build a peaceful Caucasus. The Azerbaijani President declared that, “the heads of the governments of Georgia and Azerbaijan are open to the road to peace, security and cooperation in the Caucasus”.<sup>35</sup> This was followed by a bilateral agreement on 18 February 1997, the “Declaration on deepening strategic cooperation between Georgia and the Republic of Azerbaijan”. This agreement included several areas for cooperation. Parallel developments, as emphasized in the strategic alliance’s founding principles, created a culture of political cooperation. Thus, the creation of GUAM in 1997 was the manifestation of the 8 March 1996 declaration regarding development in the broader region, and GUAM became the closest thing in the post-Soviet area to a strategic relationship, even though its members of GUAM were arguably not as adept at the formal construction of strategies.<sup>36</sup> Towards the strengthening of both political dialogue and bilateral relations, a number of Joint Communiqués were adopted by both sides, such as the one on 22 March 2000. Then in the new political environment following 9/11 2001 terror attacks, the Joint Communiqué of 29 September 2001 repeated previous commitments, but added the two countries’ joint and coordinated policy regarding membership of the US-led anti-terror coalition.

According to critics, while the personal relationship between Heydar Aliyev and Eduard Shevardnadze helped with the coordination and realization of several intraregional projects, the bilateral relationship was not institutionalized. This is partly true; the mantra of “official friendship” tended to overshadow the areas that lack of cooperation. Nonetheless a culture of mutual trust was established.

32 Ghia Nodia, “Political Turmoil in Georgia and the Ethnic Policies of Zviad Gamsakhurdia”, in *Contested Borders in the Caucasus*, by Bruno Coppieters (ed.), 1996, VUB University Press, at <http://poli.vub.ac.be/publi/ContBorders/eng/>

33 The Georgian President Takes Refugee in Azerbaijan, *Christian Science Monitor*, 7 January 1992, at <http://www.csmonitor.com/1992/0107/07042.html>

34 Elin Suleymanov, *ibid*, p.5.

35 Statement of the President of the Republic of Azerbaijan Heydar Aliyev at the joint press conference held with the President of Georgia Eduard Shevardnadze following the completion of negotiations and signing of documents between the delegations of Azerbaijan and Georgia - Tbilisi, March 8, 1996, at <http://lib.aliyev-heritage.org/en/9359991.html>

36 Remarks by Georgian Ambassador Tedo Japaridze at the GUUAM Workshop, Stanford University, November 17-18, 2000, *Azerbaijan International*, Winter 2000 (8.4), pp.61-62.

The Rose Revolution in Georgia, which brought Mikhail Saakashvili to power, coincided with the election of Ilham Aliyev as Azerbaijan's president. This raised questions in both societies about the continuation of the previously agreed bilateral commitments. Particularly among Azerbaijan's ruling elite, there were concerns that Saakashvili's early messages about the inevitable spread of the "color revolutions" across the post-Soviet space. But despite these worries, verbal communication was established within short period, and both leaders continued working on a similar agenda. Though there were differences in political vocabulary, they collaborated on a number of foreign policy issues. In this sense, the short-lived concerns were the result of perceptions of the type of language being used. As Glen H. Snyder emphasized, "between allies and adversaries alike, the prototype of verbal cooperation is the "promise", and of verbal conflict, the "threat".<sup>37</sup> This initial period soon passed, without serious problems, and on 4 March 2004, during consultations in Baku, the two leaders declared a joint communiqué emphasizing the importance of the strategic partnership on regional security and European integration, which also reaffirmed the current legal basis of agreements as proof of the strategic partnership

Beyond the Saakashvili-Aliyev dialogue, prospects for the development of energy and transport projects began to materialize. This period tested the strength of the relationship, as Azerbaijan became staunch friend of Georgia, despite Moscow's displeasure at Baku's unconditional support for Georgia. At the time, Moscow cut off and sought to weaken the Saakashvili government.

From Azerbaijan's point of view, both countries gained an ideological and political victory over Russia, especially regarding the realization of energy projects. Secondly, it was a way for Azerbaijan to counter Russia's support for Armenia.<sup>38</sup> Russia's policy towards both countries ultimately strengthened their strategic dialogue, and mutual dependence made the alliance more cohesive.

Georgia's October 2012 Parliamentary elections resulted in a change of government, and after the election, there was almost a crisis in bilateral relations. Comments by the new Prime Minister, Bidzhina Ivanishvili, notably on his aim to reopen the Abkhaz section of the Georgian railway network, his ambiguous signals of friendship towards Russia, were perceived in Azerbaijan as threats to the strategic alliance. Ivanishvili's belligerent statements caused Baku to worry about the new Georgian government, particularly following Ivanishvili's questions about the Baku-Tbilisi-Kars (BTK) railway, which may be completed early next year. The Ivanishvili government indicated that they had questions about the funding of the Georgian component, for which the Azerbaijani government has provided a USD 775 million soft loan to Georgia. This statement came at the same time as discussions about the possibility of Georgia re-opening an existing railway in Abkhazia, currently non-operational due to the conflict. This would change the situation for Armenia; if the plan to open the railway is ever implemented, it will also ease conditions for semi-blockaded Armenia, reducing its politi-

37 Glen H. Snyder, *Alliance Politics*, Cornell University Press, 2007, p.35.

38 President Ilham Aliyev discusses regional challenges with senior US diplomat, at [http://azerireport.com/index2.php?option=com\\_content&do\\_pdf=1&id=2938](http://azerireport.com/index2.php?option=com_content&do_pdf=1&id=2938)

cal and geographical isolation. Furthermore, Azerbaijan-Russian relations have been strained since they failed to reach an agreement on the extension of the lease for Gabala Radar Station, meaning that in December 2012, Russia closed its last military installation on Azerbaijani territory. It looks like Moscow's tactic for keeping Azerbaijan in its orbit is to put pressure on Baku to join the various Moscow-led projects. But Baku does not feel bound to Russia's Eurasian Union project, which seems like a projected rebirth of the former Soviet Union. Ivanishvili's public questioning of the BTK touched upon a sensitive issue for Baku, because this project will not only provide a rail link between Azerbaijan, Georgia, and Turkey, but more importantly it will break through the Russian monopoly and connect the Central Asian rail network to Europe via a route that bypasses Russia.

The first real crisis with the Georgian government passed in 2003, when a new government with more European values came to power. However, more recently, there was another brief period of troubled relations following Georgia's October 2012 election. Like many in Europe, Azerbaijan initially perceived a shift in Georgia's foreign policy strategy, moving away from European integration and toward Russia. From Azerbaijan's standpoint, the reason for this concern was that the new leadership questioned strategic issues—such as the BTK railway, as well as proposing re-opening the Abkhaz railway. Both of these are in the interests of Russia. The BTK seeks to dissolve the Russian railway monopoly, and any opposition to the plan helps Russia to cling onto its domination in this sphere. The railway line via Abkhazia would open a new route to Armenia. Statements by Georgia's leadership have raised concerns in Baku about Tbilisi's zigzagging policy on regional matters. Controversies between Baku and Tbilisi are mainly the result of:

- Internal reasons—mainly misunderstanding and mistreatment. In Georgia, as in 2003, the change in government meant a Cabinet overhaul, with significant changes to staffing. This of course, gives rise to changes in the understanding of regional dynamics. In addition, a new leader is always likely to want to impose his or her own “mark” on foreign policy, acting without consulting officials with more experience in government.
- The public image of Bidzhina Ivanishvili has created unease; before and after the election the Western media declared Ivanishvili to be pro-Russian, or “non-pro-American”. This influenced Azerbaijan's perceptions of new government.
- Uncertainty around the true nature and limits of Georgia's rapprochement with Russia; it is Azerbaijan's interests to know these limits. Official Baku would prefer cordial normalization of Georgian-Russian relations, but not at the expense of Georgia's alignment with Euro-Atlantic institutions. The Georgian government has emphasized several times that “territorial integrity is the red line” in its relations with Moscow.<sup>39</sup> But this statement is not as comprehensive as it should be regarding the government approach to relations with Russia in the long term, and the priorities have not been made sufficiently detailed for the public.

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39 Georgian Foreign Minister Panjakidze, at Georgia's 8<sup>th</sup> Defence and Security Conference on 28 June, 2013. Recorded by Zaur Shiriyev.

Nonetheless, the current status of the political dialogue between Baku and the Ivanishvili government is developing in a positive direction. The advantage of an early crisis is that shaking up both sides – along with Turkey, which completes this geopolitical axis - has signaled a shift toward closer cooperation. In this respect, a new trilateral format is emerging, as demonstrated by the June 2012 meeting of the three Foreign Ministers, which saw the signing of the Trabzon declaration. Further, a 28 March 2013 meeting in Batumi brought into focus a platform for formalized cooperation between the regional strategic partners, whereby they will pool their material and principled assets in order to achieve clear national interests in multilateral fora of negotiation. The second trilateral meeting between the foreign ministers of Turkey, Azerbaijan and Georgia approved the plan that was adopted at the Trabzon meeting, namely the Trilateral Sectoral Cooperation Action Plan for 2013-2015, which determines concrete actions and cooperation plans in all major fields of mutual interest.<sup>40</sup> The new coordination efforts between Azerbaijan, Georgia and Turkey promise to open up significant opportunities. This also concerns Russia – for example on the very same day of the trilateral meeting between the foreign ministers meeting, President Vladimir Putin ordered an unscheduled military exercises involving thousands of troops and dozens of ships in the Black Sea region in order to test their battle readiness. It is hard to see that this was a mere coincidence; it seems clear evidence of Moscow's dissatisfaction with the deepening and expanding trilateral cooperation.<sup>41</sup>

In this respect, there are various political-security challenges in play at the moment and in the near future, and this strategic relationship will be mutually beneficial for Azerbaijan and Georgia, and likely Turkey as well.

## Politico-Security Challenges

Georgia and Azerbaijan face several political-security challenges within the region as well as more widely, and cooperation is required to effectively address these challenges. In the region, the frozen conflict resolution process entails the potential for a new war in the region. In addition, the ongoing concerns about Iran's nuclear program and the risk of military intervention could have serious negative consequences for South Caucasus. Though until recently Iran did not play an active role in the region, simply by virtue of its proximity along with the diverse foreign policy orientations of the South Caucasian states may pull the region into the conflict between the West and Iran. Tensions may heighten the region's strategic importance, and things may get even more complicated. In the event of a crisis, conflict could mobilize other regional powers (namely Turkey and Russia), which would be devastating for regional security; the costs can be counted in terms of refugees, lost economic opportunities, and disrupted trade. The other issue is energy security, specifically pipeline security, which will be analyzed in detail in the military-defence section of the current report. Ultimately, there are three potential political-security challenges for Azerbaijan and Georgia.

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40 See appendix for Trabzon and Batumi declarations.

41 Putin orders surprise Black Sea military exercises amid Georgia meet, *Hurriyet Daily News and Economic Review*, 28 March 2013, at <http://www.hurriyetdailynews.com/putin-orders-surprise-black-sea-military-exercises.aspx?pageID=238&nid=43823>

### *North Caucasus: Making the region a “buffer zone”*

The unstable North Caucasus region, which is part of the Russian Federation and borders both Azerbaijan and Georgia, creates security concerns for both Baku and Tbilisi. Since the 1990's, when the Chechen independence movement threatened the Kremlin, and Baku and Tbilisi sympathized with the separatists as a means of weakening Russian influence, the situation has changed. Tbilisi and Baku have remained cognizant of the changing geopolitical trends in this explosive and volatile region, and have sought to exert influence in the North Caucasus, an area which neither state can ignore, due to historical as well as cultural and political ties. The focus on the North Caucasus is also the result of the predominant public opinion across the South Caucasus (as well as, increasingly, among liberal elements in Russian society): that one day, in the not too distant future, Russia will lose the North Caucasus, either through violent struggle or simply by realizing that the region is too expensive to hold on to. With this projected narrative in mind, Georgia and Azerbaijan have no choice but to shore up relations with all their neighbors, including the North Caucasian entities.

Now, the face of the North Caucasus has changed, and it has become ‘Russia’s soft underbelly’ - and the security of both Azerbaijan and Georgia has been threatened several times by the North Caucasus, where fundamental Islamic movements are operating, and seeking to gain traction in both countries, especially Azerbaijan.

Azerbaijan and Georgia’s face different kinds of security risks. For its part, Azerbaijan faces challenges from the North Caucasus in the form of the possible reinvigoration of the Lezgin separatist movement, which Russia has used as a threat against Azerbaijan. Secondly, there is the bigger threat that the jihadist movement will spread in northern Azerbaijan.

From Georgia’s point of view, the concern is the spread of radical religious movements to Georgian territory; under the Saakashvili administration, Georgia has also claimed that amid sustained military tensions with Russia, it is important to pursue new policy towards the North Caucasus, as Russia’s gradual strategic retreat from the Caucasus appears irreversible. Under Georgia’s geostrategic calculations, a psychological and emotional separation between Russia and the Caucasus has already taken place. Thus, Georgia believes that it has no choice but to invest in relations with all their neighbors, particularly as previous Russian offensives against Georgia have sometimes included military detachments from the North Caucasus republics. Additionally, any instability prompts Moscow to blame the Tbilisi authorities. Finally, instability in the North Caucasus can damage the region as a whole.

In this regard, Moscow is already interested in seeing the positive effects of cooperation between the North Caucasus Republics and Azerbaijan, and after the change of government in Georgia, this kind of cooperation is possible at the official level. From Moscow’s point of view, the main concern is next year’s Winter Olympic Games in Sochi and Russia is urging security-oriented cooperation now and in the longer term. It is expected that after the Olympic Games, official Moscow will not be able to invest the same kind of money in the region. Moscow will face a dilemma: if they cannot continue to provide financial support to the local elites- buying their loyalty and independence from the local authorities, the *Salafi movement* will win the hearts and minds of the local population, who suffer from political, social, and

economic isolation. Moscow needs a broader, more regional approach to open up this area. This is possible through more interaction between the North Caucasus and South Caucasus.

Joint efforts by Georgia and Azerbaijan could make the North Caucasus a buffer zone between the Caucasus and Moscow. There are several opportunities here:

Firstly, investment – Azerbaijan’s Muslim identity means it has closer ties with the region, which can help build trade contacts. This is already happening; business people from Azerbaijan regularly go to the North Caucasus and meet with local authorities, to discuss investment options.

Second, as suggested by Jon Chicky, retired US Colonel and a long time observer of the North Caucasus, Azerbaijan and Georgia should provide physical and virtual access to open information and education. This will go a long way in diversifying what is now generally a binary situation—a Moscow-oriented or a Salafist-oriented information sphere.<sup>42</sup> In addition, they should offer cheap tourism opportunities to open up the region.

A strategy of investment, educational opportunities, business relationships, and civic contacts could change the stereotypes held by North Caucasus people about the South Caucasus. A ‘soft power’ dynamic could open the way to showing the ‘other’ Caucasus to the North Caucasus nations, which have fallen victims to enduring wars and economic suffering. In this way, Azerbaijan and Georgia can develop a psychological “buffer zone”; the key is that patience is required, as this region remains politically very volatile. In general, the North Caucasus continues to play a decisive role in the future of the South Caucasus and the Caucasian security complex as a whole. The viability of independent states in the South Caucasus is inconceivable without minimal political stability in the North Caucasus.

### *Russia’s Eurasian Union Initiative*

Throughout the entire independence period, both Azerbaijan and Georgia have viewed Russia’s integration projects with skepticism, and have always tried to avoid membership; thus the two countries left the Moscow-led security organization. Now, Russia’s Eurasian Union initiative, which seeks to become the dominant force across Eurasia, runs counter to the national interests of both countries.

In Azerbaijan, official discourse remains balanced, gently declining membership of both the Customs Union and the so-called Eurasian Union for economic and political reasons; at same time Baku wants to avoid taking any action that might damage bilateral relations with Russia. The major advantage of joining the Eurasian Union, as Azerbaijani analysts point out, is that accession would solve Azerbaijan’s labor problem in Russia. Currently, private remittances sent from Azerbaijani labor migrants in Russia to Azerbaijan reach between 1.8-2.4 billion USD every year,<sup>43</sup> and this remains a means of leverage on Russia’s part. But in terms of cost-benefit calculations (political and economic), the government and the population agree on the

42 E-mail Interview with Colonel Jon Chicky, 10 June, 2013.

43 Anar Valiyev, “Azerbaijan and Eurasian Union: Cost and Benefits”, *Caucasus Analytical Digest*, No.51-52, June 2013, p.18, at <http://www.css.ethz.ch/publications/pdfs/CAD-51-52.pdf>

potential risks of joining the Eurasian Union. In this regard, the overall strategy is to find a solution that preserves Baku's relationship with Russia, without joining this project.

In Georgia, the normalization of relations with Moscow and membership in the Eurasian Union are two entirely different matters. At the official level, the response to Russia's so called integration attempts can be seen in the *Resolution on Basic Directions of Georgia's Foreign Policy*, which was adopted on 7 March 2013 by the Georgian Parliament. The document clearly states that "Georgia should not either have diplomatic relations or be in a military, political, customs alliance with a state that recognizes the independence of Abkhazia and South Ossetia/former autonomous district of South Ossetia or has Georgia's territories occupied."<sup>44</sup> Russia unilaterally recognized the separatist regions in 2008.

Russia's ambitious, even hegemonic attempt is against not only the national interests of Azerbaijan and Georgia, but also runs counter to US and EU interests; Moscow's proposed integration model is a trap for the post-Soviet countries. Were either Baku or Tbilisi to join this project, in geostrategic terms it would signal the end of European access to Central Asia. Both countries are keen to avoid more pressure from Russia in the near future, and the only alternative is to increase integration with the European Union and strengthening relations with the US.

The threat to the region posed by the Eurasian Union proposal has been acknowledged by the US and the EU. Former US Secretary of State Hillary Clinton described Russia's efforts to promote greater economic integration in Eurasia as "a move to re-Sovietize the region",<sup>45</sup> the US and its allies seem to limit themselves to diplomatic means. It seems that their interests are not sufficiently engaged to activate further responses to Moscow's actions.

### ***Afghanistan Post-2014***

The participation of Azerbaijan and Georgia in the Afghan peacekeeping mission following 9/11 strengthened their sovereignty and independence; forging links with major powers outside of the neighborhood has proved extremely valuable in this geopolitically complex environment. The Northern Distribution Network (NDN), which runs from Georgia and Azerbaijan to the Afghan-Uzbek border, was the main humanitarian supply route to Afghanistan. In addition to this, both countries have peacekeeping missions in Afghanistan; Georgia as an aspiring NATO member, actively contributes to NATO-led operations and cooperates with the Allies. It is currently the largest non-NATO troop contributor to the International Security Assistance Force (ISAF) in Afghanistan and continues to serve as a transit country for ISAF supplies. The country has also indicated its willingness to participate in the post-2014 follow-up mission to train and assist Afghan security forces, when full responsibility for security is handed over to the Afghans.<sup>46</sup>

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44 Parliament Adopts Bipartisan Resolution on Foreign Policy, *Civil Georgia*, 7 March, 2012, at <http://www.civil.ge/eng/article.php?id=25828>

45 Clinton Calls Eurasian Integration An Effort To 'Re-Sovietize', *Radio Free Europe/Radio Liberty*, 7 December 2012, at <http://www.rferl.org/content/clinton-calls-eurasian-integration-effort-to-resovietize/24791921.html>

46 NATO's relations with Georgia, at [http://www.nato.int/cps/en/natolive/topics\\_38988.htm](http://www.nato.int/cps/en/natolive/topics_38988.htm)

All combat troops are scheduled to leave Afghanistan next year, provided that Afghan forces are ready to take over, and for this reason both US and NATO forces are highly sensitive to any threat to the transit process. Thus, the US is looking for more help from the Afghan supply spur in the Caucasus; Azerbaijan and Georgia will play a key role in supporting the stabilization process in Afghanistan as well as providing transit routes.

The current contributions of both countries include humanitarian aid, educational opportunities for Afghan civil servants, and participating in anti-drug trafficking initiatives as part of stabilization efforts. Regarding the withdrawal of NATO troops from Afghanistan, the support of Azerbaijan and Georgia will become a necessity, as the Baku-Tbilisi-Kars railway looks like the best exit route for NATO forces. At a practical level, the following things have been accomplished:

- At the Batumi trilateral meeting, the Azerbaijani, Georgian, and Turkish Foreign Ministers, produced a Joint Communiqué emphasizing “the necessity of the timely conclusion of the construction of this railway as a “central route”, the shortest and the most effective route for reverse transit of the ISAF forces and cargoes from Afghanistan in 2014.”<sup>47</sup>
- Separately, Azerbaijani, Georgian, and Turkish high-level officials are lobbying for the use of the BTK railway for transport of NATO forces. As the Georgian Foreign Minister declared,<sup>48</sup> “we offer the Baku-Tbilisi-Kars railway, which is the shortest, and cheapest way out of Afghanistan after 2014.” This statement indicates that all parties have agreed to promote this issue on NATO’s agenda.
- The technical aspects of using BTK for the NATO withdrawal have been prepared, and Azerbaijan, Georgia and Turkey presented the technical and procedural details of the Baku-Tbilisi-Kars plan to top NATO officials in December 2012.<sup>49</sup>

In this sense, the urgent matter is the completion of the BTK railway, in addition to increased lobbying and ensuring that all technical details of the BTK transit route are in place.

### ***Bilateral Basis Security Challenge: Border issues***

Despite good relations and strategic cooperation between the two states, border security remains a barrier to closer ties. Georgia and Azerbaijan have a common state border length of 480 kilometers, one-third of which is still not demarcated.<sup>50</sup> A Georgian-Azerbaijani intergovernmental commission on delimitation and demarcation of the border was established in 1996. Almost 70 percent of the work was carried out to clarify the boundaries for 16 years of its activity, but since 2007 the process has been impeded by various obstacles. A portion of the David Gareja (Map. 1) complex with its cave monasteries is one of the major stumbling blocks in the long running border demarcation talks.

47 See Appendix, Batumi Meeting Joint Communiqué.

48 Georgia, Turkey and Azerbaijan are lobbying NATO to use Baku-Tbilisi-Kars railway – FM, *Journal of Turkish Weekly*, 30 April 2013, at <http://www.turkishweekly.net/news/149735/georgia-turkey-and-azerbaijan-are-lobbying-nato-to-use-baku-tbilisi-kars-railway-fm.html>

49 Head of Azerbaijan’s permanent mission to NATO: “Baku has prepared a legal base for the use of Baku-Tbilisi-Kars railway to withdrawal of NATO troops from Afghanistan”, *APA*, 3 April 2013, at <http://en.apa.az/news/190407>

50 Economic Relations Between Georgia and Azerbaijan to be Discussed at a Meeting of the Intergovernmental Commission, *The Journal of Turkish Weekly*, 12 December 2011.

The Georgian David Gareja monastery complex,<sup>51</sup> which Azerbaijanis call Keshish Dagh (Keşiş Dağ), is divided between the two countries. According to experts, it has the potential to be considered as a UNESCO World Heritage site.<sup>52</sup> Filled with ancient Christian frescoes and writings, the monastery is a major cultural and spiritual hub for Georgians, but some Azerbaijani historians claim that the monastery was created by ancient Albanians, reputed ancestors of the Azerbaijanis.

### Map 1. David Gareja/ Keshish Dagh monastery complex



However, the more important aspect of the dispute, at least for Azerbaijan, is the fact that the area in question occupies high ground, meaning that it has strategic importance; territories of both Azerbaijan and Georgia can be closely monitored from that ridge. Official Baku considers it to be essential to maintaining the country's security.

The fact that part of the complex is located on the Azerbaijan's sovereign territory sometimes causes misunderstanding between Georgian pilgrims and the Azerbaijan frontier guards.

51 The monastery complex, which dates back to the 6<sup>th</sup> century AD, is located on a mountain separating Georgia from Azerbaijan, and occupies part of the Georgian-Azerbaijani border that has remained un-delimited since the breakup of the Soviet Union. The monastery complex comprises more than 20 churches and numerous caves over about 25 square kilometers.

52 Michael Mainville, "Ancient monastery starts modern-day feud in Caucasus", *Middle East Times*, at <http://azerbaijan24.com/component/content/article/1-latest-news/7-monastery-in-caucasus.html>

While a simplified border control regime allows monks, Georgian pilgrims and tourists to travel to the part of the complex located on Azerbaijani territory unimpeded, reportedly “bureaucratic procedures” for access sometimes prove troublesome. From time to time, this issue has sparked diplomatic rows between Baku and Tbilisi. The most recent controversy was caused after the repositioning of Azerbaijani border guards on May 6, 2012 along a disputed border section running through the monastery complex, preventing visitors from Georgia from accessing some of the sites. When emotions ran high, the two presidents discussed the issue on the sidelines of a NATO summit in Chicago. As anticipated, they agreed that Georgian citizens as well as foreign tourists would be allowed onto the whole territory of the complex without any restrictions, until the delineation process is finalized. The announcement particularly vexed the Georgian Orthodox Church.

The disputed territory has been discussed many times by officials from both countries, and officially, Baku and Tbilisi do not regard the border issue as a dispute. The two governments do everything possible to avoid any tensions over the monastery complex. Both sides understand that irresponsible comments on the issue might serve the interests of third parties, who could benefit from strained relations at the Georgian-Azerbaijani border. Some experts have suggested a territorial exchange as one option and the creation of a tax-free trade zone as another, without violating Azerbaijan’s legal interests.<sup>53</sup> A third option is to provide another area for Azerbaijan’s use for some years, while Georgia would retain freedom of movement in David Gareja, though the area would remain part of Azerbaijan.<sup>54</sup>

However, despite the existing problems around the demarcation of the border, the border between Azerbaijan and Georgia is considered as the most stable in the region.<sup>55</sup> Given the slow work of the special commission appointed to work on border delimitation and demarcation, it seems that the countries might simply be seeking to put off the issue of the monastery complex for as long as possible. The current status quo seems tenable, at least. Meanwhile, September 2010 marked the official launch of the project on “Supporting integrated border management systems in the South Caucasus countries”, which is financed by European Union and is implemented by UNDP jointly with the government of Azerbaijan.<sup>56</sup> The project envisages the creation of a “green zone” at the border of Azerbaijan with Georgia, and a system of integrated border management.

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53 Diana Petriashvili and Rovshan Ismayilov, Georgia, Azerbaijan Debate Control of Ancient Monastery’s Territory, *Eurasia.Net*, 11 March 2006, available at [www.eurasianet.org/departments/insight/articles/eav110306b.shtml](http://www.eurasianet.org/departments/insight/articles/eav110306b.shtml)

54 Seymur Kazimov, Azerbaijan and Georgia: disputed border, *News.Az*, 11 March 2011.

55 Ilgar Hasanli, Features for formation of the borders of Azerbaijan, *Center for National and International Studies*, (publication date unavailable), at [http://www.uef.fi/c/document\\_library/get\\_file?uuid=fc24365e-cec5-44c6-a3ac-44f314126bdf&groupId=208747&p\\_l\\_id=1458348](http://www.uef.fi/c/document_library/get_file?uuid=fc24365e-cec5-44c6-a3ac-44f314126bdf&groupId=208747&p_l_id=1458348)

56 Support to Integrated Border Management Systems in the South Caucasus (SCIBM), EU Neighborhood Info Center, 2010, at [http://www.enpi-info.eu/maineast.php?id=299&id\\_type=10](http://www.enpi-info.eu/maineast.php?id=299&id_type=10)

## **Bilateral Military Cooperation with a Multilateral Agenda**

Though Azerbaijan and Georgia have worked together to strengthen their relationship across many fields, military cooperation was not the top priority during the first few years of independence. The two countries did not institutionalize military cooperation until 2002.

The delayed institutionalization of bilateral military cooperation was for the following reasons. First of all, both countries only started institutionalizing and expanding their relationship across multiple sectors in the mid-1990s when both transitioned out of chaotic domestic and international situations, namely through ceasefire agreements in the Nagorno-Karabakh, South Ossetia and Abkhazia conflicts. The unstable domestic situation was not the only obstacle to the development of bilateral ties; it was also the case that the post-independence governments in Baku and Tbilisi were pursuing different foreign policy strategies.

Secondly, both countries sought to modernize their Soviet-era armies through cooperation under the NATO Partnership for Peace (PfP) program; while the financial resources of the PfP program could not fully support this process, Azerbaijan notably has increased its military budget since 2002 (see Figure 1), and at that point actively sought to increase military cooperation with NATO member countries, first of all Turkey.

Third, both countries established a similar foreign policy strategy, based on a common vision of security issues, and aimed at reducing Russia's influence in the South Caucasus region. This common approach was demonstrated by the mutual distrust of Moscow: both Azerbaijan and Georgia decided not to renew their participation in the Commonwealth of Independent States (CIS) Collective Security Treaty in April 1999, preferring to entrust security issues to NATO. Their aim was to strengthen military cooperation in multilateral contexts, such as GUAM and NATO, rather than exclusively bilateral ties.

### ***Towards the Institutionalization of Military Cooperation***

Azerbaijan and Georgia are increasingly aligning their positions on foreign policy issues. Both countries signed the Ankara Declaration in 1998, which expressed strong support for the Baku-Tbilisi-Ceyhan oil pipeline, and both refused to sign the CIS military treaty (1999) which sought to establish a common approach on political issues. Then following the global fallout of 9/11, the US became more involved in the region, in particular by assisting both Azerbaijan and Georgia to modernize their armies, which in turn strengthened NATO alliance countries' focus on Azerbaijan and Georgia. These two pre-2000 political milestones brought Azerbaijan and Georgia closer, and paved the way for both to improve and institutionalize their defence and military cooperation.

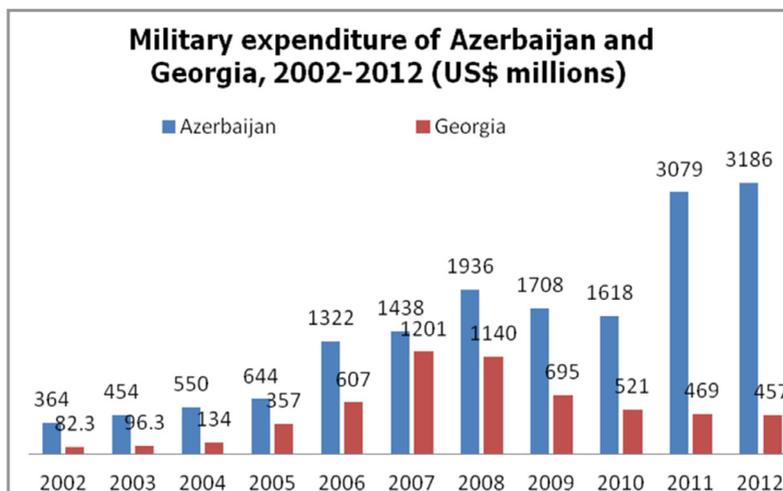
The first contract was signed between the Azerbaijani and the Georgian Ministries of Defense (MoD) on 18 March 1999 in Tbilisi, titled "Protocol on the result of the Georgian and Azer-

baijan MoD meeting”.<sup>57</sup> The document represented the first large-scale agreement on military cooperation, and emphasized the following areas of cooperation:

- a) Both countries will cooperate in the appropriate fields of military cooperation within the framework of the Euro-Atlantic security and cooperation structures. Both countries, within the framework of NATO’s Partnership for Peace Program (PfP) and with the participation of bilateral interaction, will strengthen their multilateral cooperation and the further development of relations with NATO.
- b) The enlargement of cooperation in the framework of the GUAM (Georgia, Ukraine, Azerbaijan and Moldova), as well as supporting UN and OSCE peacekeeping missions.
- c) The development of cooperation among the land forces, naval forces, military units, air force and air defense forces both on the front lines and at the military strategy level, as well as cooperation between the medical services.

The 1999 agreement was an attempt to institutionalize bilateral ties between Baku and Tbilisi. The agreement used existing mechanisms for military cooperation and only included priority areas. However, as mentioned before, the 1997 agreement on the strategic partnership between Azerbaijan and Georgia, and the establishment of the GUAM regional organization the same year, aimed at pooling the countries’ diplomatic resources to oppose Moscow’s efforts to station its weaponry in the South Caucasus. In 1999, before signing a military cooperation agreement, both countries demonstrated a common position towards Moscow by leaving CIS military units.

**Figure 1. Military expenditure of Azerbaijan and Georgia, 2002-2012 (Mln.USD)<sup>58</sup>**



57 "Protocol on the result of the Georgian and Azerbaijan MoD meeting", original document in Azerbaijani at <http://e-qanun.az/print.php?internal=view&target=1&docid=5280&doctype=0>.

58 Stockholm International Peace and Research Institute (SIPRI), *Military Expenditure Database 2012*, at <http://milexdata.sipri.org>. In Georgia, military pensions not included. In findings figures are in US\$ millions, at constant 2012 prices and exchange rates.

In the context of the development of a common energy strategy toward the sale of Caspian energy resources to Europe (supported by the US) and the establishment of GUAM, which sent a clear political signal to the West with the aim of gaining support for the independence of member countries, new areas of military cooperation emerged between Baku and Tbilisi.

Thus, developing a common energy strategy and escaping Moscow's orbit were the primary goals of the two countries, but neither the GUAM Charter nor participation in NATO's PfP were perceived as sufficient mechanisms for security at that time. In the military sphere, GUAM envisaged cooperation between member countries as a stepping stone to the ultimate goal of establishing institutional ties with NATO. But the GUAM member states had quite different security interests, and did not share a common vision for military cooperation. As a result GUAM was billed as purely a political-economic alliance in order to deflect adverse reactions from Moscow. Given its stated political identity and purpose, the establishment of GUAM did not help to improve multilateral military cooperation. GUAM member states misread the levels of Western support, and the group's mixed political-military identity meant that GUAM did not follow in the steps of the successful Visegrad Group, a group of European countries (Czech Republic, Hungary, Poland and Slovakia) that wanted to become members of European Union. In addition to their divergent national interests, geography and geopolitical considerations also played a negative role in the work of GUAM.

Despite the lack of multilateral cooperation within GUAM, Georgia and Azerbaijan shared common interests and fostered cooperation in priority areas.

The first priority was the modernization of national armies to NATO standards. Unlike today, Azerbaijan was at that time dependent on foreign financial assistance, and also faced restrictions on arms sales and military aid, having been barred from receiving security assistance because of its ongoing conflict with Armenia. Thus Baku's only alternative was NATO and the alliance member countries, in particular its strategic partner Turkey. There were official statements made by both Azerbaijan and Georgia regarding NATO, using the terminology of 'integration', and both countries shared similar views on what NATO could offer them, namely a model for political as well as military integration. They promoted a shared NATO approach towards the region, as opposed to specifically tailored policies. With the aim of gaining support from NATO, both countries argued that "NATO is GUAM's foster mother".<sup>59</sup> This approach reflected the shared foreign policy aim of attracting Western (NATO) support for and involvement in the South Caucasus' affairs. For example, in 1997, at a Euro-Atlantic Partnership Council (EAPC) summit in Madrid, both countries' leaders called on NATO to play an active role in the region.<sup>60</sup> This changed with the 2003 Rose Revolution in Georgia, at which point Tbilisi upped its ambition to NATO membership.

The second priority was the protection of pipelines, which is of paramount importance to

59 Tomas Valasek, "Military Cooperation between Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova in the GUUAM Framework", *Policy Brief*, Caspian Studies Program, December 2000.

60 See minutes of EAPC meetings. Aliyev's speech is at <http://www.nato.int/docu/speech/1997/s970709d.htm>; Shevardnadze's speech is at <http://www.nato.int/docu/speech/1997/s970709o.htm>.

Georgia and Azerbaijan, while other GUAM members are excluded from the pipeline routes favored by the Tbilisi and Baku.

Thirdly, both Georgia and Azerbaijan wanted to enlarge GUAM's involvement in the region by conducting peacekeeping missions within GUAM, which could build partnerships with NATO as well as support UN and OSCE peacemaking missions. Georgia has been the most fervent advocate, and has unveiled a proposal to create a joint peacekeeping contingent of GUAM countries for missions in the Caspian-Black Sea area.<sup>61</sup> Meanwhile, the possibility of GUAM participating in future peacekeeping operations with either military or police forces has been occasionally discussed, and finally gained high level support at a foreign ministers' meeting on the eve of the GUAM summit in Baku in 2007.<sup>62</sup> However, the format of the future peacekeeping force and plans for its implementation remain undefined, and it is still a theoretical idea.

### ***Boosting Defense Cooperation: New Threats and Challenges***

A major change occurred in the military cooperation between the two countries when the US changed its security policy on the South Caucasus and Central Asia following the 9/11 terror attack. At that time, both Baku and Tbilisi declared full support for the US; in response Washington has waived restrictions on US aid to Azerbaijan by Executive Order every year since January 2002.<sup>63</sup> Azerbaijan and Georgia were among the countries that openly pledged their support for the US-led operation in Afghanistan, and later Operation Iraqi Freedom (OIF), with both offering the use of their airbases, and their assistance in rebuilding Afghanistan and Iraq.<sup>64</sup>

The positive development in terms of relations with the US side has led to additional positive effects: Turkey signed defense cooperation agreements in 2001 with Georgia. Together with the United States, the Turkish and Georgian militaries have formed a Caucasus Working Group, which seeks to improve bilateral cooperation and provide training for the Georgian military.<sup>65</sup> New areas for cooperation emerged following the events of 9/11, namely counter-terrorism initiatives and work to combat drug trafficking. Both Azerbaijan and Georgia entered a more intensive period of defense cooperation at this stage; however, on 9 April 2002, both countries' defense ministries signed a framework protocol on the above mentioned issues when the Georgian Minister of Defense visited Baku. Later, with Turkey's participation, a more comprehensive trilateral agreement was signed between Azerbaijan, Georgia and Turkey, on "Combating terrorism, organized crime and other serious crimes" on 30 April 2002.<sup>66</sup>

61 "GUAM considers forming peacekeeping unit," *Monitor*, Vol. 4, Issue 228 (December 10, 1998).

62 Information on GUAM Peacekeeping at <http://www.peacekeeper.ru/en/?module=news&action=view&id=4105>

63 "US lifts Armenia, Azerbaijan weapons sales ban," *CNN*, 29 March 2002, at <http://edition.cnn.com/2002/US/03/29/weapons.ban/index.html>.

64 Jim Nichol, "Armenia, Azerbaijan and Georgia: Political Developments and Implications for US Interests", 24 January 2013, *Congressional Research Service*, at <http://www.fas.org/sqp/crs/row/RL33453.pdf>.

65 Justyna Glogowska, "Turkey and Georgia: Strategic Connections," *BILGESAM*, 23 March 2012, at [http://www.bilgesam.org/en/index.php?option=com\\_content&view=article&id=497:turkey-and-geo](http://www.bilgesam.org/en/index.php?option=com_content&view=article&id=497:turkey-and-geo).

66 "Azerbaijan, Georgia and Turkey agreement on "Combating terrorism, organized crime and other serious crimes", 30 April 2002,

The agreement focused on the following:

- a) Combating the illegal trafficking of weapons, explosives, poisons, chemical, biological and nuclear properties of materials used in smuggling and illegal acts;
- b) Preventing the production of narcotic drugs and psychotropic substances, and their sale, distribution, transmission, and illegal trafficking;
- c) Preventing violations of intellectual property rights, illegal use of bank notes, documents, passports, visas and other official documents for the purpose of identity fraud;
- d) Preventing illegal migration and human trafficking.

The most important feature of the agreement was that in addition to expanding the areas of cooperating, it also increased the possibilities for trilateral cooperation. In addition the “Military Cooperation between Azerbaijan and Georgia” agreement signed on 16 December 2002<sup>67</sup> built on and expanded the terms of the 1999 protocol signed by the two countries. The 2002 agreement was the first comprehensive agreement on military cooperation since both countries regained their independence. The agreement emphasized once again the importance of multilateral cooperation in the framework of Euro-Atlantic structures and GUAM. Furthermore, the agreement outlines the structures for cooperation mechanisms, as well as specific areas for cooperation, such as military construction, military reform and the exchange of experience in the management of armed forces. It also launched the framework for the development of weapons and military equipment, including such equipment’s production, supply, maintenance, modernization and repair, and of military-technical assistance for the development of enterprises. In 2013, Azerbaijan and Georgia started negotiations on cooperation between their defense industries.

Almost a century ago, the 16 June 1919 agreement reached between Azerbaijan and Georgia during their first period of independence saw the two countries agree on mutual defense against external threats, namely the White Guard of General Anton Denikin, which at the time posed a threat to newly independent Azerbaijan and Georgia.<sup>68</sup> Although the cooperation envisaged by the 1919 agreement was structured differently, it did create the Azerbaijan and Georgian Defense Ministries’ Collegial Body, which included two high-ranking military officers, one from each government, one of whom took the chairmanship on the basis of mutual consent. The council oversaw intelligence on enemy military action, learning about development of defense plans, managing both armies’ preparation at the level of combat readiness, and plans the deployment of troops.<sup>69</sup> Indeed, in today’s realities, this kind of defensive pact is no longer relevant, but the experience of the 1919 pact, in particular the creation of the joint council, can provide useful lessons.

Certainly, taking into account the geopolitical context since the dissolution of the Soviet Union, neither Azerbaijan nor Georgia has come close to signing an agreement that empha-

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original text at <http://e-qanun.az/print.php?internal=view&target=1&docid=1037&doctype=0#>.

67 “Military Cooperation Agreement between Azerbaijan Republic and Georgia”, original version of at <http://www.e-qanun.az/print.php?internal=view&target=1&docid=2159&doctype=0>.

68 Azerbaijan Democratic Republic’s Encyclopedia (Azərbaycan Xalq Cümhuriyyəti Ensiklopediyası), Vol. 1, Baku, 2004, pp. 154-155.

69 *Ibid.*, p. 155.

sizes external threats; from a realist standpoint, it hasn't been necessary. But this is not to deny that both countries have seen external threats from the Russian Federation at the political level. Actually, until the 2008 August War, neither country had even considered the possibility of Russia's military intervention. But 2008 changed this and led both countries to rethink their security strategies.

### ***Joint Military Trainings and New Opportunities for Cooperation in the Defense Industry***

Developments since the 2008 August War have led both Azerbaijan and Georgia to rethink their security priorities. Georgia's approach has been to increase its focus on the restoration of territorial integrity. Tbilisi has started a new rapprochement initiative with breakaway entities known as "engagement without recognition". Hence, a change and gradual shift has been seen in Georgia's defense strategy as the country has learned from the experience of the August War.

First of all, Georgia has developed its defense industry, notably with support from Israel. Georgia acquired drones from Israeli defense electronics company Elbit Systems under a contract signed in 2007. But during the August War, the drones produced by Israel were not effective, and Russia destroyed the Israeli-produced drones very easily. It was proved by a Wikileaks cable that Israel and Russia made a secret deal: Israel gave Russia the "data link" code for Georgia's drones and in return, Russia gave Israel the codes for Iran's Tor-M1s.<sup>70</sup> When Russia crushed the Israeli-produced drones, the non-official claim was that the Russian military had acquired the data link to hack into the system and to force the drones into the ground. This was one of the reasons that Georgia re-defined its military industry strategy under the banner "manufacture your own products; believe in your own products". The Georgian administration revealed its official dissatisfaction with Israel when in March 2012, Georgian President Saakashvili said that with locally manufactured military equipment, "you do not depend on others, in case someone cheats you or shares information with others".<sup>71</sup> In general, looking at the Azerbaijan and Georgia partnership in military trading, it seems that Tbilisi prefers to acquire modern military technologies from European partners rather than Azerbaijan (Figure 2), while Azerbaijan partners with former Soviet countries, including Russia, Ukraine and Belarus, in conventional arms trading (Figure 3).

The second reason behind Georgia's focus on the development of its national defense industry was, in the words of President Saakashvili, that "after the August 2008 war, Georgia was left without sources of arms supply."<sup>72</sup> Thus the post-war political situation was problematic. The supporters of Georgia's defense industry were less forthcoming. The US would not support Georgia as it had before 2008 due to the Obama administration's new priorities and rapprochement with Moscow (the "reset" policy). The same attitude was seen in some European capitals where officials believed that giving military support to Georgia risked triggering a new war. Meanwhile, critics of the Saakashvili government stated that Georgia's

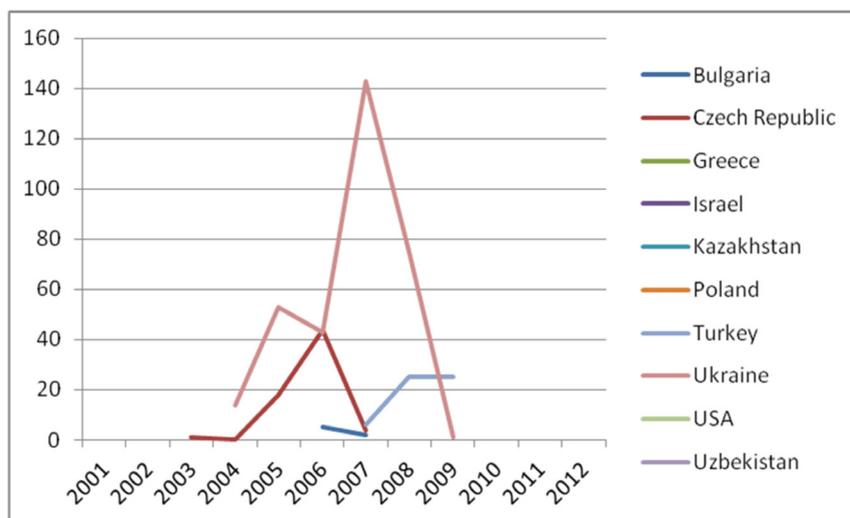
70 "Insight - Russia/Israel/Georgia/Mexico - defense deals and swaps," at [http://wikileaks.org/gifiles/docs/64027\\_insight-russia-israel-georgia-mexico-defense-deals-and-swaps.html](http://wikileaks.org/gifiles/docs/64027_insight-russia-israel-georgia-mexico-defense-deals-and-swaps.html).

71 "Georgia Tests Domestically Produced Drone," *Civil Georgia*, 10 April 2012, at <http://www.civil.ge/eng/article.php?id=24649>.

72 Ibid.

domestic military production is a way to sidestep a “kind of blockade” on arms sales to Tbilisi, one that has been informally in place since 2008.<sup>73</sup>

**Figure 2. Trend indicator values of arms exports to Georgia (2000-2012)<sup>74</sup>**



Due the reasons outlined above, Georgia launched a new defense industry strategy in 2008, under which the priority was to establish “a military repair-industrial complex.” In this regard, Tbilisi has in recent years produced catapult-launched unmanned aerial vehicles (UAVs) for surveillance and have run the first tests, and the country has also produced its first armored personnel carrier vehicle,<sup>75</sup> Didgori, which was presented at the 2011 26 May military parade. The later Lazika model is the second Georgian armored combat vehicle produced by the Military Scientific-Technical Center “Delta”, which is subordinate to the Ministry of Defense. The main problem for Georgia seems to be its limited defense budget, which prevents the country from investing more money in the modernization of existing technologies and from buying new technologies. Therefore, the possibility of defense cooperation with Azerbaijan, which has a much larger defense budget, is likely, particularly since late 2012 when the new government in Georgia launched a new strategy for its military industry.

From Azerbaijan’s perspective, the post-2008 period could be broadly characterized as “strategic diversification”, starting with energy policy, foreign policy and the military industry. Hence, Azerbaijan was concerned with the Western position during the 2008 Georgia-Russia war, which reinforced perceptions in Azerbaijan that Western institutions are ill-prepared to deal with a major crisis in the eastern neighborhood. From this perspective, cooperation with

73 Molly Corso, “Georgia: Tbilisi Building up Weapons Manufacturing Capabilities,” *Eurasia.net*, 2 March 2012, at <http://www.eurasianet.org/node/65076>.

74 Source: *SIPRI Arms Transfers Database*. Figures may not add up due to rounding. A 0 indicates that the value of deliveries is less than USD 0.5 m

75 More information can be found at <http://www.army-technology.com/projects/didgori-apc/>.

NATO is not enough to safeguard national security. Meanwhile, Azerbaijan based its strategy on two objectives. First, to improve its relationship with Moscow, and to give Russia the impression that Baku is not interested in NATO membership. It can be said that the results of the 2008 NATO Bucharest Summit affected Russia's aggressive policy towards Georgia. Therefore, many observers in the region were surprised when Azerbaijan announced its decision to join the non-aligned movement in May 2011, but in reality it was a wise and strategic move. This development helped Baku to realize its second objective: to establish new partnerships with various African and Latin American countries. These states had not been on Baku's radar since independence and membership in the non-aligned movement has provided a platform for these partnerships. In this regard, membership in the non-aligned movement has helped Baku to later become a non-permanent member of the United Nations Security Council, which provided it with opportunities to raise the Nagorno-Karabakh conflict at the international level.

However, there have been new developments in the military realm. In June 2010, Azerbaijan adopted a new military doctrine, which lists the country's military threats; the military and strategic basis of national security; the main objectives of the armed forces both in war and in peacetime; and the prospects for the further strengthening the country's military potential.<sup>76</sup> Significantly, the military doctrine emphasized the development of infrastructure and the improvement of the defense and military industry.<sup>77</sup> Though Azerbaijan established a Ministry of the Defense Industry of the Republic of Azerbaijan in 2005,<sup>78</sup> significant developments did not take place until 2010-2011. Nonetheless, the military doctrine clearly approved of the strategic importance in the development of the defense industry and for cooperation with foreign partners. Azerbaijan has, since 2011, signed or enhanced defense industry cooperation agreements with governments and companies from South Korea, Israel, South Africa and Turkey.<sup>79</sup> Indeed, Azerbaijan's defense cooperation with Turkey dates back to the early independence period and bilateral relations were developed when the parties signed an agreement on "Cooperation in the Defense Industry" on 20 September 2000.<sup>80</sup> Prior to that, the Turkish-owned ASELSAN-Baku company, established in 1998, played an important role in providing the majority of the military hardware used by the Azerbaijani Army.<sup>81</sup> Further to this, 2011 saw the creation of a joint venture between the Azerbaijani Ministry of Defense Industry and Turkey's state-owned Machinery and Chemistry Enterprise focusing on the joint development of small arms and ammunition.<sup>82</sup> Similar to Turkey, Israel has an important place in Azerbaijan's defense cooperation. Since 2011, Israeli Aerospace Industries (IAI) has been involved with Azerbaijan on establishing a joint venture relating to unmanned aerial vehicles (UAVs). The Israeli Aerostar and Orbiter 2M UAVs are

76 "Azerbaijan Adopts Military Doctrine At Long Last," *RFE/RFL*, June 2010, at [http://www.rferl.org/content/Azerbaijan\\_Adopts\\_Military\\_Doctrine\\_At\\_Long\\_Last/2066758.html](http://www.rferl.org/content/Azerbaijan_Adopts_Military_Doctrine_At_Long_Last/2066758.html).

77 Military Doctrine of Azerbaijan Republic, 8 June 2010, original text at <http://meclis.gov.az/?/az/law/183#comment>.

78 The Charter of the Ministry can be found at <http://www.mdi.gov.az/?/en/content/128/>.

79 Guy Anderson, "Azerbaijan courts Romanian, Turkish suitors for co-operation," *Jane's Defence Weekly*, Vol. 50, Issue 6, (6 February 2013), p. 29.

80 Original text of the agreement available at <http://www.e-qanun.az/print.php?internal=view&target=1&docid=389&doctype=0#>.

81 "Turkey keen on more defence production with Azerbaijan," *News.az*, 13 October 2011, at <http://news.az/articles/politics/46625>.

82 Ibid.

being manufactured by Baku's Azad Systems Co., a joint venture between Azerbaijan's Defense Ministry and Aeronautics Defense Systems of Israel.<sup>83</sup>

**Figure 3. Trend indicator values of arms exports to Azerbaijan (2000-2012)<sup>84</sup>**



Azerbaijan has bought a high volume of military equipment from different countries (Figure 3), but has chosen to cooperate at the defense industry level with different countries. For example, the volume of military equipment received from traditional partners like Turkey and Israel as seen in Figure 3 is lower, but in real terms the cooperation level in defense industries is much higher.

### ***Baku-Tbilisi Defense Industry Cooperation and Links to Turkey***

The geopolitical realities have led both Azerbaijan and Georgia to re-define their military strategies. The main difference has been that Azerbaijan, due its huge military budget, is better placed to purchase military equipment from foreign companies and countries. However, at the same time, due to restrictions on arms sales, Baku can only trade with a few partners, mainly Israel. In comparison, Georgia's smaller military budget restricts the development of its defense industry, in addition to Tbilisi's doubts about cooperation with Israel. Both of these factors have led Tbilisi to look for new opportunities.

In this regard, both countries have focused on the development of defense industries and bilateral cooperation for the following reasons:

- From a strategic perspective both countries would like to be less dependent on foreign military suppliers, and they would like to provide for their army both in terms of readiness

<sup>83</sup> "Azeris get Israel UAVs built under license," UPI, 7 October 2011, at [http://www.upi.com/Business\\_News/Security-Industry/2011/10/07/Azeris-get-Israel-UAVs-built-under-license/UPI-45671318007974/](http://www.upi.com/Business_News/Security-Industry/2011/10/07/Azeris-get-Israel-UAVs-built-under-license/UPI-45671318007974/).

<sup>84</sup> Source: SIPRI Arms Transfers Database. Figures may not add up due to rounding. A 0 indicates that the value of deliveries is less than USD 0.5 million.

and modernization. Also, the development of their defense industries may lead both of them to sell their own products to foreign countries and they might be able to start trading with former Soviet Union and Central Asia countries.

- From the military perspective, the short-term aim for both countries regarding their defense industries is to produce drones, tanks and different kinds of artillery.
- From the intelligence perspective, Tbilisi, with its more modernized military intelligence service, could provide training. The two countries can also share military intelligence more frequently and more effectively coordinate to combat common military/non-military threats; the 2002 Mutual Defense Agreement stressed this point.

Therefore, since 2009, defense industry cooperation between Azerbaijan and Georgia has been improving. The reason for this is that until 2008 a greater range of opportunities has arisen. Baku demanded long ago that Tbilisi stop allowing Armenia to repair its battle tanks and other armored techniques at a Russian munitions factory in Tbilisi;<sup>85</sup> once Georgia cut ties with Moscow and agreed, high level Ministry of Defense visits from Azerbaijan to Georgia commenced, and both sides came to a compromise. This stimulated the development of defense industry cooperation. The initial agreement was that Baku would help with the modernization of Georgia's tanks and aircraft repair plants. But defense cooperation between the two countries is likely to become stronger, especially since Georgia's Defense Minister Irakli Alasania took office and declared that one of the country's priorities as enhancing and strengthening defense cooperation with close strategic allies, namely with Azerbaijan and Turkey. On 18 March 2013, Georgia's Defense Minister visited Baku, and both sides signed a bilateral cooperation plan for 2013, the details were not disclosed but both sides will likely cooperate on following terms.

Firstly, the improvement of military factories in both countries and the joint production of military equipment. There is official information that Georgia plans to produce the modernized versions of SU-25 aircraft at the Tbilisi Aerospace Manufacturing Company (TAM), and Tbilisi has communicated with Azerbaijan regarding the financing of the project and establishment of joint production.<sup>86</sup> It should be noted that Azerbaijan purchased 13 Su-25 (12 Su-25 and one Su-25 UB) attack aircraft from Georgia in 2002-2003. It is possible that Azerbaijan could buy aircraft produced by the Tbilisi Aerospace Manufacturing Company (TAM) in the near future. Secondly, it is in the interests of both sides to improve opportunities for Azerbaijan's defense industry, with the aim of jointly producing armored vehicles and equipment. However in the last three years, Azerbaijan's cooperation with different foreign countries has opened up opportunities for Georgia to acquire modern military technologies with the help of Azerbaijan. Thus in this way, the Georgian army could obtain the necessary military equipment for the defense industry complex with the help of Azerbaijan's defense industry.

Thirdly, both countries will cooperate with Turkey, which is much more capable in the

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85 Interview with Jesur Sumerinli, Azerbaijani military expert, 28 April, 2013.

86 "Georgia offers Azerbaijan joint production of warplanes," APA Agency, 1 May 2013, at [http://en.apa.az/news\\_georgia\\_offers\\_azerbaijan\\_joint\\_producti\\_192102.html](http://en.apa.az/news_georgia_offers_azerbaijan_joint_producti_192102.html).

defense industry, and Turkey's indigenous defense programs encompass the full spectrum of military operations and include major platforms across the land, air, sea and space domains.<sup>87</sup> In the words of Georgia's defense minister, Tbilisi is interested in cooperation in the trilateral format and "We do not hide that Georgia has special military cooperation with Turkey and Azerbaijan"<sup>88</sup> Meanwhile, defense cooperation between Turkey and Azerbaijan dates back further than Turkish-Georgian ties, but for both countries, Turkish capabilities to strengthen their defense industries marks a new page in the partnership. According to military sources, Turkey will be able to display prototypes of its Altay main battle tank (ATB), Anka medium-altitude long endurance (MALE) UAV, Hürkuş turboprop basic trainer aircraft and prototypes for its new short- and medium-range air defense platforms. Turkey's future integrated air defense network will be provided by the medium range T-Malamids and the short range T-Lalamids systems, which are both created by Turkey, with Turkish firm Aselsan acting as prime contractor.<sup>89</sup> Turkey's most ambitious defense program is its indigenous fighter project F-X, through which the country aims to eventually replace the single engine Lockheed Martin F-16 fighter aircraft in the Turkish Air Force (TAF) with a nationally designed and built platform. Additionally, in January 2013, Turkey decided to abandon its plans to buy an off-the-shelf system for its T-Loramids surface-to-air missile (SAM) program and is now seeking to co-develop a SAM system instead of buying one of the off-the-shelf forms as part of Turkey's ambition to be self-sufficient in defense technologies. According to Western military sources, it will take more than a decade to develop an advanced missile system in Turkey.<sup>90</sup>

Beyond the possible trilateral format cooperation in defense industries, all sides agreed to jointly strengthen military exercises. Since September 2006, under a NATO program trilateral co-operation between Azerbaijan, Georgia and Turkey in pipeline security (known by the computer-based staff exercise as Eternity) has occurred every year. Moreover, under the trilateral format, Azerbaijan, Georgian and Turkish special forces conducted the "Caucasus Eagle" 2012 military exercises for the first time. The next steps in this direction could be Azerbaijan's and Turkey's attendance at the joint US-Georgian military exercise in 2014<sup>91</sup> and the development of joint military training programs, if the countries are committed to pursuing this cooperation.

In this regard, the urgent need to improve the trilateral format of cooperation in the defense industry and military training could be answered in the near future if they sign a defense industry cooperation agreement at the trilateral level, which will be helpful in designing concrete cooperation plans. There is a chance that this kind of development could happen in the short term: in June 2012, a meeting between the Azerbaijani, Georgian and Turkish ministers of foreign affairs resulted in the Trabzon Declaration. Then at the second trilateral meeting

87 Nick de Larringa, "Anatolian Ambition," *Jane's Defence Weekly*, Vol. 50, Issue 17 (24 April 2013), p. 24.

88 Irakli Alasania, "We do not hide that Georgia has special military cooperation with Turkey and Azerbaijan", *APA Agency*, 2 April 2013, at <http://en.apa.az/news/190365>.

89 De Larringa, "Anatolian Ambition," p. 25.

90 Lale Sariibrahimoglu and Nick de Larrinaga, "Turkey abandons USD 4 billion T-Loramids SAM system buy," *Jane's Defence Weekly*, Vol. 50, Issue 5 (30 January 2013), p. 5.

91 "Georgia studies possibilities to expand military cooperation with Azerbaijan and Turkey," *Trend Agency*, 2 April 2013, at <http://en.trend.az/regions/scaucasus/georgia/2134615.html>.

on 28 March 2013, the parties approved the Trilateral Sectoral Cooperation Action Plan for 2013-2015, which determined concrete actions and cooperation plans in all major fields of mutual interest. For the time being, the Azerbaijani and Georgian MoDs have recently signed a cooperation plan for a one-year period.<sup>92</sup>

It is expected that as new avenues (trilateral cooperation) emerge and new types of strategic thinking develops (i.e. not to waiting for Western support, using regional capacities to build regional security as far as possible), defense and military cooperation is likely to materialize.

## **Cooperation in fast-growing sectors: energy, transport, tourism, and business**

Following the collapse of the USSR, the post-Soviet republics entered a period characterized by economic chaos and regression. This stage is largely in the past. But the difficult domestic and international conditions - conflicts and wars, and energy and transport blockades following the independence period – were among the key challenges Georgia and Azerbaijan faced as each sought to construct independent economic systems along with independent domestic and foreign policies.

Faced with these acute challenges during the first years of independence, Georgia and Azerbaijan had no simple recipe for passing economic reforms, establishing a market economy, or reducing dependence on foreign aid - especially when none of the other countries in the post-Soviet space nor their neighbors had relevant experience to offer. Foreign aid accelerated development in the areas of economic reform, state building and humanitarian development. There were significant differences in the amount of aid given by Western institution and government programs to each country. It is estimated that between 1991 and 2011, the region has received about 7.2 billion USD in foreign assistance, with around 4.4 billion USD going to Georgia, 1.9 billion USD to Armenia, and 800 million USD to Azerbaijan<sup>93</sup>. Foreign aid served as an enabling tool to help all three countries to improve their capacity to participate effectively in the global economy, to trade successfully, and to attract investments.

There are multiple reasons for the provision of foreign aid to Azerbaijan and Georgia, but the main one was and still is Azerbaijan's oil and gas reserves, which is the driving force of the country's economy, and has over time enabled it to reduce its dependence on foreign aid. While there are differences in the economic development trajectories of the two countries, today's achievements are without doubt the result close cooperation between Baku and Tbilisi. This is because both countries faced the same key challenges in the post-independence period— whether to negotiate the transition by becoming an economic and political

92 Agreement signed in 2013. See more at: <http://www.mod.gov.ge/index.php?newsid=1764&lang=en#sthash.MpxzdlzE.dpuf>

93 "Foreign Assistance: To What Degree has Western Aid Helped Armenia, Azerbaijan, and Georgia?", Carnegie Endowment for International, Conference Summary, Peace November 29, 2011, at <http://carnegieendowment.org/2011/11/29/foreign-assistance-to-what-degree-has-western-aid-helped-armenia-azerbaijan-and-georgia/fb0d>

satellite of Russia, or whether to create a new independent development model based on a national strategy

Following a period of deep contraction and then slow recovery in 1990s, the economies of both countries have evolved through crisis, recovery and rapid development. Both saw a remarkable growth rate during the 2000s. Azerbaijan's energy resources enabled it to enter the ranks of a sustainable higher middle-income country, as evidenced by official estimates that the poverty rate declined from 50 percent in 2001 to 6 percent in 2012.<sup>94</sup> According to Azerbaijan's State Statistics Committee, GDP per capita reached AZN 5,884.5 or 7,490 USD by the end 2012.<sup>95</sup> Georgia's economic growth, mainly achieved through reforms, averaged 6.1 percent a year during 2004-2012 and GDP per capita increased from 920 USD to 3500 USD in 2012.<sup>96</sup>

### ***Bilateral Economic Cooperation and Trade***

Since the 1990's, bilateral economic cooperation has improved, and the legal basis of the economic relationship has been consolidated through more than fifty bilateral agreements on, variously, free trade, promotion and reciprocal protection of investments, prevention of double taxation, industrial cooperation, etc. On March 25, 2004, by the Decree of the President of the Republic of Azerbaijan, Azerbaijan and Georgia established an Intergovernmental Commission for Economic Cooperation, and signed an agreement on 11 June 2004. The primary objectives of the Intergovernmental Commission for Economic Cooperation are:

- Improving the relationship based on international agreements, memoranda, reports, communiqués, and other agreements on the development of bilateral economic and scientific-technical cooperation;<sup>97</sup>
- Taking into account mutual interests and opportunities, discussions, and accepting decisions pursuant to economic collaboration between the Azerbaijani Republic and Georgia;
- Looking for prospective directions of economic cooperation and development, first priority measures aimed at attracting foreign capital and technology, development of long-term programs, financial-industrial groups, creation of joint ventures, direct production, as well as other forms of economic cooperation and mutually beneficial cooperative relations;
- Expansion of goods nomenclature and improvement of the structure of export-import trade, science, technology and modernized production, based on the scientific-technical cooperation between the two countries through the development of proposals on improving foreign trade;

94 "Azerbaijan achieves poverty level set for 2015", *Ann.az*, 23 June 2013, at <http://ann.az/en/152293/azerbaijan-achieves-poverty-level-set-for-2015/>

95 "Azerbaijan's nominal GDP exceeds \$99 billion and population's GDP per capita reached \$7,500", *ABC News*, 18 January 2013, at <http://abc.az/eng/news/70999.html>

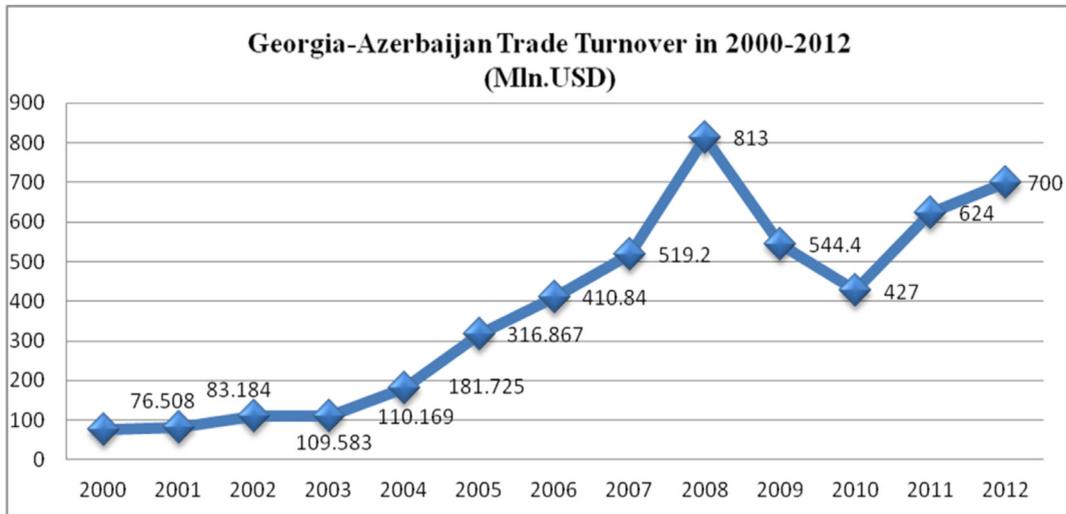
96 "Georgia Rising: Sustaining Rapid Economic Growth, Country Economic Memorandum", *The World Bank*, July 2012, at [http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2013/07/26/000442464\\_20130726150842/Rendered/PDF/796660Revised0000BGEOQCEM0Published.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2013/07/26/000442464_20130726150842/Rendered/PDF/796660Revised0000BGEOQCEM0Published.pdf)

97 The Azerbaijani version of the agreement on establishing the Intergovernmental Commission for Economic Cooperation can be found at <http://www.e-qanun.az/print.php?internal=view&target=1&docid=5788&doctype=0>

- Coordination of activities between ministries, departments and other central and local executive bodies on issues of bilateral cooperation.

The improved coordination efforts have had positive effects on trade turnover. Trade between Azerbaijan and Georgia is increasing, in particular since the 2000's (Figure 4). Georgia's main exports to Azerbaijan are cement, locomotives and other vehicles, mineral and chemical fertilizers, mineral water, alcoholic beverages, glass and glass products, and pharmaceuticals.

**Figure 4. Georgia-Azerbaijan Trade Turnover in 2000-2012 (Mln.USD)<sup>98</sup>**



Azerbaijan, in turn, exports petroleum and petroleum products, natural gas, plastic products, furniture and construction materials to Georgia.<sup>99</sup> The volume of exports from Azerbaijan is higher than the volume of imports from Georgia (Figure 5).

The increase in trade turnover was caused by the expansion of economic relations and increased number of joint projects, which have seen a huge increase in 2013.<sup>100</sup> According to the Georgian Statistical Committee, Azerbaijan is ranked second after Turkey, with a total trade turnover of 605.97 million USD for January-June 2013, with Georgian exports to Azerbaijan amounting to USD 332.8 million, mainly thanks to re-exports of cars worth 189.5 million USD, and imports from Azerbaijan amounting to USD 273.16 million.<sup>101</sup> At the same time, in the 2012 ranking for Azerbaijan's trade turnover with foreign countries, Georgia

<sup>98</sup> Sources is *State Statistical Committee of Azerbaijan*.

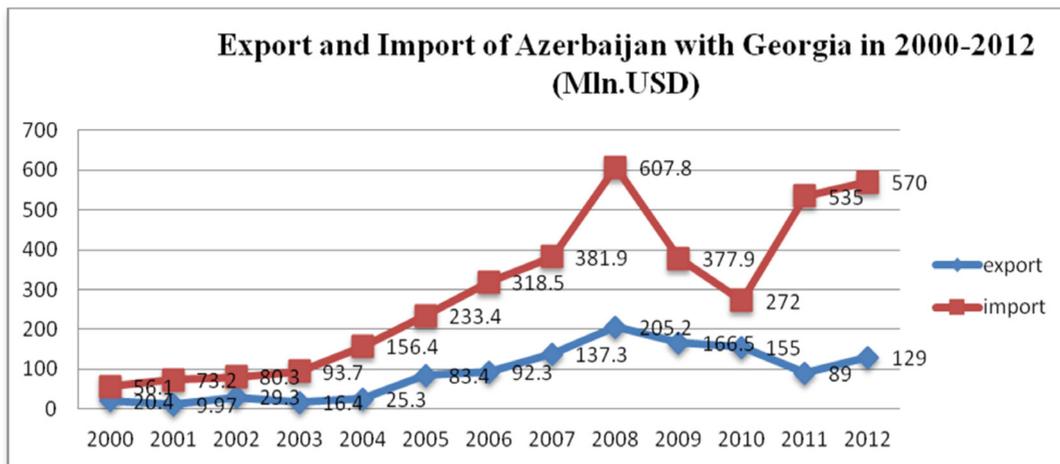
<sup>99</sup> Data taken from Ministry of Economic Development of Azerbaijan; the same information is available from the website of Georgian Embassy to the Republic of Azerbaijan, at: [http://azerbaijan.mfa.gov.ge/index.php?lang\\_id=GEO&sec\\_id=45&lang\\_id=ENG&sec\\_id=45](http://azerbaijan.mfa.gov.ge/index.php?lang_id=GEO&sec_id=45&lang_id=ENG&sec_id=45)

<sup>100</sup> It must be noted that the official statistics from each of the two countries official sources contradict one another. According to the official Georgian source, in 2012, the trade turnover exceeded one billion USD, while Azerbaijani sources put this figure at 700 million USD. According to one Azerbaijani chief economist who wished to remain anonymous, such disparities are normal, because in practice, countries try to reduce their import statistics while inflating their exports. (Interview, 21 June 2013, Baku, Azerbaijan). Looking to previous years, before the 2012, there are no contradictions. For 2012, the chart is based on Azerbaijani statistics.

<sup>101</sup> "Georgia's 1H 2013 Foreign Trade", *Civil Georgia*, 24 July 2013, available at <http://www.civil.ge/eng/article.php?id=26300>

was in 13<sup>th</sup> place. In the period of January-June 2013, for Azerbaijan, Georgia was not among the top ten importers of Azerbaijani goods.<sup>102</sup> The main reason for this is that European Union countries are the major importers of Azerbaijani oil; thus as oil exports grow, the position of post-Soviet countries, including Georgia, decreases.

**Figure 5. Export and Import of Azerbaijan with Georgia in 2000-2012 (Mln.USD)<sup>103</sup>**



Beyond bilateral trade, the investment climate has helped boost the economic partnership and the economic health of both countries. For the last five years, Azerbaijani investment in Georgia totals 800 million USD.<sup>104</sup> Total Azerbaijani investment in Georgia exceeds 3 billion USD if one includes the construction of BTC, BTE and BTK, the Georgian sections of which were partly financed by Azerbaijan. Although, Azerbaijan’s companies in the aim to further investment to Georgian economy Azerbaijani SOCAR is taking part in the newly established co-investment Fund, which will invest in spheres such as energy, infrastructure, industry, agriculture and tourism. Essentially, it will invest in a facility, manage it for a period of time, and then transfer it to a private company.<sup>105</sup>

The resolution of a number of issues could increase bilateral trade. For Azerbaijan in particular, diversification of foreign trade is a crucial part of industrialization and economic progress. Joining the World Trade Organization (WTO, notably, will pave the way for ongoing negotiations with EU’s Deep and Comprehensive Free Trade Agreement (DCFTA). Georgia, on the other hand, has already joined the WTO and concluded negotiations on a DCFTA. Perhaps if Azerbaijan can achieve the same, this will stimulate its economic partnership with Georgia as

102 “Export of non-oil products increased by 13.48% in Azerbaijan”, Azerbaijan Export and Investment Promotion Foundation (AZ-PROMO), 22 June 2013, Available at <http://www.azpromo.az/1/en/news/id:34>

103 Source: State Statistic Committee of Azerbaijan.

104 “Economic collaboration of Georgia-Azerbaijan-Turkey”, *The Messenger*, 3 September 2012, at [http://www.messenger.com.ge/issues/2684\\_september\\_3\\_2012/2684\\_econ\\_one.html](http://www.messenger.com.ge/issues/2684_september_3_2012/2684_econ_one.html)

105 “Azerbaijan’s state company joins Georgian co-investment fund”, *Vestnik Kavkaza*, 31 July 2013, at <http://vestnikkavkaza.net/news/politics/43277.html>

well with other trade partners. Not being a member of the WTO impedes Azerbaijan's access to the European market and its nearly 500 million consumers.<sup>106</sup> Moreover, with the aim of increasing bilateral trade, there is a need to reduce corruption among border and customs officials, which damages bilateral trade.

## **Essence and Dynamics of Energy Cooperation and Transport Projects**

There is no doubt that during the post-Soviet period, the implementation of joint energy and transport projects became the foundation for the economic partnership between Azerbaijan and Georgia. Similarly, it is without doubt that Azerbaijan's energy resources were the main factor in attracting European and US attention to the entire region. In fact, it was the interest in energy that formed the foundations of the Western presence in the 1990's.

In the post-1991 period, Western energy giants had already made clear their interests in the Caspian energy resources, and the gradual internal stabilization enabled them to seriously consider investing. At that point, the role of Georgia as transport country emerged. The historical potential of the Georgian route is recorded in the travel writings of British author Henry James, who observed that "Batumi [Batoum] is the creation of Baku, and it has for nearly half a century been fed and fostered by the oil which has been sent across the Caucasus."<sup>107</sup> What changed in the 1990's, however, was that cooperation between Azerbaijan and Georgia on energy was no longer exclusively aimed circumventing Russia's interests, and therefore the selection the Georgian route as the main deliver route for Caspian energy resourced to Europe was a tough process.

### ***Dueling for the "Georgian Route": Dynamics and Clashes of Interests***

The Azerbaijan-Georgian relationship was cemented by the oil, gas and transport lines, and had tremendous influence on today's strategic alliance. But the realization of these projects was no easy task. Azerbaijan lacked the necessary financial and technical capabilities to develop the projects independently, and so the involvement of Western energy companies was necessary. Further to these technical issues, the main dilemma was the how to deal with Russia.

Following the gradual stabilization period across Azerbaijan and South Caucasus region, a consortium of oil companies (Azerbaijan International Operating Company-AIOC) signed what is known as the "Contract of the Century" with Azerbaijan, on 20 September 1994. After that, the consortium started exploring the possibility of finding a plausible route for *early oil*, which they expected to export prior to the main development of Caspian Azerbaijan's giant oil field. There were several routes under discussion, but the Georgian and Russian routes were the primary competitors.

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106 "Azerbaijan's foreign trade; Comparative Analysis", *Center for Economic and Social Development (CESD)*, March 29, 2012, p.16, at [http://cesd.az/new/wp-content/uploads/2011/05/CESD\\_Publication\\_Foreign\\_Trade\\_Azerbaijan.pdf](http://cesd.az/new/wp-content/uploads/2011/05/CESD_Publication_Foreign_Trade_Azerbaijan.pdf)

107 Henry James, *Baku: an Eventful History*, Publisher: University of Michigan Library (January 1, 1905), p.219.

From Azerbaijan's point of view, there were three possibilities for exporting the early oil via Georgia. The first was export it to Poti (Georgia) with its port facilities on the Black Sea, then transport it by rail to Khashuri (Georgia), then transfer the oil to a pipeline for the rest of its journey to the Black Sea.<sup>108</sup> The second possibility was to restore an existing pipeline between Baku and Batumi, which required only an additional of 140 km of new pipeline. The third option was to convert the existing gas pipeline between Baku and Tbilisi into an oil pipeline.

The selection of the Russian route for early oil was made based on several factors:

First of all, the pipeline through Georgia was not in good condition, and needed 250-300 million USD for reconstruction, though technically this was possible. By contrast, the 1400 kilometer Baku-Novorossiysk route, which would traverse Chechnya and end at the Black Sea port of Novorossiysk, required only 27 km of new pipeline, costing no more than 50 million USD.

The second reason was the domestic instability in Georgia. Natig Aliyev, who was the President of SOCAR at that time, emphasized that when choosing the pipeline "the question of economics and geo-politics must also play into the formula."<sup>109</sup> Undoubtedly, when the Azerbaijani side made reference to the unstable situation, they were alluding to the fact that Moscow could provoke further trouble in Georgia.

The third reason, arguably the chief one, was Russia's position. Moscow saw Caspian resources as its own, and opposed US involvement. This can be seen at several levels, including international and bilateral talks between Azerbaijan and Russia. At the international level, Russia already had signaled its resistance to any US inroads in the Caspian. Before his trip to the region to appear at the signing ceremony of "Contract of Century" on 20 September 1994, Deputy Secretary of Energy William H. White took a phone call from Russian Energy Minister Yuri Shafranik. According to the White House, Shafranik warned, "Remember, those are Russian reserves. They will be developed by Russia."<sup>110</sup> Russia's opposition followed at the international level, with the Russian Foreign Ministry's October 5<sup>th</sup> 1994 letter to the General Secretary of the United Nations, after the signing of the "Contract of Century". The last paragraph of the letter was ominous, concluding with a warning that unilateral action in the Caspian Sea would be considered illegal by the Russian Federation, which "reserves the right to take such measures as it deems necessary and whenever it deems appropriate, to restore the legal order and overcome the consequences of unilateral action."<sup>111</sup>

It was clear that, the Russian government was divided on how to act regarding the possible selection of the Georgian route. The Russian Ministry of Foreign Affairs and Defence Ministry, and the Intelligence, perceived Western involvement as a challenge to Russia's dominance in the South Caucasus. Thus on 21 July 1994, the backers of this policy convinced Russian

108 Natig Aliyev, *Choosing the Route for Early Oil*, *Azerbaijan International*, Autumn 1995, at [http://www.azer.com/aiweb/categories/magazine/33\\_folder/33\\_articles/33\\_socar.html](http://www.azer.com/aiweb/categories/magazine/33_folder/33_articles/33_socar.html)

109 Ibid

110 *A British 'Coup'*, *Washington Post*, 4 October 1998

111 Nasser Sagheb and Masoud Javadi, *Azerbaijan's "Contract of the Century" Finally Signed with Western Oil Consortium*, *Azerbaijan International*, Winter 1994 (2.4), pp.26-28.

President Boris Yeltsin to sign a secret directive “On securing the interests of the Russian Federation in the Caspian Sea”, which envisaged sanctions against Azerbaijan if it proceeded with the enactment of the AIOC contract.<sup>112</sup> Under these tough conditions, Russia’s Ministry of Fuel and Energy, Prime Minister Viktor Chernomyrdin and private energy company Lukoil emerged as Azerbaijan’s key allies within Russia, and they thought that any hard measure by Russia could cause Azerbaijan to take a more pro-Western position. Chernomyrdin is known to have told Heydar Aliyev that if the Novorossiysk pipeline was not chosen for early oil, he would no longer be able to defend Azerbaijan’s interests in the Kremlin against those who pressured for assertive action.

During the course of negotiations in 1994–1995, it became increasingly clear to the Azerbaijani side that at least one of the oil routes would have to go through Russia. Baku’s maneuvering space was constrained by the fact that the Russian ministries, despite their numerous divisions, converged on the idea that the northern route via Novorossiysk had to be an exit point for Caspian oil.<sup>113</sup> In making the Baku-Novorossiysk the main route for ‘early oil’, and giving a Russian company, Lukoil, a share in the oil consortium, Azerbaijan successfully ensured that the Georgian route would become the main route in the future.

### ***Georgia-Azerbaijan’s Western Road: The realization of major energy projects***

The more intense dialogue and increased mutual trust between the Azerbaijani and Georgian governments resulted in an agreement on the establishment of the Baku-Supsa oil<sup>114</sup> pipeline on March 8, 1996. The pipeline started operating in 1999 (see Map 2). The Baku–Supsa pipeline marked the beginning of a reorientation of Azerbaijani energy exports away from Russia, and created the first alternative route bypassing Russian territory for Caspian energy exports. Obviously, with its small capacity, the pipeline could not itself bring a substantial shift in the region’s power and security dynamics, but it was of significance to both Azerbaijan and Georgia. For Georgia, it was especially important, as it provided much-needed income. Also, oil flow via Georgia were economically more profitable than via Russia - because of the large difference in tariffs: the 15.60 USD per ton (2.15 USD/barrel) tariff for the Baku-Novorossiysk line compared unfavorably with 3.10 USD per ton for Baku-Supsa.<sup>115</sup> Notably, for Russia, the Baku-Supsa pipeline, did not pose a threat due to its small capacity, and Russian did not seek to intervene because in early 1996, the Russians folded a weak hand, concluding that control over one of the two pipelines out of Azerbaijan was better than being excluded completely. At that time, Moscow was significantly dependent on Western financial help, which in turn relied on a good public image.

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112 Ильхам Алиев, *Каспийская нефть Азербайджана* (Caspian Oil of Azerbaijan), Известия, 2003, p.74., at <http://ebooks.preslib.az/pdfbooks/rubooks/ilxm.pdf>

113 Nazrin Mehdiyeva, *Power Games in the Caucasus: Azerbaijan's Foreign and Energy Policy Towards the West*, Russia and the Middle East., London: I.B. Tauris, 2011, p.140.

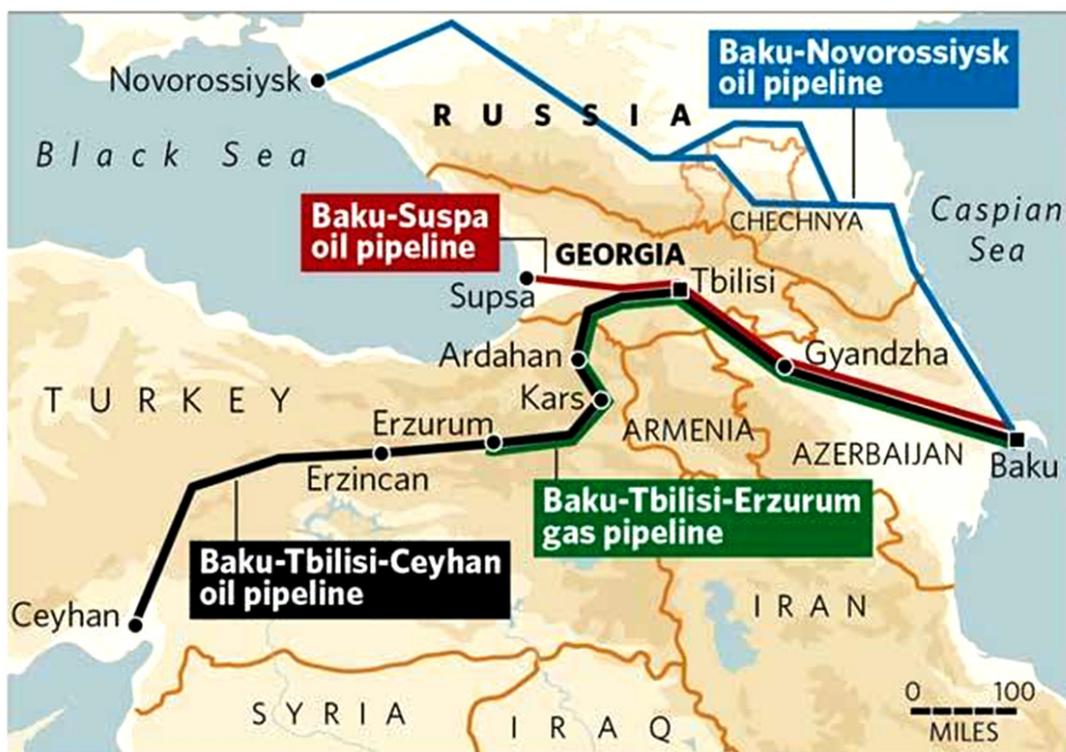
114 More information about the Baku-Supsa oil pipeline can be found at <http://new.socar.az/socar/en/activities/transportation/baku-supsa-western-export-pipeline>

115 Nazrin Mehdiyeva, *ibid*, p.148.

Although the Baku-Supsa oil pipeline provided the initial step towards the transport of Caspian resources to West, the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and Baku-Tbilisi-Erzurum (BTE) introduced a significant changes in the South Caucasus. First and foremost, it cemented the alignment with Europe and the US and consolidated the Baku-Tbilisi-Ankara axis.

The realization of Baku-Tbilisi-Ceyhan pipeline was more difficult than Baku-Supsa. Economic feasibility was the first question, with some backers pushing for a route going through Armenia, which would have been less expensive.

**Map 2. Oil and Gas Pipelines originating from Azerbaijan’s Caspian field**



The basic problem with getting the oil from Azerbaijan to Turkey is that the two countries are not contiguous. To reach Turkey, oil either has to go through Armenia or south through Iran for a short distance. The Armenian route was not viable in the absence of a peace treaty with Azerbaijan, and the Iranian route was impossible due to both Iran’s unreliability and its the poor relations with the US.

The selection and realization of the Baku-Tbilisi-Ceyhan pipeline (Map 2) revealed not only the critical importance of US support for the eventual success of the Georgian line but also the indispensable role that Turkey played in acting as a communication and lobbying channel for this project. The other defining aspect was the Western position on Russia’s harsh

reaction, which contrasted sharply with its more relaxed approach to the ‘early oil’ situation. Undoubtedly, the transformation of the BTC project from pipe dream to pipeline was a key threat to Moscow’s interest. The BTC pipeline strengthened both Baku and Tbilisi’s independence, and their independent economic foreign and economic policy. Russia’s unhappiness and anger is well described by former Georgian President Eduard Shevardnadze in his memoirs. Recounting the details of the day after the Georgian Presidential motorcade was attacked and he survived his second assassination attempt on 10 February 1998, he describes a phone call from Russian President Boris Yeltsin. Yeltsin called to give his condolences, but after that conversation turned to the issue of Caspian energy resources. According to Shevardnadze, Yeltsin said, “I know you are interested transportation of Caspian oil and gas resources to European market. You must understand that transportation will not be via Georgian territory.” When Shevardnadze asked why, Yeltsin’s answer revealed Russia’s national interests at the time. He replied, “Because energy resources will be delivered via Russia, not Georgia.”<sup>116</sup>

There were a number of reasons that Russia wanted to halt the “Georgian Route”, and several reasons that Moscow was unable to shut down the plan, beyond the significant role played by the US:

First of all, there were changing perceptions about Russia. Increasingly, the West did not believe that Moscow would not pose a threat to its neighbors; Strobe Talbott, then-Deputy Secretary of State, indicated that Western perceptions of Russia were increasingly unfavorable.<sup>117</sup> This invidious stereotyping was mirrored in a tendency among some commentators and political figures in the West to see only the darkest side of the picture, and therefore to propose a return to the old policy of containing or quarantining Russia. Talbott stressed that “Russia is how its leaders handle relations with their immediate neighbors- by and large, Russia has kept irredentist impulses in check”; this assessment contained both a recommendation and a warning to Russia.

The second reason was the domestic economic situation in Russia. In August 1998, triggered by the devaluation of the national currency (the rouble), economic turmoil and political upheaval caused chaos in Russia, leaving Moscow to focus more on domestic problems. Due to the crisis, the price of Russia’s most important export product, oil, fell from 26 USD a barrel in 1996 to less than 15 USD a barrel. With its banks closed, its credit worthless, and its main export product earning only 60 percent of what it had two years earlier, Russia saw many of its businesses close or come to the verge of closing, and the prospects for the Russian economy were bleak.<sup>118</sup>

The third factor was internal political instability, namely the Chechen movement in North Caucasus, which Russian security forces perceived as an internal problem. Russia called upon the Western institutions to refrain from getting involved. Following the 9/11 terrorist attacks,

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116 Eduard Shevardnadze, *When the Iron Curtain Fell: Meetings and Reminiscences* (Когда рухнул железный занавес. Встречи и воспоминания), Europa Publishing House, Moscow, 2009, p.397.

117 Strobe Talbott, Dealing with Russia in a time of troubles, *The Economist*, 19 November 1998, at <http://www.economist.com/node/176944>

118 Marshall I. Goldman, *Petrostate: Putin, Power, and the New Russia*, Oxford: Oxford University Press, USA, 2008, p.77.

the US-Russia partnership emerged in Afghanistan, and Moscow adopted the changing perceptions and definitions of freedom fighters/terrorists for its own purposes: namely, to justify the use of force in Chechnya. Certainly, the notorious Beslan school hostage attack in 2004 caused the international community to hold back a little on their condemnation of Russia's human rights abuses and war crimes in Chechnya, but this process had its roots in the immediate post-9/11 period. The positive aspect of this for Azerbaijan and Georgia was the improved US-Russia relationship; at the May 2002 US-Russia summit, the two presidents issued a joint statement endorsing multiple pipeline routes, implying that Russia was not opposed to plans to build oil and gas pipelines from Azerbaijan to Turkey that do not transit Russia.<sup>119</sup>

In this context, the construction of the Baku-Tbilisi-Ceyhan pipeline project (completed between 2002 and 2005, with the first drops of oil reaching the Ceyhan terminal on 28 May, 2006<sup>120</sup>) gave further impetus to the strengthening and deepening of economic, political, and cultural ties between Azerbaijan and Georgia,

A further energy project, the Baku-Tbilisi-Erzurum gas pipeline project, also has great importance for Georgian-Azerbaijan relations and for the diversification of Azerbaijan's energy strategy. During the OSCE Summit in November 1999, when signing a legal framework for the realization of the BTC Pipeline, the Turkish, Azerbaijani and Georgian governments also reached an agreement to build a gas pipeline from Azerbaijan's offshore Shah Deniz gas field that would run parallel to BTC up to the Turkish city of Erzurum, where it would connect to the Turkish transmission. The so-called natural gas pipeline, known either as the Baku-Tbilisi-Erzurum (BTE) or the South Caucasus Pipeline (SCP) opened in 2007. Azerbaijan began to be known not only as an exporter of oil, but also gas.

This development of the BTE gas pipeline helped Georgia to escape Russia's blackmailing tactics based on gas supplies, especially after the gas crisis in the winter of 2006. The Georgian government's hand strengthened and gradually Azerbaijan found leverage in Georgia's internal market. Since the signing of "The Tbilisi Declaration" on the Common Vision for Regional Cooperation in February 2007, Georgia and Azerbaijan, along with Turkey, agreed to expand their cooperation in the energy and transport sector. For Georgian interests in particular, the provision on mutual support for sustainable gas supplies, in which the three countries agreed "to continue to cooperate in order to meet mutual needs for reliable and sustainable gas supplies", was imperative.

Moreover, the significant change in energy cooperation came after the 2008 August Russia-Georgia war, despite the fact that Georgia's energy infrastructure survived the war unscathed (no pipeline was bombed).<sup>121</sup> Georgia plays a crucial role in energy transit, connecting Baku and Ceyhan, and Russia done its best to destabilize the region and keep Georgia from operating the pipeline in an orderly and reliable way. If Georgia collapses in turmoil, investors will

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119 Zaur Shiriyev, Impact of Afghanistan on Energy Security in the Caspian Sea Basin: The Role of Azerbaijan, in *Afghanistan and Central Asia: NATO's role in Regional Security since 9/11*, IOS Press, 2013, p.118.

120 Baku-Tbilisi-Ceyhan pipeline: Spanning three countries from the Caspian Sea to the Mediterranean coast, British Petroleum, at <http://www.bp.com/sectiongenericarticle.do?categoryId=9006669&contentId=7015093>

121 Caucasian pipelines: The dangers of the safe route, *The Economist*, 14 August 2008, at <http://www.economist.com/node/11920984>

not put up the money for a bypass pipeline and Russia will be able to maintain its pipeline monopoly.<sup>122</sup> After the Russian-Georgian war, Azerbaijan's energy policy changed significantly, including a renewed focus on diversifying energy routes. Baku signed gas agreements with Russia and Iran, though this was also part of a general strategy by official Baku to enhance energy agreements with Iran and Russia as means of maintaining a regional balance.

From this perspective, one of the diversification attempts was the Azerbaijan-Georgia-Romania Interconnector (AGRI), which resulted in the signing of a memorandum of understanding on September 14<sup>th</sup> 2010 in Baku to launch the Azerbaijan Georgia Romania Interconnector project between state owned energy companies from Azerbaijan, Georgia and Romania. This project aimed to transport Azerbaijani gas by pipeline to a Black Sea port in Georgia for liquefaction and further transport to the Romanian Black Sea port of Constanta via tanker. The gas would then be pumped through Romania's pipeline system further to the neighboring states. Thus, Caspian gas would be supplied to the European market. The project is still undergoing feasibility studies, given the need to construct a liquefaction plant for Liquid Natural Gas exports in the Azerbaijani-owned oil export terminal of Kulevi in Georgia, as well as construction of a terminal for importing liquefied gas to a re-gasification plant in Romania. Overall the project is seen as expensive, and moreover, the idea of delivering Azerbaijani gas to Europe has been achieved through the June 2012 Azerbaijan-Turkey agreement to build the Trans-Anatolian natural gas pipeline (TANAP). This has strengthened faith in the possibility of delivering gas to Europe. The subsequent selection of the Trans-Adriatic Pipeline (TAP) as the main delivery route for Caspian gas to Europe at the end of the July 2013. The realization of this project will lead not only to economic growth in Georgia, but also to additional volumes of gas for transit.

### ***Azerbaijan's Role in Georgian Domestic Energy Market***

Today Azerbaijan has particular weight in Georgia's domestic energy market, thanks to the bilateral energy cooperation between two states. There have been three stages in the realizations of these developments.

#### *The first stage*

In the first stage, in the middle of 2006, Russia declared that it was increasing the price for 1000 cubic meters of gas from 110 USD to 230 USD, using economic blackmail to increase its leverage over Georgia. At that time, despite the fact that the Baku-Tbilisi-Erzurum gas pipeline was in the last stage of completion, due Georgia was still mainly dependent on Russian gas. Russia's blackmailing tactics escalated when on November 7 2006 Russian energy giant Gazprom made a public statement addressed to Georgian government, warning that they would halt gas supplies to Georgia from January 1, 2007 if Tbilisi refused to sign a deal

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122 Marshall I. Goldman, *ibid*, p.149.

on the purchase of gas for 230 USD per 1000 cubic meters.<sup>123</sup> Russia's conditions for keeping the price at 110 USD was either the sale of Georgia's domestic gas distribution network, or Georgia's North-South Caucasus gas pipeline system, which is used to deliver Russian gas to Georgia and Armenia.<sup>124</sup> Aiming to deter third parties from assisting Georgia, Russia warned Azerbaijan not to help, when the Azerbaijani president visited Moscow a few days later.<sup>125</sup>

But in late December 2006, after Georgian Prime Minister Zurab Nogaideli visited Azerbaijan on 30 November 2006, both sides agreed on several points: first, that Russia's offer of 230 USD per mcm was unacceptable; second, to keep one another informed regarding the status of Gazprom negotiations, and to inform the other beforehand if agreement were to be reached with Gazprom; and finally, Azerbaijan informed Georgia that if BP would agree to increase the gas exports to Georgia, then official Baku would be ready. Both parties agreed to seek political support on this matter from the US, and the Georgian PM visited the US during early December, promising to deliver an Azerbaijani message as well as a Georgian one.<sup>126</sup>

The short term solution was that Turkey could give its shares of gas to Georgia, to solve the winter problem, but during a trilateral meeting between the Turkish, Georgian and Azerbaijani Energy Ministers in Tbilisi on December 8, no agreement was reached. Azerbaijan believed that there needed to be coordination not only between Azerbaijan and Georgia, but also with Turkey. From the Azerbaijani standpoint, the situation that Georgia faced was not only a bilateral Russia-Georgia crisis. Despite pressure from Russia, Baku's future development strategy included entering the European market, and accordingly official Baku also pushed Turkey to agree to deliver more gas to Georgia from its allocated shares. As reflected in a Wikileaks cable, the attitude was that if they could not reach a solution, "we lose the battle."<sup>127</sup> Finally, in late December 2006, following new bilateral talks, Azerbaijan and Georgia signed an agreement between two sides, under which Georgia received 1.3 million cubic meters of gas per day at USD 120 per 1000 cubic meters, with an increase up to 135 USD in 2007. Furthermore, to protect Georgia from Russia's blackmailing tactics, Turkey agreed to allocate a part of its gas share from Azerbaijan's Shah-Deniz field to Georgia, following talks with the Georgian and Azerbaijani leaders in Tbilisi on February 7 2007.<sup>128</sup> The other important concrete outcome of the Russia-Georgia gas crisis was that SOCAR bought the unfinished oil terminal in Kulevi in late 2006 from late tycoon Badri Patarkatsishvili for an undisclosed sum. SOCAR invested over 300 million USD in the terminal, which has been operational

123 Saakashvili: Georgia will not Pay 'Political Price' for Gas, *Civil Georgia*, 14 November 2006, <http://www.civil.ge/eng/article.php?id=14085>

124 Gazprom Wants 'Georgian Assets' in Exchange for Cheap Gas, *Civil Georgia*, 8 November 2006, at <http://www.civil.ge/eng/article.php?id=14032>

125 Reports: Putin to Urge Aliyev to Join 'Anti-Georgian Alliance', *Civil Georgia*, 9 November 2006, at <http://www.civil.ge/eng/article.php?id=14042>

126 Prime Minister Nogaideli talks tough about BP an Azeri Gas, *Wikileaks File*, at <http://wikileaks.wordpress.com/2007/10/05/07tbilisi2498-pm-nogaideli-talks-tough-about-bp-and-azeri-gas/>

127 US embassy cables: BP accused of 'mild blackmail' by Azerbaijan during winter gas shortage, *The Guardian*, 15 December 2010, at <http://www.theguardian.com/world/us-embassy-cables-documents/88208>

128 Erdogan: Turkey Trying to Allot its Shah-Deniz Share to Georgia, *Civil Georgia*, 7 February 2007, at <http://www.civil.ge/eng/article.php?id=14585>

since May 2008. The terminal has a capacity of 100,000 bpd which can gradually be increased to 200,000. It ships mainly refined products from Azerbaijan by rail.<sup>129</sup>

### *The second stage*

The second stage was an accelerated process whereby Azerbaijan gained a much larger share in the Georgian gas distribution network. This took place following the August 2008 Russia-Georgia war. On 26 December 2008, SOCAR Georgia Gas, a subsidiary of SOCAR Energy Georgia, purchased 22 small companies, with 30 gas distribution networks in various regions of Georgia, including Kakheti, Mtskheta-Mtianeti, Shida and Kvemo Kartli, Adjara, Guria, Imereti, and Samegrelo.<sup>130</sup> Then the coverage was expanded, and seven regional gas facilities under the management of SOCAR Gas were established on the basis of pre-existing gas supply grids.

### *The third stage*

When the new Georgian Dream government took office in October 2012, it addressed the gas price in public statements, following up on its pre-election promise related of reduced gas and electricity expenses. But the Azerbaijani side, in particular SOCAR, did not perceive the energy policy of the prime minister of Georgia as a threat to Azerbaijan and its gas exports. Prime Minister Ivanishvili believes that through more predictable and stable Georgian-Russian relations, Tbilisi will be able to pursue further diversification of its foreign and economic relations. But even so, Baku does not anticipate that the change of government in Georgia will change the situation for Azerbaijani business and investments in Georgia. The positive outlook for bilateral relations was confirmed in a statement SOCAR President, Rovnag Abdullayev. He reported that Prime Minister Ivanishvili had met with the head of SOCAR's Georgian subsidiary and the Azerbaijan Ambassador, "and values SOCAR's investments in Georgia highly."<sup>131</sup> In addition, on November 9 2012, PM Ivanishvili met Abdullayev himself, and once again confirmed the strategic nature of Georgian-Azerbaijani relations. He also stressed he was satisfied with the agreement with SOCAR, stating that the gas tariffs for the population were artificially inflated within the country.<sup>132</sup>

Moreover, experts report that Azerbaijan exports its gas to Georgia at 135 USD per thousand cubic meters, which is a "gift price", even lower than SOCAR's gas price for Azerbaijan's domestic market.<sup>133</sup> The problem was that SOCAR does not have significant influence in regulat-

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129 Georgia's importance as an energy transit state, *Reuters*, 12 August 2008

130 SOCAR Takes Over Gas Distribution Networks in Georgia, *Civil Georgia*, 27 December 2008, at <http://www.civil.ge/eng/article.php?id=20209>

131 Azerbaijan's SOCAR acquires Georgian gas supplier, *Reuters*, November 1, 2012 Available at: <http://www.reuters.com/article/2012/11/01/azerbaijan-gas-georgia-idUSL5E8M18P020121101>

132 Georgian PM meets SOCAR President, *Georgia Online*, 10 November 2012, at <http://georgiaonline.ge/news/a1/economy/1352580419.php>

133 Interview with Gulmira Rzayeva, energy expert, 22 June 2013, Baku, Azerbaijan

ing the gas price; it can manage the price if it owns the distribution network. The mechanism works in this way: at the border, gas is sold at 135 USD for one thousand cubic meters, and then distributors manage the price for sales to the population. The initial idea was that SOCAR would acquire the entire domestic distribution network (aside from Tbilisi), and in November 2012, SOCAR bought Itera-Georgia, a subsidiary of Itera International Energy, which supplies around 300 million cubic meters of gas per annum to 100 enterprises in Georgia, including 38 regional gas distribution companies.<sup>134</sup> After that, SOCAR was the main gas distributor, with the exception of in the capital, Tbilisi. After the bankruptcy of TbilGazi in 2005, formerly the main gas distributor in the capital, the Georgian Economy Minister and Kazakhstan KazTransGaz Company signed a memorandum in Tbilisi on December 26 2005. KazTransGaz, which bought shares in TbilGazi and became the main gas distributor for the capital.<sup>135</sup>

In this context, now Georgia's domestic gas market seems far from vulnerable to being manipulated by Russia's blackmailing strategies, but the new Georgian government has on some occasions stressed Georgia should not depend exclusively on Azerbaijan's gas supplies, saying that there is still need for additional suppliers such as Russia.<sup>136</sup> But looking beyond Azerbaijan for gas imports not seems unlikely to be beneficial for Georgia, for the following reasons:

First of all, since 2007, Georgia stopped buying Russian gas and started buying gas from Azerbaijan. Russia will never sell gas to Georgia for the same price that SOCAR does, because the net production cost for gas in Russia is approximately 130-140 USD per thousand cubic meters. Add to this the transportation costs from the remote Russian fields; for instance, Bovanenkovskoye in northern Russia is more than 3000 km from the Russian-Georgian border. If Georgian even succeeds in political negotiations with the Abkhazian leaders to open up the borders with Russia, and Gazprom agrees to export gas to Georgia, Russian gas will still not be competitive in compared with SOCAR's gas.

The second reason is the implementation of the second stage of the development of the Shah Deniz gas condensate field in the Azerbaijani sector of the Caspian Sea. As emphasised earlier, the selection of TAP as the main route to European gas market will lead not only to economic growth in Georgia, but also to additional volumes of gas, received for its transit. Consequently, it does not need additional gas from elsewhere.<sup>137</sup>

The last but not least, Azerbaijan has shown interest in buying the Georgian segment of North-South pipeline, which connects Mozdok, Tbilisi, and Yerevan. Due to its poor condition, the pipeline requires private investment for reconstruction. As discussed above, in 2006, Russia showed interest in buying this segment in return for capping its gas price for Georgia at 120 USD per thousand cubic meters. Russia saw this as a means to gain additional economic le-

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134 Azerbaijan's SOCAR acquires Georgian gas supplier, *Reuters*, 1 November 2012, at

<http://www.reuters.com/article/2012/11/01/azerbaijan-gas-georgia-idUSL5E8M18P020121101>

135 Kazakh State-Owned Company to Buy TbilGazi, *Civil Georgia*, 26 December 2005, at <http://www.civil.ge/eng/article.php?id=11418>

136 Georgian President Rules Out Resuming Russian Gas Purchases, *RIA Novosti*, 7 May 2013, <http://en.rian.ru/russia/20130507/181011088.html>

137 Implementation of Shah Deniz project to allow Georgia to receive extra gas, *Trend Information Agency*, 17 July 2013, at <http://en.trend.az/capital/energy/2171702.html>

verage for implementing its foreign policy in Georgia. In the case of Azerbaijan, acquiring the pipeline would offer a means of economic pressure on Armenia, and potentially help in forging a solution to the Nagorno-Karabakh conflict.<sup>138</sup> This issue has caused concern on Armenia's part, and therefore the selling of this segment has been delayed. Georgia wants to avoid problems with Armenia, and therefore may not sell to Azerbaijan. At the same time, there is no immediate likelihood that Georgia will be ready to sell this to Russia. From all angles, the pipeline's feasibility is threatened by these controversial political issues.

### *Transport Projects: revitalizing ancient routes across the Caucasus*

Since independence, transport and railway projects have always been high on the agenda of the Georgian-Azerbaijani relationship. This process has rapidly gathered pace over the past decade, and Azerbaijan and Georgia – along with Turkey - have presented themselves as an alternative supply route for oil and natural gas to European markets.

Especially since the collapse of the Soviet economic zone, the South Caucasus region as a whole has taken on an increasingly significant role in transportation. The region's geo-strategic location has paved the way for ideas to rehabilitate the several transport projects, using this region as land bridge between Europe and Central Asia, situated on the historical Silk Road. The transport projects that were begun during the first years of independence were equally important for both countries, for several reasons:

- The old Soviet type national highways/railways- transport system needed to be renovated to meet European standards; this was important for local use to improve the speed and quality of transport, and also for bilateral trade, and cross-border transport of goods and people. It was also important to modernize the highways connecting both countries (two main roads: Baku-Alat-Gazakh-Georgia and Yevlakh-Zagatala-Georgia).
- The renovated transit networks open up the region to the different markets, not only Europe, but also the Middle Eastern and South Asian markets, as well CIS states.
- In the past, all routes, road and rail, were directly linked to the center (Moscow). After independence, both countries looked at alternative routings.

Two potential alternatives to the Europe-Asia maritime transportation routes have emerged since independence. Azerbaijan has joined both, and Georgia is a part the first (for geographical reasons). The first is the East-West transport corridor: China-India-Central Asia-Caucasus-Europe; the second is the North-South transport route linking the routes of Asian continent, the Caspian region and Europe via and India-Iran-Russia axis. Both corridors are alternatives for reviving the traditional Silk Road for container trade.

Therefore, both Georgia and Azerbaijan are important to transport projects in the region and beyond. The EU-supported TRACECA transport corridor (Transport Corridor Europe-Cau-

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<sup>138</sup> Lusine Badalyan, Interlinked Energy Supply and Security Challenges in the South Caucasus, *Caucasus Analytical Digest*, No.33, December 2011, p.2.

casus-Asia) project proposed in 1993, for instance, envisages rebirth and one of the alternative of the traditional *Great Silk Road* after hundreds of years and a systemic regrouping of transport-communication networks of European, Caucasian and Asian states. There are two TRACECA rail routes connecting Azerbaijan and Georgia: the Baku-Tbilisi-Batumi and Baku-Tbilisi-Poti rail link. The Baku-Tbilisi-Batumi/Poti railway is connected to the European rail networks via the Black Sea rail ferry service in the West (i.e. Romania, Bulgaria and Ukraine).<sup>139</sup> Within the TRACECA project, the majority of highways of Azerbaijan and Georgia have been built to European standards, and construction and renovation work has been supported and financed by grants and loans from various international financial institutions.

The railway networks have been on the agenda beyond Azerbaijan and Georgia. Under the auspices of GUAM, transport was one of the main discussion points between 2007 and 2008. The Baku-Tbilisi-Poti (Batumi)-Ilyichevsk-Kiev-Chisinau railway line was a key focus. At the GUAM Baku Summit, 18-19 June 2007, member states instructed their governments to intensify efforts regarding the transit potential of GUAM member states and to attract international support and investment to this end. Then on July 1 2008, at the GUAM Batumi Summit, member states agreed to instruct their governments to develop a comprehensive concept for the GUAM transport corridor, also entailing private sector involvement. The main principles of improvement of transport were:

- To create conditions for transport services to stimulate GUAM member states' further economic growth;
- To gradually implement institutional changes in the economies transport sector on the basis of an improvement management system, the development of a competitive environment within the transport services market, and pricing liberalization;
- To accelerate integration into the European and world transport systems according to the principles of the European transport policy, approaching international standards, and technical and operational requirements in the sphere of transport activity;
- To unify legislation in the sphere of transport and customs of GUAM member states.<sup>140</sup>

However, all GUAM member states face obstacles in regard to transportation and communication; in the past, the whole system was organized like the spokes of a wheel, with Moscow at the center. To accelerate railway connections, GUAM needs first of all to bring the railways up to higher standards. This is especially important for Azerbaijan and Georgia. Between Azerbaijan and Georgia, railways mainly carried oil materials. Historically, this is how the line function; the first railway connecting the Black Sea and Caspian Sea dates back to 1883, and was built to carry oil from the Caspian oilfields to Batumi.

What makes the East-West transport corridor less competitive on the international market is the average rail speed, which impedes the speed of delivery times. For example, the distance

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139 Taleh Ziyadov, *Azerbaijan as a Regional Hub in Central Eurasia*, ADA Publication, Baku, 2012, p. 51.

140 Development Concept for the GUAM Transport Corridor, *GUAM*, at <http://www.guam-organization.org/attach/concepten.pdf>

between Baku and Poti is just 960 km, but the journey takes a minimum of 4 days, and the quality of wagons and railway lines is poor.

Taleh Ziyadov, author of a book on transportation development from the Azerbaijan perspective, has suggested key improvements – specifically, that Azerbaijan and Georgia should consider improving the efficiency of their railway infrastructure, railway operators and general rail operations. The two countries should adopt a common rail strategy on a transit tariff policy, offering a single fee for shipments between Poti and Central Asia via Baku or vice versa.<sup>141</sup> Perhaps, this strategy should be adopted to improve passenger transportation. Currently, rail passengers spend a minimum of 17-18 hours in train, including the delays at the border. For high quality passenger travel, passport control must be completed before departure. But the long term solution should be a new vision, which separates freight and passenger rail tracks.

**Map 3. Baku-Tbilisi-Kars railway project**



Beyond the existing railway projects, the Baku-Tbilisi-Kars, or Baku-Akhalkalaki-Kars railway project (see Map 3) is the crucial missing link, a line that could eventually connect the railway systems of China-Central Asia-South Caucasus, beyond Turkey and Europe. The idea of building the railway connection between Azerbaijan-Georgia and Turkey dates back to the 1990's. Originally the proposal came from Turkey, but due to financial issues and chaotic developments in the region, this project has been delayed. The idea returned to the table in the 2000's, and a protocol on the project was signed between Turkey, Georgia and Azerbaijan in 2004. Feasibility studies began that same year. In May 2005, the presidents of the three countries reaffirmed their support for the railway with a formal declaration in Baku. All the parties involved tried to get the US involved, and sought financial support from the EU and US. How-

141 Taleh Ziyadov, *ibid.*, p. 56.

ever, the Baku-Tbilisi-Kars railway did not pass through Armenia, and ignored the existing line. Yerevan and the Armenian Diaspora lobbied for the reopening of the already existing Kars-Gyumri-Tbilisi railway. Based on the strength of the Armenian lobby, U.S. President George W. Bush signed the Export-Import Bank Reauthorization Act of 2006, which bans the U.S. Export-Import Bank from financing the construction of the Baku-Tbilisi-Kars railway. The Act was passed by the House and Senate as a result of intensive lobbying by Armenian Diaspora groups in the United States.<sup>142</sup> Before the US, the European Commission firmly refused, in October 2005, to finance such a project through the TRACECA program, supporting the reopening of the Kars-Gyumri-Tbilisi railroad rather than the construction of a new railroad bypassing Armenia.<sup>143</sup>

Despite the refusal of the US and EU to finance the project, Azerbaijan aimed to realize the project through its own resources, actually issued a loan to Georgia. On 7 February 2007, Azerbaijan, Georgian and Turkish sides signed a deal, and the construction of the BTK railway line was inaugurated by the presidents of the three countries at Marabda, South Georgia on 21 November 2007.<sup>144</sup> The 29 kilometer-long railway will be constructed on Georgian territory from Akhalkalaki to the Turkish border, and a 192 kilometer portion of the existing railway infrastructure, also in Georgia, will be rehabilitated within the framework of this project.

However, since the inauguration of construction, work has been delayed for several reasons. Environmental problems, along with the August 2008 War, caused delays. Currently the estimated date of completion is by the end of the first half of 2014. The BTK railway is significant from various perspectives:

- Construction of the Tbilisi to Kars rail line will help revive the economy of southern Georgia, especially the Armenian-populated Samtskhe-Javakheti region. The railway link will help this region to overcome economic isolation, and, according to the Georgian President “to become not only an important transit point but also an economically active center.”<sup>145</sup> This also helps Georgia to actively support development and creation of economic zones, which provides an important political boost at the domestic level.
- For Azerbaijan and Georgia, in the context of a future Caucasus common market, the railway will solidify these countries’ importance as a Caspian trade hub. Further, it will strengthen relations with Central Asia. There is also a key strategic benefit: for the first time, Azerbaijan will have direct railroad access to Turkey. Moreover, as a part of the BTK railway, there is a plan to build a railway between Kars and the Azerbaijani exclave Nakhichevan. Currently, Turkey’s only connection with Nakhicevan is a short (11 km) border, which keeps the exclave under the economic blockade. This will reduce Iran’s influence

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142 Tbilisi, Baku Agree on Funding of Regional Railway Link, *Civil Georgia*, 13 January 2007, at <http://www.civil.ge/eng/article.php?id=14447>

143 Samuel Lussac, The Baku-Tbilisi-Kars railroad and its geopolitical implication for the South Caucasus, *Caucasus Review of International Affairs*, Vol.2, Autumn 2008 pp.212-224, at [http://cria-online.org/5\\_5.html](http://cria-online.org/5_5.html)

144 Azerbaijani, Turkish Presidents Visit Georgia, *Civil Georgia*, 21 November 2007, at <http://www.civil.ge/eng/article.php?id=16384>

145 Azeri, Georgian, Turkish Leaders Speak of ‘Historic’ Rail Link, *Civil Georgia*, 21 November 2007, at <http://www.civil.ge/eng/article.php?id=16386>

on Azerbaijan. The two countries already cooperate on some level through a deal in which Iran supplies natural gas to Nakhichevan.

This project is enormously advantageous in economic terms, and even more so politically. The railway opens up a new narrative for the Caucasus region. According to the former Georgian Foreign Minister, Ekaterine Tkeshelashvili, “we all sent this message to the rest of the world about what it says on the importance of our region in terms of transit routes, in terms of economic activities and it will be hugely important to be very persistent on this project.”<sup>146</sup> The BTK railway is expected to transport 1.5 million passengers and 3 million tons of freight per year in its initial operation. Forecasts predict that by 2034, it will transport 3 million people and more than 16 million tons of goods per year.

In sum, the realization of BTK, and the improvements it will bring in terms of quality and speed of railroad journeys, will benefit Azerbaijan and Georgia and their access to European and Mediterranean markets. In addition, we will see a significant increase in the volume and flow of passengers and cross-border contact.

## Cooperation in the Tourism Sector

One of the fastest growing areas of cooperation between Azerbaijan and Georgia is tourism, and both countries’ policies for this sector are focused on building regional economic links and turning the South Caucasus region into a major international tourism destination.

The aim of making the region a hot spot for international tourism faces a major obstacle in the form of ongoing regional conflicts, and thus the question of the region’s international image is also important.

Though Azerbaijan and Georgia have sought to build a joint strategy to attract tourists to the region, they are also, of course, in competition with one another. In Azerbaijan, tourism is becoming an important sector as the country continues to work on developing its non-oil sector. According to expert statistical analysis, if the tourism capacity of Azerbaijan is fully exploited, income from tourism will constitute 10 percent of the state budget in the next ten years.<sup>147</sup>

Despite this assessment of Azerbaijan’s huge tourism potential, the Azerbaijani tourism industry is competing with nearby Russian resorts on the Black Sea and in the North Caucasus, Turkish resorts on the Mediterranean coast, and Georgian tourism centers on the country’s Black Sea coast. All three countries currently attract more tourists than Azerbaijan.<sup>148</sup> Azerbaijan’s tourism sector has grown over the last two years thanks to Baku playing host to a number of international events, notably the Eurovision Song Contest in 2012, along with other sporting and cultural events. But despite these opportunities, the strict visa requirements for

146 Russian railway in Caucasus a threat to Baku-Tbilisi-Ankara initiated projects, Today’s Zaman, 27 march 2013, at <http://www.todayszaman.com/news-310915-russian-railway-in-caucasus-a-threat-to-baku-tbilisi-ankara-initiated-projects.html>

147 CESD Policy Report on Tourism Sector in Azerbaijan, July 2011, Baku, Azerbaijan, at <http://cesd.az/new/wp-content/uploads/2011/07/CESD-Tourism-Paper.pdf>.

148 Ibid.

foreign tourists and high living costs mean that in comparison with neighboring Turkey and Georgia, Azerbaijan holds little appeal for international tourists. The other difference between Azerbaijan, and Turkey and Georgia, is that people want to visit Azerbaijan not for relaxation, but rather to get to know country's history, music, art, etc. The consequence of this is that there are fewer tourists.

In Georgia, the income from tourism is important to the state's net revenues, and as a labor intensive industry it helps to create a lot of formal and informal jobs. Growth in tourism also spurs business development in many related sectors of the economy – especially in agriculture and transportation. Unlike Baku, Tbilisi is not investing a huge amount into the development of its tourism sector, and a number of infrastructure developments have been realized through the financial resources of international governments and public organizations, especially under the banner of the Silk Road project. The other factors that make Georgia more appealing than Azerbaijan are its comparatively cheap prices, its much more liberal visa regime and its ancient Christian monuments and other attractions.

Looking to the respective capacities of the tourism industries of Azerbaijan and Georgia, it seems that Georgia started promoting this sector before Azerbaijan. For Baku, this has become a focus more recently – for instance, 2011 was declared the “Year of Tourism”. According to the World Economic Forum's *Travel and Tourism Competitiveness Index 2013*, Azerbaijan is ranked 78<sup>th</sup> (it was 83<sup>rd</sup> in 2011) among 140 countries with a suitable environment for the development of tourism. Georgia is in 66<sup>th</sup> place (73<sup>th</sup> in 2011).<sup>149</sup> The report reveals some interesting opportunities for comparison: the statistics shows that Azerbaijan is ranked 44<sup>th</sup> and Georgia 50<sup>th</sup> in the effectiveness of marketing and branding to attract tourists; for the quality of air transport infrastructure Azerbaijan is 53<sup>rd</sup>, Georgia 82<sup>nd</sup>; and for the quality of railroad infrastructure Azerbaijan is 34<sup>th</sup>, Georgia 35<sup>th</sup>.<sup>150</sup> Elsewhere in the report, Georgia has the lead over Azerbaijan.

The two countries have cooperated in the tourism sector at both the bilateral and multilateral levels, the latter under the auspices of GUAM Organization for Democracy and Economic Development and the Black Sea Economic Cooperation Organization (BSEC). At the trilateral level, there is the Turkey-Azerbaijan-Georgia partnership.

In the bilateral format, the two sides first signed a memorandum of understanding (MoU) for cooperation in the tourism sector on 3 February 1993, which on 9 November 1998 was upgraded to a bilateral agreement.<sup>151</sup> In the 1998 12-point agreement on tourism cooperation, which focused on strengthening the exchange of visitors, both sides agreed to simplify administrative procedures at border crossings; help each other in developing the construction of hotels and other tourism facilities; support one another to develop automotive and aviation tourism; and support the opening of tourism agencies abroad, among other things. In this re-

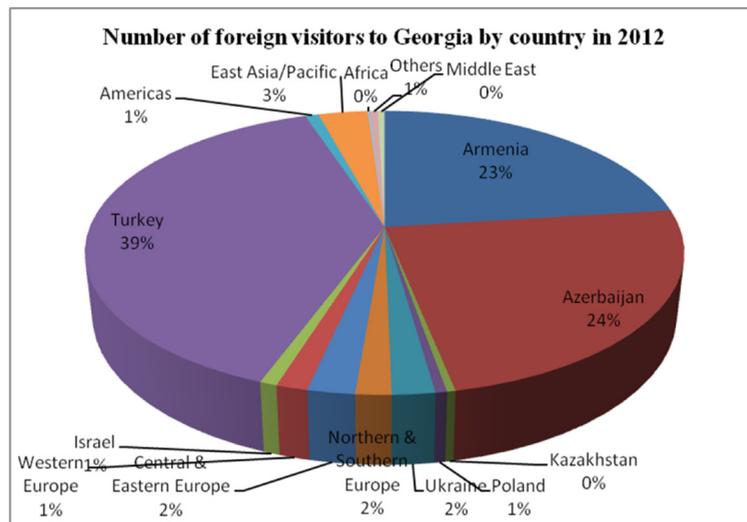
149 World Economic Forum, *The Travel and Tourism Competitiveness Report 2013*, at [http://www3.weforum.org/docs/WEF\\_TT\\_Competitiveness\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf).

150 Ibid, p. 94, p. 173.

151 Cooperation Agreement on the Tourism Sector between Azerbaijan and Georgia, the original text in both Azerbaijani and Russian can be found at <http://e-qanun.az/print.php?internal=view&target=1&docid=5156&doctype=0#>.

spect, the Caucasus Travel Fair held in Tbilisi in April 2009, and then in Baku in April 2010, and similar activities have helped strengthen cooperation. The countries jointly participated in two wide-ranging tourism projects. One was *Alexander Dumas in the Caucasus*, a project initiated by Azerbaijan, which was approved as one of the projects of the Council of Europe’s (CoE) Cultural Routes program. The project aimed at marketing a tourist route between Azerbaijan and Georgia with the participation of Russia, tracing Dumas’ travels in the Caucasus. It involved tourism agencies from every participating state in organizing tours to places visited by Dumas, drafting preliminary measures on the preservation of monuments and the production of souvenirs, booklets and guides on the tourism route. The project is consistent with the Council of Europe’s principles on promotion of cultural dialogue, exchange and cross-fertilization across borders.<sup>152</sup> The second initiative for bilateral cooperation area is also part of Council of Europe’s Kyiv Initiative (KI), launched in December 2006, this time on wine, culture and tourism exchange. As a part of this project, which also involves Ukraine, Moldova and Armenia, the Wine Route project aims to support national wine producers, the cultural sector, tourism agencies, etc. from each country.<sup>153</sup> As a pilot project of the KI, it aims to use ancient wines and wine routes in participating countries as the basis for modern cultural and commercial tourism. Within the framework of this program, Azerbaijan and Georgia have found a framework for cooperation, with the added value of European experience.

**Figure 6. Number of foreign visitors to Georgia by country in 2012<sup>154</sup>**



152 Kyiv Initiative: Cultural routes in the South Caucasus, Council of Europe, at [http://www.coe.int/t/dg4/cultureheritage/culture/routes/caucase\\_en.asp](http://www.coe.int/t/dg4/cultureheritage/culture/routes/caucase_en.asp).

153 Wine Culture Tourism Exchange, Council of Europe, at [http://www.coe.int/t/dg4/cultureheritage/cooperation/kyiv/wcte/KIWCTE-Flyer\\_en.pdf](http://www.coe.int/t/dg4/cultureheritage/cooperation/kyiv/wcte/KIWCTE-Flyer_en.pdf).

154 Chart prepared by using information obtained from the Information Centre, Information and Analytical Department, Ministry of Internal Affairs of Georgia, at <http://gnta.ge/stats/portal/>.

The respective tourism ministries of Azerbaijan and Georgia have discussed the possibility of developing a joint tourism package targeting European and Asia markets.<sup>155</sup> So far, however, this ambition has been developed under the GUAM framework. GUAM member states held a meeting on tourism in Tbilisi meeting in April 2011, where they agreed to collaborate on a tourist package for the Japanese market.<sup>156</sup>

In recent years, the exchange of visitors between the two sides has increased. In particular, visiting Georgia is the one of the first priorities for Azerbaijanis. In the past year, nearly one million tourists from Azerbaijan visited Georgia. After Turkey, Azerbaijan is the second biggest country for tourists to Georgia (Figure 6). Correspondingly, in Azerbaijan, the number of Georgian tourists is increasing. Some are part of the Azerbaijani community in Georgia and others are Georgian tourists. According to Azerbaijani state officials, Georgian tourists are in the top four, after visitors from Russia, Iran and Turkey.<sup>157</sup> However, there is no publicly available data to show the exact numbers of Georgian tourists along with tourists from other countries.

The two countries are cooperating in the GUAM framework, and as stated above they intend to create a single tourism product for the Japanese market. They are holding increasingly regular meetings under the auspices of the working group for culture and tourism, which includes representatives from the tourism agencies and tourism operators from these countries.<sup>158</sup>

In addition, both Azerbaijan and Georgia, as member countries of the BSEC, are cooperating in various fields; one of these is tourism. The BSEC is opening up opportunities for both sides by cooperating with international institutions, such as the World Tourism Organization, aiming to promote the development of the tourism sector. To date there have been two international Black Sea tourism forums, the first in Yalta as the 21<sup>st</sup> International Tourism Fair, “Crimea, Resorts, Tourism – 2012”, held in March 2012, and the second one also in Yalta between 27-28 February 2013.<sup>159</sup>

In the near future, both Azerbaijan and Georgia intend to expand their cooperation in the tourism sector in a trilateral format that includes Turkey. The emerging trilateral format and the broadening of the sphere of cooperation among these countries could promote more intense dialogue and cooperation, with clear results in the short term.

## Cooperation among Businesses and Entrepreneurs

One of the gradually enlarging components of cooperation is collaboration between business people and entrepreneurs in bilateral and multilateral formats. There are three reasons for the rapid development of business cooperation.

155 “Azerbaijan and Georgia to establish single tourism product,” *APA Agency*, 26 April 2011, at <http://en.apa.az/news/145813>.

156 “Secretary General: Japanese tourists interested in single tourism product of GUAM member countries,” *Trend*, 15 April 2011, at <http://en.trend.az/news/politics/1861619.html>

157 “Number of foreign tourists in Azerbaijan more than doubles in 10 years,” *Trend Information Agency*, 27 September 2011, at <http://en.trend.az/news/society/1937198.html>

158 1<sup>st</sup> Meeting of the Working Group on Culture and Tourism, 17 April 2013, at <http://guam-organization.org/en/node/1453>.

159 The 2<sup>nd</sup> International Black Sea Tourism Forum and the Meeting of the BSEC Working Group on Cooperation in Tourism, Press Release of BSEC Permanent International Secretariat, Istanbul, Turkey, March 2013, at <http://www.bsec-organization.org/bsecnews/Press-Releases/PressReleases/20130306%20nd%20Int%20BS%20ourism%20Forum%20and%202nd%20Int%20Tourism%20Fair.pdf>.

The first is that through Georgia's post-2003 reforms, the country's investment climate has improved considerably. This has also had a positively impact on business in Azerbaijan. In fact, for setting up a business in Georgia, procedures are simple and efficient, and are based on a transparent system that promotes the establishment of new enterprises. In particular, the country's tax system was simplified, customs duties were reduced and procedures for granting licenses and permits were streamlined<sup>160</sup> — all of which have helped create a more business-friendly environment.

The second reason is that Azerbaijan, through its oil and gas sector, has significantly boosted its state revenues, thereby making it more attractive to investors. As a result, neighboring Georgia has also benefited. At present, Azerbaijan is making various types of investments across the Black Sea region and is acting as a catalyst for business sector growth. Today, Georgia is host to more than 300 Azerbaijani businesses, and more than 150 Georgian companies are operating in Azerbaijan.<sup>161</sup> Of these 300 Azerbaijani companies, there are more than 50 strong and relatively well-known ones, such as the Azerbaijan State Oil Company (SOCAR), Azersun, Azerbaijan Airlines (AZAL), Pashabank, Embawood, International Bank of Azerbaijan, Karat Holding, Akkord and Azerinshaat. These companies are from a range of sectors, from energy to banking, clothing retailers, outlets, trading centers, pharmaceuticals, construction, hotels, restaurants and more. In particular, SOCAR has invested more than one billion USD in Georgia's economy. SOCAR Azerbaijan has an official representative in Georgia, as well as a local subsidiary company, SOCAR Georgia Petroleum (SGP) — both are Azerbaijan's companies, but focus on different activities. SOCAR's subsidiary company — SOCAR Georgia Petroleum — has been the largest taxpayer in Georgia for the last three years. This company currently operates more than 110 petrol stations in Georgia,<sup>162</sup> while SOCAR in Georgia made key investments between 2006 and 2012, such as repairing schools, education, reconstruction of parks, public squares, support for children's homes, amounting to more than 21 million USD in philanthropic work.<sup>163</sup> Due to the success of its activities in Georgia, the company was named among the top 25 companies in 2013 by the Georgian Opinion Research Business International (GORBI).<sup>164</sup> It was also ranked highly in previous years.

The third reason is that Azerbaijanis living in Georgia are trying to contribute to the social welfare of the entire population. Georgian Azerbaijanis have created local business structures that support each other. Azerbaijan's increasing national investments in Georgia have stimulated collaboration; for instance, in 2009, the Association of Azerbaijani Businessmen in Georgia was founded, and today brings together more than 30 Azerbaijani companies working in Georgia. The aim of the association is to support Azerbaijani companies, offer consulting

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160 PricewaterhouseCoopers International, *Doing Business and Investing in Georgia*, 2011 Edition, Tbilisi, Georgia, at <http://www.pwc.com/ge/en/assets/pdf/ge-dbg-2011.pdf>.

161 "What hinders the free movement of capital, investment in the Black Sea region?", Conference report, at <http://freeeconomy.az/loadxeber.aspx?vpbxid=2>.

162 SOCAR Georgia Petroleum, "History," at <http://www.sgp.ge/page.php?lang=eng&page=0001>.

163 SOCAR Representation in Georgia, "Activities in Georgia," at <http://www.representation.ge/page.php?lang=eng&page=07>.

164 "Azerbaijan's SOCAR among top best companies in Georgia," *Azernews*, 23 May 2013, at [http://www.azernews.az/oil\\_and\\_gas/54286.html](http://www.azernews.az/oil_and_gas/54286.html).

services and attract Azerbaijani investors to Georgia.<sup>165</sup> These companies are diverse, and cover the following sectors: oil and gas distribution, construction and engineering, furniture production, ICT, food production, pharmaceuticals among others.

In general, the growth of cooperation in the business sector, and the increasing number of Azerbaijani businesses from different sectors, has had a positive effect on education. According to Faig Guliyev, SOCAR's representative in Georgia, Azerbaijani investments have increased young people's interest in education. Support from Azerbaijani companies for educational programs has given rise to positive outcomes.<sup>166</sup> Azerbaijani companies operating in Georgia believe that they have a mission to present a good public image for Azerbaijan in Georgia; one of the ways to achieve this is by helping the population during difficult times. As reported by Guliyev, SOCAR provided assistance throughout the August 2008 Russian-Georgian war, and helping Internally Displaced Persons (IDPs) and victims of war has improved Azerbaijan's public image. Azerbaijani companies in Georgia have created more than 7,000 jobs and have contributed to the development of national infrastructure.

Beyond bilateral business cooperation, 2012 saw the beginning of cooperation in a multilateral format with the participation of Turkey. The first trilateral Turkey-Azerbaijan-Georgia Business Forum (TAG-BF) was held in Tbilisi in February 2012, the second in Kars, Turkey, in June 2012, and a third in Gabala, Azerbaijan, in May 2013. The three countries, as stated in the Trabzon Declaration of June 2012, would like to create a business environment that is conducive to multilateral initiatives. To date, Azerbaijan and Georgia have also signed an agreement on free trade (8 March 1996, in Tbilisi), which has played an important role in the development of economic incentives and creating an environment conducive to business sector cooperation.<sup>167</sup> Georgia has also signed a free trade agreement with Turkey (21 November 2007, Tbilisi, entering into force on 1 November 2008).<sup>168</sup> Thus from this perspective, the missing link is a free trade agreement between Azerbaijan and Turkey; it is expected that an agreement is forthcoming, as emphasized by Turkish economy minister Zafer Caglayan at the third Turkey-Azerbaijan-Georgia Business Forum in May 2013.<sup>169</sup>

This rapid development of Azerbaijan-Georgia business cooperation, more recently including Turkey, signals a new chapter in regional development. The realization of the Baku-Tbilisi-Kars railway project will mark another milestone in the expansion of the business environment. However, there remain three impediments to future development.

First of all, as described above, Georgian Azerbaijani business leaders are trying to improve the quality and quantity of investments in the Georgian economy by strengthening Azerbaijani companies. But they face problems at the Georgian-Azerbaijani border. Their specific demand is the elimination of the requirement that when foreign cars cross the border into Azerbaijan,

165 "Prospects of Azerbaijani business development discussed in Tbilisi," *News.az*, 27 May 2010, at <http://www.news.az/articles/16370>.

166 Interview with Faig Guliyev, Head of Marketing and Foreign Affairs Department of SOCAR Georgia, Tbilisi, Georgia, 20 August 2011.

167 WIPO, *Free Trade Agreement between Azerbaijan and Georgia*, English text at [http://www.wipo.int/wipolex/en/other\\_treaties/text.jsp?file\\_id=239273](http://www.wipo.int/wipolex/en/other_treaties/text.jsp?file_id=239273).

168 Republic of Turkey Ministry of Economy, "Turkey-Georgia Free Trade Agreement," at <http://www.economy.gov.tr/index.cfm?sayfa=tradeagreements&bolum=fta&country=GE&region=0>.

169 "Azerbaijan, Georgia and Turkey mull investments," *Azernews*, 27 May 2013, at <http://www.azernews.az/business/54501.html>.

the driver must pay a deposit to the customs officials (which is returned when they cross back over).<sup>170</sup> Border regulations, especially from the Azerbaijan side, sometimes create problems, not only for Georgian Azerbaijanis, but for Georgian citizens in general. The stringent border regulations should be relaxed.

Secondly, Turkish citizens have visa issues when travelling to Azerbaijan. Turkey is increasing its investments in Georgia, and Turkish businessmen often travel there. But when they try to cross the border into Azerbaijan, they encounter problems. When Turkish citizens travel to Azerbaijan via Georgia, they have to spend at minimum one extra day to get a visa from the Azerbaijani embassy in Tbilisi.<sup>171</sup> These problems also affect Turkish tourists, but the most pressing issue is business travel.

The third issue is the geography of business activity. In concrete terms, Georgian Azerbaijanis would like to see business circles operating in the regions where Azerbaijanis are living. Currently, businesses are based mainly in the capital, Tbilisi, and other big cities. Azerbaijanis want to see business initiatives in the regions in order to provide new job opportunities. Another dimension of Azerbaijan's business activity in Georgia is in the banking sector, and Georgia currently hosts branches of three Azerbaijani banks in Tbilisi.<sup>172</sup> The local Georgian Azerbaijani population wants to see local sub-branches of Azerbaijani banks. The demand for rural banks stems from the fact that many of them work in the agriculture sector, and thus there is a need for long-term lines of credit under favorable conditions.<sup>173</sup>

To sum up, addressing the concerns/problems described above could prove helpful for Azerbaijan and Georgia, as well as Turkey, as a means of enhancing cooperation among businesses and entrepreneurs. More broadly, it could also improve the economic dimension of the bilateral and multilateral partnerships.

## Education, Cultural and Media Cooperation

Bilateral cooperation in the education sector is one of the important, but less developed, areas of collaboration between the two countries. Cooperation is significant because it directly affects the education of Azerbaijanis living in Georgia. At the official level, both countries signed two agreements on education: the first was a cooperation agreement in the area of the attestation of highly qualified scientific and pedagogical staff, signed on 27 December 1997. This agreement was concluded in order to address the educational problems of Azerbaijanis living in Georgia and Georgians living in Azerbaijan by agreeing on professional exchanges.

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170 Interview with Qaratel Allahverdiyeva, Executive Director of Association of Azerbaijani Businessmen in Georgia, Tbilisi, Georgia, 17-18 August 2011.

171 Interview with representative of Azerbaijani embassy in Tbilisi, Shovgi Mehdizade, 19 August, 2011 and 18-20 March 2012, Tbilisi, Georgia.

172 Following Azerbaijani banks are operating in Georgia: International Bank of Azerbaijan, Pasha Bank and Caucasus Development Bank, more information at "New Azerbaijani Bank to open," *Georgia Today*, at [http://www.georgiatoday.ge/article\\_details.php?id=10794](http://www.georgiatoday.ge/article_details.php?id=10794).

173 Interview with Fazil Hasanov, Director of Marnueli Cultural Center, Marnueli, 21 August 2011.

Historically, there were no institutions where people could do bilingual teacher training courses, which negatively affected the number of teachers in schools where Georgian Azerbaijanis are living. Ultimately, however, this agreement did little to alleviate the problems.

During the second half of 2000s, both countries took steps to address problems in the education sector, including a cooperation agreement in the area of education signed by the Ministry of Education of the Azerbaijan Republic and the Ministry of Education and Science of Georgia on 4 March 2004.<sup>174</sup> In addition, Georgia has enacted reforms in its educational system since the mid-2000s. Georgia launched an effort to reduce the isolation of minority communities by ensuring that they have a better grasp of the majority language – i.e. Georgian – and by integrating their schools into the Georgian national system.

Following these changes, the Georgian government significantly reduced the use of Azerbaijani languages in classrooms, replacing them almost entirely with Georgian textbooks, and finally standardizing the systems in terms of duration– the Georgian system provides 12 years, and the Azerbaijani one provides 11 years. However, the Ministry of Education of Azerbaijan continues to provide Azerbaijani schools in Georgia with basic textbooks for the first three years of school, and Azerbaijani companies have renovated a number of Azerbaijani schools in Georgia.

Despite these reforms, the major problems in the educational experiences of Azerbaijanis in Georgia remain. Experts agree that the language barrier – the lack of knowledge of Georgian – is the major issue. The other significant problem is the staffing of Azerbaijani schools. There is a chronic shortage of bilingual teaching staff qualified to teach the Georgian language to Azeri students at local schools.<sup>175</sup> This is in part the consequence of flaws in the education system. There are reportedly between 164-230 schools in Georgia where the language of instruction is Azeri, but various sources indicate that the number of Azerbaijani schools in the country has been reduced from 164 to 125 due to remote village schools being shut down. This has aggravated the situation because students had to commute daily to the town centers, stopping any from coming to school, especially those from conservative families.

A further problem is that according to the local population, they do not receive books and materials from the Azerbaijani side in a timely manner. As a result, not only has the number of Azerbaijani schools dropped, there are only half as many Azerbaijani pupils attending school. During the 1990s, there were more than 55,000 Azerbaijani pupils in Georgia; now this figure is 28,000.<sup>176</sup> Baku has emphasized that there are two problems. The first is that the number of Azerbaijani schools is reduced every year, and school directors without knowledge of the Azerbaijani language are being appointed. The second is that Azerbaijani schools lack professional national staff, and Georgian universities do not have the facilities to prepare Azerbaijani language staff.<sup>177</sup> In an attempt to resolve this problem in 2008, the Georgia-Azerbaijan

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174 Ministry of Education of Azerbaijan Republic, information can be found at <http://www.edu.gov.az/view.php?lang=en&menu=136>.

175 "Georgia's Azeri Minority Treated As 'Second-Class Citizens,'" *Radio Free of Europe/Radio Liberty*, 9 May 2004, at [http://www.rferl.org/content/Georgias\\_Azeri\\_Minority\\_Treated\\_As\\_SecondClass\\_Citizens/1621243.html](http://www.rferl.org/content/Georgias_Azeri_Minority_Treated_As_SecondClass_Citizens/1621243.html)

176 Interview with Fazil Hasanov, Director of Marnueli Cultural Center, Marnueli, 21 August 2011.

177 "Problems appeared in Azerbaijani schools in Georgia: education minister," *News.az*, 2 December 2009, at <http://www.news.az/articles/society/3640>.

Humanitarian University opened in Marneuli.<sup>178</sup>

These issues have effects beyond elementary and high schools. For students intending to go on to university, an Azeri-language education puts them at a disadvantage. The uneven Georgian-language teaching in Azerbaijani schools limits their chances of passing the entrance exams for Georgian universities, but studying a Georgian curriculum makes it harder to be admitted to university in Azerbaijan.<sup>179</sup> Still, Georgia has put in place a program to support ethnic minorities until 2018, whereby if a student is accepted by a university, he or she will be able to take a one-year language course, which the government provides for free. In the long term, the hope is that after graduating, young Azeri students could become a kind of bridge between their communities and the Georgian state, finding work in local administrations and/or government ministries. To achieve this, close cooperation is required. Arguably, the problems can be resolved through new policies from both sides. For instance, Azerbaijani universities should open a Georgian language philology section, where after graduation teachers who know the Georgian language and who have a background in another field (for example literature) can be sent to Georgia to teach. The second, and more pressing, requirement is the opening of an Azerbaijani language faculty at Georgian universities – until three years ago, there was in fact an Azerbaijani language department at the Tbilisi State Pedagogical University. Indeed, there are a number of opportunities in higher education; the Azerbaijani government could include Georgian Azerbaijanis in the Azerbaijani State Program for Foreign Education of Azerbaijani students, which provides scholarships for studying abroad. In addition, in May 2013, in the framework of the third forum of the Unification of Caucasian universities, a protocol on cooperation between Azerbaijan, Georgia and Turkey's universities was signed.<sup>180</sup> This is a good example of broader cooperation, but there is an urgent need for more cooperation agreements between Azerbaijani and Georgian universities, specifically establishing particular language programs in Georgia, Azerbaijani, and in Azerbaijan, Georgian.

The other side of the discussion is the educational opportunities for Georgians in Azerbaijan; all of the suggestions made here could be helpful from this perspective, too. In Azerbaijan, the state language is Azerbaijani, but all ethnic minorities have the right to a secondary education in their native language. Accordingly, at present more than 80 percent of all minorities choose Azerbaijani as their language of instruction. The Georgian-descent Ingiloyls are the only exception. Thus, in the Zagatala, Balakan, and Gakh regions of Azerbaijan there are 12 schools with more than 2,500 pupils with Georgian as the language of instruction. Out of 739 teachers, 407 are Georgians. In the Balakan region there is only one secondary school where the instruction is in both Azerbaijani and Georgia.<sup>181</sup> The overall picture shows that local Georgians prefer to continue their higher education in Georgia; approximately 50 percent of high school graduates chose this route.<sup>182</sup> Nonetheless, they face two problems. The first is the

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178 Heydar Aliyev Georgia-Azerbaijan Humanitarian University opened in Marneuli, 20 November 2009, Avciya.az, at <http://avciya.az/index/eng/news/intheworld/2350-heydar-aliyev-georgia-azerbaijan.html>.

179 Shahla Sultanova, Tongue Twisting Reforms, *Transition Online*, 30 November 2012, <http://www.tol.org/client/article/23494-tongue-twisting-reforms.html>.

180 Universities of Azerbaijan, Georgia and Turkey will exchange students, 21 May 2013, at <http://www.streampress.com/news/education/item/1014-universities-of-azerbaijan.-georgia-and-turkey-will-exchange-students>.

181 Rust, Val D and Hamlet Isakhanli, "Minority Education Policy in Azerbaijan and Iran," *World Studies in Education*, Vol. 9, No. 2, 2008. pp.5-21.

182 "Azerbaijani Georgians, Investigation of Journalist Group in 2011," *Modern.az*, at <http://modern.az/articles/14837/1/>.

quality of the schools, some of which needs urgent renovations. The second and much bigger problem is the lack of educational materials. The Georgian Education Ministry must send the necessary materials to these schools.

In particular, the majority of Georgian-descent Ingiloyls live in the Gakh region, where they have 14 cultural centers, six churches, the Gakh State Georgian Theater (established in 2005 in Alibayli village in Gakh as the first ethnic theater with state status),<sup>183</sup> the museum of Moisey Georgiyevich Janashvili (historian and ethnographer), two sculptures of Joseph Stalin (the Soviet leader born in Georgia), a monument to Ilia Chavchavadze (famous Georgian writer) and a memorial for the 9 April 1989 events in Tbilisi, Georgia's National Unity Day.<sup>184</sup> By signing the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions in 2005, Azerbaijan undertook to promote and protect the cultural heritage of ethnic minorities. As a part of this, in 2009 Azerbaijan Television produced a special program about Ingiloyls.<sup>185</sup> According to the local population, the real need is restoration work on small churches and places of worship.

### ***Cultural Cooperation and the Media***

Cultural links have served as a unifying element between Azerbaijan and Georgia. Despite differences between Georgia's Christian heritage and Azerbaijan's historically Turkic-Muslim identity, the two countries have influenced one another and cultural crossovers are common.

#### *Historical Cultural Links*

In particular, cultural cooperation between Georgia and Azerbaijan flourished at the end of the 19<sup>th</sup> century, when most Azerbaijani intellectuals, poets and writers were working in Tbilisi. Many progressive ideas were circulated, a national dramaturgy was established, as was a tradition of realist prose and theatre. Newspapers and magazines in the mother tongue were published, and the second half of the 19<sup>th</sup> century saw the opening of new-style schools. Undoubtedly all of this had a positive influence on Azerbaijan's cultural development. Indeed, the opening of an Azerbaijani (Tatar) Department in 1879 at the Transcaucasia Teachers Seminary in Gori, Georgia, was a highly significant moment. The famous Azerbaijani playwright, Mirza Fatali Akhundov, graduated from this institution, and later worked on the reform of the reform, creating the Azeri alphabet by modifying Arabic script during his time in Tbilisi.<sup>186</sup> He also wrote a number of plays about the East – his six comedies were published in Tbilisi in 1859, and in 1872 *The Story of the Vezir of the Khan of Lankaran* was the first Azerbaijani play performed in Tbilisi.

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183 Information from Ministry of Culture and Tourism of Azerbaijan, at <http://www.mct.gov.az/service/lang/en/page/17/sid/24/nid/51/n/3/>.

184 "Azerbaijani Georgians, Investigation of Journalist Group," Modern.az, June 2011, at <http://modern.az/articles/14837/1/>.

185 The film can be found in Azeri at <http://www.youtube.com/watch?v=KQ8MG5EQfaI>.

186 "Mirza Fatali Akhundov: Alphabet Reformer Before His Time," *Azerbaijan International*, Vol. 8, No. 1 (Spring 2000), at [http://azeri.org/Azeri/az\\_latin/latin\\_articles/latin\\_text/latin\\_81/eng\\_81/81\\_akhundov.html](http://azeri.org/Azeri/az_latin/latin_articles/latin_text/latin_81/eng_81/81_akhundov.html).

During the same period, following the closure of the first Azerbaijani newspaper *Akinchi*, other Azerbaijani newspapers were published in Tbilisi, such as *Ziya* (1879-1880), *Ziyaye-Qafqaziyye* (1880-1884), *Keshkul* (1883-1891) and *Sherqi-Rus* (1903-1905) as well as the satirical magazine *Molla Nasreddin* (1906-1918). During the time of the Democratic Republic of Georgia, *Gelecek*, *Gencler Yurdu*, *Gelebe*, *Al Bayraq* and other media outlets were all publishing. This tradition continued during the Soviet period, but the level of cultural cooperation was not so great; for the most part, the Azerbaijani language periodicals, journals and newspapers served the interests of the Azerbaijani population in Georgia.

In addition to this, many ancient Azerbaijani, Arabic and Persian manuscripts were written or copied in Tbilisi, for example, the 10<sup>th</sup> century Azerbaijani scholar Isa ar-Ragi Tiflisi – known for his commentary to Avicenna’s *Canon* – lived and worked in this city. There is also a famous collection of verses written in Azeri (Turkic) by mystical Azerbaijani poet Imadaddin Nasimi, who was writing in the 15<sup>th</sup> century. The Tbilisi Institute of Manuscripts still houses many valuable Azerbaijani works from the middle ages, including 240 Turkic manuscripts.<sup>187</sup>

The other area of cultural affinity is *Ashik* poetry, the poetic genre of Azerbaijani bards, and Georgia was a place where this poetry flourished. In the areas of Georgia where Azerbaijanis live, this poetic tradition has continued.

Without a doubt, the most famous cultural link between the two nations is Kurban Said’s novel *Ali and Nino: A Love Story*, originally written in German and now translated into more than 30 languages. The novel describes the differences between Muslim and Christian cultures, the tumultuous political situation in the Caucasus, and, mainly, the love story of an Azeri nobleman and a Georgian princess. The book celebrates ideas of family honor and patriotism together with tolerance, themes which ensure the story’s continued relevance for a region that is still struggling with the ghosts of past ethnic conflicts and Russian aspirations for greater influence.<sup>188</sup> The novel even featured in *Foreign Policy* magazine’s 2011 list of foreign policy books to read before the US election.<sup>189</sup> In the political arena, the novel is often described as a symbol of friendship between Azerbaijan and Georgia. In Batumi, there is a statue of Ali and Nino, and there are calendars produced by Azerbaijani companies based on the novel.<sup>190</sup>

### *Modern Cultural Cooperation and Media*

Today, Azerbaijan and Georgia are strengthening their cultural ties. The historical links help to build this closeness. There are various facets of cooperation between the two countries:

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187 “The Other ‘Koroghlu’:Tbilisi Manuscript Sheds Light on Medieval Azerbaijani Hero,” *Azerbaijan International*, Vol. 10, No. 1 (Spring 2002), pp. 54-57, at [http://azer.com/aiweb/categories/magazine/ai101\\_folder/101\\_articles/101\\_alakbarov.html](http://azer.com/aiweb/categories/magazine/ai101_folder/101_articles/101_alakbarov.html).

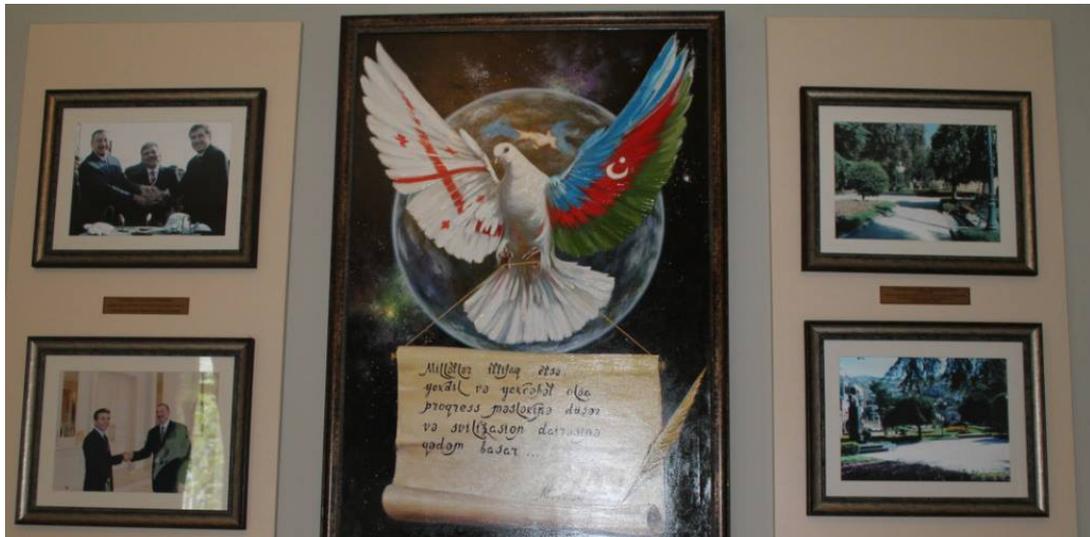
188 Emma Pratt, “Ali and Nino’s Enduring Mystique,” *Eurasia Review*, 24 March 2012, at <http://www.eurasiareview.com/24032012-ali-and-nino%E2%80%99s-enduring-mystique-analysis/>.

189 Daniel W. Drezner, “Get Smart: How to Cram for 2012 – The foreign-policy books you should be reading to get ready for election season,” *Foreign Policy*, July/August 2011, at [http://www.foreignpolicy.com/articles/2011/06/20/get\\_smart\\_how\\_to\\_cram\\_for\\_2012](http://www.foreignpolicy.com/articles/2011/06/20/get_smart_how_to_cram_for_2012).

190 “Tbilisi presented calendar of 2013 which dedicated and used ornaments of Ali and Nino novel,” APA, 14 February 2013, at <http://m.apa.az/?c=show&id=288527&l=az>.

First of all, the Tbilisi State Azerbaijani Drama Theatre,<sup>191</sup> established in 1922, has been renovated and performs Azerbaijani cultural pieces in Georgia. The Azerbaijani community has expressed concern that the theater is managed by a Georgian director,<sup>192</sup> though this question has not been addressed publicly. Tbilisi also opened the former home of Azerbaijani writer Mirza Fatali Akhundov (see Map 4) as a museum in May 2013. The opening of the museum was attended by Georgian Prime Minister Bidzhina Ivanishvili, Minister of Culture Guram Odisharia, his Azerbaijani counterpart Abulfaz Garayev, the President of SOCAR and the Azerbaijani ambassador to Georgia.<sup>193</sup> Additionally, there is an Azeri Cultural Centre in Tbilisi and another one in Marneuli – a region with an Azerbaijani majority. The Marnueli Youth Center, which operates with financial support from SOCAR, is the best example of a local center for culture, education, and sport. The Marnueli Youth Center has a library, organizes cultural days, and provides educational opportunities, in particular, Georgian language courses for local young Azerbaijanis.<sup>194</sup>

**Map 4. Museum at the former home of Azerbaijani writer Mirza Fatali Akhundov in Tbilisi.**



Secondly, Azerbaijan is translating important national books into Georgian, for example the famous Azerbaijani writer Anar’s novel based on the ancient national epic *Dede Gorgud*, along with Azerbaijani classics. Georgian classics and modern books are also being translated into Azerbaijani to increase knowledge of Georgian culture and art among the local Azerbaijani-

191 Official website of Tbilisi State Azerbaijani Drama, at <http://www.azeri-theatre.ge/homea.htm>

192 Interview with Qaratel Allahverdiyeva, Executive Director of Union of Azerbaijan Businessmen, Tbilisi, Georgia, 17-18 August 2011.

193 “PM: Georgia, Azerbaijan connected by great cultural ties rooted in history,” *Trend Information Agency*, 8 May 2013, at <http://en.trend.az/news/society/2148547.html>

194 Interview with Emin Akhmedov, Head of Marnueli Youth Center, Marnueli, Georgia, 21 August 2011.



There are two important challenges to building further collaboration in media. First of all, Azerbaijani newspapers are, in general, not oriented to the Georgian public. Furthermore, the community wants to use the media as a means to communicate their problems and concerns, but these publications are only available in Azerbaijani, which impedes the delivery of their messages. Secondly, the Azerbaijani media outlets in Georgia are mainly based in the regions, rather than in Tbilisi, where most of the relevant decisions are made. Also, there is a lack of interest in newspapers and journals among the Azerbaijani population, as pointed out by Georgian Azerbaijani intellectuals.<sup>196</sup> This is one of the consequences of the problems in the education sector described earlier.

Beyond the local community's media, there are not close ties between Georgia's media structures and their Azerbaijani counterparts, especially in comparison with the links between the Azerbaijani and Turkish press. Azerbaijan's mainstream media shares more news from Georgia than the other way round. Azerbaijani news in Georgia is mainly shared through the English-language media outlets (*Civil Georgia*, *The Messenger*, *Georgia Today*), which focus on news about Azerbaijan mainly in the international context, and for a limited audience. Given that the media plays a key role in cross-community perceptions, there is an urgent need for closer cooperation.

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196 Interview with Akif Khansultanli (Xansultanli), Editor-in-Chief of *Qarapapaqlar*, Tbilisi, Georgia, 20 August 2011.



## PART II

### AZERBAIJANIS LIVING IN GEORGIA: INTER-ETHNIC RELATIONS AND THEIR IMPACT ON STATE RELATIONS

#### ***Azerbaijanis in Georgia***

*The majority of Georgia's ethnic Azerbaijanis live in the Kvemo Kartli region, where they make up roughly half the population. There are also villages in other provinces of Georgia with Azerbaijani populations: Kakheti, Shida Kartli, and Tianeti. In terms of the big cities, they are settled mainly in Tbilisi and Rustavi, though most Azerbaijanis in Georgia live in villages. Azerbaijanis living in Georgia consider themselves indigenous inhabitants with strong ancestral ties to the Kvemo Kartli. Among Azerbaijanis, the region is known by a different name—Borchali.*

*According to the most recent census (2002), there are 284,000 ethnic Azerbaijanis living in Georgia. However, this figure is now more than a decade old, and Azerbaijanis claim that the number is now more like 400,000. This estimate is based on high birth rates in Azerbaijani communities in addition to a suspicion that the official figures were deliberately deflated. A comparison of the 1989 and 2002 censuses, taking into account the traditionally high birth rate, does raise questions about the reliability of the official data.*

Since regaining independence, Azerbaijan and Georgia have been committed to developing a mutually beneficial strategic alliance. At the same time, there remain a number of issues that have been brushed under the carpet in bilateral relations. Pursuant to the need to air these unexplored issues, the second part of this report reviews and assesses the challenges faced by Azerbaijanis living in Georgia. The issues of language and education, legislation and human rights, citizenship, political rights, economy and property rights are examined in light of how these issues affect or could affect Georgia-Azerbaijan relations at the state level, as well as on the social integration of Georgian Azerbaijanis. In this regard, the authors refer to “Azerbaijanis living in Georgia”; however, section two of the report demonstrates that these problems remain unresolved or are only partially resolved. From the Georgian perspective, Azerbaijanis living in Georgia are accepted as full members of Georgian society. From the Azerbaijani standpoint, however, a number of questions have arisen, in particular: are these Azerbaijanis part of the diaspora? Or are they citizens of Georgia? In the latter case, Azerbaijan is prevented from intervening in Georgia’s domestic affairs. The complexity arises in the definition of the Azerbaijani population as a protected religious and/or ethnic minority group.

### **Georgians living in Azerbaijan**

*Ingiloyts or Ingiloi, are an ethnic group of Georgian descent living in north-western Azerbaijan. A glance at official census records indicates that there are some 10,000 ethnic Ingiloi who live in several large villages in that district. The main difference between the Georgians in Georgia and the Ingiloi is religious affiliation. Early in the 17<sup>th</sup> century, Shah Abbas I of the Safawi Empire introduced Islam introduced Islam to the region, and since then, some of the Ingilos have followed Islam, while others retained their Christian faith.*

Each of these different identities suggests a different political and social reality for Azerbaijanis in Georgia, and each interpretation gives rise to different requirements and different solutions to the complaints articulated by Azerbaijanis.

Drawing clear lines will be helpful in identifying both the identity claims of Azerbaijanis (cultural or political) and will make it easier to locate ethnic Azerbaijanis in the spectrum of the Azerbaijani-Georgian political relationship.

### **The Contested Identity of Azerbaijanis living in Georgia and the Impact on Baku-Tbilisi ties**

In the framework of Azerbaijani-Georgian relations, governmental and public perceptions are a key factor in the identification of Azerbaijanis living in Georgia. Multiple perspectives are at play: how do local Azerbaijanis perceive themselves; how does the Georgian government perceive them; and, on the other side, how do the Azerbaijani authorities perceive them? How do these various angles affect Baku-Tbilisi relations?

tives are at play: how do local Azerbaijanis perceive themselves; how does the Georgian government perceive them; and, on the other side, how do the Azerbaijani authorities perceive them? How do these various angles affect Baku-Tbilisi relations?

### **Characteristics of Georgia's Azerbaijani Community**

Georgia's Azerbaijani community has always held an important position on Baku's agenda, and both Georgia and Azerbaijan have declared their mutual respect and support for each nation's minority's rights. Both sides made this respect official when the Azerbaijani and Georgian Presidents issued a Joint Communiqué on 22 March 2000, following a bilateral meeting, in which they emphasized that:

*Parties affirmed that they give great importance to the protection of rights and interests of Azerbaijanis living in Georgia, as well as Georgians living in Azerbaijan and confirms that they consider this is an important area of state policy*

However, despite of this high-level affirmation of the rights of Azerbaijanis living in Georgia by both governments, their socio-political situation is largely shaped by historical context, which continues to have an impact.<sup>197</sup>

Looking to the post- independence period, social apathy and weak participation in public and political life among Azeri community members can be observed. This has resulted in a weakly

197 The Joint Communiqué was signed by Azerbaijan President Heydar Aliyev and Georgian President Eduard Shevardnadze on 22 March 2000 in Tbilisi, Georgia. The Azerbaijani text of the Joint Communiqué can found at <http://e-qanun.az/print.php?internal=view&target=1&docid=351&doctype=0>

politicized and therefore fragmented elite. This tendency is mainly a result of the political *Sovietization* and cultural *Georgianization* of the Azeri political elite which took place during the Soviet era. There are also a number of social and historical factors that have influenced community development.

Tbilisi (Tiflis) was the cultural, intellectual, and political center between the Tsarist Empire and the Soviet Stalinist period. Thus the South Caucasus' intelligentsia formed in Tbilisi; representatives of different ethnic groups headed to Tbilisi to seek their fortunes. In addition, at the end of the 19<sup>th</sup> and beginning of the 20<sup>th</sup> century a cohort of prominent enlightened thinkers, including Mirza Fatali Akhundov, Jalil Mamedkuluzade, Uzeyir Bey Hajibeyov, Alimardan bey Topchubashov graduated from educational institutions in Georgia and began to work there. Tbilisi's geographical and political closeness to Russia provided a mixture of benefits and burdens: the way to the West lay through Russia, and Caucasian enlightenment was hugely enabled by journeys northward by students to Russian centers of learning in order to discover the latest discoveries of European thinkers.<sup>198</sup> The Tbilisi's position started to change after the first oil boom in Baku at the end of the 19<sup>th</sup> century when new oil barons appeared in Azerbaijan, and with the country's increasing economic importance opportunities shifted from Tbilisi to Baku. Oil turned Baku into a cultural center—not just of the Caucasus, but also of the entire Muslim East. Between 1900 and 1920, hundreds of Azeri-language newspapers, magazines and books were published in Baku.<sup>199</sup> Muslims and Turks from all over Russia came to Baku to learn more about the Azerbaijani cultural heritage. From that time, the numbers of the Azeri community began to decline in Tbilisi. First among those to leave were the intellectuals. The oil barons spent a great deal of money on charity projects, many of them educational, whereby they—notably Haji Zeynalabdin Taghiyev—sent talented young Azeris to study in Russia (in Moscow, Kazan, and St. Petersburg) and at European universities.<sup>200</sup> Baku built several schools, education centers, and cultural centers, and the city began to attract many job seekers from region, becoming the center of Muslim culture in the East. Hence, at the beginning of the 20<sup>th</sup> century, Azerbaijani entrepreneurs and intelligentsia moved to Baku.<sup>201</sup> The starting point for them was the 1905 Russian Revolution, which marked the political awakening of all Muslims in the Tsarist Empire. After that moment, Azerbaijani intellectuals demanded representation of the Turkic-Muslim population in central government bodies and political participation in local executive and judicial bodies in Tsarist Russia, and fought against discrimination and restrictions.

Tbilisi's traditional role as the center of the Muslim intelligentsia changed, but the city continued to play a crucial role in the intellectual and cultural life of the region. Baku was the economic hub of the Caucasus: in 1883 it had held the region's only railway connection with European Russia, and it was the world's largest oil producer at the beginning of the 20<sup>th</sup> century. Apart from being a key player in the international oil industry, Baku was a large

198 Ronald Grigor Suny, *The Making of the Georgian Nation*, Indiana University Press, 1994, p. 123.

199 Farid Alakbarov, "The Baku City That Oil Built", *Azerbaijan International*, Vol. 10, No. 2 (Summer 2002), pp. 28-33.

200 Manaf Suleymanov, "Stories of Taghiyev, Baku's Most Renowned Oil Baron", *Azerbaijan International*, Vol. 10, No. 2 (Summer 2002), pp. 42-49.

201 Dilara Seyid-zade, *Azerbaijan in the Beginning of XX century: Roads Leading to Independence*, Baku, 2010, p. 123.

open market for different regions and peoples, such as Russians, the Cossacks of the North Caucasus, the Turkmen of Central Asia and the Gelani of Northern Iran. Baku was also a gateway for Georgian trade and transport with Russia via its railway line to the north, and as the Tbilisi–Julfa–Marand railway crossing Armenia was not in operation, Azerbaijan was also a crucial transit corridor for Georgian–Iranian trade.<sup>202</sup>

For this reason, high-level interaction and cross-border trade relations between Georgia and Azerbaijan further strengthened, and the Azerbaijani intelligentsia played a crucial role in developing the European profile of the two countries, notably advocating for the recognition of their national independence by Europe. In this sense, the Tbilisi-born Azerbaijani intelligentsia<sup>203</sup> was a crucial player in bilateral and indeed international relations. These two countries were the only ones to achieve peace with one another in the 1918–1920 period. Thus, the Western-educated Azerbaijani intelligentsia, known later as the *founding fathers*, proclaimed the Azerbaijan Democratic Republic in Tbilisi on 28 May 1918, and this Republic survived until the Bolshevik invasion on 28 April 1920. The Bolshevik attack and the end of the first Azerbaijan Republic were the first great blows to republican values and the liberal intelligentsia, and those who were not killed or driven out in the 1920s were slowly eliminated—killed, imprisoned, exiled, their memories vilified—in the two decades that followed.<sup>204</sup> The Soviets had the same attitude towards intellectuals in other Soviet republics. Since the beginning of the Soviet Union, the role of Azerbaijanis in Tbilisi’s socio-political life has decreased. Georgia became culturally more Georgian under Stalin’s rule (1928–1953), during which time non-Georgian minorities paid the price as cultural centers and many Azerbaijani and Armenian intellectuals moved to the capital cities of their respective countries. In the mid-1960s, the Soviet leadership under Leonid Brezhnev changed its policies towards nationalities, but soon abandoned a political solution to the nationalities problems, and by the end of the 1970s, a new Soviet constitution had been adopted (7 October 1977), hailing a “new historical community of people, a Soviet nation has emerged”.<sup>205</sup> This development damaged conceptions of a denationalized Soviet identity among Soviet Republics, creating more nationalistic feelings, with anti-federal sentiments being expressed increasingly openly. This was borne out by a new wave of nationalism across the Soviet Union in the 1980s, ultimately causing the dissolution of the empire. Despite the positive developments throughout the 1990s, namely the emergence of nation-states in the Caucasus, Georgia experienced violent inter-community conflict in the early 1990s, which resulted in a “brain drain” from Tbilisi. Even after the end of the violence, memories of this inter-cultural conflict remain potent, as is the public fear that it could happen again. Paradoxically, since the peaceful Rose Revolution in 2003, as society has increasingly integrated Western values, Georgia has become an important platform for discussions on the enmity and frozen conflict between Azerbaijan and Armenia. Georgian President Saakashvili has been eager to promote the success of the 2003 Rose Revolution, and

202 Harun Yilmaz, “An Unexpected Peace: Azerbaijani–Georgian relations, 1918–20”, *Revolutionary Russia*, Col. 22, No. 1 (2009), pp. 44–45.

203 This is referring to the Azerbaijani intellectuals that were born, educated or lived in Tbilisi, and played crucial roles in cultural affairs, social affairs, and more importantly in forming Azerbaijan Democratic Republic.

204 Audrey L. Altstadt, “Azerbaijan’s First and Second Republics: The Problem of National Consciousness”, *Caspian Crossroads Magazine*, Vol. 3, No. 4 (Spring), 1998.

205 Suny, *The Making of the Georgian Nation*, p. 294.

in speeches he has referred to Georgia as a “center of gravity” for the democratic ideas in the Caucasus. For instance:

Tbilisi is the capital of not only of Georgia but of the entire Caucasus—Tbilisi is the capital of Armenia and Azerbaijan to a certain extent... Of course they have their own capitals, but Tbilisi still remains an important center for them.<sup>206</sup>

Meanwhile, Tbilisi started to attract intellectuals from neighboring countries for its comparative political neutrality, its geographical closeness, and aspirations to Western values.

In Soviet times, the main opportunity for ethnic Azerbaijanis to participate in the civil-political life was through government agencies, but even this was limited. The political behavior of ethnic Azerbaijanis was marked by weak political participation and engagement. During Georgia’s separation from the Soviet Union, the Azeri population feared for its fate in independent Georgia. However, it never escalated to armed clashes. The population tended simply to support the incumbent governments, namely Shevardnadze’s party, the Citizens’ Union of Georgia, and after 2003 Saakashvili’s United National Movement, and now, probably, Bidzhina Ivanishvili’s Georgian Dream coalition. This behavior—political disengagement and a “wait and see” attitude towards political processes—was manifested once again in the October 2012 elections.<sup>207</sup> Before the election, the Saakashvili government lost political capital in the eyes of the public, while the Georgian Dream coalition’s campaign raised issues that are centrally important for Azerbaijanis, pertaining to the long-running social problems that affect their daily lives. Yet despite this, the majority of ethnic Azerbaijanis in Georgia voted for the UNM.

There are a number of reasons for this apparent lack of engagement in political processes. The position of local Azerbaijanis, as mentioned previously, weakened in Tbilisi. Furthermore, there are only a few Azerbaijani representatives involved in government or in opposition political parties, and Azerbaijanis are not close to the Georgian elite or intellectual community, which makes it difficult for them to influence the political *process* from inside the country. Notably, the Georgian political system has evolved over time, moving away from the Azerbaijani minority. For example, since the time of Shevardnadze, Georgia has used the term *elitist intellectuals*<sup>208</sup> to refer to a narrow circle containing only a few dozen people who have always been famous for their strong ambition to influence the political process. Under Saakashvili, and especially between 2004-2011, there was a new wave of elite support from influential non-governmental organizations (NGOs), independent media, and other civil society institutions that emerged in the reform process and became dominant influences and drivers of social and political processes. But the problem is that Georgian intellectuals have faced problems with institutionalization and thus it is still problematic to talk about the *traditional elites* in Georgian politics. The main influence is the crowd—and the driving forces in the last decade have been civil society actors (the

206 “Saakashvili on Turning Kutaisi into ‘Second Capital’”, *Civil Georgia*, 2 May 2012, at <http://www.civil.ge/eng/article.php?id=24719>.

207 During the 2012 Georgian parliamentary election, 13 ethnic Azeris (including two women) ran for seats in the Georgian National Assembly, with seven representing the ruling party, five from the Georgian Dream coalition and one from the Christian-Democratic Movement

208 Georgi Kalatozishvili, “Elitist intellectuals” rebel against Saakashvili”, *Vestnik Kavkaza*, 24 December 2012, at <http://vestnikkavkaza.net/articles/politics/35274.html>.

NGOs, public and media), all of which remain important influences. However, in this respect, Azerbaijanis have not become involved at the level of intellectual or political elites in Georgia, a type of engagement for which they need to be politically strong and intellectually prepared. The reasons for this lack of integration will be discussed in detail below.

## **Perceptions and Misperceptions: Integration and Public Participation of the Azerbaijani Community**

The Azerbaijani community tends to be closed and is sometimes seen as isolated; this is the primary characteristic of the community today. In fact, local Azerbaijanis do not face any dramatic problems, and ethnic Azeris themselves do not view their situation as critical in any way. They often voice their general belief that the incumbent government is much more focused on resolving the problems of Armenians (who live in the Samtskhe-Javakheti region of Georgia) than those of the Azerbaijanis. A common refrain among the Azerbaijani community is that

Georgian Armenians are sometimes considered as too demanding, but at least they get something at the end of the day. The Georgian Azeris, however, don't speak up, and consequently don't get heard.<sup>209</sup>

In addition to nationwide problems such as unemployment, many Azerbaijanis along with other minorities have faced obstacles to social integration, mainly due to the language barrier.<sup>210</sup> Meanwhile, the representatives of the Azerbaijani community—namely those in the Georgian parliament—have escaped censure. Most of them come from Tbilisi and thus maintain only weak links with the rural portion of the minority they are supposed to be representing; indeed only two or three Azerbaijanis are elected in each parliamentary election.<sup>211</sup> The community generally does not acknowledge that their representatives are failing to act, and that this lack of political action is making their situation worse. On the contrary, the majority believe that their social problems are mainly the result of poor management by the central authorities. These issues have resulted in increased migration from Kvemo Kartli, as well as public discontent with local and central governments. According to the head of the Tbilisi-based Varlig Cultural Center, Rafiq Hummet, “a country always starts to break down from the border”,<sup>212</sup> referring to the land reform in Georgia during the 1990s, which resulted in the privatization of agricultural areas where people lived in all areas 25 km from the national borders. According to Hummet, it is difficult to speak about an “Azerbaijani elite”. Even representatives of the Azerbaijani community in the Georgian parliament are not quite sure where they need to go to demand solutions for their social problems: Tbilisi or Baku? This lack of clarity means

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209 From Zaur Shiryev's conversations with local residents and members of the Azerbaijani community in Marnueli, Georgia, 18-19 August 2011. Records on file with author.

210 International Crisis Group, “Georgia's Armenian and Azeri Minorities”, Europe Report No. 178, 22 November 2006, at [http://www.crisisgroup.org/~media/Files/europe/178\\_georgia\\_s\\_armenian\\_and\\_azeri\\_minorities.pdf](http://www.crisisgroup.org/~media/Files/europe/178_georgia_s_armenian_and_azeri_minorities.pdf)

211 “National Integration and Tolerance in Georgia: Assessment Survey Report 2007-2008”, at [http://www.una.ge/pdfs/publications/survey\\_report\\_eng.pdf](http://www.una.ge/pdfs/publications/survey_report_eng.pdf)

212 Interview conducted on 20 August 2011, in Tbilisi, Georgia.

that the majority of Georgian Azerbaijanis see the interest of Azerbaijan Republic as their first priority: “where Azerbaijan’s interests are trampled, so are Georgian interests”.

The general concerns and perceptions among the Azeri population in terms of their approach to their elite-political representatives, and their integration into the Georgian society, show that small things can easily create bigger problems.

#### *Lack of Reliable News/Information among the Ethnicities.*

The language barrier remains a major issue among Georgia’s Azerbaijani population, though the Georgian government has launched various programs and projects in order to help Azerbaijanis integrate into the political life of the country. According to the 2002 census, only 43,024 out of 284,761 Azeris in Georgia were able to speak Georgian.<sup>213</sup> Russian was the most popular second language for Azeris, with 75,207 speakers. The census also revealed that 934 Azeris indicated Georgian and 385 indicated Russian as their first language. Azeri-speaking communities rely almost exclusively on Azeri and Turkish media sources for news and entertainment, while the main media sources for Georgians are in Georgian. This gives rise to major differences in perceptions of local and regional issues among different ethnic groups.<sup>214</sup> Generally speaking, the concern among the Georgian majority is that ethnic minorities’ dependence on foreign media sources makes them vulnerable to misinformation and potentially could create a security threat for Georgia. The other closely related problem is that there is no common language between the Georgians and the Azeris. The older generation can access Russian information sources, and the Georgian government has in fact launched a Russian-language television channel in order to unite the Russian-speaking people, but for most Azeris, their only language is Azerbaijani. Azerbaijani state television or Turkish television tends to focus more on domestic and international news, and thus it is hard to find out from these news sources what is happening in Georgia. It is also not possible to broadcast in Azeri on local television as part of the Georgian government’s commitment to maintaining a balanced attitude towards the Armenian and Azerbaijani communities, which can be very difficult. In addition, the intellectuals in the Azeri community are highly politicized, answering to different groups within the government in Baku. Their publications in the media show the multiple divides between and across the two countries.

#### *Ethnicizing Social Problems and the Lack of Local Representation.*

The Azeri community ethnicizes everyday social and economical problems, and even on minor issues they feel discriminated against by the central government, and that these problems are unique to them, rather than shared across the whole society. Such perceptions compel

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213 “2002 Census in Georgia: Population by Native Language”, at [http://geostat.ge/cms/site\\_images/files/georgian/census/2002/1%20tomi%20-%20saqarTvelos%20mosaxleobis%202002%20wlis%20pirveli%20erovnuli%20sayovelTao%20aRweris%20Sedegebi.pdf](http://geostat.ge/cms/site_images/files/georgian/census/2002/1%20tomi%20-%20saqarTvelos%20mosaxleobis%202002%20wlis%20pirveli%20erovnuli%20sayovelTao%20aRweris%20Sedegebi.pdf).

214 “Peace, Security and Stability in Kvemo Kartli”, *Caucasus Institute for Peace, Democracy and Development*, February 2011, at [http://www.cipdd.org/files/40\\_532\\_272132\\_Communityinformedstrategy-KvemoKartli-eng-reduced.pdf](http://www.cipdd.org/files/40_532_272132_Communityinformedstrategy-KvemoKartli-eng-reduced.pdf).

them to identify culturally, politically and economically more with Azerbaijan and Turkey than with Georgia. For instance, all cultural and economic projects launched and financed by the Azerbaijani government seek to build links between Azerbaijani communities in Georgia and Baku. The other factor, as mentioned above, is the common language problem. Local communities lack Georgian language skills; in the major centers of Kvemo Kartli only 5-7 percent people are fluent in Georgian (see Figure 7), which creates a disconnect in terms of civic identity as well as seriously restricting access to essential information about state programs, laws, and changes in regulations. And while Azerbaijanis often compare their political representation with Armenian-populated Javakheti, during Shevardnadze's term as president (1995–2003) all the district Prefects (*gamgebeli*) in Kvemo Kartli were Georgians (unlike in Javakheti where these posts were held by Armenians). Virtually all other senior posts at the regional level were held by Georgians; local Azeri leaders were given minor posts.<sup>215</sup> The high levels of political participation among the Javakhetia Armenians led them to demand more political influence, and, under Shevardnadze, more positions of political power in local state structures were given in exchange for the silence of the region's Armenian community.

Additionally, post-2003, when NGOs and civil society have played a major role in the transformation of the country, the NGOs established by the Azerbaijani community were particularly politicized, or linked to religious-cultural groups, or groups who support civic-cultural autonomy. The problem faced by these NGOs is the absence of a common approach to community problems; they even have different views on how to resolve social problems or even ignore those types of problems, preferring to focus on the daily context. Therefore, within the Azerbaijani community, people tend not believe that the central government is genuinely interested in combating their socio-economic problems. They also have little faith that Azerbaijani politicians represent their concerns in the parliament. Unfortunately, the community in general also lacks political awareness: only a very small proportion of national minorities in Kvemo Kartli knew the details of their rights or had a clear understanding of the Georgian political system. Thus it is hardly surprising that the incumbent UNM won the elections in Kvemo Kartli by a massive margin, even in October 2012 when across the country there was a broader desire for change.<sup>216</sup>

**Figure 7. Level of Georgian language in the Kvemo Kartli region<sup>217</sup>**

<b>Fluency in Georgian among minorities in four districts of Kvemo Kartli</b>	<b>Gardabani</b>	<b>Marneuli</b>	<b>Dmanisi</b>	<b>Tsalka</b>
No knowledge	24.5%	42.2%	8.1%	19.3%

215 Jonathan Wheatley, "The Integration of National Minorities in the Samtskhe-Javakheti and Kvemo Kartli provinces of Georgia: Five Years into the Presidency of Mikheil Saakashvili", European Centre for Minority Issues (ECMI) *Working Paper No. 44*, September 2009, p. 12.

216 From Zaur Shiriyev's conversations with local residents and members of the Azerbaijani community in Kvemo Kartli, Georgia, August 2011. Records on file with author.

217 Jonathan Wheatley, "The Integration of National Minorities in the Samtskhe-Javakheti and Kvemo Kartli provinces of Georgia," p. 8.

Can understand a few basic words	47.0%	35.1%	47.5%	49.5%
Can understand nearly everything but limited verbal abilities; can express only basic needs	14.0%	12.8%	32.3%	22.6%
Can understand and speak well but cannot write	6.9%	6.2%	7.1%	2.8%
Can understand, speak and write fluently	7.7%	3.8%	5.1%	5.7%

*The Armenian-Azerbaijani Conflict: Turkey's Image and its Effects on the Inter-community Relationship*

Members of the Azerbaijani community have always coexisted with local Armenians, and the situation of co-habitation in Georgia has been cited as an example of the friendly coexistence of Azerbaijani and Armenian communities. Meanwhile, the other axis of animosity is between Turkey and Armenia. Following increasing levels of Turkish investment in the Georgian economy, the reactions of both the Armenian population and the Georgian population have affected Azerbaijanis in Georgia.

From the Georgian perspective, Turkey's increasing investments, especially along Georgia's west coast, where there is a larger Muslim population, have raised questions about Ankara's intentions. Given that Turkish investors have been involved in restoring old mosques dating back to Ottoman times, as well as building new ones (notably in Javakhetia and Adjara),<sup>218</sup> there are worries about *neo-Ottomanism*. Discussions at the international level regarding Turkey's becoming the spokesperson for the Arab Muslims of the Middle East have contributed to concerns in Georgia. This is because marginalized groups are claiming that Georgian territories occupied during the Ottoman Empire are under threat again, in other words that current Turkish foreign policy is focused on the former Ottoman territories, namely Batumi and Adjara. Nonetheless, intensive anti-Turkish propaganda is on the rise, running parallel to increasing Turkish investment, and one way or another is affecting attitudes of Georgian citizens. While these views are not held by the majority, they are held by sufficient numbers of the political elite, who fear a change in Turkey's ideological direction and an increase in the role of religion in shaping foreign policy, which could potentially pose some tough challenges for Georgian policy. This has caused some to identify Turkey's business involvement as "Turkish expansionism" that will threaten Georgian culture and jobs, and even the state sovereignty.<sup>219</sup>

The attitudes of Georgian Armenians provide another angle on the perception of Turkey

218 "Türkiye Gürcistan'da Cami Yapacak", 4 February 2011, at <http://www.haberler.com/turkiye-gurcistan-da-cami-yapacak-2516052-haberi/>

219 Molly Corso, "Georgia: Anti-Turkish Sentiments Grow as Election Date Nears", *Eurasia.net*, 19 September 2012, at <http://www.eurasianet.org/node/65933>.

in Georgia. Armenia has a historical grievance against Turkey due to the 1915 massacres and continues to be suspicious of Turkey.<sup>220</sup> In this vein, Georgia's Armenian population perceives Turkish investments and Azerbaijani-Turkish projects, like the Baku-Tbilisi-Kars railway, as discriminatory. The railway passes through the Samtkhe-Javakheti region but does not employ locals and the project has not brought any significant economic benefit to the local population.<sup>221</sup> The population of Javakheti, which borders Turkey, fears that Azerbaijan and Turkey have a plan to settle ethnic Turks in neighboring territories. They worry that the traditionally high birth rates in Turkish populations will mean that ethnic Armenians are displaced, or else that the Turks will use their economic clout to force local Armenians into "slave labor". Clearly, the pan-nationalistic view of Armenian intellectuals, who have advocated for autonomy for Javakheti, strongly opposes Turkish and Azerbaijani investment in the region. This attitude is in tune with the views of official Yerevan. Additionally, the general Armenian perception of historical victimization by Ottoman Turkey has discouraged Meskhetians Turks from returning<sup>222</sup> to the Armenian-populated Javakheti. In this respect, Georgia's struggle to restore territorial integrity through the reintegration of the breakaway republics of Abkhazia and South Ossetia, where ethnic identity has been used as a platform for launching secessionist claims, is used by the local Armenians to try to gain greater political autonomy from the central government. Armenians are also worried that an influx of Turks or any ethnic groups with Turkic roots would change the demographic balance, making the province predominantly Turkish and Muslim.

The Russian military base in Javakheti, seen as a security guarantor for local Armenians, was a cause for concern among Georgian Azerbaijanis, as in general Georgians have concerns about Moscow's intentions in the region.<sup>223</sup> However, the military base was closed in 2007, and later Javakheti Armenians came to believe that the base would be used by NATO and that Turkey, as a NATO member, would lead this process.<sup>224</sup> This indicates once more how local minorities are very much engaged in state-level relations between the regional countries. Even though minority groups' perceptions are unlikely to significantly affect bilateral relations, in the case of Georgia, perceptions of Turkey are closely linked to Ankara's relations with Russia, especially after the August 2008 Russo-Georgian war. Officially, Ankara stands with Georgia on the issue of territorial integrity, but Turkey hosts a large Ab-

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220 Robert Jervis, *Perception and Misperception in International Politics*, Princeton University Press, 1976, pp. 298-299.

221 Interview with Arnold Stepanyan, the head of "Multinational Georgia", by Zaur Shiriyev, 19 August 2011.

222 In November 1944, Soviet leader J. Stalin and his henchmen considered an offensive against Turkey. To eliminate a possible fifth column, they ordered the deportation of roughly 100,000 Meskhetians, Soviet citizens, from southern Georgia suspected of Turkish ties to Central Asia. In 2007, under pressure from the Council of Europe, the Georgian government passed a law that allows the Meskhetians to return. See: "Return of the Meskhetians", *The Economist*, 18 February 2011, at [http://www.economist.com/blogs/easternapproaches/2011/02/georgian\\_refugees](http://www.economist.com/blogs/easternapproaches/2011/02/georgian_refugees).

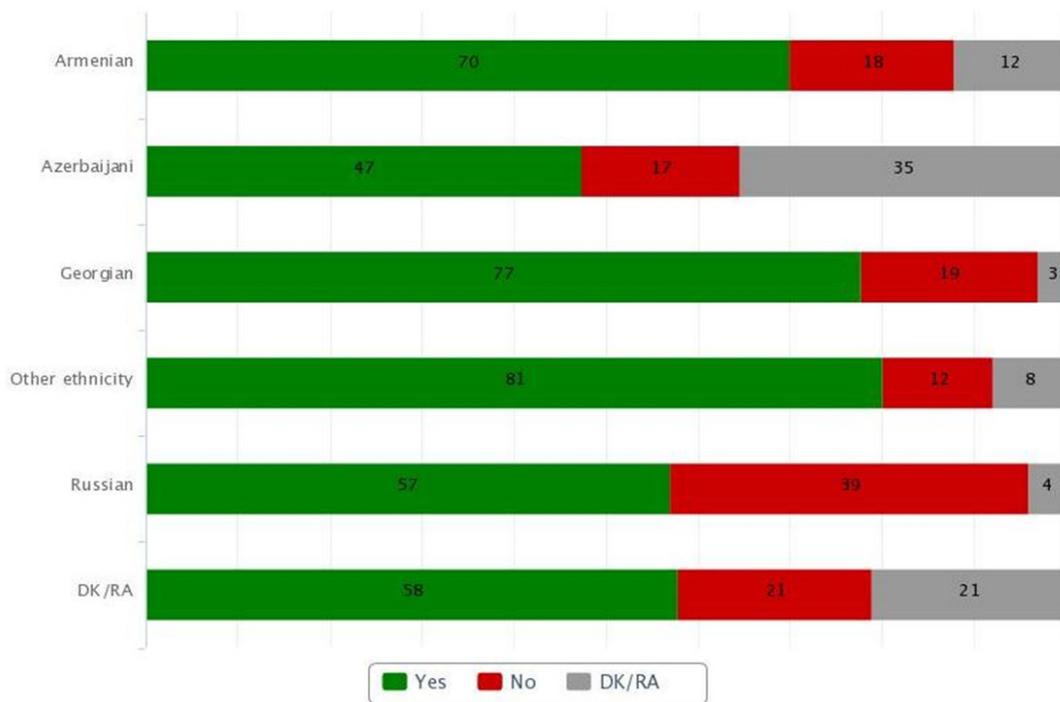
223 International Crisis Group, "Georgia: The Javakheti Region's Integration Challenges", *Europe Briefing No. 63*, 23 May 2011, p. 1.

224 For a more detailed account of Russian military bases see: Kornely Kakachia, "The End of Russian Military Bases in Georgia: Social, Political and Security Implications of Withdrawal", in Luis Rodrigues and Sergiy Glebov, *Military Bases: Historical Perspectives, Contemporary Challenges*, NATO Science for Peace and Security Series-E: Human and Societal Dynamics, 2009, pp. 196-206.

khazian diaspora, even more than live in the territory of Abkhazia itself. In this sense, there are concerns that public distrust of Turkey could be problematic in some sense. At the level of international policy making, “actors of course know that an incorrect image that leads to an incorrect policy is apt to have high costs, but they do not realize that an incorrect image will delay the development of accurate perceptions”.<sup>225</sup>

A similar pattern is evident in Turkey’s activity in Georgia, especially in the Armenian-populated areas, and Armenians follow the official line of their kin state (Armenia) in terms of attitudes towards Turks. In this picture, any improvement in state-level relations between the ethnic kin state and its historical enemy could change attitudes at the official level. This can be seen in Georgian Armenians’ perceptions of Turkey during 2009-2010 as the changing attitudes had a positive impact on perceptions of Turkey among local Armenians in Georgia. These variables (Figures 8, 9, 10) show the potential for reducing enmity.

**Figure 8. Approve of doing business with Turks?**  
**By respondents ethnicity (%) (Georgia, CRRC poll, 2009)**



225 Robert Jervis, *Perception and Misperception in International Politics*, Princeton, Princeton University Press, 1976, p. 195.

In this sense, we can look to several polls conducted by the Caucasus Research Resource Center (CRRC) in Georgia which are important in showing how state relations in the Turkish-Armenian-Azerbaijan triangle affect how much local Armenians and Azerbaijanis will want to do business with Turks. The *2009 Caucasus Barometer Poll*, conducted by the CRRC, reveals that when official bilateral relations are good, economic ties increase.

However, the CRRC’s *2010 Caucasus Barometer* shows a small drop in the number of Armenians who approve of doing business with Turks compared to the previous year; a similar trend—in fact even stronger—was found among Azerbaijani respondents.<sup>226</sup> Following the controversy around the Turkish-Armenian rapprochement, which Azerbaijanis everywhere saw as antithetical to their national interests, Georgian Azerbaijanis, who received significant coverage in the Azerbaijani media, were especially upset. Robert Jervis, explains that “people interpret incoming information in terms of what is concern to them at the time information arrives”.<sup>227</sup>

**Figure 9. Approve of doing business with Turks?  
By respondents ethnicity (%) (Georgia, CRRC poll, 2010)**

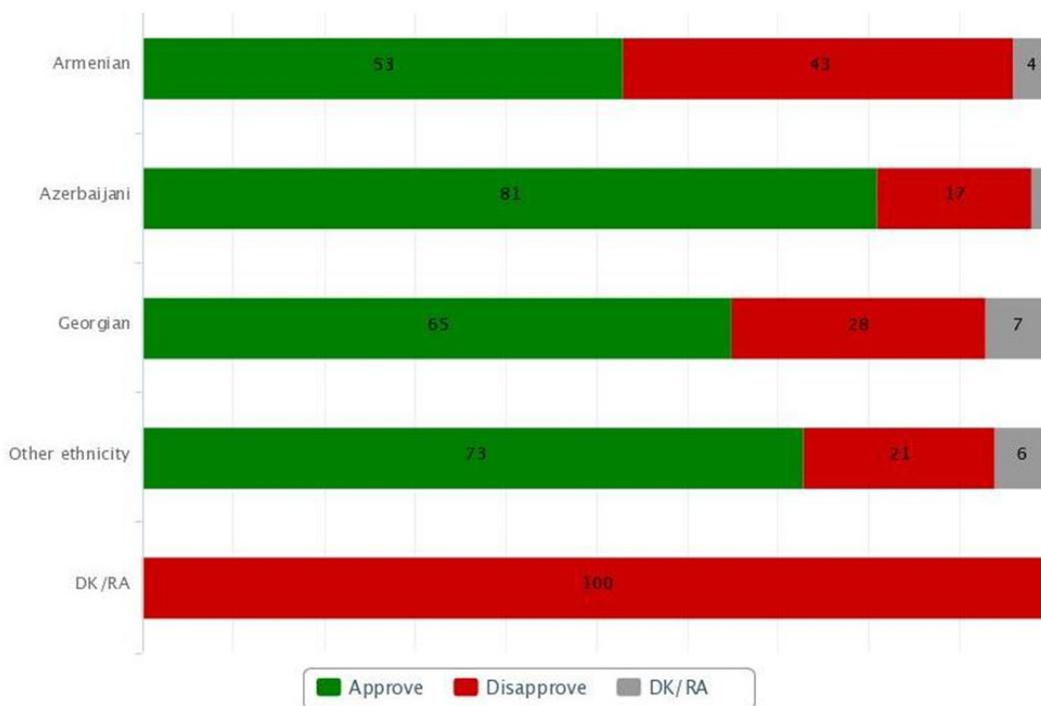


226 At <http://www.crrc.ge/oda/?dataset=4&row=26&column=127>.

227 Jervis, *Perception and Misperception in International Politics*, pp. 204-205.

This negative tendency increased a year later according to another CRRC poll, which showed that the positive attitudes among Armenians decreased,<sup>228</sup> likely due to a failure of the Turkish-Armenian rapprochement. In 2011,<sup>229</sup> the same poll showed a U-turn, with a majority showing a negative attitude towards Turkey among Armenians, and the opposite shift among Azerbaijanis, where the 42 percent positive response rose to 81 percent.

**Figure 10. Approve of doing business with Turks?**  
By respondents ethnicity (%) (Georgia, CRRC poll, 2011)



In terms of the relationship between the local Azeri and Armenian populations in Georgia, generally speaking the relationship is not tense, although the war between Armenia and Azerbaijan over Nagorno-Karabakh has had a powerful negative impact on mutual public perceptions. Nevertheless, since independence there have been no intense violent struggles between the two communities. However, one reason for this is that Azeris and Armenians do not tend to live close to another; each community has fairly compact areas of residence, with few exceptions. Here we can identify two dimensions of mutual perception by the Azeri and Armenian communities. One concerns local interaction between ordinary people in the frame of person-to-person contact, and the second is the “official” line, where both communities’ representatives focus on the broader aims of their “homelands”.

228 At <http://www.crcc.ge/oda/?dataset=16&row=42&column=161>.

229 At <http://www.crcc.ge/oda/?dataset=16&row=42&column=161>.

The first aspect is that local Azeris and Armenians are ordinary people who have had not any problems with each other; on the contrary, they are examples of positive coexistence. The supporters of this dimension applaud this example of coexistence and hope to build a safe, open platform for discussion between Azerbaijani and Armenian intellectuals in those locations. As mentioned above, Tbilisi also plays a role in facilitating personal contact between representatives of the two nations. One example of this is Tsopi, a small Georgian village close to the border with Armenia. What makes Tsopi so special is that it has an Azeri majority and an Armenian minority, and close by is another village, Khodjurni, which has an Armenian majority with an Azeri minority.<sup>230</sup>

**Figure 11. Approval of doing business with Azerbaijanis living in Georgia by respondent's ethnicity (%) (2011)**



Another locus of co-existence is the “Teqali Peace Initiative”; the place is situated 29 km from the border between Georgia and Armenia, and 10 km from the Azerbaijani border. Inhabited by ethnic Azeris, there are also pockets of ethnic Armenians living in co-inhabited villages and

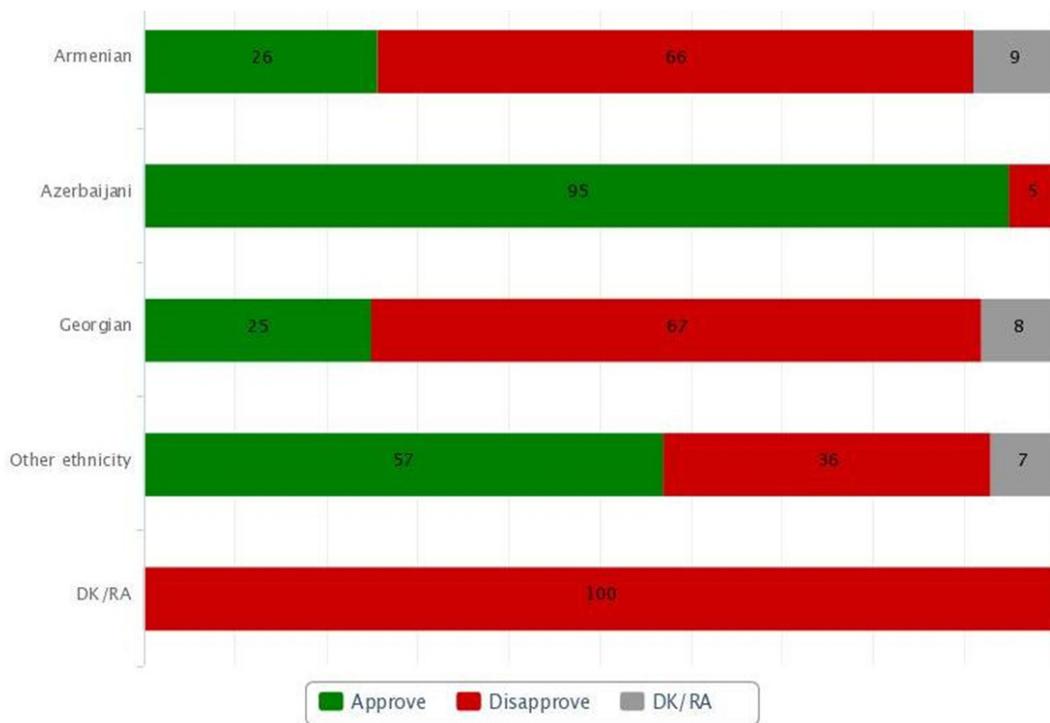
230 See Onnik Krikorian's remarks, at <http://www.onnik-krikorian.com/revisiting-tsopi-a-beacon-of-hope-in-the-south-caucasus/>.

towns. Since 2011, when the “Teqali Peace Initiative’ was launched, community members have shown interest in countering media bias. One proposal is to also use Teqali as a base for a regional newspaper and radio station which could broadcast to all three countries, which, it is hoped, could contribute to regional development and the integration of Georgia’s ethnic minorities.<sup>231</sup>

The positive aspect of coexistence is demonstrated by the 2011 *Caucasus Barometer Poll* conducted by the CRRC, which shows positive responses among Armenian community members when asked if they would do business with members of the Azerbaijani community in Georgia.<sup>232</sup>

But in another component of the 2011 *Caucasus Barometer Poll*, this time on the more sensitive issue of inter-ethnic marriage, a bigger taboo both in terms of identity and enmity, Armenians and Georgians displayed serious reluctance to marry Azerbaijanis. Here the common view suggests it has less to do with Armenian’s traditional “enemy perception”.<sup>233</sup>

**Figure 12. Approval of women marrying Azerbaijanis living in Georgia by respondent’s ethnicity (%)**



231 Onnik Krikorian, “Hopes for an Armenia-Azerbaijan Peace Building Center in Georgia”, at <http://southcaucasus.com/old/index.php?page=publications&id=2573>.

232 At <http://www.crrc.ge/oda/?dataset=16&row=49&column=161>.

233 At <http://www.crrc.ge/oda/?dataset=16&row=63&column=161>.

For the Azeris, dominated by politically more powerful groups, namely Russians and Armenians, it was not so much that inter-marriage with these groups was subject to socially disapproval, but that the community did not like the idea of Azeri women “marrying out”. As with other patrilineal Muslim societies, marriage for a woman entailed a move away from her natal group, and absorption into her husband’s identity.<sup>234</sup> Therefore, the negative attitude is not based merely on the past 20 years, it is historically entrenched, and for Armenians and Georgians marriages with Muslims are still fairly taboo.

The second dimension of the mutual perception by the Azeri and Armenian communities is the official line pursued by Baku and Yerevan. Arguably, the Armenian community in Georgia is more dependent on its kin state, but that doesn’t necessarily entail a strict linear relationship between behavior by the Georgian Armenia community and Yerevan. The key element is that international recognition of the 1915 events as genocide is the priority of Armenian diaspora organizations, mainly American Armenians and Armenians living in European countries. While historically this issue has never been the primary concern of the Armenian community in Georgia, this seems to be changing. In 2012, Jondi Baghaturia, leader of opposition political party Kartuli Dasi (“Georgian Group”), brought up the prickly issue of whether to recognize the 1915 tragedy as genocide;<sup>235</sup> however, this led only to difficult discussions. Before this attempt, Tbilisi-based Armenian organizations displayed signs and sent an open letter to the Georgian authorities calling upon them to recognize the 1915 tragedy as genocide in the parliament. In response, the Azerbaijani community brought up Khojaly, a massacre of Azerbaijanis by Armenian armed forces during the Karabakh war, and started to campaign for the recognition of the Khojaly massacre by the Georgian parliament. It should be noted that in recent years, the recognition of the Khojaly massacre by foreign parliaments has become a key focal point in Azerbaijan’s foreign policy in order to put pressure on Armenia at the international level, and thereby push official Yerevan to compromise on conflict resolution. The “genocide” element seems to have become the main fault line between political representatives of the Azeri and Armenian communities. This could improve with the successful implementation of the Georgian government’s existing policy, the aims of which is the integration of ethnic minorities into Georgian society. However, the remaining question is how they will manage to achieve a balance on issues where Azerbaijani and Armenian interests diverge or clash.

In order to better understand the role that the Georgian Azerbaijani community has defined for itself, and how this community is perceived by Azerbaijan, we must examine the identification of the Azerbaijani community. The traditional lack of elite/intellectual capacity engagement with the aim of representation in political processes has contributed to misperceptions around different issues, and the Azerbaijani elite or intellectual community has been marginalized, politicized and therefore divided. Meanwhile, the observers who are working on identifying these community-level problems often argue that this is the same dilemma that has been faced by the political elite since the 1990s.<sup>236</sup> Therefore, one of the core questions is whether the

234 Farideh Heyat, *Azeri Women in Transition: Women in Soviet and Post-Soviet Azerbaijan*, London: Routledge, 2002, p. 162.

235 “Scuffle Erupts in Georgian Parliament over Armenian Genocide Issue”, *Radio Free Europe*, 25 April 2012, at <http://www.rferl.org/content/georgian-parliament-scuffle-over-armenian-genocide/24560199.html>.

236 Interview with Tom Trier, Caucasus Director, European Center for Minority Issues, 20 August, 2011, Tbilisi Georgia. Interview conducted by Z. Shiriyev.

Azerbaijani community constitutes a “diaspora”, an ethnic, or Muslim community, or all of those together?

## **The Identification of the Azerbaijani Community: Diaspora, Ethnic or Muslim Community?**

Due to the existing strategic partnership between Azerbaijan and Georgia and the geopolitical realities of the region, both governments have avoided openly raising this issue (specifically problems experienced by Georgia’s ethnic Azerbaijanis and Azerbaijan’s ethnic Georgians, as well as the border demarcation issue). However, this silence has exacerbated the problem.

There are three approaches to the question of the status of ethnic Azerbaijanis in Georgia, though none of them truly clarifies their status nor provides a framework to fully address all the issues at play.

### ***Diaspora Approach***

Under this approach, Azerbaijanis living in Georgia are identified as a diaspora. However, this view is not shared by most Georgian Azerbaijanis, especially the new generation who have successfully integrated into Georgian society under Georgian government policies since 2004, and as a result have mid- and high-level jobs in various Georgian governmental structures.<sup>237</sup> The “diaspora approach” is supported by the older generation for various reasons. Firstly, the nationalistic movement under the first Georgian president Zviad Gamsakhurdia saw radical nationalistic elements introduce into the country’s relations with ethnic minorities. Georgian Azerbaijanis were concerned, and some left to go back to Azerbaijan. They did not receive much public attention in Baku<sup>238</sup> because the political chaos in Azerbaijan prevented the leadership from focusing on this particular issue. All the same, the local population’s approach was clear, in the sense that due to their ethnic ties they demanded help from the government in Azerbaijan. Local Azerbaijanis fear that the ethno-nationalism of the 1990s could re-occur. Sometimes the local population voices its grievances about Baku’s “silence”, but in general the local community hails Azerbaijan’s increasing economic power in Georgia as an advantage for them. The situation can be summed up in an Azeri saying, “*Uman yerdən kūsərlər*”, which literally translates as “Don’t break your fair expectations.”

However, this “diaspora approach” has also been part of Azerbaijan’s policy, especially since the mid-2000s. In the 1990s, Azerbaijanis living abroad were poorly organized and could not truly be described as an identifiable community. Only in the early 2000s did official Baku take

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237 Zaur Shiriyev’s meeting with a group of Azerbaijanis employed at different Georgian government structures, 19 August 2011, Tbilisi, Georgia. They spoke on the condition of anonymity.

238 It wasn’t until the mid-2000s that the status of Georgian Azerbaijanis who left during Gamsakhurdia’s presidency was raised by an Azerbaijani member of parliament and some politicians in the context of mid-level discussions between Azerbaijan and Georgia. See: “Azeris deported during Zviad Gamsakhurdia’s presidency appeal to Saakashvili”, *Today.Az*, 28 November 2006, at <http://www.today.az/news/politics/33230.html>

serious steps: diaspora building intensified and the government committed itself to establishing institutions and developing an ethno-political diaspora. But official Baku has developed this policy with an eye to Georgian sensibilities, not wanting to upset the Georgian government or public. This is for several reasons. The first is that the Azerbaijani diaspora originates from the all areas where ethnic Azerbaijanis live, including the Azerbaijan Republic, the north-west of Iran, parts of Georgia and Dagestan (in the Russian Federation). During the early 1990s, the pro-Turkic foreign policy—which neglected Iran—pursued by Abulfaz Elchibey’s government (1992-1993) in Azerbaijan created tension with Tehran because the ethnic Azerbaijanis living in Iran are a major force (more than 20 million), and Tehran was concerned that activities and support from the Azerbaijan Republic could in the long-term motivate a separatist movement or ethnocentric separatism that might also prompt irredentism, the annexation of a territory on the basis of common ethnicity. Therefore, the political leadership in Baku followed a different approach with Georgia. The diaspora policy activities centered almost entirely on lobbying foreign governments to change their position or to increase their support for Azerbaijan’s position in the Nagorno-Karabakh conflict.

In contrast to other minorities in Georgia, ethnic Azerbaijanis are among the least politically active. Their silence might be the consequence of the fear of departure awoken in the early 1990s, along with the strategic partnership between Azerbaijan and Georgia since the mid-90s, which made “geopolitical realities” the top priority for both countries. It is true that on the eve of the dissolution of the Soviet Union, occasional ethnic skirmishes occurred between Georgian and Azerbaijani residents in Bolnisi and Marnueli during the initial stage of the Georgian national movement.<sup>239</sup> In the regional centers of Kvemo Kartli, members of the Azerbaijani population were forced to sell their houses and emigrate because of the nationalistic feelings that were reigning in the country.<sup>240</sup> However, these did not lead to serious bloodshed. Secondly, Azerbaijan’s strengthening strategic partnership with Georgia affected the loyalties of the population. The Georgian Azeri population believed that due to the increasing Azerbaijani influence on the Georgian economy and the strategic partnership, the Georgian authorities would be forced to provide better living standards and to resolve their problems. Thirdly, due the poor knowledge of the Georgian language, and the overall the poor educational standards, the Azerbaijani community was—and is—isolated from public and political processes, which prevents them from communicating their demands to the central government. Although they owned several local media outlets, coverage was limited and there remained a lack of capacity to be informed about Georgian news.

The representative of Azerbaijan’s State Diaspora Committee has a representation in Marnueli, one of the central districts of the Kvemo Kartli region. They operate an Azerbaijani Cultural Center which promotes cultural events, and supports the publication of materials dedicated to historical and cultural issues relating to the Azerbaijanis living in the region and the history of

239 Ghia Nodia (ed.), “Ethnic-confessional groups and problems of civic integration in Georgia: Azeri, Javakheti Armenian and Muslim Meskhetian communities”, Tbilisi, Caucasus Institute for Peace, Democracy and Development, 2002, p. 8.

240 United Nations High Commissioner for Refugees, “Azerbaijan and Greek Populations in Georgia”, January-September 2003, p. 7, at [http://www.una.ge/pdfs/publications/rcg/Azerbaijani %20and%20 Greek%20 Populations %20in%20Georgia.pdf](http://www.una.ge/pdfs/publications/rcg/Azerbaijani%20and%20Greek%20Populations%20in%20Georgia.pdf).

Kvemo Kartli (the Azerbaijani interpretation). Local Azerbaijanis believe that representation from the Diaspora Committee is not helping them in the resolution of their problems as the committee does not have the power to raise the questions that the local population wants answered. But at least the Diaspora Committee has established a link between the Georgian and Azerbaijan governments, and is working on improving educational opportunities for Georgian Azerbaijanis. On the one hand, the Azerbaijani State Diaspora Committee treats Georgian Azerbaijanis as a part of the diaspora, but on the other hand, government authorities declare that such approach does not contradict official Tbilisi's integration policy for Georgian Azerbaijanis. The head of the Diaspora Committee has stated:

The government [Azerbaijani] funds the Georgian language courses for Azerbaijani students in the secondary schools. This year 540 Azerbaijanis enrolled for the Georgian universities. 20 Azerbaijani students were sent to the Northern Cyprus to get education at the Near East University. They will return to Georgia and take positions in the government agencies.<sup>241</sup>

Most likely Azerbaijan will try to push through the concept of *dual nationality-one identity* policy for Georgian Azerbaijanis, thus promoting the notion that Azerbaijanis are part of Azerbaijan regardless of where they live and what citizenship they have; in this case citizenship is not the issue. The reference to “dual” is about identity. Under this approach, it is hoped that the work of the diaspora organizations will increase the linkages between the diaspora and its homeland and slow down assimilation.

But in this case, Baku risks finding itself consumed by the diaspora approach at the expense of the historic-political background of the bilateral relationship. Moreover, the concerns of Georgian Azerbaijanis are not always the same as those of Azerbaijanis at home. Therefore, the actions and statements of the former can sometimes undercut the goals of Azerbaijani citizens and the policies of the Azerbaijani government, leading to misunderstandings and anger on both sides.

In any case, Azerbaijan treats Georgian Azerbaijanis as a part of its interests in Georgia. This was the case during the 2008 August War between Russia and Georgia; one of Baku's concerns was the situation of Georgian Azerbaijanis. A Wikileaks source reports that “President Aliyev said that during the crisis he phoned Moscow to warn them against attacking Azeri interests in Georgia, including pipelines, the ethnic Azeri community and the Azeri-owned oil terminal at Kulevi”.<sup>242</sup>

While Georgian Azerbaijanis do not officially or publicly feel that they are representatives of the Azerbaijani Republic, they also remain uneasy about the Georgian government's integration policy. It is difficult to assess which strategy is more effective in terms of protecting both countries' interests more broadly.

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241 “Azerbaijani diaspora successful in promoting truth about Karabakh”, *News.az*, 30 December 2010, at <http://www.news.az/articles/29213>.

242 President's Reaction to Georgia Crisis, at <http://www.azadliq.info/english/347-meqaleen/8546-wikileaks-ilham-aliyev-talks-on-why-he-didnt-support-georgia-publicly-in-august-2008.html#sthash.tfJ7RxeH.dpuf>.

### *Identity Politics: An Ethnic and/or Muslim Community?*

Georgian Azerbaijanis are the biggest ethno-political minority in Georgia<sup>243</sup> according to the 2002 census, which also revealed that ethno-political minorities constitute 16 percent of Georgia's population.<sup>244</sup> The Azerbaijani community in Georgia, due to their historical ties to the region, do not in fact consider themselves a "minority" and therefore they prefer to be called a "majority" in the immediate area where they live (i.e. at the local level) rather than a "minority" at the national level.<sup>245</sup> They believe that there is no essential difference between being Muslim or an ethnic minority; their main desire is that any description (ethnic or religious) must offer equal opportunities at the national level and protect them from ethnic or religious discrimination. This means that they do not seek any special status "above" Georgian citizens; they simply seek equal treatment. However, the fundamental international documents on minority rights do not have a universally accepted definition, but the common approach is an emphasis on both numerical inferiority and the desire of the groups to preserve their particular characteristics.<sup>246</sup> Most Georgian Azeris live in Kvemo Kartli and make up the majority in this region, but this territory has no special legal status in terms of self-government. But while they are currently the ethnic majority in this territory, they fear that a change in ethno-political policy could threaten their status, and they could lose their ancestral homes. They do not, however, want to be perceived as troublemakers by Georgians, or even to increase the scope of minority rights. The other aspect is that while Georgia has committed to most of the key human rights and minority rights conventions, it still needs to fulfill its commitment to sign and ratify the European Charter for Regional and Minority Languages (ECRML) and the Law on National Minorities. The concern of the Azerbaijani community is an uncertainty about what constitutes an ethnic minority in Georgia. For example, Azerbaijanis are the majority in Kvemo Kartli, but if in the future other ethnic groups move to this territory, or if significant numbers of their community leave, could they lose their "minority rights"? From this perspective, they would like to see the implementation of some kind of special status at the regional level. The concerns they have are largely the legacy of the early 1990s, for example, relating the name changes of some villages, property rights issues, etc. To understand the risks of ethno-nationalism in Georgia, one needs to consider the events of the early 1990s, when—as in other post-Soviet Republics—nationalist rhetoric aggravated ethnic separatism, caused migration to rise, and generally created a culture of anxiety.

But, some members of the Azerbaijani community, who have successfully integrated and work for Georgian governmental institutions, do not think that there is a need for any special rights or status for minorities. They argue that minority rights are already codified in the Geor-

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243 The most recent Georgian census (2002) did not include Abkhazia and South Ossetia, which were not controlled by the Georgian government at the time of the census. Therefore, ethnic Abkhaz and Ossetians are not included in the assessment of Azeris as the largest ethno-political community.

244 *Minority issues mainstreaming in the South Caucasus: A Practical Guide*, Tbilisi, European Centre for Minority Rights, February 2011, p. 165.

245 Interview with representative of Azerbaijani embassy in Tbilisi, Shovgi Mehdizade, 19 August, 2011 and 18-20 March 2012, Tbilisi, Georgia.

246 Francesco Capotorti, *Study on the Rights of Persons belonging to Ethnic, Religious and Linguistic Minorities*, report by, the Special Reporter of the Sub Committee the on Prevention of Discrimination and Protection of Minorities, New York, UN, 1991.

gian constitution, and that such steps would not help to build a strong civic identity, and would indeed harm any integration.<sup>247</sup>

As mentioned above, the Azerbaijani government has not pushed Georgian Azerbaijanis into being a more politicized community that could serve Azerbaijan's state interests, though in some circles of government Georgian Azerbaijanis are considered as part of the Azerbaijani diaspora. Meanwhile, from the government's point of view, the main priority for Georgian Azerbaijanis should be full integration into Georgian society. However, the Azerbaijani authorities do stand in solidarity with the Georgian Azerbaijanis in their belief that they are historically residents of the territories, and in that sense they are not an "ethnic minority" but rather an indigenous people. However, the ordinary people in Kvemo Kartli think that successful minority policies could be helpful in building trust in the Abkhaz and South Ossetian communities, who cite Armenian and Azeri grievances to support their argument that their own rights have little chance of being guaranteed within Georgian protection.<sup>248</sup>

The other tricky issue is the religious identification of the community. Azerbaijanis are the largest Muslim community in Georgia. This is true, but viewing Azerbaijanis as both an ethnic minority and a Muslim community, gives rise to different and sometimes conflicting legal demands.

Georgian Azerbaijanis are in fact under the aegis of the Caucasus Board of Muslims (CBM), a legal and spiritual Islamic body representing all Muslims in the Caucasus, with representatives in Tbilisi for Georgian Muslims. The significance of this is that this is a Baku-based organization, which has given Baku an additional official means of influence. The Azerbaijani government had full confidence in the CBM until recent years when radicalized and divided Muslim communities started anti-government demonstrations. This unwavering confidence has prevented the Azerbaijan government from seeing the real situation for Georgian Azeris. However, the community had raised its voice and protested the Georgian Orthodox Church's legal status in country because they want similar rights to establish religious organizations. The Muslim community of Azerbaijanis in Georgia has regarded this as a form of discrimination. They want the state to recognize the legal personality of the Muslim community of Azerbaijanis. Thus there was a lack of independent information and instruction on the Islamic faith during the early 1990s, and people were easily drawn in by Islamic "missionaries" who claimed to represent the true meaning of Islam; at the same time Georgian Azerbaijanis had no access to religious education in schools. The same phenomenon affected those in Azerbaijan at this time. The one difference between Azerbaijan and Georgia is that the Georgian Azerbaijanis have suffered more generally from poor education and few opportunities, which has made them more vulnerable to missionaries. Thus Azerbaijanis who have felt they were being discriminated against by society came to believe that only *God* and Islam could protect them. In this way, the Iranian-oriented Shia missionaries and Saudi-oriented Salafis have gained influence in Muslim communities in Kvemo Kartli and other regions of Georgia. A compounding factor has been the weakness of the CMB, which has not addressed many of the

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247 Meeting with a group of people from the Azerbaijani community, 20-21 August 2011, Tbilisi, Georgia. Discussion conducted by Zaur Shiryev.

248 Meeting with a group of elderly people from Kvemo Kartli, 19 August 2011, Marnueli, Georgia.

problems experienced by Muslims in Georgia, and most Azerbaijanis have not forgotten this failure. As part of this new trend, the Salafi/Sunni movement has gained more followers. The community members who abandoned the Shia traditions for Sunni practices have rejected the spiritual legitimacy of the CBM; thus it is understandable that Sunni groups refuse the spiritual authority of the official clergy.

Until 2011, a number of Muslim religious figures from Kvemo Kartli and Tbilisi were attempting to establish independent religious organizations separate from the CBM to govern Georgian Muslims. However, pressure from both the Azerbaijani and Georgian governments and, most importantly, Tbilisi's questioning of members about the aims of such religious groups (due to security concerns) thwarted these attempts. A number of key developments, including the increasing Iranian influence, the weakness of the CBM, and the tough situation in Azerbaijan, which has faced threats from radical Islamic groups, led the Georgian government to change its strategy. In July 2011, a new legislative amendment introduced a law which allows religious minorities to register as legal entities in public law for the first time; this was followed the establishment of the Administration of Georgian Muslims (AGM). But there are still problems:

- a) There is particular dissatisfaction that the administration's founders were government officials and not religious figures, which has meant that it is viewed by many religious figures and some ordinary Azeris in Kvemo Kartli as "government interference".
- b) CBM's legitimacy has been weak among Georgian Muslims, mainly due to the representative's works among Azeri Muslims; at the same time, the legislation on religious groups has prevented them from carrying out their work.
- c) The new legislation and the establishment of the AGM will lead to divisions among Azeri Muslims and will help increase the influence of the Iranian and Salafi movements in this region and in general among Georgian Muslims.

Among the Azeri population, there are three main centers of Salafists: in the Tbilisi suburb Ponichala; in Kvemo Kartli there is a Salafi mosque in the town of Keshalo; and in Marneuli district the head of the mosque studied in the holy city of Medina in Saudi Arabia. In the Telavi town of Karajala there is a similar mosque whose imam also studied in Medina.<sup>249</sup> But in the unofficial "capital" of Kvemo Kartli, Marneuli, Salafism is relatively weak and Iran's influence is strong here. In Kvemo Kartli, there is also a Turkish school linked to the religious *Gulen* movement.

To sum up, there is currently uncertainty about the development of the Georgian government's policy towards the Muslim community. From Tbilisi's point of view, Azerbaijanis are both an ethno-political community and a Muslim community; they can benefit from legislation for both identifications. From the Azerbaijan perspective, Azeris are Muslim, and must officially be included under CBM monitoring. Until now, the Georgian and Azerbaijan governments have not included this issue on their agenda, but now it requires a more serious, high-level approach.

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249 Conor Prasad, *Georgia's Muslim Community: A Self-Fulfilling Prophecy?*, ECMI- Working Paper #58, February 2012, p. 14

## CONCLUSION & RECOMMENDATIONS

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There is a temptation to look at the Georgian-Azerbaijani relationship as an enduring strategic alliance between two neighboring countries that have faced similar post-independence challenges and share similar regional and international goals.

However, a closer examination of Georgian-Azerbaijan relations reveals a more complex picture. We hope that our report has brought to light the hugely diverse range of political, economic and social links between these two countries. Given the ongoing development of the bilateral relationship, which will soon encompass a variety of sectors including economic and military links, pragmatism is the trademark for Baku and Tbilisi, providing the foundation of a strong partnership. Due to this pragmatic approach, Azerbaijan and Georgia have been able to maintain a high level of cooperation.

Neither of the two countries can afford to sideline the other, as both enjoy a partnership built on trust, and based on mutual compatibility along with decades of close political, military and economic ties. Both countries are part of a geopolitical area where regional powers such as Russia, Turkey and Iran have critical economic and political interests. In addition, this region is a place where such international players as the US and the EU are also politically and economically engaged. The significant oil and gas reserves in the Caspian Sea have significantly amplified rivalries for political and economic influence in the region. Despite geographical distance, a large number of international powers are interested in the export and sale of these resources, making the South Caucasus the subject of a second “great game”.

In this course the “great game”, Azerbaijan and Georgia have achieved success by focusing their involvement on the energy projects with the strongest backing from the US and Turkey. This strategy is well-expressed by the Georgian intellectual Zourab Avalishvili, who nearly a century ago said that “the wisest course is to be dependent on those possessing more moderation and justice and keeping firm friendship with their allies”.<sup>1</sup>

Back in October 1876, European and American companies helped to engineer the transportation of three hundred barrels oil from Baku to St. Petersburg. This was a historic event in the Russian oil industry: the beginning of the end of the hegemony of American oil.<sup>2</sup> More than a century later, the involvement of American and European companies in the 1994 “Contract of the Century” marked the end of Russia’s hegemony in pipeline politics, and more generally its political dominance in the South Caucasus.

Today, the region serves as a major East–West energy corridor. The Baku-Tbilisi-Ceyhan and Baku-Supsa oil pipelines, the Baku-Tbilisi-Erzurum gas pipeline, SOCAR’s purchase

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1 Zourab Avalishvili, *The Independence of Georgia in International Politics: 1918-1921*, Hyperion Press, US, 1981, p. xiii.

2 Kenne Fant and Marianne Ruuth, *Alfred Nobel: A Biography*, New York: Skyhorse Publishing, Inc., 2012, p.192.

of the Kulevi oil terminal on the Black Sea, along with general investment in this sector have been central to this progress. In partnership with Turkey, Azerbaijan and Georgia are planning to build the Baku-Tbilisi-Kars railway, which would connect the three national rail systems. The project would create a much shorter and faster rail corridor between Europe and Asia than the current one through Russia, making Georgia and Azerbaijan key hubs for the Eurasian transport network. Recognizing the importance of the flow of oil and gas to Western markets as a means of generating income and maintaining sustainable development, Tbilisi and Baku have readily engaged in many regional projects. Consequently, both states are committed to the principle of maintaining a secure corridor between Europe and Asia for the free flow of trade, people, energy, resources, technology and communications.

Both states operate in a very complicated geopolitical regional framework, and as such both states need to support each other and protect their mutual interests. Maintaining close relations with Azerbaijan has traditionally been part of Georgia's foreign policy strategy. As Georgian-Russian relations have been deteriorating over the last two decades, hitting rock bottom after the 2008 war, Tbilisi has had no other alternative at the regional level but to maintain good relations with Azerbaijan and Turkey. Hence, the Georgian strategy requires a strong rear base, which Azerbaijan provides, not only strategically but also as a source of capital. Azerbaijan is among the largest foreign investors in Georgia and a strategic economic partner, especially in the energy sector. Political cooperation with Baku also brings important benefits to Tbilisi in its relations with Moscow. Close energy cooperation with Baku has made it possible for Tbilisi to become independent of Russian gas supplies. In turn, Azerbaijan requires solid and reliable partner for the transit of its energy resources to international markets, and Georgia plays key role here with its important strategic location. Georgia also provides Azerbaijan with a direct link to Europe and the West. From Baku's point of view, a friendly government in Tbilisi has been a necessary pre-condition for the implementation of its strategic energy and infrastructural projects. Therefore good mutual relations have in fact formed the basis of the two countries' foreign and energy policies and their independence from Moscow in these areas.

Overall, the strategic partnership between Azerbaijan and Georgia has three determinants: (i) mutual support for territorial integrity and issues relating to the status of breakaway regions; coordination of positions in relation to other international issues; (ii) unhindered implementation of strategic economic projects, such as BTC, BTE, BTK and the entire oil-gas infrastructure that exists between Azerbaijan and Georgia; and (iii) support for other ongoing or future projects. The Baku-Tbilisi-Ceyhan oil and Baku-Tbilisi-Erzurum gas pipelines in particular have solidified interdependence. Given that energy projects and close cooperation in developing profitable energy policies are the trademarks of Azerbaijan-Georgian relations, the countries also have similar priorities towards ensuring stability in the South Caucasus region. The most visible aspect of bilateral relations, in addition to cooperation in the energy sphere, is the common view on the status of the Nagorno-Karabakh, Abkhazia and South Ossetia. This issue touches on other issues related to international law

and international relations. Both countries cite the principle of the “inviolability of state borders” in defending national interests against claims by ethnic minorities. From the very first post-independence years, these factors created favorable grounds for the development of bilateral relations. This co-operation was officially incorporated through the establishment of GUAM in 1997, which has sometimes been seen as a means of countering Russian influence in the area, and as a part of a strategy backed by the US.

Moreover, Azerbaijan and Georgia are dedicated partners within the Eastern Partnership framework (EaP), the regional extension of the European Neighborhood Policy. The EaP has developed cooperation between the two countries and the EU in many areas, including energy security, economic cooperation, border security, institutional capacity-building, as well as rule of law and democratization. While integration into the EU is not currently the ultimate goal for Azerbaijan, Tbilisi is expected to sign Association Agreement with the EU in November, including negotiations for a Deep and Comprehensive Free Trade Area (DCFTA). If the Agreement is signed, Georgia’s exports to the EU could increase by 12%, and imports from the EU could grow by 7.5%. In short, Azerbaijan and Georgia’s productive cooperation with the EU can lead to the implementation of European standards in both countries, and bring them even closer to the “European space”.

The two South Caucasian states continue to cooperate on various international security and political issues, both bilaterally and through numerous international organizations. Both countries’ foreign and defense policies are usually in harmony, and areas of contention have been relatively few. These harmonized positions indicate that there is clear coordination, understanding and even strategy on joint positions at the international level, regarding the issue of frozen conflicts as well as other international issues.

Despite good relations, there are several issues that could threaten the relationship. Unfinished border delimitation and issues relating to minority rights have from time to time sparked diplomatic rows between Baku and Tbilisi. Though the Georgian and Azerbaijani governments do everything possible to avoid tensions, joint consolidated efforts are necessary to reach *modus vivendi* and to find mutually acceptable solutions. Both sides understand that bilateral disagreements could serve the interests of third parties. Thus, in the long term, their dealings with own minority groups need to become more sophisticated, and less patronizing. While this is a sensitive issue for both states, now is the right time to fully involve these communities into political processes, not through symbolic actions but through empowerment and realization of their rights. Fortunately, an important element of the partnership between Baku and Tbilisi is the ability to overcome mutual historic and more recent emotional grievances as well as understanding that unresolved issues can be addressed through bilateral negotiations. Furthermore, in the next couple of years there are impending regional issues that will need to be dealt with, such as Russia’s efforts to expand its orbit through its Eurasian Union initiative, as well the Iranian nuclear issues and instability in the North Caucasus. All of these issues will require stronger cooperation and a united attitude.

## ***Recommendations***

The current study has sought to outline and assess the dynamics of the Azerbaijani-Georgian relationship; besides the key findings, here are some recommendations, which should be viewed purely as an initial set of proposals.

*To improve the people to people contact, media and cultural links:*

- These two societies actually know very little about developments and trends across the border. This is especially true of young people. In order to overcome stereotypes held by young people, the governments in Tbilisi and Baku should encourage joint initiatives between different groups in society.
- Both governments should encourage close bilateral cooperation between student organizations and cultural and media representatives, with the aim of developing platforms to further mutual understanding.
- Faster and cheaper transport connections between the capitals and the regions should be developed, as this will help to increase tourism, personal and business contacts; Georgia and Azerbaijan should jointly promote themselves as a single tourist destination in remote markets like North America and Asia;
- Better media coverage of events and developments in the partner country is necessary. National public broadcasters should have permanent correspondents in the neighboring capitals, and newspapers should devote more space to this material. Public broadcasters should exchange TV series, documentaries and films.

*To improve bilateral education ties, which are currently problematic:*

- The Ministries of Education should promote and support the teaching of the Georgian language in Azerbaijani universities and the teaching of the Azeri language in Georgian universities. This is especially important in border regions and in both capitals; a regular exchange of language specialist and university lecturers should be implemented;
- Time and effort should be spent on the promotion of knowledge of Georgian culture and history in Azerbaijan and vice versa. This means including more relevant material in school and university curricula;
- Both governments should produce concrete concept for the educational development of national minorities, promoting a strong native language education curriculum without damaging local language tuition. Both governments should ensure an independent system where the focus is on academic excellence rather than nationalistic agendas;
- The two countries should establish and support bilateral exchange programs at the school and university level.

*To improve economic and business ties:*

- Azerbaijan is planning to create free economic zones, and should build links with Georgia's free industrial zone;
- In order to increase trade turnover, information on the investment environment and investment projects should be closely shared;
- Close cooperation in the production of textile products should be established;
- Information on projects carried out by public and private agencies should be shared.

*To improve military and defence ties:*

- It is in the interests of both sides to improve opportunities for the Azerbaijani and Georgian defense industries, with the aim of jointly producing armored vehicles and equipment. Concrete plans for both the short and long term are needed.
- The urgent need to improve trilateral cooperation in the defense industry and military training could be addressed if Azerbaijan, Georgia, and Turkey sign a defense industry cooperation agreement, which would aid the drafting of concrete cooperation plans.
- Azerbaijan and Georgia need to begin a candid dialogue on the various security challenges, from instability in the North Caucasus to the Iranian issue, as well as the joint struggle against illegal trafficking of arms and narcotics.
- The Baku-Tbilisi-Kars railway should be completed as soon as possible, in order that it may serve as a transit route for personnel and cargoes from Afghanistan in the post-2014 period. The central route via the South Caucasus is the shortest and easiest one.

*To increase regional engagement from Turkey, the US and the EU:*

- Under the trilateral format, which is becoming an increasingly productive framework for Azerbaijan, Georgia and Turkey, the implementation of a sectoral cooperation action plan for 2013-2015 will provide a good opportunity to broaden cooperation across different sectors. All three governments must work hard on the timely and effective implementation of the trilateral format agenda, and increase the frequency of meetings between the various Ministries.
- Turkey was a strong supporter of Azerbaijan and Georgia in their early years of independence, and Ankara's success in improving ties with the EU and in the overall democratization process encouraged Azerbaijan and Georgia to work toward European integration. Whether Turkey's future democratization will be conducted via EU avenues or independently, it can still serve as a model for Azerbaijan and Georgia in terms of Euro-Atlantic integration.
- Regarding the role of the US in the region, after the success of the pipeline policy, there have been no US policy initiatives of a similar magnitude, nor any major policy initiatives

aimed at linking the South Caucasus to Europe. Russia was no longer seen as a source of strategic threats and U.S. strategic attention switched to Asia, the Middle East and other parts of the world. However, Russia is not a dormant threat: it aims to enlarge its influence through projects such as the Eurasian Union and Customs Union. If realized, both of these projects would damage US and EU interests. Thus there is a need for more tangible US and EU involvement in the region's affairs; one practical way is to realize Georgia's NATO and EU aspirations.

Finally, the availability of financial resources is an essential factor for the development of bilateral Georgian–Azerbaijan co-operation projects. To facilitate the process, even the most modest budgetary allocation would be of great importance, as first of all it would show serious political commitment by the governments and, secondly, it would allow for some practical action following the report's assessment.

The strength and durability of the Azerbaijan-Georgian strategic alliance, which has evolved to its current status over the last two decades, has benefited from its ability to adopt to changing circumstances. The extent to which neglected areas of cooperation are addressed will be crucial. A healthy Azerbaijan-Georgian partnership will play a decisive role in the trajectory of East-West geopolitical development.

# APPENDICES

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## Appendix A

### **Declaration on Peace, Security and Cooperation in the Caucasus Region, signed by the President of Georgia and the President of Azerbaijan at Tbilisi on 8 March 1996**

The last decade of the twentieth century has been marked by fundamental changes in international relations. Historic steps have resulted in a major shift from the state of cold war to the wide-ranging affirmation of the principles of democracy and the recognition that there is no alternative to cooperation in the interests of universal peace and international security.

The legacy of a totalitarian regime has transformed the region into an arena of bitter confrontation and aggressive separatism and nationalism, which have led to armed conflicts. The death of innocent people, ethnic cleansing, transformation of hundreds of thousands of citizens into refugees in their native land, the widespread destruction of valuables and property, and economic paralysis are the onerous consequences of these conflicts. Such destabilization contains a dangerous destructive force. Further escalation may lead to a large-scale catastrophe.

At the same time, the traditions of tolerance and mutual assistance are strong in the Caucasus. For centuries, in times of misfortune, people were always prepared to help each other, regardless of ethnic or religious differences.

From the point of view of natural and human resources, the Caucasus is one of the richest regions of the world. The normalization of the political situation, the restoration of mutual trust and the creation of viable mechanisms for ensuring lasting peace, stability and security are essential if these riches are to be used with maximum effectiveness for the benefit of all the peoples and all inhabitants of our region, and the advantageous transport and geographical conditions are to be fully exploited.

The States Parties to this Declaration, expressing their firm commitment to the purposes and principles of the United Nations and the Organization for Security and Cooperation in Europe, desiring to preserve and strengthen the traditionally close and friendly ties and good-neighbourly relations in the region, declare that they shall build their mutual relations on the basis of:

Commitment to the common goals of strengthening peace, stability and security in the region;

The inviolability of internationally recognized borders and the inadmissibility of any encroachments upon them;

Consistent observance of and respect for the principles of sovereignty, the rejection of the use of force or the threat of its use, and non-interference in each other's internal affairs;

Commitment to the peaceful settlement of all disputes and armed conflicts in the territory of

the States of the region on the basis of the strict and unconditional observance of territorial integrity and the inviolability of State borders;

Commitment not to create or support separatist movements or separatist regimes, and rejection of the methods and practice of terrorism in all its forms and manifestations;

Recognition of the need to develop mutually advantageous and equitable bilateral and multi-lateral cooperation with the countries of the Commonwealth of Independent States, the Black Sea Economic Cooperation Region and the European Union;

Gradual strengthening of ties between the countries of the region and the vast area of cooperation in Europe and the step-by-step, consistent integration into an open international system, which is an essential condition for economic prosperity and the creation of a society based on justice and democracy.

The realization of these purposes and principles require the concerted efforts of all interested States and international organizations. In order to establish peace, stability, confidence and security in the region, it is necessary to:

1. Restore the sovereignty of States within their internationally recognized borders, ensure the territorial integrity of States, and guarantee the safe return of refugees to their homes;
2. Respect, at all times and everywhere, for human rights and fundamental freedoms, including the rights of ethnic minorities;
3. Cooperate in the development of transport and other communications and ensure their security;
4. Ensure all-round cooperation in the protection of the unique natural heritage of the Caucasus, eliminate man-made damage and the consequences of natural disasters and armed conflicts and develop international tourism;
5. Promote ethnic and religious tolerance, a careful and respectful attitude towards the cultural and linguistic diversity of the Caucasus, which is in this respect one of the richest areas in the world;
6. Actively support international projects and attract and encourage foreign investment.

The goals and objectives formulated in this Declaration can be achieved with the unconditional commitment of all States of the region to all the interrelated universal principles listed above.

This Declaration is open for signature by all interested States and international organizations that accept the provisions contained in it.

Signed at Tbilisi on 8 March 1996, in the Georgian, Azerbaijani and Russian languages, all three texts being equally authentic.

**Link:** [https://disarmament-library.un.org/UNODA/Library.nsf/e1d33a296245fd6585257631004efced/aa8ce9ff16f3c74985257678005b4457/\\$FILE/A-51-89-S-1996-237\\_Azerbaijan%20&%20Georgia-Peace%20Declaration.pdf](https://disarmament-library.un.org/UNODA/Library.nsf/e1d33a296245fd6585257631004efced/aa8ce9ff16f3c74985257678005b4457/$FILE/A-51-89-S-1996-237_Azerbaijan%20&%20Georgia-Peace%20Declaration.pdf)

## Appendix B

### **Joint Communiqué of the Meeting of the President of Azerbaijan, Georgia, Moldova and Ukraine (Strasbourg, October 10, 1997)**

On October 10, 1997 the Presidents of Azerbaijan, Georgia, Moldova and Ukraine held a joint meeting where they addressed the issues of mutual interest including bilateral and regional cooperation, European and regional security, political and economic contacts.

During the meeting, the Presidents stressed the importance of the four nations cooperation in establishing a Eurasian, Trans-Caucasus transportation corridor, considering joint actions taken in this direction a sound foundation for fostering friendship and cooperation, good-neighborly relations and full utilization of existing economic opportunities. In this context, the need to use the possibilities of other regional organizations and initiatives was acknowledged. The Presidents supported the Ukraine's initiative to host in Crimea in 1999 a summit of the Black Sea and Baltic states' leaders.

The Presidents underscored the need for strengthening quadrilateral cooperation for the sake of a stable and secure Europe guided by the principles of respect for sovereignty, territorial integrity, inviolability of state frontiers, mutual respect, cooperation, democracy, supremacy of law, and respect for human rights.

Leaders of the four nations were unanimous in assessing threats and risk for the European, as well as for the regional securities. They agreed that the process of integration into Trans-Atlantic and European structures could to a considerable extent reduce these threats and risks. In this connection, they underlined the prospects of the four nations cooperation within the framework of the OSCE, other European and Atlantic structures, including the recently established Euro-Atlantic Partnership Council and the Partnership for Peace NATO Program.

The Presidents of the four states agreed that such cooperation, as well as the development of a distinctive partnership, like that envisaged in the Charter on a Distinctive Partnership between NATO and Ukraine, could become an important element in strengthening stability, and serve as the basis for relationship and further development of cooperation between NATO and other countries in the region. Azerbaijan, Georgia, Moldova and Ukraine will undertake joint efforts in order to overcome the difficulties that Europe faces on the threshold of the 21<sup>st</sup> century. Having expressed their concern with respect to the long-standing conflicts in Europe, the heads of the four states supported a prompt and peaceful settlement of the unresolved problems.

The President unanimously upheld the need for combating aggressive nationalism, separatism, and international terrorism;

The Presidents agreed to continue on various levels the quadrilateral dialogue regarding the aforementioned issues.

**Link:** <http://guam-organization.org/en/node/440>

## Appendix C

### **Trabzon Declaration of the Ministers of Foreign Affairs of the Republic of Azerbaijan, Georgia and the Republic Of Turkey, 08 June 2012, Trabzon**

At the invitation of His Excellency Mr. Ahmet Davutoğlu, Minister of Foreign Affairs of the Republic of Turkey, and with the participation of His Excellency Mr. Elmar Mammadyarov, Minister of Foreign Affairs of the Republic of Azerbaijan and His Excellency Mr. Grigol Vashadze, Minister of Foreign Affairs of Georgia (hereinafter referred to as the “Parties”), the First Session of the Trilateral Meeting of Ministers of Foreign Affairs was held on 8 June 2012 in Trabzon, Turkey.

The Parties,

Celebrating their 20<sup>th</sup> anniversary of establishment of diplomatic relations;

Affirming their adherence to the Charter of the United Nations, the Helsinki Final Act and the fundamental principles and norms of international law, especially respect for sovereignty and territorial integrity, peaceful settlement of disputes, inviolability of internationally recognized borders and sovereign equality of states and refraining from the threat or use of force against territorial integrity and political independence of states;

Underlining the importance of stability and prosperity of the South Caucasus region, located at the crossroads of energy, transport and communication corridors between East and West and North and South, for the regional and global stability and security;

Declaring their determination to build a better future for the region characterized by peace, stability, cooperation and increasing wealth and welfare;

Acknowledging that protracted conflicts emanating from existing occupations are the main obstacle to peace and stability in the South Caucasus and pointing out that resolution of these conflicts will help to build an atmosphere of peace, stability and prosperity;

Believing that exemplary friendship and good neighborly relations among the three countries, based on common cultural and historical heritage and traditional spirit of solidarity, are in the interest of their peoples as well as the peoples of the whole region;

Expressing their satisfaction with the current level of bilateral relations and political dialogue among the three countries;

Reiterating their firm determination to explore the possibilities to further expand their cooperation in political, economic, cultural and humanitarian fields;

Expressing their commitment to the shared values of democracy, human rights, rule of law, free market economy and reiterating the importance of sharing the experience of successful reforms in the sphere of good governance;

Noting the successful realization of the Baku-Tbilisi-Ceyhan (BTC) Crude Oil Pipeline Project, the Baku-Tbilisi- Erzurum (BTE) Natural Gas Pipeline Project and the implementation of the Baku-Tbilisi-Kars (BTK) Railway Project as results of efficient, multi-dimensional and goal oriented high level political dialogue and economic cooperation among the three countries;

Have agreed to:

Enhance the existing cooperative partnerships among the Parties to promote common development and contribute to peace, security, stability and prosperity of the region and the world at large;

Underscore the importance of exchanging views on regional and international issues of common interest and to further enhance consultations through the existing mechanisms and under the framework of the UN, OSCE, CoE, BSEC, NATO, EU and other relevant organizations;

Exchange views on developments in the adjacent regions including the Middle East;

Continue to support each other's candidacies in international organizations;

Express their support to the Republic of Azerbaijan as a non-permanent member of the UN Security Council to continue to contribute to common interests of the region;

Support each other's European and Euro-Atlantic aspirations and uphold the inviolable right of States to choose their own destiny;

Stress the importance of continued cooperation within the Euro-Atlantic Partnership Council, "Partnership for Peace" program, and other areas of cooperation with NATO;

Pay utmost attention the 20<sup>th</sup> Anniversary of the Black Sea Economic Cooperation Organization (BSEC) and will ensure high level participation to this special event which will take place in Istanbul on 26 June 2012;

Reiterate their commitments to strengthen their cooperation and coordination within the Organization of the Black Sea Economic Cooperation (BSEC) during the Turkey's Chairmanship-in-Office which will start from 1 July 2012;

Note the importance of the earliest resolution of the conflict in and around Nagorno-Karabakh region of the Republic of Azerbaijan, and the conflict over Abkhazia, Georgia and Tskhinvali region/South Ossetia, Georgia on the basis of respect for the sovereignty, territorial integrity and inviolability of internationally recognized borders of Azerbaijan and Georgia respectively and emphasize the right to safe and dignified return of the refugees and internally displaced persons to their places of origin;

Reiterate their commitment to strengthen their cooperation and coordination in the fight against terrorism, extremism and separatism in all their forms and manifestations, transnational organized crime and illicit trafficking in narcotics and arms and trafficking in persons;

Promote further development of their relations in every field, especially in the field of trade,

energy, transport, finance and banking, environment by means of joint projects and cooperation plans and if needed through trilateral cooperation mechanisms;

Note the importance of the trilateral Turkish-Azerbaijani-Georgian Business Forum (TAG-BF) in February 2012, in Tbilisi, Georgia and look forward to the second TAG-BF to be held on 9 June 2012, in Kars, Turkey;

Continue to work together in boosting trilateral economic relations in accordance with the recommendations made by the upcoming TAG-BFs;

Reaffirm their commitment to build a favorable environment for encouraging the inflow of foreign direct investments;

Underscore the importance of tourism industry as a source of economic benefit and employment, as well as a source for greater understanding and networking among the peoples;

Recognize the importance of the agricultural sector for poverty eradication and food safety issues and cooperate in the sphere of agriculture in terms of exchange of experience and information on new technologies and implementation of mutually beneficial projects;

Underline the need to improve the competitiveness of the Southern Transport Corridor and in this regard note the need to diversify collaboration among their relevant authorities;

Express their support for the TRACECA (Transport Corridor Europe-Caucasus-Asia) and work towards restoration of the Great Silk Road and the full-scale functioning of the Euro-Asian Transport Corridor as well as other integrated trilateral transport projects consisting of highways and railways in order to create trilateral economic integration and contribute to socio-economic development;

Attach great importance to the timely completion of the Baku-Tbilisi-Kars Railway Project, which together with the Aktau-Urumchi railway connection form “the Iron Silk Road of the 21<sup>st</sup> century”, and declare their commitment to fulfilling their obligations and concluding their undertakings as scheduled within the framework of the Project;

Acknowledge the construction of the new Baku International Sea Trade Port which will become an important gate on the East-West Transport corridor after the completion of the Baku-Tbilisi-Kars Railway Project;

Highlight the key role of the Baku-Tbilisi-Kars railway in the reverse transit of personnel and cargoes from Afghanistan and note that the central route via our region is the shortest and easiest one given the geography;

Emphasize the already existing successful cooperation between Azerbaijan, Georgia and Turkey and underscore the importance of further deepening it with the aim to realize new pipeline projects which would transport energy resources of Azerbaijan and Central Asian countries to international markets;

Recognize the importance of Southern Corridor initiative for the region;

Highlight the growing importance of the environmental issues as well as their increasing impact on the sustainable development of the region and the need to enhance the protection of environment, through cooperative measures and urge for the continuation of endeavours on international level in this regard for the prevention and elimination of the potential risks to human health and environment;

Develop and strengthen co-operation in natural disasters which shall be conducted considering the interests of the Parties on the basis of equality and mutual benefit, as well as by strengthening their cooperation existing within the framework of bilateral and/or multilateral international instruments;

Continue to cooperate in the field of preservation of historical and cultural heritage.

The Parties have also decided to set up a joint experts group to draft an action plan for 2013-2015 to implement the agreed points to be presented for approval to the three Ministers.

The Second Session of the Trilateral Meeting of Ministers of Foreign Affairs will be held in the second half of 2012 in Georgia and the Third Session will be held in the first half of 2013 in Azerbaijan.

**Link:** [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](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)

## Appendix D

### **Joint Communiqué of the Second Trilateral Meeting of the Ministers of Foreign Affairs of the Republic of Azerbaijan, Georgia and the Republic of Turkey, 28 March 2013, Batumi**

On March 28, 2013, the Second Trilateral Meeting of the Ministers of Foreign Affairs was held in Batumi, hosted by H.E. Mrs. Maia Panjikidze, the Minister of Foreign Affairs of Georgia, and with participation of H.E. Mr. Elmar Mammadyarov, the Minister of Foreign Affairs of the Republic of Azerbaijan, and H.E. Mr. Ahmet Davutoğlu, the Minister of Foreign Affairs of the Republic of Turkey.

The Ministers,

Underlined the importance of the new format of regional cooperation, laid out in the Joint Declaration, signed during the first trilateral meeting, in Trabzon, Turkey on June 8, 2012, as an important platform for both political dialogue and implementation of specific trilateral projects;

Reiterated their firm support for each others' sovereignty and territorial integrity and underlined the importance of earliest peaceful settlement of the conflict in and around the Nagorno-Karabakh region of the Republic of Azerbaijan and the conflict over Abkhazia, Georgia

and Tskhinvali Region/South Ossetia, Georgia, on the basis of respect for the sovereignty, territorial integrity and inviolability of the internationally recognized borders of the States. Herewith, underscored the necessity of safe and dignified return of the refugees and internally displaced persons to their places of origin;

Underlined, that practical cooperation and concrete trilateral projects in different fields of activity could become a strong basis for deeper regional integration and political consolidation;

In implementation of the provision of the Trabzon Declaration, approved the Trilateral Sectoral Cooperation Action Plan for 2013-2015, which determines concrete actions and cooperation plans in all major fields of mutual interest and new mechanisms and dimensions of trilateral cooperation;

Underlined the need for strengthening economic and business ties among the sides and welcomed the initiation of the third Azerbaijani-Georgian-Turkish business forum (TAG-BF) in May 2013, in Qabala, Azerbaijan;

Noted the importance of the implementation of the Baku-Tbilisi-Kars (BTK) Railway Project as an example of successful trilateral cooperation, which will promote the economic development of the three countries and will present the region a new dimension of international importance, becoming a key component of the transport corridor, connecting Europe and Asia.

Once again underscored the necessity of timely conclusion of construction works, essential to put into service this railway as a “central route”, the shortest and the most effective route for reverse transit of the ISAF forces and cargoes from Afghanistan in 2014. In this regard, welcomed the decision taken at the 5<sup>th</sup> Meeting of the Trilateral Ministerial Coordination Council of BTK Railway Project held in Istanbul on 1 March 2013.

Reaffirmed the importance of the successful implementation of the Baku-Tbilisi-Ceyhan (BTC) Crude Oil Pipeline Project, the Baku-Tbilisi- Erzurum (BTE) Natural Gas Pipeline Project and the initiation of new joint projects for the transportation of energy resources to international markets;

Expressed their readiness to study the perspectives of the development of the energy transit corridor related projects, and the utilization of alternative and renewable energy resources;

Emphasized the importance of the exchange of experience on environmental issues and reviewed new initiatives of trilateral cooperation;

Underscored the importance of development of cooperation in the humanitarian sphere, including culture, education, health care, youth exchange, tourism and sports, which will further expand people-to-people contacts between the countries and help to promote the region on the international level and expressed readiness to initiate and promote joint projects and events in these spheres;

Underlined the importance of the adoption of the Trilateral Sectoral Cooperation Action Plan for 2013-2015, and emphasized the coordinating role of the Ministries of Foreign Affairs in its implementation, therefore encouraged relevant Ministries and Agencies to enhance trilateral

cooperation to ensure practical implementation of the precise provisions of the action plan and take efforts towards its further fulfillment;

Stressed the necessity of regular meetings in this trilateral format with a view to continuing and enhancing political dialogue on issues of regional cooperation and of global importance, and coordination of efforts for consolidation of positions within international organizations;

Agreed to hold the next Session of the Trilateral Meeting of Ministers of Foreign Affairs in the second half of 2013 in Azerbaijan.

H.E. Mr. Elmar Mammadyarov

the Minister of Foreign Affairs of the Republic of Azerbaijan

H.E. Mrs. Maia Panjikidze

the Minister of Foreign Affairs of Georgia

H.E. Mr. Ahmet Davutoğlu

the Minister of Foreign Affairs of the Republic of Turkey

**Link:** [http://www.mfa.gov.tr/joint-communique-of-the-second-trilateral-meeting-of-the-ministers-of-foreign-affairs-of-the-republic-of-azerbaijan\\_-georgia-and.en.mfa](http://www.mfa.gov.tr/joint-communique-of-the-second-trilateral-meeting-of-the-ministers-of-foreign-affairs-of-the-republic-of-azerbaijan_-georgia-and.en.mfa)

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