

The Bali G20 Summit's Contribution to Reshaping World Politics

Implications for the South Caucasus?

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*“Any king, whose kingdom shares a common border
with that of the conqueror, is an antagonist.”*

– Kautilya, *The Arthashastra*, VI.2.14

On 15-16 November 2022, Indonesia hosted the G20 summit, which was significantly different from previous events of this kind. For the first time since 2008, Russia was represented only at the level of Foreign Minister Sergei Lavrov. The war in Ukraine dominated the sidelines of the summit and was reflected in the final communiqué, which criticizes Russia's actions rather harshly. Along with this, the most important negotiations took place on the eve of the summit: in particular, bilateral talks between U.S. President Joe Biden and Chinese President Xi Jinping, which, for example, had a positive impact on global financial markets. Although the G20 is often criticized for its inability to seriously respond to global challenges and threats, the outcome of the Bali summit will have important consequences for various regions of the world, including the South Caucasus. This IDD analytical policy brief will examine the foregoing in that context.

On the Eve of the Summit

One of the key events on the eve of the summit was the first face-to-face meeting between Joe Biden and Xi Jinping as leaders of their respective states. This meeting constituted an attempt to reduce tensions over Taiwan and trade, which have sent U.S.-China ties to their lowest level in decades.

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During this meeting, Biden reportedly assured Xi that the U.S. commitment to its understanding of the “One China” policy has not changed. It came after the Chinese Foreign Ministry urged the United States to “stop falsifying, distorting, and emasculating the One China principle” and hinted that the U.S. is trying to contain China using the Taiwan issue as a suggestion. (For a detailed and clear explanation of the differences in the interpretation of “One China,” see Zhiqun Zhu’s excellent essay in the Fall 2022 edition of *Baku Dialogues*.)

No doubt one of Biden’s messages to China’s leader was to change Beijing’s rhetoric towards Moscow’s military activity in the Ukrainian theater. However, Xi, who had tightened his grip on power at the 20th National Congress of the Chinese Communist Party several weeks earlier, is striving to effectuate the most independent foreign policy possible. In fact, the conduct of an independent foreign policy allows Beijing to implement its global economic projects more effectively, such as its flagship Belt and Road Initiative.

Be that as it may, following this historic meeting between the leaders of the world’s two largest economies, global stock markets rallied as investors were looking for any sign of détente. For instance, on 15 November 2022, shares in Shanghai and Hong Kong closed higher, with the Hang Seng’s Tech Index of Hong Kong-listed Chinese tech equities jumping 7.3 percent to extend a three-week rally.

Another important meeting ahead of the G20 summit in Bali was the one between Xi Jinping and French President Emmanuel Macron. The central issue at these talks was also the situation in Ukraine. The disagreement on this issue between the two sides was expressed in the fact that the French and Chinese readouts on the Ukraine aspect of their conversation were strikingly different. The Élysée Palace pointed out that “the two heads of state reaffirmed their commitment to respect for the territorial integrity and sovereignty of Ukraine, and agreed on the urgency of de-escalation.” However, Beijing’s readout of the meeting stressed that the two sides merely “exchanged views on the situation in Ukraine” and that China “stands for ceasefire, cessation of the conflict, and peace talks.”

Macron’s central message to the Chinese leader was the fact that Paris’ mediation efforts between Moscow and Kyiv have been unsuccessful. On this, it is sufficient to note that Kremlin spokesperson Dmitry Peskov has recently periodically emphasized that telephone conversations with Macron are not on the agenda of Russian President Vladimir Putin in the near future.

This failure of the French leader is connected inter alia with his recent harsh statements about Moscow regarding its policy in the South Caucasus. A direct consequence of statements made in an interview with France 2 TV channel on 12 October 2022 that Azerbaijan “unleashed a terrible war” in Karabakh and that Russia “destabilizes the situation in the South Caucasus” was that Macron lost all confidence from leaders in both Baku and Moscow in one fell swoop. In this regard, Putin’s statements during his speech

in Astana at the Commonwealth of Independent States (CIS) summit on 14 October 2022, during which he called Macron's statements "incorrect and unacceptable," are quite indicative. (At an event held at ADA University and co-organized by its Institute for Development and Diplomacy on 25 November 2022, Azerbaijan President Ilham Aliyev referenced the same interview to explain his rejection of the possibility of Macron playing a role in the EU-facilitated peace process between Armenia and Azerbaijan.)

Regarding the conflict over Ukraine, the French president indicated that he is very much counting on the peacekeeping efforts of Beijing, which maintains good relations with Moscow. "I am convinced China can play a greater role of mediator in the coming months to avoid a more intense land war," said Macron after the meeting with his Chinese counterpart.

Lastly, in the run up to the G20 summit, many non-Western leaders had originally hoped that the gathering would focus on climate issues and on those revolving around food and energy security. But this was not to be.

All in all, as many media outlets and pundits noted after the summit, the war in Ukraine dominated the agenda in Bali and continued to divide the G20, despite Putin's absence.

Final G20 Communiqué and Its Implications for World Politics

Despite numerous disagreements among the summit participants, the G20 final communiqué *did* strongly condemn the "aggression by the Russian Federation against Ukraine," demanding "its complete and unconditional withdrawal from the territory of Ukraine." However, Moscow managed to insert the phrase "there are other views and different assessments of the situation" into the final version of the document. It is interesting that the Kremlin did, however, publish the G20 communiqué in full, including the references to the war and its "invasion"—a term that Russia does not use to characterize what it instead calls a "special military operation."

Along with this, the final G20 document welcomed the Türkiye- and UN-brokered Istanbul Agreements signed on 22 July 2022, namely: the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian Ports (Black Sea Grain Initiative) and the Memorandum of Understanding between the Russian Federation and the Secretariat of the United Nations on Promoting Russian Food Products and Fertilizers to the World Markets.

Direct contradictions over Ukraine between Western and non-Western countries during the G20 summit points to Türkiye's for now singular mediation role in the conflict: Ankara still effectually remains the only country that could broker peace negotiations between the two belligerents of this bloody conflict and other related issues. Seemingly, against all odds, Türkiye remains able to cooperate simultaneously with both Moscow and Kyiv.

The tough stance towards Moscow in the final G20 communiqué will make the Kremlin's position on the further development of events in Ukraine even more irreconcilable. Therefore, it seems likely that Türkiye will soon be entrusted with a great responsibility regarding would-be peace talks between Russia and Ukraine. Ankara will also likely play a tremendous mediation role on such issues as an “addressing food insecurity,” as was mentioned in the final communiqué of the G20 summit.

How G20 Outcomes Impact Upon the South Caucasus

The G20 is very often criticized for issuing formal statements that hardly affect solutions to global problems—that, in other words, the original purpose for its convocation (to bring together leading Western and non-Western economies to agree on measures to overcome the global economic crisis in 2008-2009) represented its high point. Evidence of this can be found by the fact that the G20 offered practically nothing substantive during the most active phase of the COVID-19 pandemic. The fight against the coronavirus was much more effective at the national level or thanks to the initiatives of individual states (Azerbaijan's initiative at the UN General Assembly on behalf of its chairmanship of the Non-Aligned Movement is one such example).

Similarly, the Bali G20 summit aimed only to discuss the most pressing issues of humanity, which was reflected in the final communiqué. By and large, the invitation-only gathering of leaders did not systematically address broader or longer-term issues. Neither did, for the most part, the speeches of the G20 leaders—whose countries, after all, represent 75 percent of global trade and 60 percent of the world's population. Little awareness seemed to be manifested that their speeches and deeds will inevitably have an impact on different parts of the world, including the South Caucasus.

Thus, notwithstanding the fact that Russia's step-by-step isolation by a preponderance of the G20 summit's participants, the Kremlin has continued to intensify its cooperation with a number of non-G20 countries with which Moscow maintains normal relations.

First of all, this concerns the economic sphere. For example, according to the *New York Times*, as of 30 October 2022, trade between Russia and China has increased by 64 percent, between Russia and Türkiye by 198 percent, and between Russia and India by 310 percent since the onset of the present stage in the conflict over Ukraine.

Also, Moscow has sped up its economic engagement in the South Caucasus and in the Caspian region, especially with Tehran. According to the Iranian authorities, in January-July 2022, trade between Russia and Iran increased by 44.9 percent.

In addition to bilateral projects, Moscow and Tehran are interested in implementing large-scale initiatives like the International North-South Transport Corridor (INSTC). According to preliminary estimates, the total investment in the construction of the Qazvin-Resht-Astara section is about \$400 million. Moreover, the commodity market of the INSTC is estimated at 25-26 million tons per year. The construction of the aforementioned rail line was delayed due to the COVID-19 pandemic; it now appears that it will be fully completed in 2023.

Moreover, during 2022 the representatives of Baku, Moscow, and Tehran reached several important agreements on the simplification of customs procedures. For example, on 9 September 2022, a tripartite declaration on the development of INSTC was signed in Baku. This document stipulates that the three states “intend to facilitate border crossing procedures and expand the interaction of the relevant authorities of Azerbaijan, Russia, and Iran in this direction.”

None of the outcomes of the G20 summit (both formal and informal) are likely to affect Russia’s plans to continue its close cooperation with Iran. And Tehran, which is facing unprecedented antigovernment protests across much of the country, likely will have to make additional concessions to Moscow in the context of INSTC and other projects.

There is an Azerbaijani angle in this context, too. Consider a recent statement by political scientist and member of the Azerbaijani parliament Rasim Musabayov: “Iran is a very difficult partner, and it is rather hard to do business with it. For example, we built a bridge with our own money that connected Azerbaijani Astara and Iranian Astara, laid 8 kilometers of railway [tracks] in Iran, and built a large cargo handling center there. Moreover, we offered to pay \$500 million to Russian companies to build the missing 150 km section of the Rasht-Astara road. However, Tehran demands that Baku transfer this money directly to Iran. Nobody does that. In this regard, I have great doubts about the success of this project.”

The same tripartite declaration signed by Azerbaijan, Iran, and Russia also states that the parties will “make efforts to unblock all economic and transport ties in the region, including through the creation of new communications.” The last point may indirectly refer to the opening of the Zangezur corridor, in accordance with Article 9 of the tripartite statement that ended the Second Karabakh War. Azerbaijan and Türkiye insist that this transport artery will be beneficial to all countries in the region. However, its implementation is blocked mainly by Armenia and, indirectly, by Iran (the latter, in particular, is concerned inter alia about the growth of Turkish influence in the region).

Thus, in October 2022, Tehran took several unfriendly steps towards Baku. The Iranian authorities conducted military exercises of the Islamic Revolutionary Guard Corps near the border with Azerbaijan, and Iran solemnly opened a consulate

(ahead of schedule) in the city of Kapan in southern Armenia—located just north of the proposed route of the Zangezur corridor and less than 5 kilometers from the city’s closest border point with Azerbaijan. During his speech at the opening ceremony, Iranian Foreign Minister Hossein Amir Abdollahian stressed that Tehran considers “Armenia’s security as Iranian security.” This statement sounds a lot like an affirmation of a relationship between close allies.

Although Iran subsequently walked back some of its provocative rhetoric against Azerbaijan—e.g., on 20 November 2022, senior adviser to the Supreme Leader Ali Akbar Velayati admitted that Tehran and Baku have a lot in common and stressed that Iran “has never intended to invade the Republic of Azerbaijan”—present tensions and disagreements have not yet been fully overcome. Aliyev referred to this in his aforementioned address at ADA University: “everything happening between Iran and Azerbaijan now was not generated by us. We are only responding, and we will [continue to] respond to any kind of anti-Azerbaijani steps whether it is in words or in actions.”

The ability of the Iranian side to understand the changing geopolitical reality was evident in Tehran’s restrained reaction to Baku’s decision to open an embassy in Israel on 18 November 2022, which is quite an interesting development considering the circumstances. It should be noted that the lack of an Azerbaijani embassy in Tel Aviv was to some extent indicative of Baku’s understanding of Tehran’s sensitivities—and the timing of the decision should be understood at least in part through the lens of Aliyev’s statement (and its broader context) cited in the preceding paragraph.

Amongst other things, the opening of the diplomatic representation of Azerbaijan in the Jewish State will moderate the balance of power in the region. This should also be understood against the background of the rapprochement between Türkiye and Israel—a process in which Azerbaijan played a role.

It is important to emphasize that Baku does not position itself as part of any “Turkish-Israeli” or “anti-Iranian” axis. The Azerbaijani side adheres to a multi-vector policy and wishes to develop relations with all regional and global actors. It advances its own national interests as it understands them—and no one else’s. Thus, for instance, the fact that Azerbaijan has allied and fraternal relations with Türkiye indicates that Baku has managed to secure a much more advantageous position for itself than many other players in the South Caucasus—nothing more.

As noted above, Türkiye’s unique geopolitical and geo-economic contribution was emphasized in the final communiqué of the G20 summit. The most striking manifestation of Ankara’s unique role is the country’s diplomatic effort to return Russia to the Black Sea Grain Initiative in early November 2022. Also, thanks to Ankara, on 19 November 2022, this deal was extended for another 120 days.

To sum up this section of the IDD analytical policy paper: the outcome of the Bali summit and further pressure from most G20 countries on Russia will push Moscow to step up efforts to cooperate with states like Azerbaijan, Iran, and Türkiye. With regards to the former, one can note that on 17 November 2022, the Azerbaijani State Customs Committee released data indicating that the trade turnover between Azerbaijan and Russia for the first 10 months of 2022 amounted to \$2.868 billion, which is 22.3 percent more than the same indicator last year.