

SOUTHERN CAUCASUS WITH PARTICULAR FOCUS ON ENERGY ISSUES

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Since the end of the Cold War, the Caucasus region and indeed the whole former communist block have been undergoing dynamic change, which looks set to continue into the next millennium. In the 21st century, the region's role and significance will grow substantially due to its size, strategic location at the crossroads of Europe and Asia, natural resources, economic potential and gradually emerging coherence. It is becoming obvious that the 21st century is going to be the most difficult for mankind in overcoming existing problems, including global risks such as real threats of ecological disasters, economic turmoil and financial crises. Given this, the most important issue is to create a universal system of economic security for the 21st century, which aims at preventing these economic risks from occurring. However, the economic security system could not be maintained without sub-regional as well as regional and interregional cooperation that requires a solid basis on a global scale.

Modern international relations concentrate mostly on the economic aspects of cooperation and acquire more and more economic essence. We frequently hear about the new models of economic security of the 21st century, indeed, this is quite understandable and justified because economic strength is a powerful enough force to solve the most difficult contradictions and problems. In this regard, the WTO allows for a qualitative increase in the economic dimension that will finally and definitely facilitate the process of intensification of structural transformation in those countries which in the last decade have chosen the way of the market.

At the same time, it is difficult to expect successful development of the Southern Caucasus in the future without addressing regional political and security concerns that significantly overshadow regional relations. Demand for security is very high in the region and therefore cooperation on some political and security issues could be very productive. In this regard the establishment of a certain "Commission on Security" to provide a mechanism for security cooperation, to conduct field visits to conflict areas and to elaborate recommendations for their peaceful settlement would be a very useful development.

Newly Independent States that emerged after the collapse of the Soviet Union are now concentrating their efforts on finding an appropriate place in the world

economy. The emerging global system is very new. The post-war architects have been guided by a central idea - that a durable international peace could only be built on the foundations of interdependence. Economic freedom - free markets, free trade, free movement of goods, capital and ideas - have become a prerequisite for political and social freedoms around the world. Bearing this in mind, the countries of the Caucasus and Caspian regions have already started to turn these principles into reality. In order to realise their whole potential, these countries need to successfully cope with many problems and challenges. The latter include persisting political tensions and unresolved inter- and intra-state conflicts, economic problems and limited capacities for economic growth.

Nowadays Georgia is facing similar problems. In this regard, one of the key elements of Georgia's policy is to tackle these problems in order to preserve and develop democratic principles in the country. Within this context, it is necessary to consider the position and role of small countries in a globalising world. We have to find the proper solution for small countries in the system of international relations keeping in mind both their potential and their comparative advantages. Georgia considers its participation in sub-regional, regional and inter-regional economic processes as a necessary element towards acquiring an international role. Taking into account today's realities and the strategic location of Georgia, we believe that the transition possibilities of Georgia can be regarded as something of benefit to both itself and the international community.

Since Caspian energy transportation issues are very much linked to the fate of countries in the Southern Caucasus, the importance of the latter are growing. The natural wealth of Caspian countries, together with the strategic location of the Caucasus, present a great potential for the region to become strong both economically and politically. The exploitation as well as export of natural resources of the Caspian can be regarded as an excellent opportunity to progress with and complete the transformation process, which is directly connected to the economic and social stability of these states.

However, both internal as well as external stability will be the main factors promoting democratic principles in this region. Today, as these countries undergo complex processes of democratic development, market reform and civil society consolidation, the utilisation of their potential in the international arena is the most important task to be implemented. The first steps have already been completed towards this goal. For example, the close cooperation both with and within such solid organisations as the UN specialised agencies, the EU, OSCE, and NATO will undoubtedly further contribute to the growing role of the Southern Caucasus region. Having transformed itself into an international organisation, the Black Sea Economic Cooperation (BSEC) has succeeded in establishing a role within the international arena. Increasing BSEC-EU interaction will further add to the increasing role of the Black Sea region as a whole.

In this connection, I would like to emphasise several positive achievements of Georgia regarding the transformation process, indeed, accomplishments that

have facilitated its accession to the WTO. Since a new constitution was adopted in 1995 and democratic elections for President and Parliament were held, Georgia has enjoyed rapid growth in both its economic and social affairs. The most important fact is the harmonisation of its legal system to international standards. The Civil, Tax and Customs Codes have all been adopted in compliance with international requirements. Work has also started on the transformation of the old Soviet system of standardisation and certification to a new system corresponding to international standards. One of the priorities of Georgia is the development of its infrastructure mainly in the field of ports and roads. Statistical data demonstrate the rapid improvement of the Georgian economy. In 1997, real growth in GDP was 11.3% against 10.6% in 1996 and 3.3% in 1995. Annual inflation was held at 7.3% in 1997. Price liberalisation has been completed. The national currency (Lari) introduced in 1995 is stable. In 1998, real GDP growth was 2.9%. Finally, Georgia's foreign debt has been entirely restructured.

The most significant task for Georgia is to take an active part in regional projects. The first regional project - construction of the Baku-Supsa pipeline - has already been completed. Great attention has recently been focused on the development of the "Transport Corridor Europe-Caucasus-Asia" (TRACECA), which is sometimes described as a restoration of the "Great Silk Road". The fact that this route, which would run through the Black Sea and across Georgia to the Caspian Sea, would shorten the sea routes connecting Europe with Asia by approximately 8,000 kilometres is an indication of its importance. Because Georgia will be a key country for the transport of both energy and material goods along the Silk Road, close collaboration between Georgia and the main international institutions would significantly assist the realisation of this project.

In this regard, economic independence and prosperity will play a significant role in overcoming the numerous ethnic conflicts that we face in the Caucasus and the Caspian region. Moreover, the resource rich Caspian states have relatively small populations, so most of their oil and gas is likely to be exported thereby making the Caspian a useful counterbalance to the Middle East. Existing transportation links do not meet requirements and new routes need to be found. In theory, new pipelines could go in almost any direction. Southern or eastern routes could serve the Asian markets, northern routes would boost Russian influence in the region, whilst western routes could serve the European market that will need to import more energy as North Sea production falls early in the next century. In this regard, the main question is, "where the export pipelines should run?" This issue of pipeline diplomacy is frequently clouded by opposing commercial and political interests. To maintain the secure transportation of these resources that would facilitate economic development processes in the whole region, the most crucial point is to build confidence and mutual trust among all the countries in the region. Bearing this in mind, the most acceptable choice could be the construction of multiple pipeline networks that will allow the Caspian states to balance their external interests.