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**FORMATION AND DEVELOPMENT
OF THE “CAUCASIAN TANDEM”**

The naturalness of the economic co-operation between Azerbaijan and Georgia has led to the formation of a so-called “Caucasian Tandem”. By holding common attitudes in many international projects, the countries of the “Caucasian Tandem” have paved the way for the development of a certain cluster which will contribute to the increased competitive capabilities of the “Tandem” in a long-term perspective. An equally important issue is to ensure the realization of the “Caucasian Tandem’s” potential which eventually will lead to the formation of the region’s economic hub.

To ensure that the economic relationships between the two nations is not limited to external trade but to grow into a firmer form of co-operation, it is not enough for them to maintain common (or even close) economic interests. Much rather, a set of preconditions should exist which would enable a more-or-less successful fulfilment of those interests. At the same time, the artificial creation of an international organization, ostensibly aimed to develop some economic links between its member states, as a rule, leads to the existence of an essentially pro forma organization. The most obvious example of such international organizations is the Commonwealth of Independent States (CIS) whose only mission is to keep the integrative aspirations of its members just within the limits of the CIS.¹ Many experts draw an analogy between the CIS and the secluded integration which characterized the former Soviet Union. Further proof of the actual non-sustainability of the CIS is the formation of a number of other organizations within its limits, such as the Customs Union, the Euro-Asian Economic Community, the United Economic Area, the Central Asian Co-operation and GUAM.

Azerbaijan and Georgia, notwithstanding the international organizations of which they hold membership, have managed to create such a quality of economic

¹ Coppieters, B. (1998): ‘The Failure of Regionalism in Eurasia and the Western Ascendancy over Russia’s Near Abroad’, in B. Coppieters, A. Zverev and D. Trenin (eds.), *Commonwealth and Independence in Post-Soviet Eurasia*, London: Frank Cass Publishers, pp. 191-213.

integration that it has steadily been receiving more and more attention from the leading world and regional powers. I have called this kind of integration of the two Caucasian nations the “Caucasian Tandem.”² The goal of this paper is to explore and to investigate the economic pillars and development trends of the “Caucasian Tandem” of Azerbaijan and Georgia.

Strategic Economic Interests of Azerbaijan and Georgia – A Pillar of the “Caucasian Tandem”

In view of the current status of the economies and the process of development of the national statehoods of Azerbaijan and Georgia,³ the objective of the potential economic integration of these countries cannot be deemed an easily achievable one. It must be emphasized that the situation in both countries has become increasingly difficult because of the unresolved problems regarding territorial integrity.⁴

Because of the relative underdevelopment of the national economies of Azerbaijan and Georgia and, as a consequence, the low competitive potentials of these countries in international markets, it becomes vitally important for them to look for and explore new kinds of relationships between economic agents from both nations so that they could combine their efforts to create conditions for a quicker and steadier development. In other words, the objective is to create opportunities for setting up a system of strategic economic partnership between the countries of the Caucasus.⁵ Joint efforts (even if they are informal in the beginning) may facilitate the task of finding common areas of potential interest for foreign investments which can be applied regionally.⁶

As to the question of attracting large-scale investments, the region does have a number of areas which could capture the attention of foreign investors. In this context, it would suffice to mention the Caspian oil reserves⁷ and the Euro-Asian

² Beridze, T., E. Ismailov, and V. Papava (2004): *Tsentral'niy Kavkaz i ekonomika Gruzii* (The Central Caucasus and Georgia's Economy), Baku: Nurlan Publishers, pp. 42-44.

³ Coppieters, B., and R. Legvold (eds.) (2005): *Statehood and Security: Georgia after the Rose Revolution*. Cambridge: The MIT Press; see also Cornell, S.E. (2001a): 'Democratization Faltering in Azerbaijan', *Journal of Democracy*, 12/2, pp. 118-131.

⁴ Birch, J. (1996): 'The Georgian/South Ossetian Territorial and Boundary Dispute', in J.F.R. Wright, S. Goldenberg, and R. Schofield (eds.), *Transcaucasian Boundaries*, New York: St. Martin's Press, pp. 151-189; For more details, see also Lynch, D. (2004): *Engaging Eurasia's Separatist States. Unresolved Conflicts and De Facto States*, Washington, D.C.: United States Institute of Peace Press; Nuriyev, E., (2007): *The South Caucasus at the Crossroads: Conflicts, Caspian Oil and Great Power Politics*, Berlin: LIT; Zverev, A. (1996): 'Ethnic Conflicts in the Caucasus 1988-1994', in B. Coppieters (ed.), *Contested Borders in the Caucasus*, Brussels: VUB University Press, pp.13-71.

⁵ Papava, V., and N. Gogatadze (1998): 'Prospects for Foreign Investments and Strategic Economic Partnership in the Caucasus', *Problems of Economic Transition*, 41/5, pp. 79-88.

⁶ Starr, S.F. (2003): 'The Investment Climate in Central Asia and the Caucasus', in J.H. Kalicki, and E.K. Lawson (eds.), *Russian-Eurasian Renaissance? U.S. Trade and Investment in Russia and Eurasia*, Washington, D.C.: Woodrow Wilson Center Press, pp. 73-91.

⁷ Aliyev, I. (2003): *Kaspiiskaia neft' Azerbaidzhana* (Caspian Oil of Azerbaijan). Moscow: Izvestia Publishers.

Transportation and Communication Corridor (EATCC) linking Europe and Asia with each other through the countries of Central Asia and the Caucasus⁸ to come to a conclusion that Azerbaijan and Georgia are serving a special function. Obviously, it is a strategic objective for many nations and leading companies of the world to secure their presence in this region.

The acceleration of Azerbaijan's economic growth depends to a great degree upon the growth of the oil extraction rate and the development of oil-processing industries.⁹ At the same time, the issue of the expansion of the oil sector broadly depends upon the arrangement of the EATCC transport arteries. The practical implementation of this plan started with the realization of the world famous TRACECA project,¹⁰ which is a transport corridor which supplements and develops already existing routes, first of all the European ones.

Of no less importance is the question of the transportation of energy resources by means of pipelines.¹¹ In particular, the Azerbaijani-Georgian route of transportation in the early stages was the first priority large-scale project for Georgia and one which attracted significant foreign investments.

On the other hand, it was also very important to ensure the implementation of another project—the transportation of Azerbaijani oil through Russia—for the realization of this project. This particular example demonstrates that as far as the transportation of early stage oil is concerned, it is not only Azerbaijan and Georgia that should be considered strategic partners but also Georgia and Russia, on the one hand, and Azerbaijan and Russia, on the other hand. (Unfortunately, however, Russia has never accepted these ideas).

In the post-Soviet period, the foundations for the economic partnership of Azerbaijan and Georgia were started by the Baku-Tbilisi-Supsa and Baku-Tbilisi-Ceyhan (BTC) oil pipeline projects and the South Caucasian Pipeline that was constructed for the transportation of natural gas from the Caspian Sea deposit of Shah Deniz. Turkey has played an active role in the development and implementation of the

⁸ Gegeshidze, A. (1999): 'Eshche raz o Velikom shelkovom puti' (More on the Great Silk Road), *Tsentrāl'naia Azia i Kavkaz* (Central Asia and the Caucasus), 4, pp. 170-180.

⁹ Gasanov, R. (2007): 'Economy' in *Central Eurasia 2006*, Analytical Annual, Luleå: CA & CC Press, pp. 79-87; Murshudli, F. (2006): 'Economy' in *Central Eurasia 2005*, Analytical Annual, Luleå: CA & CC Press, pp. 113-121.

¹⁰ Shevardnadze, E. (1999): *Great Silk Route. TRACECA-PETRA. Transport Corridor Europe-Caucasus-Asia. The Eurasian Common Market. Political and Economic Aspects*. Tbilisi: Georgian Transport System Ltd.

¹¹ Kalicki, J.H. (2001): 'Caspian Energy at the Crossroads', *Foreign Affairs*, 80/5, pp. 120-134; Rondeli, A. (2004): '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. Rome: NATO Defense College, Academic Research Branch, pp. 43-52; Starr, S.F., and S.E. Cornell (eds.) (2005): *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*. Uppsala: Uppsala University.

last two projects.¹² The construction and operation of the railroad system of Kars-Akhalkalaki-Tbilisi-Baku may be the next step towards the intensification of the economic partnership between Azerbaijan and Georgia as well as Turkey's involvement in this process.¹³ All of these projects (the pipeline and the railroad) represent a good example of the correlation of economic interests of the two nations—Azerbaijan and Georgia—with that of Turkey. Obviously, the formation of the “Caucasian Tandem” of Azerbaijan and Georgia was developed by such a correlation which, eventually, led to the gradual creation of a strategic economic partnership between these two states.

International Factors of Development of the “Caucasian Tandem”

There is no doubt that Azerbaijan has the greatest advantages from amongst the countries of the Caucasus region. It is rich in hydrocarbon deposits. In addition, it has a very favourable geographical location which is convenient for the transportation of energy resources. In view of the region's geographical characteristics, the effective utilization of Azerbaijan's transport potential broadly depends upon the other countries of the region such as Georgia and Armenia.

As far as Georgia is concerned, the country's geographical location is its greatest relative advantage. Georgia is situated in the middle of the transport corridor which links Europe and Asia and which is a fact that determines the country's international economic function.¹⁴ Georgia also has the potential to become an important transport link connecting Russia with Armenia and, further, with Iran. Armenia might also be considered as possessing an important transportation function in terms of a “West-East” link (Turkey-Armenia-Azerbaijan) and a “North-South” link (Russia-Georgia-Armenia-Iran). For Armenia, like Georgia, the “West-South” transportation corridor (Georgia-Armenia-Iran), which could connect the Black Sea and the Persian Gulf, is the most important axis. The problem is that these countries in principle need to make use of their relative advantages.¹⁵

It is not a surprise that Azerbaijan's hydrocarbon resources and their transportation routes, with their gigantic geostrategic importance, have brought both positive and negative effects not only to this country but also to the whole region.¹⁶

¹² Caglayan, S., H. Mamedov, R. Medzmariashvili, et al. (2003): 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, Baku, Minimax.

¹³ Ziyadov, T. (2005): ‘Officials Meet to Discuss South Caucasus Rail System’, Eurasia Daily Monitor, 2/232, December 14, online http://www.jamestown.org/edm/article.php?article_id=2370599.

¹⁴ Papava, V. (2002): ‘On the Special Features of Georgia's International Economic Function’, Central Asia and The Caucasus, 2(14), pp. 143-147.

¹⁵ Papava, V. (2006): ‘Comparative Advantages of the Central Caucasian Countries: Potential, Realized, and Missed Opportunities’, The Caucasus & Globalization, 1(1), pp. 87-96.

¹⁶ O'Hara, S.L. (2004): ‘Great Game or Grubby Game? The Struggle for Control of the Caspian’, Geopolitics, 9/1, pp. 138-160.

The positive effect, basically, is associated with the Western countries which are interested in obtaining as many alternative sources of oil and natural gas as possible. As a result, from the very beginning they expressed their interest in exploiting Azerbaijani energy resources and creating alternative transportation pipelines which, in turn, triggered the flow of significant foreign direct investments not only into Azerbaijan but also Georgia and Turkey as the other two member countries of the pipeline projects. As for the negative effects, most of them originated from Russia and Iran as the regional competitors in oil and gas exploitation and transportation which attempted to take the exploitation and, especially, the transportation of Azerbaijani hydrocarbon resources under their control by any means possible.

For Azerbaijan, its ethnic, cultural and linguistic proximity with Turkey is of particular importance. This factor determines the unity of positions of these countries with respect to many international issues. As was to be expected, such a unity became a decisive factor in choosing oil and gas transportation routes. Notwithstanding the fact that there is a shortcut through Armenia which connects Azerbaijan and Turkey, this transportation route—potentially the best in terms of making economic sense—was declined due to the very tense relations between Armenia, on one hand, and Azerbaijan and Turkey, on the other.

First of all, Armenia's conflict with Azerbaijan over the problem of Nagorno-Karabakh and the Armenian military occupation of the Azerbaijani territory beyond the boundaries of this breakaway region, not to mention Armenia's destroying of the railroad connecting Azerbaijan and its autonomous region of Nakhichevan, led Azerbaijan to reject the idea of using Armenian territory as a transport corridor. Secondly, Turkey, as Azerbaijan's closest ally, also blocked the proposal of choosing the Armenian route.¹⁷ In this connection, it must be noted that Armenia also has its own claim against Turkey in the form of Turkey's refusal to recognize the "Armenian Genocide" in the early 1900s. Additionally, many Armenians see Azerbaijanis and Turks as the same people and blame them also for their involvement in the "Armenian Genocide."¹⁸ This is a very good example of how a country, namely Armenia, cannot make use of its relative advantages with its territory providing a short cut between Azerbaijan and Turkey but being unusable because of its

¹⁷ It must be noted that despite the obvious problems in relations between Armenia and Turkey, some economic contacts between the agents of these countries have nonetheless taken place. The annual trade turnover between these countries amounts to USD 100 million. For details, see Hill, F. and O. Taspinar (2006): 'Russia and Turkey in the Caucasus: Moving Together to Preserve the Status Quo?', *Russie.Nei.Visions*, No 8, online version is available at http://www.ifri.org/files/Russie/hilltaspinar_anglais.pdf.

¹⁸ Hunter, Sh. T. (2000): 'The Evolution of the Foreign Policy of the Transcaucasian States', in G.K. Bertsch, C. Craft, S.A. Jones, and M. Beck (eds.), *Crossroads and Conflict: Security and Foreign Policy in The Caucasus and Central Asia*, New York: Routledge, pp. 25-47.

tense and conflicting relations with the other two countries.¹⁹ The exclusion of the Armenian route from the feasible options of the transportation of Azeri oil and gas to the West increased Georgia's chances and, eventually, the Georgian route was selected and implemented.²⁰

Practically from the very moment of the creation of the idea of transporting Caspian oil to the West and the construction of the BTC pipeline as the means for its movement (by bypassing the territories of Russia and Iran), Azerbaijan, Georgia and Turkey appeared as one "team" whilst enjoying extensive support from the United States at the same time.²¹ Such a situation has been in perfect harmony with the key objectives of the United States in the region; that is, the isolation of Iran, the prevention of the re-establishment of Russia's monopolistic positions in the region, support of Turkey in raising its influence in the region and helping American companies in implementing their investment programs in the region.²² At the same time, the United States' strategy in the region could be paraphrased as a strategy of "multiple pipelines" which means that the existing pipelines should be supplemented by new ones.²³

The Caspian energy resources may not only benefit the "Caucasian Tandem" but also may cause danger to the security of the countries of this region. The danger is conditioned by Russia's fear of the West's increasing influence in the region which ostensibly threatens Russia's national security and contradicts its interests.²⁴

According to official sources in the United States, Caspian energy resources represent an arena of potential co-operation with Russia.²⁵

¹⁹ Aras, B., and G. Foster (1999): 'Turkey: Looking for Light at the End of Caspian Pipeline', in Michael P. Croissant, and Bülent Aras (eds.), *Oil and Geopolitics of the Caspian Sea Region*, Westport: Praeger, pp. 229-247; Harutyunyan, A. (2004): 'Armenia as a Factor of Balance in the Southern Caucasus Region', in A.H. Ebnöther, and G.E. Gustenau (eds.), *Security Sector Governance in Southern Caucasus – Challenges and Visions. Study Groups Regional Stability in Southern Caucasus Security Sector Reform*, Vienna, National Defense Academy, pp. 166-178.

²⁰ Croissant, M.P. (1999): 'Georgia: Bridge or Barrier for Caspian Oil?', in M.P. Croissant and B. Aras (eds.), *Oil and Geopolitics of the Caspian Sea Region*, Westport: Praeger, pp. 275-290.

²¹ Kalicki, J.H. (2001): 'Caspian Energy at the Crossroads', *Foreign Affairs*, 80/5, p. 122.

²² Müller, F. (2000): 'Energy Development and Transport Network Cooperation in Central Asia and the South Caucasus', in R. Dwan, and O. Pavliuk, *Building Security in the New States of Eurasia. Subregional Cooperation in the Former Soviet Space*, Armonk: M.E. Sharpe, pp. 189.

²³ Pamir, A.N. (2000): 'Is There a Future of the Eurasian Corridor?', *Insight Turkey*, 2/3, pp. 31-44.

²⁴ Rondeli, A. (2002): 'Pipelines and Security Dynamics in the Caucasus', *Insight Turkey*, 4/1, pp. 13-17.

²⁵ For more on this issues, see Baran, Z. (2004): 'Developing a Euro-Atlantic Strategy Towards Black Sea Energy: The Example of the Caspian', in R.D. Asmus, K. Dimitrov, J. Forbrig (eds.), *A New Euro-Atlantic Strategy for the Black Sea Region*, Washington, D.C.: The German Marshall Fund of the United States, pp. 116-124; Larrabee, F.S. (2004): 'The Russian Factor in Western Strategy Toward the Black Sea Region', in R.D. Asmus, K.Dimitrov, J.Forbrig (eds.), *A New Euro-Atlantic Strategy for the Black Sea Region*, Washington, D.C.: The German Marshall Fund of the United States, pp. 147-156; Mann, S.R. (2003): 'Caspian Futures', in J.H. Kalicki, and E.K. Lawson (eds.), *Russian-Eurasian Renaissance? U.S. Trade and Investment in Russia and Eurasia*, Washington, D.C.: Woodrow Wilson Center Press, pp. 152-153.

International Competition and the “Caucasian Tandem”

Azerbaijan has oil and gas whereas Georgia has access to a sea and common frontiers with Turkey. Both countries are situated on the EATCC “highway” and each of them has its own manufacturing potential. All of the above factors lead to the conclusion that Azerbaijan and Georgia cannot be considered competitors but, rather, strategic economic partners.

The economic partnership of Azerbaijan and Georgia may become (and at times this actually happens in practice) a “magnet” to attract other nations (although, unfortunately, not all governments appreciate the advantages of strategic economic partnership in the region).

In this context, a question arises as to whether or not these two countries are able to create an international cluster which would increase their joint competitive power in global markets.

According to the cluster theory,²⁶ a cluster is a group of geographically neighbouring and interrelated companies, firms and organizations which act together in one or more sphere (which is the basis of the cluster) to drastically raise their joint competitive potential. It is no surprise that the localization of competitive advantages takes place under the conditions of world-wide competition.²⁷ In this connection, it becomes particularly important to explore the experiences of those countries that have developed relevant regional policies.²⁸

Despite a certain scepticism with respect to the existence of any one coherent theory of clusters *per se*, a number of schools of thought have already been formed:²⁹

- The American school is oriented towards the competitive development of nations with different standards of living.
- The British school focuses upon the role of transnational corporations (TNCs) in the development of the international division of labour in the competition processes.

²⁶ Porter, M.E. (1990): *The Competitive Advantage of Nations*, New York: The Free Press.

²⁷ Enright, M.J. (1998): ‘The Globalization of Competition and the Localization of Competitive Advantage: Policies toward Regional Clustering’, N. Hood and S. Young (eds.), *The Globalization of Multinational Enterprise Activity and Economic Development*, London: Macmillan, pp: 303-31.

²⁸ Raines, Ph. (2001): ‘The Cluster Approach and the Dynamics of Regional Policy-Making’, *Regional and Industrial Policy Research Paper*, No. 47, European Policies Research Centre, University of Strathclyde, online http://www.eprc.strath.ac.uk/eprc/Documents/PDF_files/R47ClusterApproachDynamicsofRegionalPolicy-Making.pdf.

²⁹ Pilipenko, I.V. (2005): ‘Clusters and Territorial-Industrial Complexes: Similar Approaches or Different Concepts? First Evidence from Analysis of Development of Russian Regions’, 45th Congress of the European Regional Science Association “Land Use and Water Management in a Sustainable Network Society”, 23-27 August, 2005, Vrije Universiteit Amsterdam, online http://www.feweb.vu.nl/ersa2005/final_papers/70.pdf.

- The Scandinavian school, consisting of the four groups (Danish, Finnish, Norwegian and Swedish) which, in one way or another, focus upon systems of innovations, the historical development of competitive powers and the peculiarities of market organization.

Apparently, the question of the formation and development of potential clusters for Azerbaijan and Georgia could be explored in the context of the American school of cluster theory. Because Azerbaijan has its own oil and gas, however, there is no doubt that it would be very useful to consider the Norwegian experience in developing and operating oil clusters³⁰ from the Azerbaijani perspective (and not only from its perspective) whilst keeping in mind a complex approach to the development and exploitation of all sorts of energy resources based upon the use of environmental technologies.³¹ In the future, upon the condition that the conflict in Nagorno-Karabakh is settled, Armenia may also have a good chance to hold its due place in the Caucasian cluster. Such an approach will not only raise the joint competitive potential of these countries in global markets but strengthen their strategic partnership in the region.

Perspectives for the Formation of an Economic Hub

A “hub” is defined as a territorial organization of different types, including nation-states.³² Furthermore, the word “hub” may be used in reference to a rather large unity of nation-states whose spokes could be distinct nation-states as well as relatively smaller unities of states. The EU is the best example of such a kind of hub. Furthermore, in the recent past the countries of Central and Eastern Europe which were not yet the members of the EU also constituted a hub which was composed of either spokes (distinct states) or block-spokes (groups of states).³³

In view of the above-identified characteristics of a hub, there arises a question concerning which of the varieties of hub could be considered as most beneficial for the countries of the “Caucasian Tandem.”

³⁰ Steensnæs, E. (2002): The International Challenge for the Norwegian Petroleum Cluster. Speech given by Minister of Petroleum and Energy at The Annual Conference on Internationalization, Innovation and R&D in the Petroleum Sector, Ministry of Petroleum and Energy is available online at http://www.regjeringen.no/nb/dokumentarkiv/Regjeringen-Bondevik-II/Olje--og-energidepartementet/264524/265385/the_international_challenge_for.html?id=266049.

³¹ Here it is important to underline that the Azerbaijan’s oilfields in the Caspian Sea, namely Azeri, Chirag, Gunashli (ACG), have been referred to as a cluster (for example, SOGM, 2005, Townshend, 2002).

³² Lee, K.-K. (2004): ‘Korea, Northeast Asian Economic Hub Country? A Critical Study of the New Government Strategy’, *Ritsumeikan International Affairs*, 2, pp. 1-25, online http://www.ritsumeit.ac.jp/acd/re/k-rsc/ras/publication/kiyo_en/02/02_1.pdf; See also Philips, S. (1999): ‘Lithuania: Trade Hub of the Baltics – Includes Related Articles on Free Economic Zones and Free Trade Agreements in Lithuania’, *Find Articles*, April, online http://www.findarticles.com/p/articles/mi_m3723/is_4_11/ai_54657019; Philips, S. (2004): ‘Lithuania: Trade Hub of the Baltics’, *FASonline*, October 14, online <http://www.fas.usda.gov/info/agexporter/1999/articles/lithuani.html>.

³³ Benedictis, L. de, R. de Santis, and C. Vicarelli (2005): ‘Hub-and-Spoke or Else? Free Trade Agreements in the ‘Enlarged’ European Union’, *The European Journal of Comparative Economics*, 2/2, pp. 245-260.

Azerbaijan has already assumed the image of the key regional transportation hub.³⁴ Furthermore, it has also expressed its wish to become a hub in a number of other sectors such as in banking and business services, light industries, warehousing and agriculture.³⁵ At the same time, Baku's new airport also claims to be a transport hub for the whole Caucasus region with the city having a real chance of assuming the role of a central hub of the region and even becoming the next Dubai.³⁶

Georgia is very interested in the transportation of Caspian oil and gas (and not only those) to the West via its own territory. This is also within Azerbaijan's economic interest given the fact that the route in question acquires a special value in that all kinds of shipments (not only oil and gas) moving from the East to the West and vice versa will also pass through its territory. The transportation of Caspian oil and gas through the territories of Georgia and Turkey enhances Turkey's role as an energy transportation hub. To further this thought, one may suggest that the BTC pipeline offers the Caspian region the function of a new European energy transportation hub.³⁷

As for Georgia, its geographical location, namely the fact that it is situated along the transportation corridor connecting Europe and Asia, enables it to assume the function of a "transit hub."

In view of the general definition of the term "hub" and the existing conflict between Armenia and Azerbaijan, Georgia had to assume the function of a "regional hub" given the fact that any political, environmental, cultural, scientific and other connections and conventions in the region are possible only with the aid of Georgia if the participation of all three countries of the region is desired.

The formation of a real and complete economic hub in the Caucasus, however, still has a long way to go. In the event of the peaceful settlement of the existing conflicts and a correct exploitation of all potential capabilities of the region—and also in the event of the consistent attraction of foreign investments and their use of the development of the outlines of transportation and energy hubs—it is quite reasonable to predict that the Caucasus may gradually become the home of the multi-channel system of "hubs and spokes" by means of the "Caucasian Tandem."

³⁴ Derr, K.T. (1998): 'Commitment in the Caspian – A Chevron Perspective on Energy and Economic Development', Chevron Corporation, Speech to the Asia Society, October 206 online <http://agitprop.org.au/stopnato/19990524oil03.php>.

³⁵ Escudero, S. (2002): 'Hub for the 21st Century. Azerbaijan's Future Role in the Caspian Basin', *Azerbaijan International*, 10.2.

³⁶ Escudero, S. (2001): 'Visions of Baku. Future Hub of the Caspian', *Azerbaijan International*, 9.3.

³⁷ Yevgrashina, L. (2002): 'BP Starts Work on Baku-Ceyhan Oil Pipeline', *The Turkish Times*, October 1, No. 308, available online at http://www.theturkishtimes.com/archive/02/10_01/f_ceyhan.html.