Pipeline Power
The War in Georgia and the Future of the Caucasian Energy Corridor

Svante E. Cornell

Though it is only several months since hostilities ended, it is increasingly clear that the August 2008 War in Georgia was a watershed event in post–Cold War international politics. While warning signs had abounded, the war provided undeniable testimony to what kind of country Russia has become. In fact, following the war, convincing evidence has emerged that Russia’s attack on Georgia was long planned and aimed at radically changing the balance of power in the east of Europe. The conclusion that Moscow’s war was planned and not spontaneous, and that it may very well have sought to achieve the toppling of a democratic government, suggests that the war forms part of the broader evolution of Russian policy in a more aggressive direction. Indeed, Moscow now overtly seeks a return to a Europe divided into spheres of influence, demanding exclusive influence over all former Soviet states—irrespective of the wishes and aspirations of their peoples and leaders.

Clearly, this Putin doctrine applies to Ukraine and Azerbaijan, as well as the Central Asian states. And having been the main vehicle for the building of independent states in the past decade, energy is by necessity a chief component of the geopolitical struggle at hand. This implies that the

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expansion and perhaps even continued existence of the West’s major achievement in the region—the Caucasian energy corridor—is incompatible with Moscow’s current geopolitical ambitions. Moscow’s war put on public display the West’s utter inability to provide security for key strategic partners in Europe’s immediate neighborhood. Whether this will lead to a rollback of the achievements of the past decade will be greatly dependent on the evolution—or lack thereof—of Western policies in this region. Key in this regard will be the approach taken by the incoming American administration, which may well come to determine the future of the Caucasian energy corridor.

The Building of the Energy Corridor. The dissolution of the Soviet Union provided an opportunity for captive nations of Eastern Europe and Central Asia to become subjects of the international community in their own right. But much as other European colonial powers had distorted the foundations of their colonies’ economies, so did the Soviet Union, in a process exacerbated by its command economy. Given the dilapidated state of Soviet industry, upon independence raw materials formed the main source of these states’ economic wealth. With the exception of Georgia, the states of Central Asia and the South Caucasus were all landlocked, making the transportation of these resources to world markets complex and subject to a “distance tariff”—one particularly debilitating because they lacked the infrastructure that would connect them to the outside world, such as railways, highways, and pipelines.

That said, substantial oil and natural gas resources that had been locked up inside the Soviet Union were now available to world markets, and moreover in countries eager for investments by multinational companies. As states own and control nine-tenths of the world’s hydrocarbon reserves, this was a welcome opportunity from the corporate perspective. From a political perspective, both local and Western leaders understood that the development of these resources and their export to world markets was a huge factor in the overall development of the successor states, and that export route choices for these energy reserves would go a long way in determining whether these states would manage—in spite of being small states surrounded by great powers—to become fully sovereign and independent actors on the world scene.

While there were a multitude of suggested pipeline routes from the energy-producing states around the Caspian Sea, U.S. policy rested on the principle of “multiple pipelines,” which sought to prevent any actor from exercising a monopoly over the export of the Caspian energy resources. There was no technical, economic, or political justification for relying entirely on either a Russian, Iranian, or Caucasian Energy Corridor to deliver Caspian hydrocarbons to markets; and the policy sought to prevent a single power from being in a position to control the export of these resources, which would effectively allow that power to reduce the sovereignty of the energy-producing states. The U.S. government therefore supported three concrete projects. The first, the Caspian Pipeline Consortium, relied exclusively on Russian territory for the export of
Kazakh oil from the Caspian (indicating that U.S. policy was not anti-Russian, but anti-monopolistic). The second, the Baku-Tbilisi-Ceyhan pipeline project, was to connect Azerbaijan’s Caspian oil fields with the Turkish Mediterranean coast through Georgia. This pipeline was completed in 2005. from the pipelines provide a serious source of income for Azerbaijan, and for Georgia and Turkey. In Azerbaijan, the pipeline’s completion created a major boom, where lately the country’s GDP growth has averaged over 25 percent per year. This growth poses its own set of problems for the country’s

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with the addition of a parallel gas pipeline through the same corridor, after the Shah-Deniz field off the Azerbaijani coast was found to hold large reserves of natural gas. The third element of the strategy, a pipeline that would cross the Caspian to Turkmenistan to provide an export route to Europe for that country’s vast reserves, was not built, foun- dering in the late 1990s mainly due to Turkmenistan’s erratic leadership and its territorial disputes with Azerbaijan. It has been resuscitated in recent years, but its future remains uncertain.

**The Importance of the Energy Corridor.** The building of the Baku-Tbilisi-Ceyhan (BTC) and the parallel Baku-Tbilisi-Erzurum gas pipelines (the latter also known as the South Caucasus Pipeline) was a substantial achievement. First, the completion of the project created a transportation system able to bring over one million barrels of oil per day to Europe. While that is only about 1 percent of world consumption, it represents most of Europe’s increase in consumption over the past decade. Second, transit fees economy, but creates a tremendous opportunity for development.

The project also formed the engine of regional cooperation between Azerbaijan, Georgia, and Turkey which spread into many other areas, while also showing investors that these small countries were capable of implementing huge infrastructural projects. Moreover, these pipelines provided Europe with a stake in the South Caucasus states. As diversification of supply has been gaining importance on the European agenda, the Caspian region has come to be seen as one of the leading candidates for alternative supplies.

Finally, the building of the twin pipelines created an infrastructure for the export of additional Caspian oil and natural gas westward. This made the prospect of a western export route a real alternative for both Central Asian leaders and investors into energy projects east of the Caspian. Most concretely, this provided the ground for the EU-backed Nabucco pipeline project, which is designed to bring Caspian (and possibly Middle Eastern) energy resources to Europe. The proj-
ect proposes to build a pipeline from Turkey to central Europe via Bulgaria, Romania, and Hungary, which would source natural gas from the Caspian Sea region or the Middle East. Azerbaijan is scheduled to provide a substantial portion of the gas in the subsequent phases of the Shah-Deniz project; additional volumes may nevertheless be needed to make the pipeline economically feasible in the longer term, with Turkmenistan and Iran being the primary candidates. Turkmenistan, with its giant reserves, would hardly have been on the agenda had the twin pipelines across the South Caucasus not been successfully constructed.

**The War in Georgia and Russian Designs.** The war in Georgia imperils the entire larger trend described above for several reasons: in a general way, because the premeditated character of Russia’s warfare suggests that Moscow aims to rewrite the political map of Eurasia and parts of Europe: more specifically, because it physically threatens the Caucasian energy corridor.

The way the war began provides key insights about Russian motivations, and therefore also about the war’s broader implications. The prevailing Western view is either that Georgia started the war: or, that Russia may have sought a conflict with Georgia, but that President Mikheil Saakashvili foolishly gave Moscow a pretext for intervention when he sent Georgian troops into Tskhinvali. Tskhinvali is the capital of South Ossetia—a Georgian province that fought a brief Moscow-supported war with the central government in the early 1990s and which has been outside Georgian control ever since. Indeed, most journalistic accounts state that the war began with the Georgian move on 7 August, and that Russia “reacted” to this move. While there is general agreement that Russia widely overstepped any legitimate response by its opportunistic invasion of Georgia, there is also a sense that Saakashvili has himself to blame for starting a war with Russia.

Yet closer analysis indicates that this explanation is at best simplistic, as a growing body of evidence suggests that Russia was determined to wage war with Georgia this summer regardless of Georgian actions. Many analyses in fact suggest Russia “set a trap” for Saakashvili, and that the Georgian president “foolishly” stepped into it.

Long before the war, Russia put to use a set of instruments of pressure against Georgia that no other former Soviet state had been exposed to. Already in the early 2000s, the Kremlin began intervening more boldly in the unresolved civil wars of Abkhazia and South Ossetia, conflicts that it had itself helped instigate in the early 1990s. Moscow distributed Russian passports en masse to the populations of these two regions. With the coming to power of a pro-Western and democratic Georgian government after the Rose Revolution in 2003, the pressure gradually mounted into a set of developments that led to the summer 2008 war. Moscow began to systematically exploit the unresolved conflicts in Abkhazia and South Ossetia. The Kremlin began to appoint Russian military and security officials to the regions’ governments, something that the supposedly independent regions appeared to be in no place to contest. For example, South Ossetia’s prime, interior, and defense ministers
are serving Russian security or military officials, who have been seconded from the Russian government to the self-proclaimed republics, effectively showing the degree of control wielded by Moscow. Georgia found itself in a patently absurd situation: Russia was considered a mediator and peacekeeper in its internal conflicts—but was effectively a party to the conflict.

In 2006, Russia imposed a full economic embargo on Georgia, banning all transport, trade, and postage links. The next year, Russian attack helicopters shelled administrative buildings in a Georgian-controlled area of Abkhazia, while on 6 August (a year to the day before the descent to war in 2008) attacking a Georgian radar station near South Ossetia. In early 2008, having explicitly linked the conflicts in Georgia to the forthcoming Western recognition of Kosovo’s independence, President Putin opened direct ties to Abkhazia and South Ossetia, effectively beginning to treat them as parts of Russia. He then dispatched several hundred paratroopers and heavy artillery into Abkhazia—according to Moscow, parts of its peacekeeping operation. The addition of railroad troops to repair the railroad linking Russia and Abkhazia seemed an oddity. But railroad repairs finished on 30 July and, ten days later, thousands of Russian troops and hundreds of tanks were sped down the line, opening an entirely unprovoked second front to the war that had just started in South Ossetia. By late June, respected Russian military analyst Pavel Felgenhauer asserted in an interview that the Kremlin had already decided to wage war against Georgia, and that it would happen in August.

Over the mountains in the North Caucasus, Russia used the summer months to finalize an impressive military buildup. Between 15 July and 2 August, Russia conducted a major military exercise, dubbed "Kavkaz-2008." When the exercise ended on 2 August, the troops did not return to their barracks—some belonging to faraway Pskov and Novorossiysk. They remained on alert in North Ossetia, just across the Georgian border. Meanwhile, the Black Sea fleet, based in Sevastopol, was made ready for military action. In the intervening days, tensions escalated in South Ossetia. In early August, South Ossetian militia forces under the control of Russian generals began to shell Georgian posts and villages in the conflict zone more aggressively than before, leading to exchanges of fire between the two sides. A Reuters reporter traveling to Tskhinvali, the South Ossetian capital, on 4 August found fifty Russian journalists in a hotel apparently waiting for "something to happen."

On 7 August, much evidence suggests that Georgian forces began their attack on Tskhinvali and the road leading to the Russian border at a time when Russian tanks had already begun pouring through the Roki Tunnel connecting South Ossetia with Russia. Telephone intercepts suggest this, as does an amusing episode featuring a wounded Russian officer, who told the Russian military newspaper Krasnaya Zvezda that his battalion entered Georgian territory already on 7 August, a day before Russia acknowledges that to have happened. A wounded captain may misspeak, but the cover-up is, as always, what is telling. Krasnaya Zvezda first changed the text on its website—
then re-interviewed the captain, who now claimed his forces only entered Georgia on 8 August, before disappearing from public view. That Moscow's invasion of Georgia was premeditated is also borne out by the extremely rapid and coordinated introduction of the Black Sea fleet and air force bombardments of Georgia proper—especially the opening the very next day of an entirely unprovoked second front in Abkhazia, followed by the landing of over six thousand troops by sea and railroad.

What did Moscow seek to achieve? In all likelihood, the war was not about South Ossetia, but more likely aimed at bringing about the demise of the Georgian government. Indeed, both U.S. Secretary of State Condoleezza Rice and French Foreign Minister Bernard Kouchner have alluded to Moscow's aim to overthrow the democratically elected Georgian government. That, in itself, makes the war an extraordinary event, taking place between two member states of the OSCE and the Council of Europe.

The War's Direct Impact on Energy Infrastructure. The war did not cause a major direct disruption to energy transportation infrastructure. However, a series of incidents suggest that an intentional side-effect of the Russian invasion was related to this corridor. First, and most graphically, Russian forces blew up the main railroad bridge at Kaspi, west of Tbilisi, thereby cutting Tbilisi off from western Georgia and the Black Sea coast. Secondly, when leaving the territories it had occupied surrounding the east-west communication artery through which the energy corridor goes, the Russians left behind a mine that blew up a tanker-train carrying Azerbaijani oil. News networks cabled out footage of a tanker train-car labeled AZPETROL against the background of thick black smoke, a vivid reminder of the vulnerability of the east-west transportation link. Again, the purpose was clearly to show the vulnerability of Georgia's infrastructure. As if this was not enough, the only known terrorist act committed so far against the Baku-Tbilisi-Ceyhan pipeline occurred two days prior to Russia's invasion and only ten days after the ceremony beginning construction of the Baku-Tbilisi-Kars railroad, a major element in the east-west corridor. The attack took place in Turkey, and was claimed by the Kurdish separatist Kurdistan Workers' Party (PKK). Yet the timing, and the PKK's strong historical ties to Moscow, raise the question whether this was indeed a coincidence.

Implications of the War in Georgia. The war's implications for the future of the energy corridor can be divided into short-term and long-term implications, the latter being heavily dependent on Western responses and policies.

In the short-term, Moscow has dealt a severe blow to the prospects for expanding and strengthening the energy corridor. Georgia was always considered the weakest link in the east-west corridor, given its internal instability and unresolved conflicts. The Saakashvili government sought to change that, building a functional Georgian state and a democratic polity. Yet precisely because of that evolution, Moscow sought to deal a mortal blow to Georgian statehood and democracy. While failing to topple
Saakashvili's government, Moscow did manage to raise suspicions regarding Georgia's stability that could be sufficient to keep many investors away. The war's other most direct effect, however, has been psychological. It exposed the vulnerability of the successor states of the former Soviet Union to Russian bullying, as well as the West's total inability—or unwillingness—to prevent an invasion of its perhaps closest partner in the region. In so doing, Moscow has managed—at least in the near-term—to change the strategic calculus of all energy producer and transit states in the former Soviet Union. In Ukraine, the war precipitated a government crisis that tore apart the pro-Western Orange Coalition. In Azerbaijan, which has been and remains strongly allied with Georgia, it led to a symbolic decision to diversify oil export routes, sending a message to the West that Baku has options. In Central Asia, Kazakhstan has already canceled two important investments in Georgia, most likely at Moscow's direct urging.

Longer-term scenarios are less clear. On the one hand, the negative short-term impact may very well prove lasting. Georgia may fail to shake off the blow dealt to it and go through protracted internal convulsions as a result of the war. As for Azerbaijan, the war exposed the vulnerability of its attempt to follow a balanced foreign policy based on functioning relations with all major stakeholders. Sooner or later, Azerbaijan will have to make a choice, the outcome of which will be based on entirely pragmatic considerations, meaning that Baku may be forced to build closer ties with Moscow unless feasible alternatives present themselves. As for Central Asian producer states like Kazakhstan and Turkmenistan, they may well decide to rule out western transport routes completely, opting for appeasing Russia through additional energy supply deals, while betting on China rather than Europe for diversifying their export routes.

Such a combination of events would likely doom the Nabucco project, effectively killing prospects of having larger Caspian natural gas reserves reach Europe through the Caucasus and Turkey. These resources would instead be transported via Russian-controlled pipelines, increasing rather than decreasing Europe's energy dependence on Russia. That would in turn reduce the likelihood of European integration in Europe's Eastern Neighborhood, and weaken forces of reform and democracy while strengthening the entrenched and authoritarian forces that exist in all of the region's countries. It would accelerate Russia's resurgent predominant influence, and could effectively lead to a European acceptance of Russia's sphere of influence in the former Soviet Union, in spite of the likely protestations to the contrary.
Such a dire scenario is indeed plausible, but it does not need to happen. Indeed, it may even be unlikely. Avoiding it, however, requires far-sighted and coherent Western policies, capitalizing on the forces that Moscow has mobilized against it. Moscow’s war has in fact mobilized unprecedented forces across Eurasia. Georgia is likely to survive. Even before the war, the prospect of a pro-Russian government in Tbilisi was extremely remote; now, it can be ruled out. Secondly, Russia’s behavior managed to mobilize an alliance between Poland, the Baltic states, and Ukraine, loud protagonists of greater European engagement in the Eastern Neighborhood that will not go away. Third, even in Western Europe, the blatant aggression committed by the Kremlin has led to a fundamental rethinking of Russia’s nature. In America, where both the Clinton and Bush administrations spent endless hours bickering internally on the merit of engaging Russia, the Obama administration will come to office with a much clearer view of what Russia is and the threats to U.S. interests that the Kremlin elite poses.

Policy Implications. A year from now, we may look back at the August 2008 war in Georgia as one of the last nails in the coffin of a Europe “whole and free,” and be well on the way toward a Europe divided into spheres of influence in a manner reminiscent of the Cold War. In that scenario, the energy corridor from the Caspian Sea to Europe will exist only to the extent to which Russia allows it. Alternatively, the war may turn out to have been the inauguration of a new era of Western engagement spun from a cooler analysis of Russia’s intentions and Europe’s interests—and signify a move toward the next big stage of the building of the east-west corridor, its extension into Central Asia.

Hence, the war in Georgia poses opportunities as well as challenges. Indeed, it may now be more rather than less possible to seek European and Transatlantic consensus on the merit of a serious political engagement in the diversification of supply routes—most obviously, through a political commitment at the highest level to support the Nabucco project and make it a reality just as was the case with the BTC. Should Caspian states perceive a movement in this direction on the part of the West, they are likely to seize the opportunity—but only at the moment when they perceive the engagement and commitment of the West as credible. For this to happen, the next U.S. administration will need to deal with Russia and the Caspian Sea region in a long-term and strategic manner, and accord the region a level of attention denied to it in the final two years of the Bush administration.

NOTES


13 “Петрова: В Москве пришлось бояться экстренного решения Народного Совета (на фоне германской угрозы) [A political decision to start war in Georgia was taken in Moscow],” Respublika, Tbilisi, 21 June 2008. See also Pavel Fedelghenauer, “The Russian-Georgian War Was Preplanned in Moscow,” Eurasia Daily Monitor, 14 August 2008.


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