

## ON THE ROLE OF THE “CAUCASIAN TANDEM” IN GUAM

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### *I n t r o d u c t i o n*

The disintegration of the U.S.S.R. and collapse of the communist system made significant changes to the geopolitical map of the world. States with similar characteristics rooted in the relatively recent historical past have appeared in the post-Soviet expanse. These states do not have a multitude of state institutions and have inherited the distorted system of the command economy. Since they have no experience in state independence, these countries, in addition to the numerous unresolved domestic tasks, have also found themselves faced with problems caused by the expanding dimensions of globalization.

Globalization is characterized today by the creation of regional unions of states with similar interests, thus making it easier for these countries to reach common goals through joint efforts.

A variety of different regional unions of the former Soviet republics have formed in the territory of the disintegrated U.S.S.R. And it is interesting that these formations are far from always limited to the post-Soviet expanse. On the contrary, it has become a priority for many of the former Union republics to become members of interstate unions that existed even before the collapse of the Soviet Union, such as NATO and the EU. Whereas this proved a very manageable task

for the Baltic states, other countries are still encountering a multitude of obstacles and unresolved issues as they attempt to gain membership in these unions.

More than ten years ago, Georgia, Ukraine, Azerbaijan, and Moldova created the regional international organization called GUAM, which is an institutional entity designed to find common interests and coordinate joint action plans. The fact that this structure has existed for many years shows that each country individually, as well as the organization they represent as a whole still have many unresolved problems. At present, the question of strengthening and developing GUAM is particularly urgent, and it is a priority not only for the states that belong to this structure, but also for the West, the interests of which in the post-Soviet expanse are largely related to the interests of GUAM.

GUAM's development might be successfully promoted by means of the “Caucasian Tandem”<sup>1</sup> of Azerbaijan and Georgia, which has already largely shown its efficacy and efficiency in resolving many problems that affect the interests of these Caucasian republics.

<sup>1</sup> See: T. Beridze, E. Ismailov, V. Papava, *Tsentral'nyy Kavkaz i ekonomika Gruzii*, Nurlan, Baku, 2004, pp. 42-44.

In order to clarify the essence of the “Caucasian Tandem” and define its role in strengthening and developing GUAM, it would be expedient

to at least briefly describe the fragmentation processes of the geopolitical space occurring in the post-Soviet expanse.

## Fragmentation of the Post-Soviet Geopolitical Space and GUAM

The collapse of the U.S.S.R. triggered not only the historical process of the formation of independent states, but also of regional political and economic unions in the post-Soviet expanse. The first of them was the Commonwealth of Independent States (CIS), which encompasses almost the entire territory of the former Soviet Union (with the exception of the Baltic countries). Many experts already agree, to one extent or another, that this structure, which was institutionalized into an international regional organization, is not making a sufficient contribution to the integration processes.<sup>2</sup> One of the main reasons for this is the continued restriction of the integration processes to the framework of the CIS along the same lines as the closed nature of production cooperation that characterized the Soviet economic system.<sup>3</sup> It is also important that Russia’s economic interests today are related more to other entities of the world economy than to the CIS: Russia’s main sales markets are not within the Commonwealth, but beyond its boundaries, since the CIS accounts for only 15% of Russia’s foreign trade turnover.<sup>4</sup> In other words, for the Russian Federation, the Commonwealth is a “legless” organization that will not go anywhere, so Russia can afford to direct its attention to more economically attractive regions, secure in the knowledge that it always has the CIS within its reach. Moreover, the Russian Federation itself has its own priorities within the CIS, where interrelations with some of its members have been raised to the rank of strict priorities (for example, Russia regards Armenia as its strategic partner and even outpost in the Caucasus),<sup>5</sup> while others, such as Georgia, has been coined as a so-called Russian CIS outcast, with respect to which Moscow introduced tough visa conditions, closed its markets to the republic’s products, cancelled air and postal communication, and even took the liberty of persecuting ethnic Georgians living in the Russian Federation.

<sup>2</sup> See, for example: R. Grinberg, L. Zevin, et al., *10 let Sodruzhestva nezavisimykh gosudarstv: illiuzii, razocharovaniia, nadezhdy*, RAS Institute of International Economics and Political Research, Moscow, 2001; L. Kozik, P. Kokhno, *SNG: realii i perspektivy*, Yuridicheskiy mir BK Publishing House, Moscow, 2001; V. Shulga (head of a group of authors), *Ekonomika SNG: 10 let reformirovaniia i integratsionnogo razvitiia*, Finstatinform, Moscow, 2001; N. Shumskiy, *Sotrudnichestvo nezavisimykh gosudarstv: problemy i perspektivy razvitiia*, Tekhnoprint, Minsk, 2001; idem, “Ekonomicheskaiia integratsiia gosudarstv Sodruzhestva: vozmozhnosti i perspektivy,” *Voprosy ekonomiki*, No. 6, 2003; idem, “Obshchee ekonomicheskoe prostranstvo gosudarstv Sodruzhestva: optimalny format,” *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 2, 2004.

<sup>3</sup> See, for example: B. Coppieters, “The Failure of Regionalism in Eurasia and the Western Ascendancy over Russia’s Near Abroad,” in: *Commonwealth and Independence in Post-Soviet Eurasia*, ed. by B. Coppieters, A. Zverev, D. Trenin, FRANK CASS PUBLISHERS, London, 1998, pp. 194-197; M.B. Olcott, A. Åslund, Sh.W. Garnett, *Getting it Wrong: Regional Cooperation and the Commonwealth of Independent States*, Carnegie Endowment for International Peace, Washington, 1999.

<sup>4</sup> See: L. Vardomskiy, “Integratsionnyy proekt: byt’ ili ne byt’?” *Novosti-Moldova* Information Agency, 9 July, 2007, available at [[http://www.newsmoldova.ru/print\\_version.html?nws\\_id=634258](http://www.newsmoldova.ru/print_version.html?nws_id=634258)].

<sup>5</sup> See, for example: F. Cameron, J.M. Domański, “Russian Foreign Policy with Special Reference to its Western Neighbors,” *EPC (European Policy Center) Issue Paper*, No. 37, 2005, available at [[http://www.epc.eu/TEWN/pdf/354600757\\_EPC%20Issue%20Paper%2037%20Russian%20Foreign%20Policy.pdf](http://www.epc.eu/TEWN/pdf/354600757_EPC%20Issue%20Paper%2037%20Russian%20Foreign%20Policy.pdf)]; T. Liloyan, “Armenia-Russia’s Outpost in South Caucasus—Duma Speaker,” *ArmenianDiaspora.com*, 15 December, 2004, available at [<http://www.armeniandiaspora.com/archive/16794.html>].

All of this promoted gradual fragmentation of the post-Soviet geopolitical space. Special mention should be made of the Customs Union in the CIS, to which Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan belong. The member states of this structure went on to form an interstate organization called the Eurasian Economic Community (EurAsEC). Uzbekistan joined it in January 2006. In 2003, Russia, Kazakhstan, Ukraine, and Belarus signed a treaty on the formation of a Single Economic Space (SES). It is worth noting that the experience of the first years testifies to the existence of a whole slew of contradictions among the integrating states caused primarily by incompatibility of their interests.<sup>6</sup>

In 2002, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan created the Central Asian Cooperation Organization (CACO), which Russia also joined in October 2004.

The possibility of forming a Russia-Belarus Union State has been discussed for several years now, but implementation of this project is hindered by the failure of the sides to reach a common understanding about the structure of this entity: according to the Russian view, Belarus should join Russia as a federal district, while Belarus sees the Union State as a confederation.<sup>7</sup>

In October 1997, four countries—Georgia, Ukraine, Azerbaijan, and Moldova—created the GUAM organization, which Uzbekistan joined in April 1999, thus changing the name of this structure to GUUAM. In May 2005, GUUAM once again became GUAM due to Uzbekistan's withdrawal from it. In May 2006, GUAM was transformed into an international formation called the Organization for Democracy and Economic Development—GUAM (ODED-GUAM).

In addition to these transnational structures, the states of the post-Soviet expanse are members of various international unions (for example, the EU, NATO, BSECO, and SCO), to which countries other than the post-Soviet states also belong.

Creation of the listed transnational regional organizations in the post-Soviet expanse shows that significant fragmentation has occurred today in this geopolitical area. According to Stanislav Belkovskiy, the founder of the Institute of National Strategy of Ukraine and Russia, an integrated post-Soviet expanse no longer exists as a geopolitical phenomenon, rather three post-Soviet expanses have appeared in its place: the western part of the former U.S.S.R., where the informal leader is Ukraine (which GUAM theoretically also serves), Russia and Belarus, and the so-called South Asian part, where the role of informal leader belongs to Kazakhstan.<sup>8</sup> Despite the fact that this particular breakdown of the post-Soviet geopolitical space is open to discussion, we must nevertheless understand that the actual fact of this territorial fragmentation is beyond doubt. And it is important to realize that Russia itself is the direct or indirect initiator of this process to one degree or another.

The post-Soviet states that are more loyal to Russian policy “deserve,” so to speak, more attention from the Russian Federation, and it, in turn, enters into various unions with them keeping the degree of this loyalty in mind. At times, the ideological “formalization” of this process gives rise to a certain amount of misunderstanding. For example, when Russia became a member of CACO in 2004, the question of its being recognized as a Central Asian state was discussed.<sup>9</sup> Following this logic, Turkmenistan should be excluded from the Central Asian states, since it does not belong to CACO. In other words, the membership status of a particular state in a particular regional

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<sup>6</sup> See, for example: R. Ultanbaev, “Eurasian Economic Community: Thorny Path of Development,” *Central Asia and the Caucasus*, No. 3 (21), 2003, pp. 135-137; idem, “Eurasian Economic Community in New Integration Conditions,” *Central Asia and the Caucasus*, No. 4 (40), 2006, pp. 38-40.

<sup>7</sup> See, for example: L. Vardomskiy, op. cit.

<sup>8</sup> See: “Dlia chego nuzhen GUAM?” *UNIAN*, 19 May, 2006, available at [<http://www.unian.net/news/print.php?id=155187>].

<sup>9</sup> See: F. Tolipov, “Russia in Central Asia: Retreat, Retention, Or Return?” *Central Asia and the Caucasus*, No. 5 (47), 2007, p. 19.

organization cannot be used as the only criterion for defining whether that state is located in a particular region or not.

Of all the purely post-Soviet international unions, only GUAM arouses unconcealed irritation among Russian politicians and experts, who believe it not simply to be an anti-Russian project orchestrated by the U.S. in the post-Soviet expanse,<sup>10</sup> but even a “branch” of NATO in the CIS,<sup>11</sup> although it is entirely possible that Moscow will gradually have to reconcile itself to GUAM’s existence.<sup>12</sup>

We are deeply convinced that Russia itself prompted the countries belonging to GUAM to create this transnational regional organization. As Chairman of the Center for the Study of Political Values Oles Doniy correctly noted, each of the post-Soviet republics by itself is much weaker than Russia, and, consequently, the latter has (and if necessary uses) strong levers of pressure on them, so GUAM is an institution of resistance to Russian pressure on the countries belonging to this union.<sup>13</sup>

Three of the four GUAM states have serious problems with territorial integrity. Russia directly (in Georgia and Moldova) or indirectly (in Azerbaijan) supports the regimes of the separatist territories; the Russian Federation also supports the separatist manifestations in eastern Ukraine, not to mention the Crimea. Moscow uses the territorial problems of these countries as a way to keep them under its political control.

Deliveries of energy resources play just as important a role in putting pressure on Georgia, Ukraine, and Moldova for Russia. This particularly applies to gas, the tariff policy for which is determined by Moscow’s political interests in these particular states.

In all likelihood, GUAM arouses the Kremlin’s irritation because four post-Soviet countries had the audacity to create an international union without inviting Russia, and in so doing they are clearly declaring their support of pro-Western values.

GUAM Secretary General Valery Chechelashvili justifiably notes that GUAM is an open organization, and any state of the region can apply to join it.<sup>14</sup> It is theoretically possible that the Russian Federation will want to become a member of GUAM, and its membership in what will then be GURAM (Georgia-Ukraine-Russia-Azerbaijan-Moldova) will mean that Moscow will also use this transnational structure in its interests. In this case, it can be presumed with one-hundred-percent probability that the above-mentioned criticism (at times even malicious) by Russian politicians and experts of this union will not only stop, but arguments will be heard about its prospects.

Boris Nemtsov correctly noted that the creation of GUAM was not aimed against the Kremlin, but against “dictatorial imperial Russia,” whereas democratic Russia, which will not have conflicts with the GUAM countries, has a real possibility of integrating into this union.<sup>15</sup>

At present, it is in Russia’s interests for GUAM to be weak. The Russian-Moldovan talks on reinstating deliveries of wine from Moldova to the Russian market are being viewed in this context, not to mention the next round of talks on the Transnistrian problem, as a result of which pro-Russian experts are concluding the Chisinau will repeat Tashkent’s experience and GUAM will be shortened by still one more letter.<sup>16</sup>

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<sup>10</sup> See, for example: S. Shakariants, “Sanitarniy kordon protiv Rossii,” *KVZK.ru. Novosti Kavkaza*, 29 June, 2007, available at [[http://kvkz.ru/2007/06/29/sanitarnyj\\_kordon\\_protiv\\_rossii.html](http://kvkz.ru/2007/06/29/sanitarnyj_kordon_protiv_rossii.html)].

<sup>11</sup> See, for example: V. Yakubian, “GUAM protiv Rossii—bakinskiy raund,” *REGNUM* Information Agency, 23 June, 2007, available at [<http://www.regnum.ru/news/issues/847166.html>].

<sup>12</sup> See: “Ukraina: Rossia smirilas s sushchestvovaniem GUAM,” *Noviy region* 2, 16 June, 2007, available at [<http://www.nr2.ru/pmr/124345.html>].

<sup>13</sup> See: “Dlia chego nuzhen GUAM?”

<sup>14</sup> See: A. Getmanchuk, “Gensek GUAM Valeriy Chechelashvili: ‘Kazhdaia iz chetyrekh stran—lider,’” *Glavred*, 18 June, 2007, available at [<http://glavred.info/print.php?article=/archive/2007/06/18/171626-1.html>].

<sup>15</sup> See: “Nemtsov prognoziruuet ekonomicheskoe razvitiie stran ODER-GUAM,” *ForUM*, 24 May, 2005, available at [<http://for-ua.com/ukraine/2006/05/24/161820.html>].

<sup>16</sup> See: V. Yakubian, op. cit.

No matter what, GUAM's future will largely depend on the extent to which the states belonging to it will be of interest both to Europe and the West as a whole, as well as to their direct neighbors with respect to using this international organization as a tool for developing mutual beneficial cooperation in the region.

## Why the “Caucasian Tandem”?

When talking about GUAM's economic prospects, it should be noted that the economies of the countries belonging to it are still insufficiently interrelated, since deliveries to the GUAM states account for only 3-14% of the total export of the countries in this union.<sup>17</sup> The free trade area to be created,<sup>18</sup> not to mention a GUAM common market, a discussion of which has only just begun in the Foreign Minister Council of this structure,<sup>19</sup> is not likely to yield fruit any time soon. Therefore, in addition to common political interests, the implementation of large economic projects of interest not only to the GUAM member states, but also to other states and their unions from a wider area, is currently acquiring special importance.

Due to the small size of three of the GUAM states, Ukraine is usually considered its informal leader.<sup>20</sup>

On the other hand, due to its large supplies of hydrocarbon resources,<sup>21</sup> Azerbaijan has special significance in GUAM, since in addition to everything else it is located on the transportation corridor that connects Europe to Asia. In this respect, we will note that the increase in rates of Azerbaijan's economic development was mainly caused by the increase in oil production and progress in the oil refining industry. The other three GUAM republics (Georgia, Moldova, and Ukraine) are in urgent need of energy resources, and each of them faces the task of decreasing its energy dependence on Russia, which, as was indicated above, is trying to take maximum advantage of the energy factor to place increasing political pressure on the leadership of these countries.<sup>22</sup>

When we talk about the small size of three of the GUAM states, we should keep in mind that in the burgeoning globalization processes, the size of the relevant market becomes significantly less important for the successful development of any country (including a small one): globalization promotes the unification of markets, and if a state is sufficiently open,<sup>23</sup> regardless of how large its territory or how big its population, the market of this state can become a part of the united markets in question.<sup>24</sup>

<sup>17</sup> See: L. Grigoriev, M. Salikhov, *GUAM—piatnadsat let spustia. Sdvigi v ekonomike Gruzii, Ukrainy, Azerbaidzhana i Moldavii, 1991-2006*, REGNUM, Moscow, 2007, p. 9, available at [<http://www.fief.ru/content/32/1/GUAM.pdf>].

<sup>18</sup> See, for example: “GUAM—zona svobodnoi trgovli,” 24 May, 2006, available at [<http://www.kroufr.ru/forum/index.php?PHPSESSID=2549b383f4445d14978df84d46c00a55&topic=1285.msg3270#msg3270>].

<sup>19</sup> See: *Communiqué of the GUAM Baku Summit*, GUAM, 18 June, 2007, p. 3, available at [[http://www.mfa.md/img/docs/baku\\_communique.doc](http://www.mfa.md/img/docs/baku_communique.doc)].

<sup>20</sup> See, for example: V. Stepanov, B. Burkinskiy, *GUAM: problemy i perspektivy razvitiia v kontekste natsionalnykh interesov Ukrainy*, Institute of Market Problems and Economic-Environmental Research, Ukrainian National Academy of Sciences, Odessa, 2001.

<sup>21</sup> See: I. Aliev, *Kaspiiskaia neft Azerbaidzhana*, Izvestia Publishers, Moscow, 2003.

<sup>22</sup> For more about this problem with respect to Ukraine, see, for example: R. Götz, “Ukraine and Belarus: Their Energy Dependence on Russia and their Roles as Transit Countries,” in: *The New Eastern Europe: Ukraine, Belarus, Moldova*, ed. by D. Hamilton, G. Mangott, Center for Transatlantic Relations, Washington, DC, 2007.

<sup>23</sup> See, for example: *Policymaking in the Open Economy. Concepts and Case Studies in Economic Performance*, ed. by R. Dornbush, The World Bank, Washington, 1993.

<sup>24</sup> See: A. Alesina, “It's the Size of the Market, not the Country that Counts,” *Project Syndicate*, December 1998, available at [<http://www.project-syndicate.org/commentary/ale1>].

Due to the relative underdevelopment of the national economies of the GUAM republics and, consequently, their low competitiveness on the international markets, it is especially important for the economic entities of these states to cooperate with each other in order to concentrate joint efforts on creating prerequisites for rapid and sustainable development. In other words, there is an urgent need to search for ways to establish a system of strategic economic partnership, and not simply cooperation. Only joint efforts will make it easier to find common spheres in the region, into which foreign investments can be pumped.

The future of GUAM's economic development largely depends on streamlining the transport arteries of the Euro-Asian Transport-Communication Corridor (EATCC). The widely known Europe-Caucasus-Asia (TRACECA)<sup>25</sup> transportation corridor became the first practical implementation of this plan.

Today, TRACECA is regarded as a transit corridor that will supplement and develop the already existing routes, primarily the European. In this respect, opportunities are appearing to unite the transport systems of the Black, Caspian, Adriatic, and Mediterranean seas.

Resolving the question of transporting energy resources via pipelines is just as important.<sup>26</sup> In particular, the Azerbaijani-Georgian transportation route for early oil became the first priority large-scale project in Georgia, which attracts large foreign investments. Moreover, implementation of this plan created prerequisites for more active investment in other spheres of the Azerbaijani and Georgian economies, not to mention raising the level of security in this region.<sup>27</sup>

On the other hand, launching the plan for transporting early oil from Azerbaijan through Russia was very significant for the implementation of this project, since under conflict conditions, when oil pipelines pass through hotspots or close to them, the existence of alternative pipelines is vitally important. Consequently, this example shows that not only are Azerbaijan and Georgia strategic economic partners in the transportation of early oil, but Georgia and Russia, as well as Azerbaijan and Russia (although unfortunately, the latter has essentially never acknowledged this) can also be regarded as such.

In the post-Soviet period, the Baku-Tbilisi-Supsa and Baku-Tbilisi-Ceyhan (BTC) pipeline projects laid the basis for economic cooperation between Azerbaijan and Georgia, as well as the South Caucasian gas pipeline (SCG) for transporting blue fuel from the Caspian field Shah Deniz; Turkey is directly involved in the two latter projects.<sup>28</sup>

<sup>25</sup> See: E. Shevardnadze, *Great Silk Route. TRACECA-PETRA. Transport Corridor Europe-Caucasus-Asia. The Eurasian Common Market. Political and Economic Aspects*, Georgian Transport System Ltd., Tbilisi, 1999.

<sup>26</sup> See: F. Asadov, "Oil Caravans of the 21st Century on the Great Silk Road: What the Future has in Store for Azerbaijan and Kazakhstan," *Central Asia and the Caucasus*, No. 6, 2000; H. Chase, "Future Prospects of Caucasian Energy and Transportation Corridor. The Role of Caucasian Energy Corridor in European Energy Security," *Georgian Economic Trends*, No. 3, 2002; J. DeLay, "The Caspian Oil Pipeline Tangle: A Steel Web of Confusion," in: *Oil and Geopolitics of the Caspian Sea Region*, ed. by M.P. Croissant, B. Aras, Praeger, Westport, 1999; J.H. Kalicki, "Caspian Energy at the Crossroads," *Foreign Affairs*, Vol. 80, No. 54, 2001; F. Müller, "Energy Development and Transport Network Cooperation in Central Asia and the South Caucasus," in: *Building Security in the New States of Eurasia. Subregional Cooperation in the Former Soviet Space*, ed. by R. Dwan, O. Pavliuk, M.E. Sharpe, Armonk, 2000; A. Rondeli, "The South Caucasus: Pipeline Politics and Regional Economic Interests," in: *The South Caucasus: Promoting Values Through Cooperation, Seminar Report Series No. 20. Helsinki, 12-15 May, 2004*, NATO Defense College, Academic Research Branch, Rome, 2004; S.F. Starr, S.E. Cornell, "The Politics of Pipelines: Bringing Caspian Energy to Markets," *SAISPHERE*, 2005; *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. by S.F. Starr, S.E. Cornell, Uppsala University, Uppsala, 2005; Z. Tevzadze, "Caspian Oil: Its Export Routes and Transportation Problems," *Central Asia and the Caucasus*, No. 1 (25), 2004.

<sup>27</sup> See, for example: V. Maisaia, *The Caucasus-Caspian Regional Security Agenda in the 21st Century: Caspian Oil Geopolitics and Georgia*, Publishing House Global-Print, Tbilisi, 2002.

<sup>28</sup> See, for example: S. Caglayan, H. Mamedov, R. Medzmariashvili, et al., *Regional Review: Economic, Social and Environmental Overview of the ACG: BTC and Shah Deniz/SCP Projects in the National and Regional Context of Azerbaijan, Georgia and Turkey*, Minimax, Baku, 2003.

The laying and operation of the Kars-Akhalkalaki-Tbilisi-Baku railroad system will be a further step toward intensifying economic partnership between Azerbaijan and Georgia (as well as toward Turkey's involvement in this process).<sup>29</sup>

All the above-mentioned projects are a graphic example of the coincidence of economic interests between two of the GUAM states—Azerbaijan and Georgia. Nevertheless, taking into account the conflicts in the Caucasus, we can conclude that the implementation of many regional plans is essentially impossible without Georgia's participation. Consequently, the latter acts as a link throughout almost the whole of the Caucasus.

Azerbaijan has essentially already positioned itself as the main regional transport hub,<sup>30</sup> and is also making serious claims to becoming a hub in banking activity, business service, the light industry, and the storage and agricultural businesses.<sup>31</sup> At the same time, the Baku airport also claims the role of a transport hub for the entire Caspian region<sup>32</sup>; it is justifiably believed that in this region, Baku could fulfill the function of a central hub and become another Dubai.<sup>33</sup>

Georgia is interested in Caspian oil and gas (and not only these resources) being transported to the West via its territory, which is also in Azerbaijan's economic interests, since if this happens, the route will acquire special significance—all kinds of cargo (not only oil and gas) will travel from the East to the West and back through its territory. The transportation of Caspian oil and gas via Georgia is raising its role as a transport hub of energy resources.<sup>34</sup> It can also be said that the BTC oil pipeline is endowing the Caspian region with the function of a new European transport hub of energy resources.<sup>35</sup> On the other hand, Georgia's geographic location along the transportation corridor connecting Europe and Asia through the Caucasus has also reinforced this country's position as a so-called transit hub.<sup>36</sup>

Different levels for manifesting the latter are known in the theory of market competition—at the level of companies, at the level of industries, at the level of states, and at the level of regional formations. As a rule, competitors should have more or less equal economic leverage and common vectors in defining their strategic interests, which also ensures they have the same economic claims. The country's competitiveness primarily depends on how productively national natural, labor, material, and financial resources are used. At the same time, any competition prompts a striving for perfection. If there was no international competition, the level of productivity in each individual state would essentially not depend on the situation in other countries, while transnational flows of goods and capital open up the possibility of raising the productive use of the state's resources and exclude the need for independently producing all goods and services, or for specializing in those branches of the economy and segments of the market where the country is relatively more competitive.

Based on the aforesaid, the conclusion can be drawn that economically, for example, Azerbaijan and Georgia are not strategic competitors. This is explained by the fact that Azerbaijan has oil and gas, while

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<sup>29</sup> See: T. Ziyadov, "Officials Meet to Discuss South Caucasus Rail System," *Eurasia Daily Monitor*, Vol. 2, No. 232, 14 December, 2005, available at [[http://www.jamestown.org/edm/article.php?article\\_id=2370599](http://www.jamestown.org/edm/article.php?article_id=2370599)].

<sup>30</sup> See, for example: K.T. Derr, *Commitment in the Caspian—A Chevron Perspective on Energy and Economic Development*, Chevron Corporation, Speech to the Asia Society, 20 October, 1998, available at [<http://agitprop.org.au/stoptato/19990524oil03.php>].

<sup>31</sup> See: S. Escudero, "Hub for the 21st Century. Azerbaijan's Future Role in the Caspian Basin," *Azerbaijan International*, No. 10.2, 2002.

<sup>32</sup> *Ibidem*.

<sup>33</sup> See: S. Escudero, "Visions of Baku. Future Hub of the Caspian," *Azerbaijan International*, No. 9.3, 2001, available at [[http://www.azer.com/aiweb/categories/magazine/93\\_folder/93\\_articles/93\\_stanley\\_escudero.html](http://www.azer.com/aiweb/categories/magazine/93_folder/93_articles/93_stanley_escudero.html)].

<sup>34</sup> See: R. Boucher, "Opening of Caspian Basin Pipeline. United States Welcomes the Opening of Caspian Basin Pipeline," *International Information Programs, USINFO.STATE.GOV, Europe and Eurasia*, 25 May, 2005, available at [<http://usinfo.state.gov/eur/Archive/2005/May/25-468295.html>].

<sup>35</sup> See: L. Yevgrashina, "BP Starts Work on Baku-Ceyhan Oil Pipeline," *The Turkish Times*, No. 308, 1 October, 2002, available at [[http://www.theturkishtimes.com/archive/02/10\\_01/f\\_veyhan.html](http://www.theturkishtimes.com/archive/02/10_01/f_veyhan.html)].

<sup>36</sup> See: I. Ivakhnenko, "Southern Hospitality: Caspian Exporters Encourage Infrastructure Developments in Georgia," *Publications RE*, 2005, available at [<http://www.rusenergy.com/eng/export.htm>].

Georgia has access to the ocean and is a direct neighbor of Turkey; both republics are on the EATCC route and each of them has its own—in some cases unique—production potential. All of this determines the fact that Azerbaijan and Georgia cannot be regarded as rivals, rather they are strategic economic partners. In other words, these states are creating a “Caucasian Tandem” in international competition.

At the same time, the absence of interstate economic competition between Georgia and Azerbaijan can in no way be perceived as the reason for the absence of market development stimuli: these states have other rival countries, and they themselves, taken together, should be regarded as economic partners in interregional competition. The economic partnership between Azerbaijan and Georgia can become (which is also confirmed to a certain extent in practice) a “magnet” for drawing other entities, both in GUAM and in the Caucasus.

In the GUAM context, the following questions are particularly important: to what extent can the projects designed to transport Caspian energy resources to Ukraine and on to Europe be implemented and, to be more specific, to what extent will the Odessa-Brody pipeline be used for this purpose?

At the moment, as noted above, the target of Azerbaijan’s Caspian energy resources has already been determined. The BTC and the SCG have not only already been laid, they have also been put into operation. Azerbaijan’s known supplies, however, do not give grounds for particular optimism with respect to transporting them to Ukraine. In other words, the question of transporting Kazakhstan’s, as well as Turkmenistan’s, if necessary, energy resources through the Azerbaijan-Georgian transportation corridor is up for discussion. As for the implementation of this project, it is being blocked primarily by Moscow, the interests of which are in no way conducive to resolving the question of creating alternative pipelines for delivering the Caspian’s energy resources to the West, bypassing Russia. So we obviously have a so-called pipeline puzzle.<sup>37</sup>

The policy the U.S. and EU choose will be of special importance in resolving this problem, primarily with respect to the Central Asian states and specifically Kazakhstan. In so doing, the role of the “Caucasian Tandem” is becoming pivotal, both with respect to GUAM as a whole and with respect to regulating the transportation of hydrocarbon resources in the westerly direction.

To sum up, the “Caucasian Tandem” is that foundation which has already been laid and on which GUAM’s economic system can and should be built.

### *In Lieu of a Conclusion, or How to Strengthen GUAM?*

In order to properly understand GUAM’s importance, we need to turn to the geopolitical research of the Eurasian continent carried out by well-known American political scientist Zbigniew Brzezinski, who believes that the geopolitical pivots of this vast region are Ukraine, Azerbaijan, South Korea, Turkey, and Iran.<sup>38</sup> The status of a geopolitical pivot<sup>39</sup> is determined by the country’s geographic location and the consequences of its potential vulnerability as a result of the actions of the “active geostrategic players,”<sup>40</sup> which are states that possess the real capability and national will to wield power and spread influence beyond their own borders.

Two of the five geopolitical centers of Eurasia are GUAM members, which gives this union special importance. GUAM could be significantly strengthened if such a Eurasian geopolitical center

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<sup>37</sup> See: G. Lomsadze, “Pipeline Puzzle,” *AmCham News*, American Chamber of Commerce on Georgia, Issue 6, December-January 2007-2008, available at [[http://www.magazine.amcham.ge/issues/2007\\_6/06\\_2007\\_02.htm](http://www.magazine.amcham.ge/issues/2007_6/06_2007_02.htm)].

<sup>38</sup> See: Z. Brzezinski, *The Grand Chessboard. American Primacy and its Geostrategic Imperatives*, Basic Books, New York, 1997, p. 41.

<sup>39</sup> *Ibidem*.

<sup>40</sup> *Ibid.*, p. 40.



as Turkey became more actively involved in its activity. In the event a triangle of geopolitical centers is formed, joint projects within GUAM will become larger in scale and more effective. What is more, if Turkey becomes more intensively involved in this union, not to mention GUAM being expanded to form GUTAM, the first could go beyond the framework of the post-Soviet geopolitical space, which is particularly important keeping in mind Russia's efforts to preserve and strengthen its influence primarily within this space.

Azerbaijan could naturally play a key role in strengthening interrelations between GUAM and Ankara. This stands to reason if we keep in mind its ethnic, cultural, and linguistic communality with Turkey, which will make it possible to reach common views on many international issues. Moreover, we should keep in mind the particular friendly relations between Georgia and Ukraine, which, with the existence and functioning of the "Caucasian Tandem," could ensure the harmonization of interests between the GUAM countries and Turkey.

When describing Azerbaijan with its vast hydrocarbon resources as a "cork" in the "bottle" that contains the riches of the Caspian Sea and Central Asia, Zbigniew Brzezinski emphasizes that independence of the states of the latter essentially depends on Azerbaijan's independence from Moscow.<sup>41</sup> This thesis, which deserves attention, should be perceived in particular by the indicated states themselves as vitally important, which essentially could serve as a platform for enlarging GUAM in the easterly direction.

GUAM's future largely depends on the extent to which it succeeds in drawing Kazakhstan and Turkmenistan into this union. As for Uzbekistan, keeping in mind its relatively recent withdrawal from GUAM, there is no point in hoping it will return to it any time soon.

It is very important that simultaneous efforts are being made to expand GUAM's activity in the Turkish and Kazakhstan-Turkmen directions, which will guarantee the success of the joint projects within the framework of this international regional union. This will balance out Turkey's and Ukraine's interests regarding the transportation of energy resources.

Realization of this possibility of GUAM's development is vitally important for the West, therefore the actions of the U.S. and EU, which are oriented toward enlarging the GUAM format in the mentioned directions, should be qualitatively intensified.

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<sup>41</sup> Ibid., pp. 46-47, 129.