

The Contributions of Georgia's Geopolitics to the Country's Economy

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Abstract

In this article, the effects of Georgia's current geopolitical situation on the country's economic development are being investigated. Although Georgia lost control of the two strategic regions such as Abkhazia and Ossetia right after the collapse of the Soviet Union, it maintained its geopolitical importance in the South Caucasus. In this context, the definition of geographical space was clarified in the article, and the recent situation in the South Caucasus, the changes in the region after the collapse of the Soviet Union and the results of these changes were evaluated. In addition, the advantages of Georgia's geopolitical position and other additional issues affecting the economic development of this country were taken into account, and the reflections of the problems between Azerbaijan and Armenia on Georgia were examined, and finally, comments on the future of the South Caucasus were made.

Keywords: Geographical Location, Geopolitical, Hydrocarbon, Geographic Estimation, Transit, Security.

Introduction

During the Soviet Union period, Georgia kept the Autonomous Republic of Abkhazia, the Autonomous Region of South Ossetia and the Autonomous Republic of Adjara within its borders and controlled a wider geography. Georgia's geopolitical situation underwent significant changes shortly after it gained its independence in 1991. South Ossetia and Abkhazia have been forcibly removed from Georgia and come under Russian control. Georgia's losing its sovereignty over these two important regions has had negative effects on the geopolitical position of the country. Despite this, Georgia still preserves its geopolitical importance in the Caucasus, maintaining its role as the gateway of the region to the west and a strategic corridor in the East-West axis. In this study, the reasons for Georgia's preservation of its geopolitical importance despite these negative developments and the effects of

its current geopolitical situation on the economic development of the country have been investigated.

The research is built on the basic idea that “one of the important factors that cause Georgia to maintain its geopolitical superiority is the Nagorno-Karabakh conflict between Azerbaijan and Armenia.” In other words, this study is based on the assumption that the deterioration of political, economic and diplomatic relations between Azerbaijan and Armenia is an important aspect that increases the geopolitical value of Georgia. As is known, after the start of the Nagorno-Karabakh conflict, all the major projects that enabled the hydrocarbon reserves of the Caspian basin to be transferred to the world market were realized through Georgia. If Nagorno-Karabakh conflict and Armenia’s territory claims on Azerbaijan territories did not happen, Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, Trans-Anatolian gas pipeline (TANAP) and Baku-Tbilisi-Kars with a portion of the Azerbaijan-Turkey-Armenia cooperation of the Iron Road project could be realized because this choice would cut project costs in half. Conflict between Azerbaijan and Armenia caused energy transport and transportation projects to pass over the territory of Georgia and provided additional opportunities for this country to fill the geopolitical gap caused by the loss of Abkhazia and South Ossetia.

Assuming the role of primary energy corridor between Azerbaijan and Turkey, Georgia has benefited in maximized levels from established relations of positive relationships between the two brotherly countries. Likewise, Georgia, in the last 15 years of its customs and tax policy, Turkey-Azerbaijan relations are at the forefront of the factors. In other words, customs and tax regulations are indexed to the transit country status of Georgia. Georgia is also a transit country between Russia and Armenia. However, revenues from these axes are included in the state budget and are much lower than the income obtained from the Turkey-Azerbaijan axis.

South Caucasia Geospace

The importance of the geography on which the countries are located has always made political researchers and scientists think, and research has been done on the problems that occur due to the geographical location. Immanuel Kant, one of the founding names of German philosophy, looked at geography from a scientific perspective and called it geospace. In this context, Kant stated that in order to understand the important events occurring in geography, it is necessary to group them according to their origins and places: physical geography, digital geography, political geography, economic geography and applied geography (Gladkeviç & Savoskul, 2015: p.48).

Giving importance to location, that is geography, to learn the events by grouping, was one of the factors that led to the emergence of geopolitics, a new science in the 19th century. One of the founders of geopolitics, Friedrich Ratzel, described the space not only as a physical-geographical concept characterized by special parameters (climate, relief, land, landscape), but rather as a political-geographical category characterizing the political power of the state and determining its foreign policy. Control over the geopolitical region has emerged with the claim that it is a branch of science that deals with the examination of the spheres of influence of various states and international actors and the redefinition of these spheres when necessary.

Geographical space has started to be investigated in terms of security with the development of international relations science. It has been revealed that one of the factors required for the security models put forward on the subject of geographical space is geographical proximity. In the concept of “importance of geographic proximity” put forward by Barry Buzan, political and military security was evaluated in terms of geographic proximity. According to Buzan, it is the dimensions of the space that provide the security of large spaces, and as the space gets smaller, its security is under greater threat (Buzan, 2007: p.193).

When we look at the South Caucasus with the concept of “importance of geographic proximity”, two factors stand out. The first is that the South Caucasus as a region is both small and multi-colored in ethnic and religious terms. The weak statism traditions of the regional states, the inconsistency of the borders of the states in the region and their geographical proximity to each other pose additional problems. Any political or military problem occurring in the region deeply affects all states of the region. However, geographic location proximity has a number of advantages. For example, the scarcity of space provides a small but common economic market, infrastructure, business/industrial centers, communication and information opportunities for the states of the region. Such effects were evident in the South Caucasus states, especially in the post-Cold War period.

The second of these factors, the three great powers of the neighboring states – Russia, Turkey, and Iran – and the effects of the approaches and the applied foreign policies on the area. Although the Caucasus is a small place, there are these three great states with a large geospace/geography around it. The region has witnessed the conflicting interests of these states throughout the historical process and bloody wars have been fought for them. The fact that all three states had different political systems and regimes in the 20th century has also increased the competition between them. Especially Russia and Iran did not refrain from implementing pragmatist policies on the region and taking sides in the problems between the countries of the region. On

the other hand, Iran is ruled by a theocratic regime, Russia with an autocratic one, while Turkey has some democratic features.

In other words, geographical proximity (both the proximity of the countries in the region to each other - internal proximity - and the proximity of the region to the three major powers in the periphery - external proximity) is an influencing factor, and although it is stronger and more attractive than the Iran-Russia alliance, they could not create a robust security model because the USA and the EU are geographically distant from the region.

Iran and Russia use ethnic problems to control and weaken the countries of the Caucasus Region and follow a divide-and-rule policy due to their strong interests rooted in history, despite Turkey's pro-peace and cooperation policies, especially after the Cold War. In fact, one of the leading reasons for the lack of an optimal security model in the region and the lack of joint solutions have been the geographical proximity of three great powers to the region and their pursuit of different interests as well as the differences in their regime types.

When these factors are considered, Georgia and Azerbaijan's shrinking into small geographies, because of ethnic conflicts and separatist activities with the disintegration of the Soviet Union, and the weakening of intra-regional relations created additional threats to their security. The closure of routes (two land routes - Abkhazia and Ossetia, railway route – connecting Georgia to Russia via Abkhazia and Ossetia – and Road and a railway connecting Azerbaijan to Armenia via Nakhchivan, has weakened the geopolitical position of the Caucasian states. On the other hand, the disconnection between Azerbaijan and Nakhchivan has also eliminated the possibility of Azerbaijan establishing direct relations with Turkey. As a result, the relations of Azerbaijan and Georgia with the neighboring countries were limited, and thus both countries having common geospace suffered from this situation.

After the collapse of the Soviet Union, the region was also of interest to the USA and the EU. As a result of this, these three states of the South Caucasus turned in two different directions. While Azerbaijan and Georgia chose the path of integration into the Euro-Atlantic space through Turkey, Armenia was connected to the Russia-Iran axis. The fact that three states are located at two different poles in a small region has made it more difficult to establish a stable and robust security model in the region. One of the main reasons why the conflicts in Nagorno-Karabakh, Abkhazia and South Ossetia could not be resolved for long was that the three South Caucasus states took different directions. That is, the factor of geographical proximity (both the proximity of the countries of the region to each other – internal proximity – and the

proximity of the region to the three great powers – external proximity) showed its effect and the USA and the EU, despite being stronger and more attractive than the Iran-Russia alliance have not been able to establish a robust security model for the region due to the fact that they are geographically distant from the region.

It is a new reality that Turkey has started to carry out active politics in the South Caucasus in recent years. After Libya, Syria, the South Caucasus region turned into a region of mixed relations (peace and conflict) between Russia and Turkey. This meant the emergence of a new situation and a new policy very different from the previous one. Despite the serious and extensive pressures of Western states and especially NATO (including the C-400 and F-35), Turkey's emphasis on cooperation with Russia in some areas caused the balance to change in the South Caucasus. In September 2020, after the alleged military operations of Armenia against Azerbaijan, the Azerbaijani government started to implement the policy of "forced peace by force" in Nagorno-Karabakh. Turkey seriously supported Azerbaijan's efforts to liberate its territories from occupation, while Russia was compelled to declare its neutrality. As a result, the Nagorno-Karabakh conflict, which the OSCE Minsk Group could not resolve during the 26-year "ceasefire" period that started from May 1994, was essentially resolved with 44 days of the conflict. On June 15, 2021, a declaration was signed by the presidents of Azerbaijan and Turkey in Shusha. According to the declaration, Azerbaijan and Turkey will act in joint cooperation in both military and defence fields. The Shusha Declaration declared that bilateral relations were qualitatively raised to the level of "alliance". The alliance established is neither asymmetrical nor patronizing/influencing the other, nor is it purely interest-oriented. This Declaration envisages acting together quickly and decisively in the event of a threat or attack against one of the parties. However, the emphasis in the declaration on joint efforts to achieve global and regional peace and stability in accordance with international law and the United Nations Charter reflects the defensive and peaceful character of the alliance. Another aspect of the Shusha Declaration that has an impact beyond bilateral relations is directed towards the Turkish world. According to the declaration, the parties emphasized increasing the efforts to serve the unity and welfare of the Turkish world.

With the opening of the Zangezur corridor, which is also emphasized in the aforementioned declaration, the possibility of a serious change in the economic landscape of the region increases. Turkey's further consolidation of its economic, political, and military position in the South Caucasus may cause the Organization of Turkic States to become an attractive center in the future, and new opportunities are created not only for the full settlement of the Nagorno-Karabakh conflict but also for the settlement of ethnic conflicts in Georgia.

Although Iran resisted the new situation in the region after the 44-day war, it seems to have realized that it is difficult to stand against the newly started process. The recent change in Iran's harsh discourse towards Azerbaijan and its tendency towards regional cooperation is an example of what is said. It seems that the 3+3 model (Turkey, Russia, Iran + Azerbaijan, Georgia, Armenia), which was on the agenda before, will be established in the South Caucasus. Although the different interests of the parties draw attention to the possibility of new conflicts from the first appearance, the possibility that cooperation opportunities in the region will increase in difficult situations cannot be ignored. Because all three great states have many and more serious internal and external problems.

Emphasizing “full normalization” and “negotiation without preconditions” in the joint official statement held in the first meeting of the normalization process between Turkey and Armenia, held in Moscow on January 14, 2022, also gives the basis for optimistic thoughts on the establishment of durable peace in the region in the near future.

Geopolitics Of Georgia

Its ancient and special alphabet, unique national music (Georgian choir) flowing from the distant past indicate that Georgians are one of the oldest tribes of the Caucasus. Georgia is the state with the most polyphonic (polyphonic) ethnic political landscape in the South Caucasus. Among the three South Caucasian states, Georgia is a state in which the Georgian people, which gave the state its name, are less in number than the others. Although the ratio of Armenians to the total population in Armenia is 97-98% and the rate of Turks in Azerbaijan is 90%, the ratio of Georgians to the total population in Georgia is around 86% according to official figures. According to the last official census of 2014, approximately 3.2 million of the population of Georgia, whose total number was 3.7 million, was recorded as Georgian and ethnic groups such as Mingrel, Svan, and Adjars were shown as Georgian. These ethnic communities are defined as ‘Kartveli Family’ in the Georgian official records and included in the Georgian population. However, the languages of these tribes (except the Adjars, who are mostly Muslim) are different from those of Georgians. In the light of these demographic facts, radical nationalism has surrounded the whole country, leaving ethnic communities unprotected, as the energy of the Georgian society is not sufficient to protect the security and territorial integrity of Georgia, leading to an increase in centrifugal tendencies.

In this country, which contains many ethnic communities, there are more autonomous regions from the Soviet period compared to other republics. In ex-

Soviet countries, except the Russian Federation, there are not as many autonomous republics/regions as in Georgia. Therefore, after the collapse of the Soviets, ethnic conflicts in Georgia surrounded almost the whole country and the state came to the point of disintegration. Tbilisi soon lost control over Abkhazia and South Ossetia, while Adjara became de facto independent. Armenians also began their separatist activities in the compact Javakheti region, and the situation in any country that left the Soviet Union was not as difficult and dangerous as in Georgia.

Despite these unfavorable conditions, Euro-Atlantic space integration efforts with Azerbaijan, Turkey and the West's multi-faceted support, people's importance towards democratic values and ultimately the superior geographical position has enabled Georgia to stand up and move forward, albeit with fragile steps.

Georgia is the only state open to the sea in the South Caucasus and at the same time, in many respects, a more open window to the West. Location as Georgia and Azerbaijan are strategic bridges that connect three big states, Russia, Iran and Turkey, additionally are keys to the general Eurasian axis. North-South and East-West axes pass over these two states in the Caucasus. In the absence of geostrategic ties between these two states of the South Caucasus, both North-South and East-West axes have no alternative.

But Georgia also has geopolitical weaknesses. First of all, it is located in a suitable geography for occupation. Right next to it, in the capital city of Ossetia, Vladikafkaz, there is a strong fortification and military base of the Russian Federation. The Russians built the city of Vladikafkaz in the 19th century in order to dominate the Caucasus (Vladikafkaz means 'dominate the Caucasus' in Russian). The one-week conflict between Russia and Georgia in August 2008 showed that there is no need for long and large-scale military operations in order to occupy Georgia from the north, to break the country's contact with the western region and to cut off the transportation lines (İbrahimli, Uluçakar & Akkaya, 2019: p.51). Secondly, Georgia's weakness is its lack of strong diaspora like Armenia in other countries and rich natural resources like Azerbaijan.

Another weak point is that Georgia is under a kind of "ethnic blockade" within itself. Separatist Abkhazians and Ossetians control the transportation routes (two highways, one railway) connecting Georgia and Russia. Along the borders Georgia-Armenia and Georgia-Azerbaijan (Borchaly, Kakheti, Signakh) Azerbaijanis, along the Georgia-Turkey border (Javakheti/Akhaltzikhe) Armenians and along the Black Sea coast Adjarians settle.

As can be seen, Georgia's contact with neighboring states passes through internal ethnic borders. The capital Tbilisi is surrounded on three sides by the lands where

Azerbaijanis live. In the 11th century, with the request and invitation of the Georgian Tsars, Kipchak warriors were placed around the city to protect Tbilisi and these warriors mixed with the local people. Currently, most of the settlements on all four sides of Tbilisi are villages where the Kipchaks were once inhabited. After the Kipchaks, the number of Turks living in the region increased even more with the planned emigration policies of Tatars, who ruled in this and adjacent regions in the 13th century, and the Safavids and Qajars who ruled in the 16th and 19th centuries.

Azerbaijan-Georgia Strategic Partnership

Georgia is neighbor with the other two republics of the South Caucasus, Azerbaijan and Armenia. During the Soviet Union period, economic relations between these three republics developed, common infrastructure was established, railways and highways were built, common energy networks and joint production facilities were established. After the collapse of the Soviet Union, with Armenia's occupation of Azerbaijani territories, relations between Azerbaijan and Armenia were completely broken, but relations between Georgia and Armenia continued. Because Georgia is the gateway for Armenia to both the West and Russia, in other words, it is a two-way transit country. Despite this, there is no alternative to Georgia and Azerbaijan strategic cooperation as the guarantor of stability and security in the Caucasus and adjacent regions. Therefore, this strategic partnership is vital for both parties.

The content and nature of the relations between Azerbaijan and Georgia are of special importance not only for these two countries but also for the whole region. The activities of foreign powers in the Caucasus are quite easy since these two states are located at different poles (Ibrahimli, 2001: p.22). If either of the two states loses their independence, the other's possibility to live independently is limited, even meaningless. The main factor underlying peace, cooperation and security in the region is the strategic cooperation between Azerbaijan and Georgia. This axis is so powerful that it is important and robust enough in every respect, even if no third or fourth party joins it.

Although the EU and the US auspices Georgia, they are not as effective as supporting behaviors of Georgia's neighbors Azerbaijan and Turkey. Accepting this reality, after 1993, Georgian politicians have begun to attach importance to relations with Turkey and Azerbaijan. In this context, following independence, the first agreement between Azerbaijan and Georgia on behalf of good neighborliness and friendship was signed on 3 February 1993, during the official visit of Georgian President Eduard Shevardnadze to Baku. This agreement, which covers political, economic, scientific and cultural fields, is considered the first official document signed among

the republics that left the Soviet Union (Agaev, 2014: p.257). After returning from Azerbaijan, Shevardnadze first proposed the idea of 'Caucasian House' and then the project 'For the Peaceful Caucasus.' This idea and project, which includes the solution of the military, political and economic problems of the region through negotiations between the states of the region, was welcomed by other states, but no state except Azerbaijan and Georgia showed political will to start negotiations. Despite the complex situation in the region, Azerbaijan and Georgia established the "Pact for Peaceful Caucasus" in 1993. With the Tbilisi Declaration dated March 8, 1996, the foundation of strategic cooperation between Azerbaijan and Georgia was laid and a trade agreement consisting of 22 articles in order to increase friendship, cooperation and mutual security between the two countries and the "Peace, Security and Cooperation Treaty in the Caucasus Region" signed, which is called the "Tbilisi Declaration" (Free Trade Agreement, 1996). This agreement, which is not given much importance in history writing and Political Science, aims to establish GUAM, to establish peace-oriented military units of this alliance, to guarantee the security of transportation projects in the region, and between NATO and these two states of the South Caucasus. It enabled the construction of the first political bridges, the Baku-Tbilisi-Ceyhan oil and Baku-Erzurum natural gas line and the Baku-Tbilisi-Kars railway line.

During the visit of Georgian President Shevardnadze to Azerbaijan on February 18, 1997, the presidents and officials of Azerbaijan and Georgia negotiated economic cooperation and regional security issues as well as deepening mutual relations, adding to the 32 documents previously signed between the two countries, signed 22 more documents. Among the documents signed during the visit of the President of Georgia to Azerbaijan, the most important one was the Declaration on the Further Development of Strategic Cooperation between the Republic of Azerbaijan and Georgia, consisting of 15 articles (Çıraqov, 2017: p.264).

After this treaty Turkey, within NATO's Partnership for Peace (PfP) Program, aimed towards developing military cooperation with Azerbaijan and Georgia, integrating into the Euro-Atlantic security system (Bilgesam Report Report, 2014). Between 2000 and 2010, the Azerbaijan-Georgia strategic partnership was carried to the highest level with the construction of the Baku-Tbilisi-Ceyhan oil pipeline, the Baku-Tbilisi-Erzurum natural gas pipeline, and the Baku-Tbilisi-Kars railway. One of the factors affecting the strategic partnership between Azerbaijan and Georgia positively is the Chechen events. Since Russia was in trouble in Chechnya in the 1990s, it could not intervene in the developments in the South Caucasus, and two experienced statesmen Heydar Aliyev and Eduard Shevardnadze, who knew each other well since the Soviet era, have benefited from this situation in the best way.

Georgia's support of Azerbaijan during the 44-day Nagorno-Karabakh conflict showed, above all, that the economic ties between the two countries were consolidated during the independence period and this factor seriously affected the political sphere.

Benefits of Being a Transit Country

As a transit country, Georgia's income from oil is one of the leading sources of income in the state budget. In the document titled Characteristics of the Baku-Tbilisi-Ceyhan Oil Pipeline, Georgia's income as the rights of passage of Caspian oil is 0.12 USD for 1 barrel in the first 5 years, 0.14 USD for the next 11 years and 0,17 USD for the third stage covering 24 years. Thus, in the 40 years when the 'Contract of the Century' will be in effect, Georgia's revenue from transit oil will be at least \$ 2.1 billion, and each year it will contribute \$ 52.5 million to the country's budget, which is 10% of Georgia's current budget. In addition, according to experts' calculations, 6% of all materials and cargoes coming from other countries for the construction of the oil and natural gas pipeline will be transported through Georgia, which will provide an additional income of 8-10 USD per ton of cargo. However, BP's calculations show that this income is higher. According to BP calculations, Georgia earns an annual income of 60 million USD from the Baku-Tbilisi-Ceyhan Oil Pipeline (Eyvazov, 2004: p.148).

One of the important sources of income for Georgia is the natural gas of the Caspian Basin. On May 26, 2008, upon the decision of President Mihail Saakashvili, Azerbaijan State Oil Company SOCAR acquired the right to distribute the gas distribution network in 22 provinces of Georgia and invested 40 million USD in the gas distribution system of this country in the following 3 years (Çıraqov, 2017: p.264). Thus, Azerbaijani investment in Georgia increased from 29 million US dollars in 2003 to 549 million US dollars in 2015. Thus, Azerbaijan took the first place in foreign direct investment to Georgia. In 2015, SOCAR Energy Georgia, a subsidiary of the State Oil Company of Azerbaijan, was selected as the company that pays most taxes, employs most employees, has a high quality standard and effective management (Sputnik, 2015).

Georgia bought 100 million cubic meters of natural gas from Russia in 2017. In 2014, this figure was 267.7 million cubic meters. This means that the gas Georgia bought from Russia decreased by 167.7 million cubic meters in 3 years. Georgia imported 87.1% of the 2,177 billion cubic meters of natural gas it consumed in 2014 from Azerbaijan. In 2018, the natural gas imported by Georgia was 2,689 billion

cubic meters, 99.65% of this gas was Azerbaijani gas and the remaining 0.35% was domestic production.

As can be clearly seen from this information, Azerbaijani oil and natural gas not only brought income to the budget, played an important role in eliminating unemployment and similar social problems in Georgia, but also contributed to the political stability and completely eliminated the country's energy dependence on Russia. The figures indicate that, in the future, as the volume of gas imported from Azerbaijan increases, Georgian income will increase further. As a matter of fact, when compared with 2016, it is seen that Georgia's income increased 2.5 times in 2017 and reached the level of 89.9 million USD. Starting from 2022, Georgia will receive free of charge most of the gas it consumes as a transit country within the framework of the Southern Gas Corridor project (Sputnik Azerbaijan, 2018). The Trans Anatolian Natural Gas Pipeline Project (TANAP) will provide new opportunities for the country. In addition, Azerbaijan has seriously contributed to the construction of the Baku-Tbilisi-Kars railway. In this context, Azerbaijan provided 775 million dollars advantageous credit to this country for the construction of the part of the railway passing through Georgia (Çiraqov, 2017: p.269). Today, more than 300 Azerbaijani companies operate in Georgia and more than 150 Georgian companies in Azerbaijan. Nearly 8 thousand people have been provided with job opportunities in the workplaces opened by Azerbaijani companies in Georgia.

The development of relations between Azerbaijan and Turkey improves Georgia-Turkey relations, improves the development of Georgia's increase in their incomes and provides more extensive opportunities to overcome their internal problems.

Turkey-Georgia Strategic Partnership

Relations between Turkey and Georgia, both at the bilateral level, but also at the regional level is of a strategic nature. Georgia plays a critical role both in the transportation of energy resources of Caspian Sea to Western markets and to Turkey, as well as transportation facilities between Turkey-Azerbaijan-Russia – Central Asian Republics.

In 2002, Trabzon Agreement was signed among Azerbaijan, Turkey and Georgia. With this document signed by the Ministers of Internal Affairs of the countries of the region, a common understanding against terrorism and separatism has been established, and a wide basis of cooperation has emerged from cooperation against money laundering to joint defense of oil and gas pipelines. This agreement is also

considered as a document formalizing the strategic partnership of the three states of the region (Kerimova, 2015: p.21).

In August 2008, at the one-week conflict to arise between Russia and Georgia, Turkey became a supporter of peace and stability in the South Caucasus and tried to show the importance of "Moving from Power Politics to Dialogue" to the world with its peaceful approach. As a result of the intense efforts of Turkish diplomacy, the issue of establishing a regional security structure, which has been out of the agenda for a long time, has come to the agenda again. Turkey, at the same year, presented "Caucasus Stability and Cooperation Plan for Increasing Confidence". The spirit of this plan is shaped by the desire to solve all the existing problems in the South Caucasus not by military means but on the basis of dialogue and cooperation.

Being one of the countries with the greatest military power amongst NATO allies, neighboring Turkey is extremely important for the security of Georgia. In addition, even if Georgia's integration process with NATO seems as if it has slowed down, conditions may change in the future and if Georgia becomes a NATO ally, there might be new formations in Black Sea that can affect Turkey in the future.

According to the conclusions of the Georgian experts evaluating 25 years of diplomatic relations between Turkey and Georgia, Turkey to Georgia is the most powerful friend in the region. Other major countries are either unacceptable in terms of Georgia's interests, or their ability to support Georgia is weak. For example, Russia is a powerful country, but since it follows a policy of occupation in the region, it is unthinkable for Georgia to become a partner. Iran also has a "special" policy towards the region, and the embargo and political pressures imposed by the USA negatively affect its relations with Georgia. The only right option for Georgia is Turkey (Kachkachishvili, 2017: p.21). As a natural consequence, Turkey has risen to being the largest trade partner of Georgia. There are more than 20 Turkish companies in Georgia with a capital of over \$ 1 million. Among these companies, there are names such as Vestel, Beko, Şişecam, Türkcell, Borusan, Petrol Ofisi, Efes Pilsen, Taç Tekstil and Casper. In addition to these, more than 100 Turkish companies of various scales have production facilities in areas such as wood products, flour, rebar, aluminum joinery, commercial explosives, textile, marble processing; and Turkish companies continue their activities in transportation, hotel, restaurant, communication, stationery and furniture sectors too (Georgia Country Bulletin, 2012).

Today, Turkey is Georgia's number one trading partner, with trade volume of \$ 1.6 billion. Trade between the two countries increased by 22% in the first quarter of 2018. Turkey has been the biggest investor in Georgia's 15% share in the total

foreign direct investment. Turkish investments in Georgia have increased by 211% just in the last two years. 1.3 million Turkish tourists visited Georgia in 2017. In addition, 2 million Georgian tourists visited Turkey (Baykan, 2018).

In the statement made by the National Institute of Statistics of Georgia, it was affirmed that Russia is the second with 1 billion 328 million 243 thousand dollars and China is the third trade partner of Georgia with 1 billion 185 million 17 thousand dollars. It was reported that last year, with 1 billion 407 million 975 thousand 400 dollars, the most imports were made from Turkey to Georgia, and Georgia sold 476 million 269 thousand 900 dollars of products to China. It was noted that Turkey is the largest exporting country to Georgia (Kachkachishvili, 2021).

Other Reasons for The Development of Georgian Economy

In order to properly evaluate the economic development of Georgia, it will be useful to compare the developments and changes in both this country and neighboring countries in the last 10 years. For example, the Gross National Product (GNP) of Azerbaijan was \$15.14 billion in 2005, \$19.85 billion in 2006 and \$23.73 billion in 2007. Of course, the reason for this drastic increase is income from hydrocarbon resources. The increase in this sector was 144.7%. Azerbaijan GNP grew by an average of 8.8% annually in 2003-2005 (Regnum, 2007).

According to 2017 and 2018 figures and World Bank data, Georgia became the leading country in the region with a 4.2 percent increase in GDP at the end of 2018. The rate was 3.5 percent for Turkey, 1.7 percent for Russia and 0.9 percent for Azerbaijan.

According to the information of the European Statistics Office on average monthly salaries, the average monthly salary in Georgia in 2017 was 293 Euros and in Azerbaijan 232 Euros. Azerbaijan was 61 Euros behind Georgia in terms of average monthly net salary. According to the data of Azerbaijan State Statistics Committee, the average monthly salary indicator in the country decreased by 17 Manats (Azerbaijan Currency-AZN) in January-February 2018 (Ceferli, 2018). In 2018, the average salary of workers in Azerbaijan was 281 Euros. This figure is 18.5 times less than Denmark, 16.5 times less than Norway, 10 times less than the Netherlands, 1.85 times less than Russia and 1.5 times less than Kazakhstan. These figures show that although Russia allocates 45 percent of its GDP and Kazakhstan more than 30 percent for salary payments, this figure is less than 20 percent in Azerbaijan. Azerbaijan lags behind from not only countries rich in oil and natural gas resources,

but also from poor countries such as Georgia (360 Euros). Therefore, the average monthly salary in Azerbaijan is 1.3 times less than in Georgia (Aztoday.az, 2018).

According to the statistics of the Georgian Statistical Service, the total average salary in Georgia in the third quarter of 2018 was 1125.5 GEL. This figure is 56 GEL higher than the data a year ago (Darvaz, 2018).

The calculations of the International Monetary Fund are even more remarkable: GNP per capita in 2017 was 4123 dollars in Georgia and surpassed Azerbaijan (4098), which has rich hydrocarbon reserves. This figure was 4529 dollars in 2018. In 2022, it will surpass Albania (6206) and Bosnia (5833) from Eastern European countries as 6259 dollars and will approach the level of Belarus (6986) (Oragvelidze, 2018).

Apart from these advantages provided by geopolitics, considering the other reasons of Georgia's recent economic development, it should first be noted that the economic reforms in the South Caucasus countries are carried out with the direct participation of the International Monetary Fund and the World Bank. Azerbaijan, relying on its hydrocarbon reserves, did not cooperate with the aforementioned institutions and as a result, compared to the other two countries of the South Caucasus, it was delayed in the reforms in the field of market economy (Papava, 2011). It is possible to list other reasons as follows. First, Georgia was the first state to implement liberal reforms in the region. Since all kinds of conditions for investment are created here, foreign capital can come to the country without hesitation. Second, Georgia has had great success in combating corruption. Georgia is ahead of all the countries in the post-Soviet space after the Baltic countries in the fight against corruption. Third, the theses about the weakening of Georgian-Russian economic relations are not true. Russia is Georgia's fifth largest trading partner. Looking at the official figures, it is seen that 57% of the money entering the country originates from Russia. Fourth, Georgia is the most integrated country in Europe in the region (Kupçineçkaya, 2011).

When we take a look at Azerbaijan's economic data, a different picture emerges. During the period of intensive cooperation, Azerbaijan invested 3.4 billion dollars in Georgia, while Georgia invested only 72 million dollars in Azerbaijan. The only reason for this is not the strength and attraction of Azerbaijan with its rich hydrocarbon reserves. The most serious reason is that there is no stable legislation in the country, that is, the law cannot guarantee the security of foreign investment and corruption is widespread. The fact that no economic sector other than energy, especially small and medium-sized enterprises, developed in Azerbaijan due to the state monopoly, has also reduced the interest of foreign capital in the country's economy. Another reason is that the banks operating in the country operate for their own corporate interests and financial interests rather than implementing a monetary

policy that will drive the wheels of the economy and support economic reforms and development efforts. It is not only foreign companies and businesses who do not want to invest in the Azerbaijani economy. Rich Azerbaijanis living in Russia and other countries prefer to invest in other countries instead of investing in their own country (Turan, 2018).

Geographical Forecasts About the Region

First of all, Geographic information serves to determine the unknown or little known and, in this context, the future development trend. Geographical forecasts within this scope focus on the concrete development perspectives of geographical events as one of the current areas of economic and social geography. In this context, geographical forecasts fulfill serious tasks related to how the integrated geosystem should be (countries from different groups, concrete countries, regions, landscapes, population, technology, agriculture, etc.). In 2020, leading oil and gas companies reduced their declared value of their assets by more than \$50 billion, a notable indicator of a shift in their perceptions of the future. Investments in oil and gas supplies fell by a third compared to 2019 (World Energy Outlook, 2020: p.7). Under future-oriented scenarios, key efforts in the world economy will focus on the development of hybrid and electric vehicles. The gradual decrease in the role of oil in energy will affect the shaping of a new world order. It is possible that the same decrease will occur in natural gas production in parallel with oil. In other words, the era of 'gas geopolitics' will end in the not-so-distant future. In 2050, compared to fossil-based energies (petroleum, natural gas, coal, uranium), renewable energy production from wind and sun will increase 20 times, and worldwide energy production will increase by 48 percent. In 2030, wind energy will dominate in the field of renewable energy and increase by 70 percent. After the 2030s, new generation energy systems will be formed in developed countries thanks to "smart networks" technology. Smart networks can be defined as any innovation that aims to eliminate inefficiencies in our electrical network by using today's communication technologies in the simplest way. This phenomenon is seen as the infrastructure of sustainable energy solutions (Gladkevič & Savoskul, 2015: p.41).

These forecasts create serious risks for countries that have hydrocarbon reserves and are also in transit for transferring these resources to world markets. For Azerbaijan, which has hydrocarbon reserves in the South Caucasus region, it is of particular importance to consider the issue of geographical estimates. Undoubtedly, Georgia, as a transit country, will get its share from the depletion of hydrocarbon reserves.

Geographical forecasts require countries with hydrocarbon reserves and neighboring states to make more flexible and realistic reforms in their future energy policies.

Conclusion

Georgia has created serious advantages for taking part in a strategic region between Azerbaijan and Turkey. The tense relations between Iran and the West on the one hand, the Nagorno-Karabakh conflict between Azerbaijan and Armenia on the other hand, the fact that Azerbaijan does not have direct border with Nakhichevan has enabled the Azerbaijan-Georgia relations to become stronger and formed the main reason for the realization of large energy and transportation projects through Georgia. Georgia's position as a transit country on the way of transporting the hydrocarbon reserves of the Caspian basin to the world markets has contributed significantly to its economic development. Furthermore, as the Turkey-Azerbaijan relations develop, Georgia has benefited from these relations to the utmost in all areas of economic and political life and has been able to resolve its basic social problems. Big transport projects and Azerbaijan-Georgia-Turkey cooperation has provided Georgia's integration into the Euro-Atlantic space and improved the security of the country. In addition to these developments, Georgia has taken serious steps in the field of improving the legislation and eliminating corruption by systematically making economic reforms, it has become an attractive country for foreign investors and these structural factors have had a significant impact on the economic development of the country.

The revenues of Georgia from these projects show that with the transportation of the natural gas and crude oil reserves of the Caspian basin to the European markets, there will be greater inputs to the country budget than energy projects in the near future. With the Trans Anatolian Natural Gas Pipeline Project (TANAP), Georgia's income will increase even more. In addition, when the Trans-Caspian Natural Gas pipeline is transported to European markets through Azerbaijan and Georgia, wider opportunities will emerge for the economic development of Georgia.

While the geographical forecasts show that Azerbaijan is the country that will face the most problems among the countries in the region after the depletion of hydrocarbon reserves, Georgia, which is a transit country, continues to increase the attractiveness of its country with its legal and economic reforms. In the following years, we may witness the changes in the balances in the region in two directions. The first possibility is that Georgia becoming a NATO member state will be able to make this risky formation around Turkey. In other words, NATO-Turkey relations can be moved to a more problematic stage. The latter can facilitate the solution of

the conflicts in the South Caucasus, in this case is the Turkey-Iran-Russia rapprochement. The resolution of the legal status of the Caspian in 2018 and the reaching a common agreement of all stakeholder countries are an example of this.

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