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The Caucasus and its Neighbors:
Towards the Future

CAUCASUS INTERNATIONAL

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The Caucasus and its Neighbors: Towards the Future



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Editor's Note

THE CAUCASUS AND ITS NEIGHBORS: NEW PERSPECTIVES FROM THE EAST-WEST CROSSROAD

None of us can deny that the geostrategic sense of gravity is shifting from West to East

This is the Caucasus

The change was not an illusion

This is unfortunate
price of 'normalization'
which arguably the
Middle East
must pay

Caucasus
will not remain a "magic word"

The Caucasus had
never had peace,
neither internal,
nor external

Cosmopolitan tangle of
East and West

There is a tendency to
blame problems on a "bad
neighborhood"

The enduring problem is that old mentalities die hard

“In the Middle East, the first lesson is the meaning of silence,” wrote Anthony Shadid in his book *House of Stone: A memoir of Home, Family, and a Lost Middle East*. The two times Pulitzer-winning journalist, a New York Times correspondent and a contributor to *Caucasus International*, died while reporting in Syria this past February.

After Shadid’s tragic death, reportedly from an asthma attack, my editorial team felt grief: for the death of brilliant man, for the stories that will go unreported as a consequence, for the continuation of war, the struggle that Anthony called the “lost Middle East”, and the loss of innocent lives in Syria, Libya and elsewhere. This is unfortunate price of ‘normalization’ which arguably the Middle East must pay; no one can deny the relevance of Shadid’s statement that “some suffering cannot be covered in words”. As our readers may remember, Shadid emphasized in his interview with *Caucasus International* last year that “If it comes to a civil war there, and you can see that playing out, [we will see] potentially a very dangerous conflict in Syria.”

This dangerous conflict is now a reality for the Syrian people, and the Assad regime has lost its legitimacy; we have watched live coverage of the killing of innocent people. Yet the international community is still waiting to act, due

the strategic interests of some countries, which have been elevated over the population’s right to life. This has become the “meaning of silence” in today’s Middle East. Moreover, Syria also faces the risk of a sectarian war triggered by the current unrest. Tunisia and Egypt are still torn between traditionalism and democratization- no one is denying the impact of the Arab Spring. Its success is that the Middle Eastern people who began these revolutions have moved beyond the traditional cold war mentality; this has led to new security and policy requirements on the part of the international community. Governments and people are jockeying for the best position in the rebuilding of the Middle East.

The pressing question is: why did revolution suddenly happen after two decades of cold war? One answer is that there was a general transition taking place in the Middle East, where most of the countries had not been able to “normalize” their history: this option was simply not open to them, due to the cold war mentality, which affected perceptions among external and domestic actors alike. Twenty years on, however, history had normalized the Middle East through the Arab Spring of 2011. The people of the Arab world had begun to ask questions. If Tunisians can take down a detested regime, why can’t we? The change was not an illusion. If we look at Syria, what provoked the uprisings was the question of basic

rights, which many Syrians were being denied. The problem is that ‘silence’ is getting costly; the cost is human life, and as Shadid said in his brilliant monograph, “words can’t quite re-create the smell of war”.

We grieve for the losses in Syria, Iraq, Libya, or elsewhere in the world; the difficulty is how to keep sustain hope for a brighter future. If the people of the Middle East are not confident about their future, the theoretical challenge they face is whether to agree to allow the account to be rendered in the name of the future, or whether they believe that the accounts should be closed at the end of each day. In this sense, British historian Tony Judt’s observation in *Thinking the Twentieth Century* is highly pertinent:

There are at least two ways of reasoning from the present to the future. One is start from an image of the future and then working one’s way back to the present, and then saying that one knows what the stages must be. Another is to start with the present and then to say, wouldn’t it be just a bit better if the near future were something like the present but improved in a certain definable respect.

This is true even if people cannot imagine having made their choice, and even though they know perfectly well that ten years later others may either regret their choice or reinterpret it in

a favorable light. The revolutions in the Arab world revealed the political vacuum that is created by transition. Even in the current political climate, I strongly believe that Arab countries now understand the distinction between memory and history, and that allowing memory to replace history is dangerous. This challenge is increasingly important in today’s globalized world

History is not a constant- sometimes decades go by without major changes, while during other periods, the shape of the world changes in days or weeks – this was amply demonstrated by the major changes we saw take place so rapidly in the Middle East. Thus, the choice that most of the countries in Middle East now face is clear: the transition to democracy will be made easier by the establishment of stability. But the alternative to genuine political stability leading to democratization seems, unfortunately, to be the protection of the status quo. The enduring problem is that old mentalities die hard – we see in Egypt, for example, the living notion of “the king is dead; long live the new king”. Mubarek may be gone, but his army remains in power.

Meanwhile, following the Arab Spring, the neighborhood of the Middle East has acquired new importance on the international stage. There are historical links to the Caucasus, and now these links are even stronger. The Caucasus has always been at the

crossroads of the East and the West in terms of civilization, geography, history and geostrategic competition. Today, as the world faces growing tensions, especially in and around Iran, the countries of the Caucasus also face challenges regarding their future. Sadly, this remains a region pre-occupied by painful memories, the shadows of which dominate the current political and social landscape. Looking to the Caucasus, in contrast to the 1990s, these countries have gained sufficient political and economic clout to define their own futures.

Hence, in looking back across history to deepen our understanding, we see that the choice which the Caucasus faces in the next generation is not confrontation versus cooperation, nor the end of the history versus the return of history, but the notion of a common fate, a common future. None of us can deny that the geostrategic sense of gravity is shifting from West to East; towards Asia. In light of this opportunity, the regional countries must be more pragmatic, and must direct their political will to the resolution of security and economic issues in the region. Undoubtedly, at national levels, – we can hold up success stories. For example, the Armenian Civiltas Foundation's report "Armenia 2011-without Illusion" remarked – despite the ongoing Armenia-Azerbaijan conflict that:

2011 witnessed a concerted push by Azerbaijan to parlay its hydrocarbon

resources and wealth into status and recognition as a regional power. Azerbaijan's election in October as a non-permanent member of the UN Security Council was the manifestation of that strategy.

But when it comes to the question of silence in the region, its meaning is as costly as it is in the Middle East, and injustices, occupation – the problems run parallel. *Ali and Nino*, a well-known love story about an Azerbaijani boy and a Georgian girl, provides a valuable insight in this sense:

Some scholars look on the area south of the Caucasian mountains as belonging to Asia, while others, in view of Transcaucasia's [South Caucasus] cultural evolution, believe that this country should be considered part of Europe. It can therefore be said, my children, that it is partly your responsibility as to whether our town [Baku] should belong to progressive Europe or to reactionary Asia.

The region must learn from its past, to look future without relying upon illusions. A hundred years ago, V.L.Velichko, a Russian scientist introduced his book with the exclamation, "What a magic word it sounds-Caucasus!" He later observes, "the Caucasus had never had peace, neither internal, nor external".¹ In this regard, the century-old analysis

1 V.L.Velichko, *The Caucasus: Russian Affairs and Intertribal Problems*, S.Petersburg, 1904

remains applicable, and in order to break taboos of past, we need to follow Tony Judt's conceptualization of a "better near future in a certain definable respect". Today, there is greater stability, although regional conflicts remain a hindrance to future development. Moreover, this lack of external confidence undermines the political dialogue, economic cooperation and neighborly relations that are necessary for the countries of the Caucasus to prosper. The dialogue between Georgia and Azerbaijan has successfully transformed the region into an energy hub, which has significantly increased the area's international profile. The Karabakh conflict between Azerbaijan and Armenia, unfortunately, remains an obstacle to cross-regional dialogue and discourse. For this reason, Azerbaijan and Georgia (following the 2008 war with Russia) have still not restored their territorial integrity. There remain over a million Azerbaijani IDPs from Karabakh, a huge humanitarian crisis.

Now, Azerbaijan represents a national idea more complex than simply a cosmopolitan tangle of East and West, and in order to fully realize this concept, we need common action by the people of the region. The region needs better cooperation, better dialogue, and a recognition that "Caucasus" will not remain a "magic word". The Caucasus International team, as part of our drive to move "from monologue to dialogue", seeks

to look carefully at the foreseeable future, to discuss problems and their possible solutions, to use cooperation among scholars as a means of combating confrontation.

This issue of *CI* has compiled articles that look to the future of the Caucasus and its neighbors, with some pieces critically addressing a broad range of challenges that likely to arise in the coming months and years.

Given the importance and relevance of this subject, we are enormously grateful for the opportunity to discuss these issues with Dr. Zbigniew Brzezinski, Center for Strategic and International Studies' (CSIS) counselor, trustee and co-chair of the CSIS Advisory Board, which this year published a provocative new book, "Strategic Vision: America and the Crisis of Global Power," an in-depth survey of the current state of international affairs.

Some of these remarks will be familiar to readers of recent books by Bill Clinton (*Back to Work*), Dick Cheney (*In my time*), George W. Bush (*Decision Points*), but Brzezinski locates his strategic insight within a framework of keenly observed historical context, which provides deeper analysis and projections of the foreseeable future. In this colloquy, Dr. Brzezinski emphasizes that his main concern in regard to U.S. policy in Eurasia is the relationship with Turkey, and subsequently also with

Russia; that Eurasia as the central and most important continent in the world needs to establish a fundamental internal balance between what will hopefully become a more vital West and a more energetic East. In an increasingly unstable world, Dr. Brzezinski notes that Russia's proposed Eurasian Union remains a pipe dream, fuelled by the dream of Russian imperial restoration. In brief, Dr. Brzezinski believes that Russia no longer has any alternative but to become part of the West, and that changes within Russia already indicate the development of a genuinely democratic civil society, which will have the power to stimulate democratic reform.

To follow this compelling and forward looking analysis, Dr. Ariel Cohen, senior research fellow of Heritage Foundation, examines U.S. interest in South Caucasus, in particular in Azerbaijan and evaluates U.S. interests in the South Caucasus, via three broad and interrelated categories: security, energy, and democracy, the interests that shape U.S. foreign policy toward the region. The author argues that today, strong, independent, pro-Western states in the South Caucasus serve to contain the expansionary anti-American regimes in Russia and Iran, enable the secure passage of energy resources from the Caspian to the Black Sea and the Mediterranean via Turkey, and encourage the expansion of democratic and free-market

principles and institutions across Eurasia. Dr. Cohen stresses that the current U.S. administration does not grasp the strategic importance of South Caucasus, and he presents his concerns, namely the "neorealism" of the Obama administration.

On Turkish-Armenian normalization, Dr. Cory Welt, Associate Director, Institute for European, Russian and Eurasian Studies at George Washington University, provides a careful analysis, considering the links with the solution of the Nagorno-Karabakh conflict, a conflict which has deadlocked the Caucasus region for the past two decades. Dr. Welt argues that it would be better if both conflict parties redrafted the formula, under which they both would accept border openings as part of the solution. Some analysts may criticize this formula, but Dr. Welt stresses a step-by step process, and accordingly such agreement would not affect any change in international interpretations of Azerbaijan's *de jure* territorial integrity.

One of the key pieces in CI's current publication comes from Fen Osler Hampson, the Chancellor's Professor and Director of the Norman Paterson School of International Affairs at Canadian Carlton University. Dr. Hampson gives key insights to the current status of each of the three South Caucasus countries, based on their political situations, their economies, and their role in shaping

the future of region. He argues that the festering conflicts in the South Caucasus region are not merely of local concern, but could have global consequences, and thus compliancy is not an option.

Azerbaijan's foreign policy is increasingly under debate following its election to non-permanent membership of the United Nation Security Council. Dr. Brenda Shaffer, faculty member at the School of Political Sciences at the University of Haifa evaluates the evolution of Azerbaijani foreign policy over the last two decades. The author argues that the existence of the conflict and the unresolved issues surrounding the status of Azerbaijan's occupied territories and refugee population have served as critical constraints on Baku's policy options as well as a useful lever for neighboring powers. Another contributor, Aleksei Vlasov, director of Information and Analytical Center for the Study of the socio-political processes in post-Soviet space at Moscow State University, analyzes Azerbaijan's development strategy and the turning points on this path. In Vlasov's view, 2005 marked a pivotal moment for Azerbaijan, when its economy demonstrated the highest global growth rate. He explains how the decade of 1994-2004 established the preconditions for this moment. Professor Kamer Kasim, Vice President of the International Strategic Research Organization (USAK) in Turkey, shares his views

on the Nagorno-Karabakh conflict. In his review, he suggests that prolonging the status quo blocks any kind of integration and keeps alive the possibility of another destructive war in the Caucasus.

As ever, CI is keen to share the views of South Caucasus' experts on the current theme, and so we have included contributions from two notable statesmen, one from Professor Gerard Libaridian, who was the foreign policy advisor to the first Armenian President, and the second from Tedo Japaridze, a former Minister of Foreign Affairs in Georgia, who worked under both E.Shevardnadze and M.Saakashvili.

Professor Libaridian puts forth an interesting and important thesis on conflict resolution, namely that seems that the conflicts in the region are used as a means of pursuing national geopolitical and strategic interests. He stresses that it has been a question of *whose* peace it will be, and asks, "What if a peace, with its underlying conditions, poses a threat to one of the major mediators?" There is a tendency to blame problems on a "bad neighborhood"- but every country believes its neighborhood is problematic – and all blame the other countries.

Tedo Japaridze has co-authored an article with Dr. Ilia Roubanis, lecturer, Greek School of Public Administration, Political Advisor,

which conducts a comparative analysis of Moscow and two former Soviet Republics, Georgia and Ukraine. The piece argues that the relationship between Russia and these two states has become a 'systemic factor' or a political cleavage in its own right. The authors note that in post-Soviet Republics, the terms 'democratization,' 'liberalization' and 'independence' have been used interchangeably. Among Western analysts too, 'regime changes' or 'transitions' have been hailed with great optimism. In their article, the authors put forward recommendations to the current Georgian and Ukrainian generations on the need to first transcend the 'Russian Taboo'.

Another Georgian analyst, Kornely Kakachia, associate Professor of the Department of Political Science at Iv. Javakhishvili Tbilisi State University, writes about Georgia-Iran relations. In this insightful and important piece, which covers an area that has received scant coverage to date, the author observes that given Georgia's pro-West orientation, Iran perceives Tbilisi as a "Westoxicated" regime, subservient to U.S. global and regional interests. The author describes Tbilisi's view of Iran as a "pragmatic radical" within the region, which has the potential to play a constructive role in countering Russia's geopolitical ambitions.

Providing further analysis on political and foreign policy issues, Alum Bati,

a British lawyer, writer and academic who is resident in Baku, discusses economic challenges and the region's business environment over the last two decades. He concludes with a recommendation that in order to establish an environment conducive to a thriving economy, good legislation is key. Legislation has continued to pour out of parliaments, presidential offices, the Cabinets of Ministers and a plethora of ministries at an ever-increasing rate, and too much legislation can be counter-productive.

Dr. Shirin Akiner, Research Associate, School of Oriental and African Studies, University of London, discusses Kazakhstan-Azerbaijan relations. She argues that while Azerbaijan and Kazakhstan, maritime neighbors across the Caspian, are inextricably bound together by a web of common interests and concerns, they have pursued their own export strategies. Together, they offer access eastwards to the expanding markets of Asia, westwards to Europe and southwards to the Middle East. Taken together, these different elements form a multi-dimensional bond that has the potential to become a strong and vibrant partnership.

Dr. Daniel Warner, assistant Director for International Affairs, Geneva Center for the Democratic Control of Armed Forces (DCAF), describes the security problems in the region, looking at unresolved conflicts and

the fragile nature of regional security. The author sees a positive note, however, in the entry of Russia to the WTO following an 18 year struggle for membership.

With its continued commitment to providing a global outlook, Caucasus International's current issue also looks at impact of Arab Spring on Palestine, the Iranian issue, as well as the Black Sea Region.

Joseph Dana, a journalist based between Africa and the Middle East, writes about the possible impact of the Arab Spring on Palestine. He describes how Palestinian activists are gravitating towards non-violent means as a way of highlighting what occupation and Israeli control entail for them; peace is clearly sought after by activists, he says, whose immediate concern is the ongoing human rights violations in these territories.

Iran is currently at the top of the international agenda; in this regard Caucasus International with expert participation has prepared a dedicated report, focusing on internal and international challenges for Tehran, the impact of developments on neighboring countries, with special attention to the Caucasus and Turkey.

CI is pleased to publish a new report: "The Black Sea Region in 2020 – a place for the EU?", prepared within the framework of the Black Sea Young Reformers Fellowship

(BSYRF) project in 2011, by experts from Azerbaijan, Bulgaria and Ukraine. The authors project possible trajectories for political, economic and civil society development, as well as conflict resolution, between now and 2020, emphasizing that the ideal scenario will not be achieved without increased involvement on the part of the European Union in regional affairs. The CI team is grateful to the organizers of the Black Sea Young Reformers Fellowship, which founded this initiative to support reformist thinking and activities throughout the Black Sea region by identifying and encouraging reform-oriented, influential young policy-makers, civil servants and civil society activists from Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Romania, Russia, Turkey and Ukraine to form an effective and viable political network.

The current issue is the product of the hard work of other team members: Mahir Zeynalov and Gunel Ismailzade, who helped to manage the overall process, and special thanks to Celia Davies, proof reader of CI, who has made this issue a success through her hard work. I also want to give thanks to Dr. Elnur Aslanov, Hidayet Dogan, Ural Akuzum, and Murat Ocakcan. The support of Center for Strategic Studies (CSS) remains central to all of our work.

We are very happy to have reached partnerships and advertisement agreements with the Insight Turkey

journal and Political Reflection Magazine.

We are grateful to our readers, from whom we received several letters, critiques and suggestions. We do not expect readers to sympathize with all of the ideas and arguments contained within this issue, but we hold high our belief that Caucasus International is an important platform that can inspire intellectual debate within the region and beyond.

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As a final note, the current issue of Caucasus International is dedicated to Anthony Shadid, a man who struggled for peace in Middle East, whose work supported and honored all those who live in hope of a peaceful future for the region. While many people have been involved in this issue of CI, I take personal responsibility for any errors.

We always welcome your feedback, suggestions and constructive criticism to improve our work, and encourage proposals for international academic cooperation.

Zaur Shiriyev,
Executive Editor
Istanbul, Turkey

Colloquy

*Is the West turning
its back on Turkey?*

**Zbigniew
Brzezinski***

* Dr. Zbigniew Brzezinski, Counselor, trustee and co-chair of the Center for Strategic and International Studies' (CSIS) Advisory Board, former national security advisor of U.S.

CI: *Can you talk about your specific thoughts on Turkey in relation to its neighborhood? Which areas do you think are most critical right now, in terms of U.S. interests in the context of the immediate demands of the situation in Syria, and what is happening with Turkey in the region?*

Brzezinski: First of all, one has to take into account the fact that “a strategic vision” is not the same thing as “a strategic blueprint.” My concern with the U.S. relationship with Turkey and also with Russia is that Eurasia – as the central and most important continent in the world - needs to have a fundamental internal balance between what I hope would be a more vital West and a more energetic East. To accomplish that, both Russia and Turkey should, out of self-interest, become part of Europe, and Europe, both the existing Europe and the narrower Europe, should welcome them out of its own self-interest. With regard to the more immediate question of the current difficult circumstances, dealing with them is a matter independent of this larger vision. Obviously, Turkey is the preeminent player in the Middle East. It is a successfully modernizing democracy. And it is a successfully democratizing modern state. Its role in the region is preeminent. Accordingly in my view, American policy towards Syria ought to be essentially supportive of the policy that Turkey shapes in close collaboration with Saudi Arabia.

CI: *In your recent book, *Strategic Vision, America and Crisis of Global Power*, you talk about this idea of breaking with the past, and the sense in which Ataturk reoriented Turkey. You briefly reference the idea that America is working with Turkey in the Middle East. Unlike many in Washington, you don't see a disjunction between that idea and the fears about Turkey becoming too Islamic or too populist under these authoritarian tendencies. What drives that optimism?*

Brzezinski: First of all, these authoritarian tendencies are declining overtime. Turkey has made some impressive and significant accomplishments in the process of self-democratization. I think anyone who goes to Turkey, and sees how it works, is aware of this process. Fears about Turkey becoming such a state strike me as residual anxieties following the anti-Islamic tendencies that developed in the U.S. after 9/11, which unfortunately have been given added impetus by some officials, and interested elements or lobbying groups who would in general prefer that the United States does not have a constructive relationship with Turkey.

CI: *So, the Turkish Foreign Minister was just in town and no doubt you had a chance either to speak with him personally or to hear his thoughts on the post-Cold War logic Turkey is trying to implement. It sounds very similar to your strategic vision, and*

you reference him in your own book, specifically his strategic depth. How would you compare your vision of where Turkey fits in with Professor Davutoglu's?

Brzezinski: First of all, what I say in the present book is to some extent what I said in another book called "Grand Chessboard", written more than a decade ago. I think Turkey is the preeminent player in an extremely sensitive part of the world. The differences between what Professor Davutoglu advocates for Turkey and what I advocate for the United States are essentially rooted in our different perspectives. He is a Turk and he is operating within a consciousness of Turkish history and an awareness of the challenges that Turkey faces in its geographical neighborhood. I look at it from the American point of view, which takes into account the fact that the United States is the most dynamic force within the Atlantic community, and that the Atlantic community in its own interests should seek to embrace those who already share some of its views, or will likely share some of its views in the future, particularly pertaining to internal democracy. I think that perspective makes the case for Turkey and for Russia, though two different cases, quite compelling.

CI: *If the vision for Turkey makes sense because of its democratic progress and position as a preeminent power in the region... your optimism regarding Russia was striking*

throughout the book. I think many in Turkey will actually agree with your assessment, but many in Washington may not. How did you come up with that assessment?

Brzezinski: Because of what I observe within Russia. It seems to me that the forces of authoritarianism are weakening, that there is a nationalist backlash developing in Russia which could be quite dangerous as it becomes more successful; it would also be terribly self-destructive for Russia, because Russia is without any options in a geopolitical setting in which to its East there is a more vital China and to its West there is a more vital Europe and America. Therefore the nationalist option is self-defeating. Putin is trying to articulate some intermediary concept which he calls the Eurasian Union, but that is a pipe dream, because no one wants to be in it bar a few of his own associates who are still captivated by a dream of Russian imperial restoration of some sort. In brief, Russia no longer has any alternative but to become part of the West. Secondly, internal changes within Russia already indicate that there is a genuinely democratic civil society developing, at this stage composed primarily of the younger element of the new urban middle class. Many of them have studied abroad, most have travelled abroad, and all are in touch with the West through the new means of communication - and increas-

ingly they see themselves as part of the West. So in spite of some probable regression in the near future, my optimism is not just wishful thinking but is rooted in observation of the underlying geopolitical imperatives and social changes that are transpiring within Russia itself.

CI: *Coming to the Eurozone crisis that has only gotten worse since this book was written, particularly looking at it from Turkey and Russia on the outside of Europe, how has that changed some of your analysis? Does it change at all or reinforce your views on what Europe needs?*

Brzezinski: I don't agree that the Eurozone situation has worsened. I think Europe is grappling with it responsibly and seriously. The Euro crisis was aggravated by fundamental structural inadequacies, and the European Union and the preeminent members of the EU are in agreement that these structural limitations or handicaps need to be overcome.

CI: *Do you worry that the Eurozone crisis will fuel what some have called Turkish hubris? The notion of "look, our economy is growing so much faster - we don't need the European Union, we will go in our own direction; we don't need the West anymore, we will focus on the East"...*

Brzezinski: Well, if that is the conclusion they have reached I think they will regret it. I think it will be based on a short-term reaction - and

as you say, to some extent hubris. The fact of the matter is Turkey can be an important European state and therefore indirectly play a kind of a global role which on its own it cannot pursue, except in its narrower regional setting.

CI: *You emphasize in the book the notion of keeping the U.S. outside of the Asian landmass of Eurasia as kind of an offshore balancer. Can you talk more about that, in terms of why you don't think America should be directly involved in a neighborhood that is crucial to Turkey? And what do you mean by that?*

Brzezinski: What I mean by that is that American involvement on European soil was a byproduct of an age in which the struggle for global preeminence, for global domination was a reality - a reality that was underscored by the underlying issue at stake in World War I and World War II, and then the protracted contest for global supremacy with the Soviet Union. Today, we are entering an age that sees a shift in the global center of gravity from West to East. The emergence of a new and dynamic Asia and the appearance of the new phenomenon of global political awakening collectively signify that no single power can be dominant.

CI: *Could you speak more about these unintentional consequences, particularly in terms of the Arab Spring, and perhaps what you see developing with the Arab Spring in*

reference to Turkey's direct role. You have mentioned Syria.

Brzezinski: I speak about the East, and I don't mean the Middle East. I am talking about the East; I mean Asia. I think the Arab Spring is a separate phenomenon. And that is related first of all to the phenomenon of the global political awakening, which incidentally does not necessarily equate to democracy and does not necessarily mean democratization quite yet. But secondly, it is also related to the fading of American preeminence in the Middle East, due to the diminishing role of the United States in contributing to a more wide-ranging peace in the region – and as a consequence today, American influence in the Middle East is probably lower than at any point since 1950.

CI: *Do you think this decreasing influence is a good thing or a bad thing, from the Turkish perspective?*

Brzezinski: I don't see it in terms of good or bad. It is however significantly different in terms of the role the United States can play. This is why today, for instance, it is more sensible for us to deal with the problem of Syria by supporting whatever policy Turkey and Saudi Arabia construct together, as opposed to taking the lead on strategy, which would have been possible even twenty years ago..

CI: *I was struck by the fact that in the book, when you talked about Tur-*

key, you spent a lot of time discussing Turkey in the West and the EU, but you also made this comment about Central Asia and of course everyone remembers the Turkish model from the 1990s and right now the Turkish model is fashionable again in the Middle East . Do you see Turkey playing a larger role in Central Asia vis-a-vis this concept broader cooperation with Russia and Turkey?

Brzezinski: Not as overtly as one of the earlier Turkish leaders seems to have had in mind. But there is no doubt that when one goes to the Central Asian region it is striking the extent to which Turks are present, and is a point of attraction and interest on part of these countries in the region as they try to define themselves, to establish their own identity, and to find their own place in a setting which is still potentially unstable. It be may be a question of lingering imperial aspirations confronting them from one side, of course the growing influence of China from another, and the rise of Islamic fundamentalism from yet another, and hence Turkey is becoming an attractive point of reference.

CI: *With regard to perceptions of Turkey as an attractive point of reference, you spend a lot of time focusing on the U.S. and some of the domestic challenges that make America less globally engaged. What are the challenges of the U.S.-Turkey relationship, which entails two democracies that sometimes have very different*

tendencies and very different views – here I’m speaking specifically about Governor Perry’s comments about Turkey having Islamic terrorists as leaders.

Brzezinski: I don’t think it is worth 30 seconds of my time to comment on Governor Perry’s remarks.

CI: *Do you see this tendency of democratization in Turkey continuing after Erdogan, or are you worried that the next leader could be “make-or-break” in the Turkish case?*

Brzezinski: If the West turns its back on Turkey, I think that the chances of the negative development would increase, but by and large it seems to me that there is general identification in Turkey with the changes that have taken place in the recent decades.

Colloquy conducted by Joshua Walker, Transatlantic Fellow, The German Marshall Fund of the United States

Azerbaijan and U.S. interests in the South Caucasus twenty years after independence

**Ariel
Cohen***

Abstract

The author evaluates U.S. interests in the South Caucasus, via three broad and interrelated categories: security, energy, and democracy. These strategic interests shape U.S. foreign policy toward the region. Despite numerous strategic concerns, the South Caucasus is generally perceived as a secondary consideration for U.S. interests.

The author argues that today, strong, independent, pro-Western states in the South Caucasus serve to contain the expansionary anti-American regimes in Russia and Iran, enable the secure passage of energy resources from the Caspian to the Black Sea and the Mediterranean via Turkey, and encourage the expansion of democratic and free-market principles and institutions across Eurasia. Furthermore, the author presents his concerns, namely the “neo-realism” of the Obama administration. It will take time, he argues, before the White House recognizes that this policy does not bear the desired fruit; in this matter the paper includes a number of recommendations to the U.S. government for the protection of U.S. interests regarding security, energy, and democracy in the South Caucasus.

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Since the fall of the Soviet Union, the South Caucasus has become an area of key strategic concern for both regional and global powers. After the collapse of the Soviet Union in 1992, the United States was quick to cultivate ties with the new independent states. Within months, the first Bush administration had opened embassies in all 11 non-Russian New Independent States, including the three countries of the South Caucasus – Armenia, Azerbaijan, and Georgia. The first Bush administration clearly recognized the energy wealth of the Caspian Sea and the geopolitical importance of the land bridge between the Middle East, Turkey, and Russia, which also connected Europe with Central Asia along the ancient Silk Road. U.S. involvement in the region has intensified since, under the Clinton and second Bush administrations through military cooperation, economic exchange and the development of energy infrastructure.

Washington put a particular emphasis on developing relations with Azerbaijan – a fast growing, energy-rich economy in a strategic nexus between Russian, Iran, and Turkey. The Rus-

sian Federation has also demonstrated a continued interest in the South Caucasus, the USSR’s “soft underbelly”. Today, Russia, a hydrocarbon producer, retains its power thanks to the region’s energy exports. Under President Obama, efforts to resuscitate a friendly relationship with Russia have compelled the United States to move away from such close engagement with the South Caucasus states. It would be mutually beneficial for Azerbaijan and the Euro-Atlantic community to rekindle these close ties.

U.S. interests in the South Caucasus are a function of the region’s strategic location at the crossroads of Europe, Russia, the Middle East, and Central Asia. Strong, independent, pro-Western states in the South Caucasus contain the expansionary anti-American regimes ruling in Russia and Iran; enable the secure passage of energy resources from the Caspian to the Black Sea and the Mediterranean via Turkey; and encourage the expansion of democratic and free-market principles and institutions in Eurasia.

Despite numerous strategic concerns, the South Caucasus is generally perceived as a secondary consideration for U.S. interests, in comparison with the region’s larger, more important neighbors such as Russia, Turkey and Iran. As a result, the policy toward the South Caucasus risks taking a backseat to other U.S. priorities. For example, critics blamed the Clinton

Under President Obama, efforts to resuscitate a friendly relationship with Russia have compelled the United States to move away from such close engagement with the South Caucasus states

administration, especially during its first term, for following a “Russia first” policy, allegedly pursued under Strobe Talbott (special advisor to the secretary of State on the former Soviet states and later deputy secretary of State), rather than engaging with interests in the South Caucasus.¹ Greater emphasis on the region, particularly the promotion of a strategic East-West energy corridor, was seen during Clinton’s second term and intensified under George W. Bush’s administration, which developed close relations with all of the South Caucasus countries, particularly Georgia. However, U.S. policy toward the South Caucasus has shifted under the Obama administration, which has prioritized “resetting” frayed relations with Russia in order to gain its help and cooperation on such issues as Afghanistan, Iran, and arms control. This policy has led to fears that the Obama administration may be diminishing ties with allies in the South Caucasus in favor of strengthening relations with Moscow.

Vice President Joe Biden’s July 2009 trip to war-ravaged Georgia did little to reassure the region of American support. Although Biden correctly rejected Russia’s claims of what President Dmitry Medvedev has called an “exclusive sphere of interests,”²

he fell short of offering the nation a “physical security guarantee” from America; nor did he offer any concrete road map for the restoration of Georgian sovereignty over Abkhazia and South Ossetia, or for holding Moscow to its commitments in the Medvedev-Sarkozy peace accord of August 2008, which requires Russia to pull back to its pre-war positions.³ These two breakaway regions have since remained unrecognized by the West, and are sustained by their patrons in the Kremlin.

The absence of a developed and engaged U.S. foreign policy in the South Caucasus puts U.S. security and commercial interests, along with the sovereignty and independence of U.S. regional allies, at risk. Weakened ties between the South Caucasus and the U.S., NATO, EU, and other principal trans-Atlantic institutions, embolden Russia and Iran to extend their influence, jeopardizes the reliability of energy transit and new pipeline projects, and threatens the development of democratic and free market institutions. The Turkish-Armenian rapprochement, which has taken place against the background of increasing Turkish-Russian security and energy cooperation, alongside the simmering security conflicts in the South Caucasus - the breakaway Georgian provinces of Abkhazia and

1 Hill, Fiona, “A Not-So-Grand Strategy: U.S. Policy in the Caucasus and Central Asia Since 1991,” *Foreign Policy, Asia*, February 2001, http://www.brookings.edu/articles/2001/02/foreignpolicy_hill.aspx (October 27, 2009).

2 “Interview given by Dmitry Medvedev to Television Channel One, Russia, NTV,” Sochi, August 31, 2008, at [---

\[un.int/russia/new/MainRoot/docs/warfare/statement310808en.htm\]\(http://www.un.int/russia/new/MainRoot/docs/warfare/statement310808en.htm\) \(October 27, 2009\).](http://www.</p></div><div data-bbox=)

3 “Biden pledges support for Georgia,” *BBC News*, July 22, 2009, <http://news.bbc.co.uk/2/hi/8163876.stm> (October 27, 2009).

South Ossetia and the Nagorno-Karabakh dispute, for instance - make strong U.S. engagement in the region essential. The Obama administration needs to understand the strategic importance of the South Caucasus and to provide its allies with the same firm support as its predecessors did.

Azerbaijan and U.S. interests in the South Caucasus

U.S. interests in the South Caucasus can be divided into three broad and interrelated categories: security, energy, and democracy. These strategic interests shape U.S. foreign policy toward the region. The coordination and integration of these occasionally conflicting priorities is the main challenge facing the U.S. policy in the region.

International Security Priorities

Security in the South Caucasus is of great importance to the United States in that it affects the balance of power in Eurasia and the Middle East. Central to this concern is the desire to check the power of the increasingly anti-American regimes in Russia and Iran. Strong, independent states in the South Caucasus can prevent Moscow and Tehran from running roughshod over the region, provide access to the Caspian and Central Asian energy resources, and create opportunities for electronic and other intelligence gathering capabilities.

Azerbaijan has also been a vital trading and strategic partner for Israel, an important American ally. After the Soviet collapse, Israel developed close ties with the post-Soviet states, and particularly with Azerbaijan, a secular Islamic country with substantial oil riches but initially weak economic and military capabilities.

The relationship is based on military and economic foundations, with Israel investing in Azerbaijani infrastructure and markets and importing Azerbaijani oil. Israel and Azerbaijan also share strategic objectives, including their mutual mistrust and fear of Iran. Israel has been a significant weapons supplier for the Azerbaijani army, starting with arms sales during the Nagorno-Karabakh war.⁴ In September 2008, a major weapons deal was signed between Israel and Azerbaijan.⁵ Azad Systems, a UAV manufacturer that will make Azerbaijan an important arms producer, is a joint venture between Azerbaijan and the Israeli defense industry.⁶

Israel and Azerbaijan also have close security relations. For example, Israeli diplomats publicly stated their

⁴ *Cagaptay, Soner, and Murinson, Alexander; Good Relations between Azerbaijan and Israel: A model for Other Muslim States in Eurasia?; Washington Institute for Near East Policy, Policywatch section, March 30, 2005 (April 10, 2011)*

⁵ "Azeri-Israel ties 'discreet but close': WIKILEAKS; Azernews.az, February 23, 2011, http://www.azernews.az/en/Nation/30104-Azeri-Israeli_ties_%60discreet_but_close%60:_WikiLeaks (April 15, 2011)

⁶ "Azerbaijan starts production of Israeli drones" *News.Az*, 10 March 2011, <http://www.news.az/articles/politics/32639> (April 15, 2011)

support for Azerbaijan's position in the Nagorno-Karabakh conflict. Israel and Azerbaijan also share intelligence about Iran, with Soner Cagaptay⁷ even suggesting that Israel has listening posts on the Azerbaijani-Iranian border.⁸ While Baku is suspicious of Iran's support of Armenia, Jerusalem fears Iran's confrontational rhetoric towards Israel and Tehran's deep involvement with and sponsorship of global terrorist networks.

From the perspective of the Russian Federation, the South Caucasus remained a priority for Moscow even after the collapse of the Soviet Union disabled or weakened Russian influence elsewhere along the Russian periphery. Political leadership, senior experts, and military top brass laid down plans to reintegrate parts of the former USSR as early as 1993, when Moscow supported Abkhaz separatists, and even allowed Chechen separatists to fight on the side of Sukhumi secessionists against Georgia.

The expansion of Russian power and influence in the South Caucasus is a major security concern for the U.S. Since the mid-1990s, Russia has endorsed a "multi-polar" world view, as articulated by the then-Foreign Minister and Prime Minister Yevgeny Primakov, and has launched a

thinly veiled attempt to dilute American influence in international affairs since the Iraq war. Under the banner of multi-polarity, Moscow seeks to legitimize its efforts to restore its "privileged sphere of influence" in the post-Soviet space. To this end, a resurgent Russia is actively seeking to reverse the Western shift of its former satellite states by influencing their domestic political processes and threatening their security and territorial integrity. These actions run counter to U.S. interests, which seek independent and sovereign countries along Russia's borders, combining Western orientation with good relations with Moscow, if possible. This conflict between U.S. and Russian interests was brought to the forefront of international relations during the August 2008 war.

Despite the Obama administration's attempt to "reset" frayed U.S.-Russian relations, the security interests of the two powers are likely to continue to clash in the South Caucasus. Observing the lack of a forceful U.S. response to the Georgia conflict, Russia has been emboldened to exercise its strength in that the area it considers its backyard. Future U.S.-Russian conflicts in the South Caucasus may involve Georgia's breakaway republics and the status of Nagorno-Karabakh, which is officially part of Azerbaijan but under Armenian occupation. The U.S., preoccupied with Afghanistan, Pakistan, Iran, Iraq, and the Arab revolutions, in addition to

7 Director of the Turkish Research Program at The Washington Institute for Near East Policy

8 Cagaptay, Soner, and Murinson, Alexander; Good Relations between Azerbaijan and Israel: A model for Other Muslim States in Eurasia?; Washington Institute for Near East Policy, Policywatch section, March 30, 2005 (April 10, 2011)

the global war on terrorism, has neither the attention span nor resources to deploy sufficient diplomatic power and foreign assistance to counter aggressive moves by Moscow in the South Caucasus, or to prevent proxy conflicts. Instead, the Obama administration will employ diplomatic measures, and seek help from European allies and Turkey to resolve

Despite the Obama administration's attempt to "reset" frayed U.S.-Russian relations, the security interests of the two powers are likely to continue to clash in the South Caucasus

future conflicts. Kremlin strategists, who view geopolitics as a zero-sum game, will read a lukewarm U.S. response to Russian encroachment and aggression as a sign of weakness, and push harder to expand its power in the post-Soviet space. Moreover, the Turkish-Russian rapprochement, based on growing energy trade and construction contracts, is evolving into a strategic relationship, and both countries are maintaining good relations with Teheran, America's arch-rival.⁹

9 "Interview with Ariel Cohen, Карабах должен оставаться под суверенитетом Азербайджана" ["Karabakh must remain under Azerbaijani sovereignty"]; AzeriToday.com, December 2, 2009, <http://azeritoday.com/archives/9317> (April 25, 2011)

Iran's Rising Power

America's second security concern in the South Caucasus is Iran. For decades, Iran vied for power in the Middle East against Saddam Hussein's tyrannical regime in Iraq. In the 1980s, Tehran sought Moscow's support against U.S.-allied Iraq. In the 1990s, Iran's priority for its relationship with Russia was obtaining technical assistance for its missile and nuclear sectors, and arms deals. The latter included modern fighter aircraft and missile systems, including the S-300 long range anti-aircraft missiles. Iran has suggested that it has deployed S-300s¹⁰; however, Russia promised not to sell them to Iran in 2010 in response to the START talks with the United States,¹¹ and Tehran was not interested in upsetting the apple cart and meddling in either Central Asia or the Caucasus in conflict with Russian interests – even when hundreds of thousands of Muslim Chechens were killed during two wars (1994-1996 and 2000-2004).

This balance was upset by the U.S.-led Operation Iraqi Freedom in 2003, which is now in its concluding stages. The eventual withdrawal of U.S. troops from Iraq and the somewhat fragile Iraqi government that remains

10 Kreuger, Nicholas; "Iran Announces Acquisition of S-300 Air Defense Systems", *The Foundry*, Heritage Foundation, August 5, 2010, <http://blog.heritage.org/2010/08/05/iran-announces-acquisition-of-s-300-air-defense-systems/> (April 6, 2011)

11 "Kremlin bans sale of S-300 missile systems to Iran"; *BBC World News, Europe Section*, 22 September 2010 (April 4, 2011)

in place, as well as the strength of the Shia in Iraq, provides Iran with a strategic opening to increase its influence in the Middle East. Iran already has a considerable military advantage over its neighbors in the Gulf, and its intelligence services have an active presence in Shia areas of Lebanon, Saudi Arabia's Eastern Province, Iraq, and Azerbaijan. If Iran manages to develop nuclear weapons, it could emerge as a regional hegemony in the Middle East, with the capacity to threaten U.S. allies as far away as Israel, Egypt, and southern Europe. Iran can already threaten the world economy by shutting off oil tanker traffic in the Strait of Hormuz. Were the U.S. to contemplate military action against Iran, the countries of the South Caucasus, particularly Azerbaijan, would be needed as a staging ground for U.S. intelligence gathering, military pressure, or contingencies (centers from which US military and civil operations can observe Iran's activities), in order to contain Iran or implement nuclear disarmament.

The U.S. can help contain the threat posed by Iran by promoting peace in the disputed territory of Nagorno-Karabakh. Officially, Iran holds a neutral position on the Nagorno-Karabakh conflict between Armenia and Azerbaijan, its two Caucasian neighbors to the north. Unofficially, however, Iran is keen for Azerbaijan to remain embroiled in the dispute, thus making the nation less attractive

to Iran's Azerbaijani minority and diverting resources from a campaign for South Azerbaijan's autonomy or even independence, which could cause the Azerbaijani-populated territory in northwest Iran to demand independence.¹² By helping Azerbaijan and Armenia reach a peaceful settlement in the Nagorno-Karabakh conflict, the U.S. could help both Azerbaijan and Armenia, and weaken the anti-American regime in Tehran.

A final security consideration for the United States is the threat of Islamist terrorism in the South Caucasus. Since the attacks on September 11th, 2001, the U.S. has prioritized intervention in activities of terrorist groups that could endanger the United States and its allies. The risk of Islamic radicals gaining a foothold in the South Caucasus is less acute than in the North Caucasus, where *jama'ats* are active throughout the region, especially in Dagestan and Ingushetia, or in Central Asia. The only predominantly Muslim nation among the South Caucasus is Azerbaijan, and the country's traditionally tolerant population makes it an unlikely breeding ground for Islamic radicalism, for now at least. Nonetheless, some Muslim activists in the Sunni north of Azerbaijan belong to the Salafi (also known as Wahhabi) sect

12 Schaffer, Brenda, "Iran's Role in the South Caucasus and Caspian Region: Diverging Views of the U.S. and Europe," *Iran and Its Neighbors: Diverging Views on a Strategic Region*, Eugene Whitlock (Ed.), Stiftung Wissenschaft und Politik/German Institute for International and Security Affairs, Berlin, July 2003, p. 19, http://belfercenter.ksg.harvard.edu/files/tfpd_divergingviews_whitlock.pdf (October 1, 2009).

of Islam, one of the strictest forms of the faith, whose adherents include Al-Qaeda and the 9/11 attackers. Iranian-controlled Shia groups in southern Azerbaijan are also a growing concern. Russia shares this particular anxiety, and the Global War on Terror (or “Overseas Contingency Operations” as the Obama administration has renamed it) can provide a platform for the convergence of U.S. and Russian interests, facilitating cooperation between the two powers and the regional states in the South Caucasus.

Oil and Gas Priorities

Energy is a critical U.S. interest in the South Caucasus because of the region’s role as a strategic transit corridor for energy from Azerbaijan and Central Asia (Kazakhstan and Turkmenistan in particular) to Western markets. Non-OPEC oil supply has been flat-lining in recent years and many, including Fatih Birol, the chief economist at the International Energy Agency (IEA), believe that conventional non-OPEC oil production will peak in the next few years if it has not already.¹³ As a result, world oil markets are expected to become increasingly dependent on OPEC oil supply (found primarily in the Middle East) to meet growing demand. Greater dependence on OPEC is risky for the U.S. and its allies; in the past, OPEC

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has used its oil exports as a political and economic weapon. Moreover, OPEC is a cartel that sets production quotas in order to maintain high prices, thereby harming Western consumers.

The non-Russian, non-Iranian Caspian region, which includes Azerbaijan and the Central Asian nations of Kazakhstan and Turkmenistan, has moderate proven oil reserves of about 38 billion barrels. Azerbaijan, by EIA’s 2010 estimates, has reserves of 7 billion barrels.¹⁴ However, estimates of this region’s possible reserves—a less precise measure of in-ground resources that includes reserves found through new discoveries—indicate that the Caspian could hold as much as 162 billion barrels of crude oil, making it a potential energy superpower (See Table 1).

In addition to oil, the Caspian region also holds significant proven and possible natural gas reserves, which can be tapped to diversify Europe’s

13 “IEA Warns Non-OPEC Oil Could Peak in Two Years,” *The Times*, July 21, 2008, http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article4368523.ece# (October 1, 2009).

14 Azerbaijan; Country Analysis Brief, Energy Information Agency, U.S. Department of Energy, November 2010, <http://www.eia.gov/countries/cab.cfm?fips=AJ> (April 17, 2011)

Table 1. Proven and Possible Crude Oil Reserves (billion barrels)¹⁵

	Proven Reserves	Possible Reserves
Azerbaijan	7.00	32.00
Kazakhstan	30.00	92.00
Turkmenistan	0.60	38.00
Caspian 3	37.60	162.00
Russia	60.00	

natural gas supply sources (See Table 2). Dependence on Russian natural gas is a key energy security concern for U.S. allies in Europe. Russia is Europe's single largest source of natural gas, supplying more than 40 percent of total EU natural gas imports in 2006, or about 25 percent of total EU gas consumption.¹⁶ Russia's state-controlled Gazprom is the monopoly supplier to many Eastern, Central, and Southern European countries. Many Western European countries rely on Russia for a substantial proportion of their net natural gas requirements, and their dependence is growing.

Russian gas pipelines already reach deep into Europe via Ukraine and

with additional large pipeline projects such as the North Stream, Russia hopes to consolidate its hold on the European gas market. This dependence on Russian natural gas is worrisome, not only because of the magnitude of this dependence, but also because of Moscow's deployment of energy exports as a foreign policy tool. New natural gas exports from the Caspian region have the potential to diversify Europe's natural gas supply away from Russia and enhance the continent's energy security.

Table 2. Proved Natural Gas Reserves (billion cubic meters)

Azerbaijan	850
Kazakhstan	2,408
Turkmenistan	2,663
Caspian 3	5,921

The U.S. has a strategic interest in developing the Caspian region's oil and gas resources and bringing those resources to Western markets without traversing Russian or Iranian territory. The key export route for these resources is a path through friendly countries – Azerbaijan, Georgia and Turkey – which can bring the Caspian gas supply to Europe and the Mediterranean Sea. This route, known as the “Southern Corridor,” already has two key pipeline systems: the Baku-Tbilisi-Ceyhan (BTC) pipeline, which can carry up to 1 million barrels per day of oil to the Turkish port of Ceyhan on the Mediterranean Sea, and the South Caucasus Pipeline,

15 Proved Reserves as of 2009 from “International Energy Statistics,” U.S. Energy Information Administration, <http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=57&aid=6> (November 3, 2009). Possible Reserves as of 2005 from “Caspian Sea Region: Survey of Key Oil and Gas Statistics and Forecasts,” U.S. Energy Information Administration, July 2005, http://www.eia.doe.gov/emeu/cabs/caspian_balances.htm (November 3, 2009).

16 “EU Energy in Figures 2009,” Directorate-General for Energy and Transport, European Commission, http://ec.europa.eu/energy/publications/doc/statistics/part_2_energy_pocket_book_2009.pdf (October 27, 2009).

which can deliver up to 8.8 billion cubic meters per year of natural gas to the Turkish pipeline system at Erzurum.¹⁷ Begun in November 2007, an extension of the South Caucasus Pipeline is now operational, transporting natural gas from Turkey to Greece.¹⁸ The U.S. and its European allies hope to expand exports along the Southern Corridor to bring more Caspian energy to Western markets. Integral to this goal is the proposed 7.9 billion Euro (US\$11.5 billion) Nabucco gas pipeline that would expand and extend the South Caucasus Pipeline and transport up to 31 billion cubic meters of natural gas from the Caspian to Europe.¹⁹

The Nabucco project has progressed extremely slowly, with pricing disputes involving Turkey, disorganization among the European consumer states, a lack of commitment from suppliers, and strong competition from the Gazprom-managed South Stream pipeline. For years, Nabucco's future has been uncertain. However, in 2010, Azerbaijan, Romania, and Georgia signed a memorandum on the implementation of the Azerbaijan-Georgia-Romania intercon-

ductor (AGRI), which would move liquefied natural gas (LNG) from the Caucasus to the Southeastern Europe through pipelines and tankers.²⁰ Other important projects include the proposed Trans-Caspian oil and gas pipelines that would bring energy resources from Turkmenistan and Kazakhstan to the BTC and Nabucco through pipelines running beneath the Caspian Sea.

Russia allowed the BTC pipeline to break up its monopoly on Caspian oil resources, and does not want to see Nabucco do the same for natural gas - despite the statements to the contrary by captains of the Russian gas industry. Russia is aggressively contracting Caspian gas; recent measures include agreements to export Azerbaijani gas along Russian pipeline systems, in order to starve the Nabucco project of needed volumes.²¹ Turkey's demands for higher transit tariffs and lower gas prices have forced Azerbaijan to look for alternative routes.

By increasing presence in the Caucasus, Russia has managed to acquire gas export agreements with Azerbaijan: in 2009, Gazprom leadership signed a contract with Azerbaijan to import 500 million

17 "Azerbaijan Country Analysis Brief," U.S. Energy Information Administration, <http://www.eia.doe.gov/emeu/cabs/Azerbaijan/Background.html> (October 1, 2009).

18 "Turkey-Greece Pipeline Delivering Azerbaijani Gas to Europe Inaugurated," APA News Agency, UNDP Azerbaijan Development Bulletin, November 19, 2007, <http://www.un-az.org/undp/bulnews54/rg1.php> (October 1, 2009).

19 "Project Description / Pipeline Route," Nabucco Gas Pipeline Project, Nabucco Gas Pipeline International GmbH, <http://www.nabucco-pipeline.com/project/project-description-pipeline-route/project-description.html> (October 1, 2009).

20 Cohen, Ariel and Rzayeva, Gulmira; "The Baku Summit Launches a Breakthrough LNG Project"; CACI Analyst, September 17, 2010, <http://www.cacianalyst.org/?q=node/5407> (April 20, 2011)

21 Erkan Oz, "Azerbaijan Looks For Gas Routes To Europe Bypassing Turkey", *The Wall Street Journal*, October 17, 2009., <http://online.wsj.com/article/BT-CO-20091017-701339.html>

cubic meters,²² which will be increased to 2 billion cubic meters in 2011, according to bilateral agreements.²³

Moscow has also proposed a competing project – the South Stream pipeline – which would supply gas to Europe from essentially the same sources (plus Russian gas) and along the same route as Nabucco. U.S. and EU energy security interests will continue to clash with Russia’s desire to control energy flows in Eurasia. The energy “chess game” that has played out between Russia and the West will continue to intensify over the next decade.

Supporting Freedom

The promotion of democracy and free market principles in the South Caucasus is an important component of U.S. policy in the South Caucasus. There was a long-standing belief in U.S. foreign policy circles during the Clinton and George W. Bush administrations that democracy and free trade bring stability and economic growth. There is less commitment to democracy promotion under the prevailing “neo-realism” of the Obama administration.

22 Socor, Vladimir; “Azerbaijan-Russia Gas Agreement: Implications for Nabucco Project; Eurasia Daily Monitor Volume:6, Iss.: 189, October 15, 2009, [http://www.jamestown.org/programs/edm/single/?tx_ttnews\[tt_news\]=35615&tx_ttnews\[backPid\]=27&cHash=efe96da8f4](http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=35615&tx_ttnews[backPid]=27&cHash=efe96da8f4) (April 27, 2011)

23 “Russia’s Gazprom CEO makes number of company announcements”; RIA Novosti, 2010 ST. Petersburg International Economic Forum, June 19, 2010

Empirical evidence shows that democracies go to war with each other considerably less often and are internally more stable than brittle autocratic regimes.²⁴ Liberal theory also predicts that trade creates common interests for countries, thus raising the costs of going to war and reducing its frequency.²⁵ Furthermore, strong, independent democracies in the South Caucasus would help to ward off external attempts to influence and control relatively new and weak states. Strong democracies in the South Caucasus would also bolster America’s broader strategy to bring peace and stability to the turbulent Greater Middle East.

The U.S. strongly supported Georgia’s 2003 “Rose Revolution” that replaced President Eduard Shevardnadze with a government led by President Mikheil Saakashvili. During the 2008 Georgia War, Russia sought not only to create conditions to the Abkhaz and South Ossetian independence, which is likely to lead to an *Anschluss* by Russia in the future, but also to undermine the Rose Revolution by forcing out President Saakashvili. This conflict over democracy (and independence) in the South Caucasus will continue to be a source of tension between the U.S. and Russia. The U.S. was particularly pleased with Baku’s decision in

24 Rummel, R.J., “Democracies Don’t Fight Democracies,” *Peace Magazine*, May-June 1999, <http://archive.peacemagazine.org/v15n3p10.htm> (October 27, 2009).

25 Friedman, Thomas L., “The Lexus and the Olive Tree,” *Farrar, Straus and Giroux*, 1999, p.240

Furthermore, strong, independent democracies in the South Caucasus would help to ward off external attempts to influence and control relatively new and weak states

late 2010 to release Adnan Hajizade, a youth activist and blogger critical of the Aliyev administration. Hajizade and his associate Emin Milli were imprisoned on charges of hooliganism and sentenced to two years imprisonment until the Baku Court of Appeals overturned the decision and released both Hajizade and Milli from prison.²⁶ The U.S. will likely show even more support to Azerbaijan if its leadership further liberalizes its political system.

U.S. security challenges in the South Caucasus

U.S. interests in the South Caucasus are threatened by the region's simmering insecurity, including the conflict between Russia and Georgia over the latter's breakaway provinces, the ongoing dispute between Armenia and Azerbaijan over Nagorno-Karabakh and the occupation of Azerbaijani territories, and the worrying emergence of Islamic fundamentalism in Azerbaijan.

The August War

Who started the war between Russia and Georgia in August 2008 is subject to debate between the parties directly involved in the conflict as well as experts around the globe. It seems clear that Russia had been preparing for this war for years, and deliberately provoked Georgia through the shooting and shelling of Georgian-controlled villages in South Ossetia. There is no question that the brief but intense events that unfolded in the summer of 2008 damaged U.S. interests regarding security, energy, and democracy in the South Caucasus. Although the conflict was formally ended by the peace plan brokered by French President Nicolas Sarkozy, Russia failed to implement many of the fundamental components of the plan, and the debate over the self-proclaimed "independence" of the Georgian provinces of South Ossetia and Abkhazia remains unresolved. At the time of the writing, only Russia, Nicaragua and Venezuela recognize the secessionist territories, with Belarus promising to follow suit. The simmering conflict is liable to flare up again, and there is a high probability that the issue will further impact U.S. interests in the region.

During the August War, Moscow's response went beyond the fighting in South Ossetia when Russian forces destroyed key military and civilian infrastructure in Georgia, and caused thousands of casualties. Russia's

26 Ismayilova, Khadija; Azerbaijan: Blogger Adnan Hajizade Released from Prison; EurasiaNet, November 18, 2010, <http://www.eurasianet.org/node/62401> (Accessed May 20, 2011)

systematic attacks on Georgia's military bases and capabilities have weakened the country's ability to defend itself in future conflicts. More importantly, the obliteration of Georgia's nascent military power and the heightened insecurity of its borders have made some NATO member countries – particularly those in Western Europe – less willing to extend a Membership Action Plan (MAP) to Georgia, and have also raised questions about NATO membership for Ukraine.²⁷ MAP is the last formal step on the path to possible future membership in NATO. By keeping NATO out of the South Caucasus, Russia reserves the right to military intervention in the region without fear of a treaty-obligated allied response under Article 5 of the NATO Charter. In a recapitulation of the principle of collective defense, NATO announced that

Article 5 is at the basis of a fundamental principle of the North Atlantic Treaty Organization. It provides that if a NATO Ally is the victim of an armed attack, each and every other member of the Alliance will consider this act of violence as an armed attack against all members and will take the actions it deems necessary to assist the Ally attacked.²⁸

27 Kucera, Joshua. "Georgia: No Discussion of MAP for Tbilisi during NATO Meeting," *Eurasia Insight*, December 4, 2008, <http://www.eurasianet.org/departments/insight/articles/eav120408c.shtml> (October 1, 2009).

28 "What is Article 5?" NATO website, <http://www.nato.int/terrorism/five.htm> (October 27, 2009)

For now, this principle will not apply to Georgia. As Vice President Joe Biden stated during his visit in July 2009, the U.S. will not provide a "physical security guarantee" to Tbilisi.²⁹ Future instability in Georgia's breakaway provinces or another war could further strengthen Russia's hand in the region at the direct expense of Georgia's sovereignty and the interests of the U.S. and its Western allies.

Security and energy in the Caucasus are inextricably linked. The August War between Russia and Georgia was ostensibly fought over the breakaway province of South Ossetia. However, it also affected the security of Armenia and Azerbaijan. Many speculate that Russia's disproportionate use of force in Georgia was designed to cast doubt on the security of the strategic pipeline corridor linking the energy resources of the Caspian with Western markets. The BTC oil pipeline, which runs from Azerbaijan through Georgia to Ceyhan, a Turkish port on the Mediterranean Sea, was shut prior to the start of the August War due to an explosion at a pump station in eastern Turkey. However, this did not stop Russian forces from targeting the pipeline. Media sources reported that Russian jets dropped more than 50 bombs in the vicinity

29 Cohen, Ariel, "Biden Should Treat Poland with Respect," *The Foundry*, The Heritage Foundation, October 21, 2009, <http://blog.heritage.org/2009/10/21/biden-should-treat-poland-with-respect/> (October 27, 2009)

of the BTC pipeline but failed to damage the buried line.³⁰

Overall, the BTC shutdown had a minimal effect on world oil markets. Despite the restriction of oil flows from Azerbaijan during the August War, oil prices continued to fall due to the bursting of the financial bubble, the drop in energy prices and a steadily worsening global economic outlook. The real long-term effect of the August War has been to cast doubt on the security of future energy projects in the South Caucasus, particularly the proposed Nabucco gas pipeline, which the U.S. and EU see as a necessity for meeting Europe's growing demand for natural gas, and for diversifying gas supply sources away from Russia. By causing instability in the South Caucasus, Russia has effectively increased Nabucco's security risk, making the project less appealing to investors and giving an advantage to Gazprom's competing South Stream pipeline.

The August War also threatened democracy in the South Caucasus. Russia's leadership has publicly expressed its disdain for pro-Western Georgian President Mikhail Saakashvili, who came to power during the "Rose Revolution" of 2003. Toward the end of the August War, Russia's U.N. ambassador reportedly

told then U.S. Secretary of State Condoleezza Rice that Saakashvili "must go."³¹ Russia's heavy-handed response to the relatively low-level dispute between Georgia and South Ossetia was partly designed to embarrass Saakashvili and force a change in the country's leadership. Russia would like nothing more than to replace Saakashvili's pro-Western government with a more Russian-leaning leadership.

In January 2009, the out-going Bush administration showed strong support for Georgia by signing the "U.S.-Georgia Charter on Strategic Partnership," which states that "our two countries share a vital interest in a strong, independent, sovereign, unified, and democratic Georgia."³² The charter, among other things, emphasized cooperation on defense and security matters to defeat threats and to "promote peace and stability" in the South Caucasus and to increase "the physical security of energy transit through Georgia to European markets." The Obama administration's support for Georgia has been more muted and Obama's push to "reset" relations with Moscow has raised fears in some quarters that the U.S. is abandoning its Georgian ally.³³

31 "U.S.: Russia Trying to Topple Georgian Government," CNN.com, August 11, 2008, <http://www.cnn.com/2008/WORLD/europe/08/10/un.georgia/> (October 1, 2009).

32 "United States-Georgia Charter on Strategic Partnership," U.S. State Department, America.gov, January 9, 2009.

33 "Diplomacy 'reset' worries some U.S. allies," Wall Street Journal, March 9, 2009, <http://online.wsj.com/article/SB123655154931965237.html> (October 27, 2009)

30 "Georgia: Russia Targets Key Oil Pipeline With Over 50 Missiles," U.K. Telegraph, August 10, 2008, <http://www.telegraph.co.uk/news/worldnews/europe/georgia/2534767/Georgia-Russia-targets-key-oil-pipeline-with-over-50-missiles.html> (October 1, 2009).

Nagorno-Karabakh Conflict

The Armenian-occupied disputed territory of Nagorno-Karabakh is another potential issue in the South Caucasus that could threaten U.S. interests. Azerbaijan and Armenia are still technically at war over Nagorno-Karabakh and the seven adjacent regions, but a ceasefire has kept the region under Armenian control since 1994. In the short-term, the risk of the conflict resuming is low. Armenia, which has been heavily armed with Russia's help, still has a significant military advantage over Azerbaijan, despite Baku's significant increases in its military spending, which has been fueled by surging oil and gas income over the past several years.³⁴

Nevertheless, violations of the 1994 ceasefire increased in 2008-2009, and the departure of the U.S. and Russian envoys from the OSCE Minsk Group – the Organization for Security and Cooperation in Europe, the body responsible for Nagorno-Karabakh negotiations in 2009 – has further

clouded the prospects for peace.³⁵ The reopening of the conflict between Azerbaijan and Armenia would affect U.S. interests in the Caucasus.

In the meantime, both the Turkish-Armenian and Azerbaijani-Russian rapprochement open new grounds for the Karabakh settlement. In October 2009, Turkey and Armenia signed a protocol to establish diplomatic relations, reopen their shared border (which has been shut since the Armenian occupation of Nagorno-Karabakh in 1994), and establish a joint historical commission to investigate the massacre of Armenians by Ottoman Turks during the First World War. The accords were supported by both Washington and Moscow, but under pressure from domestic public opinion and Azerbaijan, Turkey and Armenia froze the rapprochement. Turkey has returned to its prior position, under which Armenian rapprochement can proceed only after the resolution of the Karabakh conflict.³⁶ In Armenia, the rapprochement faces vehement opposition from nationalists at home and from the Armenian diaspora abroad, while Turkey is facing pressure from Azerbaijan to make the

34 Daly, John C. K., "Growing Azeri Defense Budget Buildup—In Earnest or for Show?" *Eurasia Daily Monitor*, Vol. 5, Issue 209, October 31, 2008, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34069 (October 1, 2009) and Giragosian R., "The Military Balance of Power in the South Caucasus," *ACNIS Policy Brief Number Two*, April 2009, <http://www.acnis.am/publications/2009/THE%20MILITARY%20BALANCE%20OF%20POWER%20IN%20THE%20SOUTH%20CAUCASUS.pdf> (October 30, 2009).

35 Abbasov, Shahin, "Azerbaijan: With Departure of Two Karabakh Mediators, Future of Talks Unclear", *Eurasianet.org Eurasia Insight*, August 6, 2009, <http://www.eurasianet.org/departments/insightb/articles/eav080609a.shtml> (October 1, 2009).

36 Avetisyan, Tigran, Musayelyan; *One Year On, Turkey-Armenia Rapprochement Stalled*; *Radio Free Europe/Radio Liberty*, October 10, 2010, <http://www.rferl.org/content/One-Year-On-Turkey-Armenia-Rapprochement-Stalled/2186246.html> (April 24, 2011)

deal conditional on the withdrawal of Armenian troops from the occupied territories and the return of displaced Azerbaijanis.³⁷ Though some in Baku felt betrayed by Ankara, many international analysts saw the Turkish-Armenian rapprochement as a positive factor that could finally lead to a breakthrough in the Nagorno-Karabakh dispute.³⁸

Moscow's support of the Turkish-Armenian agreement is curious, and there is doubt concerning to what extent Moscow actually supports the rapprochement. A resumed conflict

leverage and influence in the region.³⁹ Moscow already enjoys powerful influence in Armenia due to the latter's political and economic isolation from its neighbors. In 1995, Armenia and Russia signed an agreement allowing Russian military presence at Gyumri for 25 years, until 2020. In 2010, Yerevan agreed with Moscow to extend this to 49 years, meaning that they will not withdraw until 2044.⁴⁰ Russia not only dominates Armenia's political and military infrastructures, but actually have its own troops stationed in Armenia for the next 33 years. Similarly, Russia controls Armenia's nuclear and hydrocarbon energy infrastructure.

In the meantime, both the Turkish-Armenian and Azerbaijani-Russian rapprochement open new grounds for the Karabakh settlement

between Azerbaijan and Armenia would benefit both Russia and Iran at the expense of the U.S. Russia would benefit if Russian "peacekeepers" are called in to mediate a ceasefire between Baku and Yerevan, and an increased Russian military presence would further increase Moscow's

Meanwhile, Iran stands to gain if Azerbaijan remains preoccupied with Nagorno-Karabakh - as opposed to turning its attention towards Iran's Azerbaijani minority, which reportedly numbers 25 million and has complained of rights abuses.⁴¹

Much like a second Georgian war, a resumed conflict between Azerbaijan and Armenia would cast doubt upon the ability of the U.S. to protect its allies, in addition to jeopardizing

37 "Statement of the Ministry of Foreign Affairs of the Republic of Azerbaijan," Republic of Azerbaijan, Ministry of Foreign Affairs, October 10, 2009, http://mfa.gov.az/eng/index.php?option=com_content&task=view&id=580&Itemid=1 (October 29, 2009) and "Turkey-Armenia rapprochement far from guaranteed," Reuters, October 12, 2009, <http://www.reuters.com/article/vcCandidateFeed1/idUSTRE59B3GY20091012> (October 29, 2009)

38 "Turkish-Armenian rapprochement might cause breakthrough in Nagorno-Karabakh," Sunday's Zaman, October 29, 2009, <http://www.sundayszaman.com/sunday/detaylar.do?load=detay&link=182043> (October 29, 2009)

39 "Russia Steps Up Efforts on Nagorno-Karabakh," Radio Free Europe Radio Liberty, October 29, 2008, http://www.rferl.org/content/Russia_Steps_Up_Efforts_On_NagornoKarabakh/1336149.html (October 1, 2009).

40 "Armenia to extend Gyumri base lease for 49 years"; Voice of Russia, August 18, 2010, <http://english.ruvr.ru/2010/08/18/16224474.html> (Accessed: May 20, 2011)

41 Vatanka, Alex, "Azerbaijan-Iran Tensions Create Obstacle to Caspian ResoSlution", Eurasianet.org Eurasia Insight, January 29, 2003, <http://www.eurasianet.org/departments/business/articles/eav012903.shtml> (October 1, 2009).

the security of U.S. and EU-backed energy projects in the South Caucasus. If the conflict were to resume, and Armenia were to attack Azerbaijan, it would likely target the BTC pipeline or Azerbaijan's Sangachal Terminal – where oil and gas from Azerbaijan's offshore fields are stored and processed before export.⁴² A successful attack on the processing plants at Sangachal would shut down Azerbaijani exports for much longer than a direct attack on the pipeline would, putting billions of dollars of Western investments at risk. An attack on the BTC or Sangachal would also increase the political risk of the proposed Nabucco gas pipeline and other future energy projects in the region. If the Nagorno-Karabakh conflict were to erupt into all-out war between Azerbaijan and Armenia, Azerbaijan's energy exports (its source of currency revenues) would become a strategic target for Armenia.⁴³ Thus, The U.S. would rather see Armenia and Azerbaijan reach a peaceful compromise over Nagorno-Karabakh, limiting Moscow and Tehran's leverage in the region and allowing the countries of the South Caucasus to integrate economically with the West.

Terrorist Threats

Controlling the spread of Islamic

42 "BP Caspian - Sangachal Terminal," BP website, <http://www.bp.com/sectiongenericarticle.do?categoryId=9006674&contentId=7015100> (October 1, 2009).

43 Emmanuel Karagiannis, *Energy and Security in the Caucasus*, (New York: RoutledgeCurzon, 2002), p. 45.

terrorism in the South Caucasus is another important foreign policy concern for the U.S. To date, there has been some evidence of international terrorist groups operating in the South Caucasus. Azerbaijan is the only country in the region with a majority Islamic population, but its traditionally secular government and elites make it less prone to radicalism. Nevertheless, Islamist ideology has gained ground in recent years due to internal factors, such as disillusionment with the current government and increased levels of poverty despite booming oil and gas revenues, as well as external factors, such as the penetration of Hezbollah and sponsorship of Islamic schools by Middle East donors and foundations connected with radical Sunni circles, which also support Al Qaeda and other terrorist organizations.

Radical Shia groups sponsored by Iran and Hezbollah are an addition source of concern for Azerbaijan, particularly in the south, along the Iranian border. Baku has repeatedly accused Teheran of interfering in its internal affairs. In 2002, the Azerbaijani authorities shut down several Iranian-sponsored extremist Shia madrasas (religious schools), whose curriculums glorify the theocratic regime in Tehran, but a large number of schools reportedly remain in operation.⁴⁴ In 2008, surveillance uncovered links between local militants and

44 Geybullayeva, p. 114.

Hezbollah operatives, which enabled Azerbaijani security forces to foil a plot to blow up the Israeli Embassy in Azerbaijan. The plot was reportedly designed by Hezbollah and the Iranian intelligence as revenge for the alleged Israeli assassination of Imad Mughniyeh, chief operations officer of Hezbollah, who died in a car bomb in Damascus.⁴⁵ Due to strong Iranian pressure, the two arrested Hezbollah operatives were released after only a year and a half in Azerbaijani prison, despite their fifteen year sentences.⁴⁶

The rise of the violent variety of the Salafi branch of Islam among the country's Sunnis is a worrying phenomenon. In a country where the majority of the Muslim population is Shi'ite, Salafis face some wariness from Azerbaijani society.⁴⁷ Of particular concern is the radical Wahhabi movement that has taken hold among the ethnic Lezgin minority in northern Azerbaijan, sponsored by wealthy Saudis, Kuwaitis, and natives of other Gulf States.⁴⁸ The Wahhabi movement has been active in the North Caucasus – including Chechnya and

Dagestan – for over a decade and has grown in Azerbaijan alongside Lezgin nationalist sentiments.⁴⁹ In 2007, Azerbaijani security forces detained a group of Wahhabi militants armed with grenade launchers and automatic weapons. They had been planning to launch an attack on the U.S. and British embassies in Baku, as well as the Baku offices of several major oil companies.⁵⁰

The rise of Wahhabi radicalism in Azerbaijan could endanger the region's energy infrastructure, particularly if violence is involved. Energy assets have become a popular target for Islamic terrorists in the Middle East because they are high-value Western investments with world-wide repercussions. In February 2006, Saudi forces foiled an Al Qaeda attack on the Abqaiq oil collection and processing plant, which handles two-thirds of the country's oil output.⁵¹ More recently, in July 2009, Egyptian authorities arrested 26 men with Al Qaeda links, suspected of planning to attack oil pipelines and tankers transiting the

45 "Azerbaijan Seen as a New Front in Mideast Conflict," *Los Angeles Times*, May 30, 2009, <http://articles.latimes.com/2009/may/30/world/jg-shadow30> (October 29, 2009)

46 *Azerbaijan releases 2 Hizbullah members from prison*; *Jerusalem Post*, August 15, 2010, <http://www.jpost.com/Headlines/Article.aspx?id=184782> (Accessed May 20, 2011)

47 Sultanova, Shahla, *Azerbaijan: Sunni Groups Viewed with Suspicion*; *Institute for War and Peace Reporting*, April 8, 2011, <http://www.unhcr.org/refworld/country,,,AZE,,4da3f66a2c,0.html> (May 1, 2011)

48 Geybullayeva, Arzu, "Is Azerbaijan Becoming a Hub of Radical Islam?", *Turkish Policy Quarterly*, Spring 2007, p. 109, <http://www.turkishpolicy.com/images/stories/2007-03-caucasus/TPQ2007-3-geybullayeva.pdf> (October 1, 2009).

49 Kotchikian, Asbed, "Secular Nationalism Versus Political Islam in Azerbaijan," *Jamestown Foundation Terrorism Monitor*, Vol. 3, Issue 3, February 9, 2005. http://www.jamestown.org/single/?no_cache=1&tx_tnews%5Btt_news%5D=27525 (October 1, 2009).

50 Yevgrashina, Lada, "Analysis: Azerbaijan Plot Shows Radicals' Threat Has Teeth," *Reuters*, November 8, 2007, <http://www.reuters.com/article/latestCrisis/idUSL08191665> (October 1, 2009) and Cohen, A. and Kushnir, K., "Azerbaijan," *World Almanac of Islamism* (2010, forthcoming).

51 "Saudi Arabia: Explosion Near Oil Refinery," *Stratfor*, February 24, 2006, http://www.stratfor.com/saudi_arabia_explosion_near_oil_refinery (October 1, 2009).

Suez Canal with remote-controlled detonators and explosives.⁵² In 2010, even Interpol got involved: four Azerbaijanis were listed as wanted for their links to terrorist organizations including Al-Qaeda.⁵³ If Al Qaeda gains a foothold in Azerbaijan, oil and gas assets, such as the BTC pipeline and the Sangachal oil and gas terminal, could become potential targets.

Developing Caspian Energy Exports

The South Caucasus region is of great importance to the U.S. and its Western allies because it provides a corridor free of hostile influence for the export of oil and gas from the Caspian Basin – a region that includes Azerbaijan, Kazakhstan, and Turkmenistan. Historically, all energy exports from this landlocked region have flowed through the Russian Empire to markets in Europe, or, after the 1917 Bolshevik Revolution, into the Soviet Union. This arrangement has benefited Russia in two ways. First, as the sole export route for Caspian energy until the mid-2000s, Russia has wielded significant economic and political leverage over the Caspian Basin countries. Secondly, Russia has been able to increase the total volume of energy resources under its control,

52 "Egypt Arrests 26 Over Suspected Suez Canal Plot," *Al Arabiya*, July 9, 2009, <http://www.alarabiya.net/articles/2009/07/09/78285.html#> (October 1, 2009).

53 *Interpol declares four Azerbaijani citizens wanted for links with Al Qaeda*; *Panorama Armenian News*, March 11, 2010, <http://www.panorama.am/en/law/2010/03/11/az-interpol/> (April 27, 2011)

allowing it to secure a monopoly over gas supply, consolidate its political leverage in Eastern and Southeastern Europe, and expand its market share and political clout in Western Europe.

Azerbaijan's energy resources and location became of particular importance as Russia's control over Caspian energy began to weaken with the opening of the Southern Corridor's BTC oil pipeline in 2005 and the South Caucasus Pipeline (SCP) gas line in 2006. The BTC pipeline in particular was heavily supported by the Clinton and Bush administrations (1993-2008). These projects allowed Azerbaijani oil and gas exports to bypass Russia on the way to consumer markets in the West. Other Caspian producers remain dependent on Russian oil and gas export routes, although this dynamic may change with the proposed Trans-Caspian oil and gas pipelines, which would run beneath the Caspian Sea, linking up with the BTC oil pipeline and the South Caucasus/Nabucco gas pipeline in Azerbaijan.

Russia has forcefully opposed the U.S. and EU-backed Nabucco gas pipeline. In recent years, Russia has offered to buy natural gas from Caspian producers, especially the key supplier Turkmenistan, and has proposed a competing project – the South Stream pipeline – designed to obviate the need for Nabucco.⁵⁴

54 "Russia to Increase Purchase Prices for Central Asian Gas: Outlook and Implications," *Eurasia Daily Monitor*,

Given the limited number of potential suppliers in the Caspian region, it is unlikely that there is enough gas to supply both Nabucco and Russian-proposed South Stream. Even Azerbaijan, though it remains committed to the Nabucco project, has begun to sell gas to the Russians and is pursuing other European export projects, such as AGRI, which would follow Early Oil pipeline route via Georgia to the Black Sea, as opposed to a trans-Turkey route. Azerbaijan and Turkmenistan are the primary potential suppliers for the Nabucco project, and although supplies from Iraq and Iran could conceivably contribute to the pipeline, political and security concerns make their participation extremely tentative. Iran is under U.S. sanctions, whereby foreign investment into the Iran's energy industry is seriously limited.⁵⁵ The security situation in Iraq, including relations between the Kurdistan Regional Government and the central government in Baghdad, are far from stable. Turkey is likely to oppose Iraqi gas for Nabucco.

Russia has acted assertively in order to ensure that its South Stream project, which would go from Russia across the length of the Black Sea to

Volume 5, Issue 50, March 16, 2008, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=33464](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=33464) (October 27, 2009)

55 Cohen, Ariel, Phillips, James, Graham, Owen; Iran's Energy Sector: A Target Vulnerable to Sanctions; The Heritage Foundation, Background #2508, February 14, 2011, <http://www.heritage.org/research/reports/2011/02/irans-energy-sector-a-target-vulnerable-to-sanctions> (Accessed in May 20, 2011)

Bulgaria and on to Serbia, Hungary and Austria, has the upper hand over Nabucco. In 2007, Gazprom agreed to buy up new supplies of Kazakh and Turkmen gas at near European prices beginning in 2009 – a move that effectively doubled the price that Gazprom paid in 2008.⁵⁶ Likewise, 2009 marked the beginning of Azerbaijani gas exports to Russia, as mentioned above. In this way, Russia plans to eliminate the southern Corridor pipelines by pulling supplier states away from European-designed transit projects.

Russia, Turkmenistan, and Kazakhstan have also agreed to expand the existing northbound Caspian coastal gas pipeline, the Prikaspiyskiy pipeline, which will increase its capacity to accommodate 10 billion cubic meters (bcm) per year of Turkmen gas and equivalent quantities of Kazakh gas. This move mean that there is not enough Central Asian gas available to sustain the Western-backed Nabucco pipeline, and will set up the framework for greater cooperation between Russia and Caspian producers to fulfill the South Stream project.⁵⁷ Gazprom's willingness to pay higher prices for Central Asian gas despite the resulting reduction in its profit margins on re-exports

56 "Russia to Increase Purchase Prices for Central Asian Gas: Outlook and Implications," Eurasia Daily Monitor, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=33464](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=33464)

57 "Turkmenistan to Launch Russia Gas Pipeline in 2010," Reuters, July 15, 2008. <http://uk.reuters.com/article/oilRpt/idUKL1563346520080715> (October 1, 2009).

to Europe highlights the company's willingness to sacrifice short-term profits for long-term control of the Central Asian gas supply and its European market share, and its central goal of limiting the options of pipeline projects that avoid Russian territory.

Despite the financial crisis and the decline in energy prices, in May 2009, Gazprom announced with its Italian project partner Eni SPA that it was planning to double the capacity of the South Stream pipeline to 63 bcm per year, up from the original capacity of 31 bcm per year.⁵⁸ Shortly before the plans were announced, Russian Energy Minister Sergei Shmatko told reporters that he thought that the South Stream project, currently slated to launch in 2015, would be realized before the 31 bcm per year Nabucco project, which has an in-service date of 2014.⁵⁹ The South Stream project scored a major victory in October 2009 when Russia announced that Turkey had granted all of the permits necessary for Gazprom to construct South Stream along the Turkish-controlled seabed beneath the Black Sea.⁶⁰ The agreement, which allows Gazprom to redirect the South Stream through Turkish rather than Ukrainian waters

(at higher cost), follows recent deals signed with Italy, Bulgaria, Greece, Serbia and Slovenia to start building the onshore European segments of the pipeline and gives the project a clear leg up over the Nabucco project. The agreement also caused speculation, fueled largely by Russian media outlets, that Moscow was planning to bypass Bulgaria and run the pipeline onshore in Turkey. The rumors may have been designed to put pressure on Bulgaria, regarding both the pipeline and a Russian-built nuclear reactor.⁶¹

Russia is also seeking to poach potential Nabucco supply from Azerbaijan. In June 2009, Gazprom signed an agreement to import 500 million cubic meters per year of natural gas from Azerbaijan and transport it by pipeline to Europe starting in 2010.⁶² Although the contracted amount is relatively small, Alexei Miller, Gazprom's CEO, said that Azerbaijan had also promised the company priority in buying gas during the second phase of Azerbaijan's Shah Deniz gas field – which the EU is hoping will be the main supply source for the Nabucco pipeline.⁶³ As mentioned before, this amount will quadruple to two billion cubic meters per year by the end of 2011. Setting the framework for future

58 "South Stream Pipeline Capacity to be Doubled," *Oil & Gas Journal*, May 21, 2009.

59 *Ibid.*

60 "Russian Pipelines Win Key Approvals," *Wall Street Journal*, October 21, 2009, <http://online.wsj.com/article/SB125605250259596613.html> (November 3, 2009).

61 "Ivan Kostov: The publications in Russian media about South Stream is a tactic to put pressure on Bulgaria," *Focus Information Agency*, October 21, 2009, <http://www.focus-fen.net/index.php?id=n197893> (November 3, 2009).

62 "Gazprom Seeks to Rattle EU with Azerbaijan Gas Agreement," *Oil & Gas Journal*, June 30, 2009.

63 *Ibid.*

Russian purchases from Shah Deniz II, the sale and purchase agreement for the Azerbaijani gas deal, signed in October 2009, indicated that initial purchase volumes would increase in proportion with increases in Azerbaijan's production.⁶⁴

The U.S. and EU have not responded to Russia's assertive actions in the Caspian, although both have continued to give strong support for the Nabucco project, which has struggled to move forward amid numerous challenges. For Nabucco to succeed, a large number of actors need to be brought fully onboard, including multiple suppliers, transit nations, and customers across several regions, including Central Asia, the South Caucasus, and Europe. In September 2009, Joschka Fischer, a political communication adviser to Nabucco and a former German vice chancellor and foreign minister, said the project had not yet received the necessary political backing to move forward.⁶⁵ While the EU as a whole supports Nabucco, some European countries and companies have acted opportunistically, choosing to support both Nabucco and Gazprom's South Stream project. Turkey has also raised questions over pricing, and at one point hinted that Nabucco's

success is related to its accession to the European Union. Nonetheless, there has been progress. In 2010, European and Turkish governments ratified the intergovernmental agreement commissioning the Nabucco pipeline. Turkey was last to ratify the agreement, although there are still serious concerns about suppliers.

European concerns were partially assuaged in July 2009, when Azerbaijan, along with Turkmenistan, confirmed that they had enough gas available to fill Nabucco, although neither has signed a supply agreement with the project to date.⁶⁶ A few days later, the governments of participating EU countries signed an intergovernmental agreement with Turkey authorizing the Nabucco project. Following the agreement, Russian state television echoed earlier statements from Prime Minister Vladimir Putin that questioned the feasibility of the project. In May 2009, Putin derided the Nabucco initiative, saying: "Before putting millions of dollars into a pipeline and burying it in the ground, you have to know where the gas for this pipeline is going to come from."⁶⁷ Gazprom's head Alexei Miller voiced a similar sentiment at the meeting with the members of the Valdai Club in September 2009.

64 "Gazprom and SOCAR sign purchase and sale contract for Azerbaijani gas," *Gazprom Press Release*, October 14, 2009, <http://www.gazprom.com/press/news/2009/october/article69312/> (October 27, 2009).

65 "Nabucco Needs More Support, Fischer Says," *Hurriyet Daily News*, September 8, 2009, <http://www.hurriyetdailynews.com/n.php?n=nabucco-needs-more-support-fischer-says-2009-09-08#> (October 1, 2009).

66 "Caspian Gas Producers Affirm Supplies for Nabucco," *Oil & Gas Journal*, July 10, 2009.

67 "EU Nations, Turkey Sign Nabucco Gas Line Treaty," *Oil & Gas Journal*, July 14, 2009.

The U.S. and EU have not responded to Russia's assertive actions in the Caspian, although both have continued to give strong support for the Nabucco project, which has struggled to move forward amid numerous challenges

Russia's moves in the Caspian energy game constitute a direct challenge to U.S. energy interests in the South Caucasus. If Gazprom's South Stream project succeeds at the expense of Nabucco, Russia could consolidate its grasp on Caspian gas for decades to come and provide Moscow with enhanced energy clout and bargaining power vis-à-vis European capitals and Brussels. Given the strategic economic and political benefits at stake, Russia will continue to push South Stream regardless of the cost, which many experts expect to be at least double that of Nabucco. Russia will also continue to offer potential Nabucco suppliers, transit countries, and customers better terms than what the non-Russian routes are providing. The U.S. and EU are likely to stand firm in their support of Nabucco, but will have difficulty managing the myriad diplomatic and financial prerequisites necessary for its launch, particularly in the face of Russia's determination to kill the project.

If Russia is unable to derail the Nabucco and Trans-Caspian pipelines

economically and politically, it may resort to violence – by stirring up the simmering territorial conflicts in Georgia, Nagorno-Karabakh, or even the Caspian Sea – as a means of increasing the security risk in the Southern Corridor. Iran, another Caspian littoral state, is Moscow's ally in this regard. In July 2009, Russia and Iran held a joint military exercise in the Caspian Sea involving some 30 vessels, a signal that the two nations' Caspian interests are beginning to align. Iran wants a greater stake in the Caspian's energy riches – up to 20 percent if the Caspian Sea is legally classified as a lake – while Russia would like to block the Trans-Caspian pipelines designed to bypass Russian territory.⁶⁸

A more fundamental threat exists, too: the fragile political situation in Middle Eastern and African states devalue their natural gas supplies, because the pipelines are less secure.

Policy recommendations for the U.S. Administration

Since the fall of the Soviet Union, the South Caucasus has been a region of great economic and strategic value. The U.S. has had significant strategic and economic interests in the South Caucasus, including the containment of revisionist anti-American regimes in Russia and Iran, securing the

68 Afrasiabi, Kaveh L., "Russia and Iran Join Hands," *Asia Times Online*, July 30, 2009, http://www.atimes.com/atimes/Middle_East/KG30Ak01.html (October 1, 2009).

transit of oil and gas exports from the Caspian, and promoting democratic principles, transparency, good governance and markets based on property rights and the rule of law in Eurasia. These interests are threatened by region-wide security concerns, including Russia's actions – direct and indirect – against states perceived to be U.S.-friendly, such as Georgia and Azerbaijan. The August 2008 conflict between Russia and Georgia over Georgia's breakaway provinces and the conflict between Armenia and Azerbaijan over Nagorno-Karabakh should be viewed in terms of their individual merits, as well as through the prism of the Russian-American competition in the region.

President Barack Obama's "reset" policy with Russia has not changed the basic geopolitical facts, or U.S. interests in the region. U.S. energy interests are threatened by Moscow's determination to dominate the Caspian's oil and gas resources and to control key energy routes to European oil and gas markets. A careful approach is required in examining the roles of Iran and Turkey in the region, especially as Turkish society, government, and policy assume a more pronounced Islamic character and the country distances itself from the U.S., and as Iran teeters between religious dictatorship and popular revolution.

President Barack Obama's "reset" policy with Russia has not changed the basic geopolitical facts, or U.S. interests in the region

The rise of Islamic fundamentalism in Azerbaijan should be seen through the prism of the global rise of radicalism and the Sunni-Shia confrontation. In the aftermath of the predominantly Sunni "Arab Spring", Iranian and Sunni interests are likely to clash in the Greater Middle East and around the world, and Azerbaijan, the South Caucasus, and the Russian North Caucasus are no exception.

Energy security is another crucial point: Azerbaijan is a vital player in developing the potentially gigantic reserves of the Caspian Basin. Equally important is Baku's role in maintaining a clear line of energy production and transit for Europe. Through current pipelines like the BTC as well as future projects, Azerbaijan will be critical in maintaining Europe's energy security by providing an alternate supplier from the Russians, for whom energy trade and geopolitics are so closely linked. Azerbaijan is also a valued energy provider for U.S. ally Israel, which needs to import all of its oil from abroad, and generally gets its energy from the former Soviet Union. Despite these strategic concerns, the Obama administration has reduced U.S. support for allies in the South Caucasus,

seeking instead to prioritize relations with Russia. This is the “neorealism” of the Obama administration, and it will take time before the White House recognizes that this policy does not bear the desired fruit – or, perhaps, until it is a success. Nevertheless, this divergence from previous foreign policies is putting significant regional U.S. interests at risk. In order to defend U.S. interests regarding security, energy, and democracy in the South Caucasus, the Obama administration should:

Apply pressure for a fair conclusion of the Nagorno-Karabakh Peace Process

Settlement of the dispute over Nagorno-Karabakh would help bring stability to the South Caucasus, defuse the “frozen conflict” between Armenia and Azerbaijan, and reduce political risk in the strategic Southern Corridor. Provided Azerbaijani sovereignty over occupied lands is restored, Armenia and Azerbaijan would be able to forge closer relations with the West and eventually join NATO and/or the EU. The Obama administration should work inside and outside of the OSCE’s Minsk Group to negotiate a peace settlement between Baku and Yerevan. The Turkish-Armenian rapprochement and the September 2009 appointment of Robert Bradtke as envoy to the Minsk Group are a good start.⁶⁹ So

69 “Armenia and Azerbaijan: Appointment of U.S. OSCE Minsk Group Co-Chair,” U.S. Department of State, September 7, 2009, <http://www.state.gov/r/pa/prs/ps/2009/sept/128680.htm> (October 1, 2009).

is the appointment of Matthew J. Bryza as the U.S. ambassador to Baku. The United States will have to recognize that Russia has used its significant influence in the region to undermine the Minsk Group at times, hoping to make itself, rather than the international community, the pivotal player in resolving the frozen conflict. Russia has used its military capabilities to develop such a position, not only in the August War but also with its right-of-troops agreement at the Gyumri military base in Armenia.

Re-think the “Reset” Policy

The Obama administration should reassess its policy of “resetting” relations with Russia. Maintaining a working relationship with a country that still has enough nuclear weapons to destroy the world several times over should continue to be an important goal of the U.S. However, this goal should not come at the expense of U.S. allies in the South Caucasus or elsewhere in the former Soviet Union. Although the Cold War has long been over, strategists in the Kremlin still view the “near abroad” as Russia’s “zone of privileged interests”, and international politics as a zero-sum game. The post-Soviet *siloviki*⁷⁰ who direct Russia’s foreign policy will undoubtedly see friendly overtures and unilateral concessions by the U.S. (such as the cancellation of the missile defense program in

70 Largely made up of former KGB. men and military officers

Poland and the Czech Republic) as a sign of weakness, if not naïveté, and a signal that the U.S. may not seek to contain a resurgent Russia in the post-Soviet space. Georgia and, to a lesser degree, Ukraine have already felt the heavy hand of Moscow. The losers in this equation are the countries that belong in what Moscow considers its “sphere of interests,” including those in the Southern Caucasus. The Obama administration should show firm support for the nations of the South Caucasus, including by boosting political-military relations, and send a clear signal to Moscow that attacks on the integrity and independence of friendly nations will come at a price.

Cooperate on Anti-Terror measures with Azerbaijan

The Obama administration should continue to support bilateral and multilateral cooperation with Azerbaijan to combat the rise of Islamic fundamentalism and terrorism. Intelligence sharing between U.S. and Azerbaijan should be expanded, while Azerbaijan should further undertake financial measures to uncover and intercept terrorist financing. Azerbaijan’s close ties with Israel, and that country’s expertise in tracking terrorists, could be particularly useful in this venture. Although Azerbaijan is making progress in this realm, the Council of Europe, through its Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the

Financing of Terrorism mechanism, issued a negative assessment of Azerbaijan’s anti-money laundering reform effort in January 2009.⁷¹

Permanently waive Section 907 of the Freedom Support Act

In view of the Turkish-Armenian rapprochement and in order to continue anti-terror support that began under the Bush administration, the Obama administration must permanently waive the sanctions, i.e. “Section 907 of the Freedom Support Act of 1992”, levied against Azerbaijan in response to its blockade of Armenia. Section 907 bans any kind of direct U.S. aid to the Azerbaijani government. In October 2001, the Senate gave the president the ability to waive Section 907, and President Bush used this authority to provide counterterrorism support to Azerbaijan.

Secure Azerbaijan as transit state for Northern Distribution Network

Ensuring that a Georgia-Azerbaijan-Turkmenistan “leg” of the Northern Distribution Network is established is critical to the American war effort in Afghanistan. This route is important to sustain and expand, given that the Pakistani route is at risk, particularly in the aftermath of the elimination of Osama bin Laden; dependence on the Russia-Kazakhstan-Uzbekistan route alone is ill-advised.

71 “MONEYVAL publishes its second report on Azerbaijan,” Council of Europe, <http://www.coe.az/Latest-News/123.html> (November 2, 2009).

Help Europe to rake a leadership role on Nabucco

The U.S. should help Europe push forward the Nabucco pipeline project, which will diversify Europe's natural gas supplies away from Russia. The U.S., perhaps more than the EU, has a unified and coherent policy toward Nabucco, as well as the political leverage to bring all the necessary actors together. Nonetheless, it is a European project and should be run by and for European companies, consumers and governments. Without sidetracking European actors, the Obama administration should boost U.S. involvement in Nabucco, encouraging all actors to cooperate in getting the project from the negotiating room onto the ground.

Conclusion

The South Caucasus will remain a crucial geopolitical area, where East-West and North-South interests intersect. The U.S. is involved in Iraq, Afghanistan, Pakistan, and the global war on terrorism. Washington is trying, with great care, to push the "reset button" in its relations with Moscow and has a confrontational and highly problematic relationship with the Islamic Republic of Iran. The South Caucasus will continue to play sensitive and important roles in all these areas. In managing US interests in the region, diplomatic, defense, energy and intelligence establishments will

play an important role. As Russia, Iran, and Turkey increase their involvement in the South Caucasus, U.S. policy toward the region will also require appropriate resource allocation and ample executive time, understanding, compassion, and toughness at the highest level.

To link or not to link?

*Turkey-Armenia normalization
and the Karabakh Conflict*

Cory Welt*

Abstract

Over two years after the signing of protocols on opening Turkish-Armenian diplomatic relations and land borders, the prospects for normalization in the absence of progress on the Karabakh conflict are dim. But there is also little sign of a breakthrough in the Karabakh conflict resolution process itself. Given these impasses, this article proposes an alternative way forward: an unconditional opening of Turkish-Armenian diplomatic relations followed by a redrafting of the Basic Principles. This redrafting would acknowledge linkage between the border opening and the withdrawal of Armenian forces from territory outside Nagorno-Karabakh. It would also reduce ambiguities in the Basic Principles that have stalled the peace process to date. The article first analyzes Turkish policy on the protocols, arguing that the Turkish government can at a minimum be blamed for sloppy diplomacy in 2009. It next justifies the need for a change in policy, explaining why arguments for dropping linkage are not fully compelling and why the Basic Principles have run aground. Finally, it proposes a redrafted set of Basic Principles, which includes the opening of the Turkish-Armenian land border and focuses on an interim solution to territorial withdrawal and IDP return, as well as on Nagorno-Karabakh's political status.

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Turkish Prime Minister Recep Tayyip Erdoğan

We will not sign a final deal with Armenia unless there is agreement between Azerbaijan and Armenia on Nagorny Karabakh. (April 10, 2009)¹

U.S. Department of State Press Statement

The United States welcomes the statement made by Armenia and Turkey on normalization of their bilateral relations. It has long been and remains the position of the United States that normalization should take place without preconditions and within a reasonable timeframe. (April 22)²

Turkish Prime Minister Recep Tayyip Erdoğan

Our borders were closed after the occupation of Nagorny Karabakh. We will not open borders as long as the occupation continues. Who says this? The prime minister of the Turkish Republic says this. Can there be any guarantee here apart from this? (May 13)³

U.S. Secretary of State Hillary Rodham Clinton

I want to reiterate our very strong support for the normalization process that is going on between Armenia and Turkey, which we have long said should take place without preconditions and within a reasonable timeframe. (September 28)⁴

To say there is no linkage between Turkish-Armenian normalization and the Azerbaijani-Armenian conflict over Nagorno-Karabakh is to depart from a longstanding reality of Turkish foreign policy. In 1993, Turkey sealed its land border – previously open to humanitarian shipments of wheat – after Armenian forces seized the large, mountainous Azerbaijani region of Kelbajar, sandwiched between Armenia and Nagorno-Karabakh.⁵ The Turk-

¹ "Turkish PM sets conditions to Armenia reconciliation: report;" *Agence France Presse*, April 10, 2009.

² "Turkey and Armenia: Normalization of Relations," *Press Statement*, Robert Wood, Acting Department Spokesman, Office of the Spokesman, U.S. Department of State, April 22, 2009, available at <http://www.state.gov/r/pa/prs/ps/2009/04/122065.htm>.

³ *ANS TV (Baku)*, May 13, 2009, trans. available in *BBC Worldwide Monitoring*.

⁴ "Remarks With Armenian Foreign Minister H.E. Edward Nalbandian After Their Meeting," *Remarks*, Hillary Rodham Clinton, Secretary of State, U.S. Department of State, September 28, 2009, available at <http://www.state.gov/secretary/rm/2009a/09/129687.htm>.

⁵ *Armenian forces captured a smaller amount of territory – the so-called "Lachin corridor" – outside Nagorno-Karabakh already in 1992, and additional territories later in the war. For a history of the Karabakh conflict, see Thomas de Waal, Black Garden:*

ish government said the border would remain closed until Armenian forces withdrew from Azerbaijani territory. This policy remained in place for sixteen years.⁶

In April 2009, after months of quiet preparation, Turkey appeared to reverse course, issuing a joint statement with Armenia that the two countries had “agreed on a comprehensive framework for the normalization of their bilateral relations.”⁷ Because the protocols for establishing diplomatic relations and opening the land border which the two countries’ foreign ministers signed six months later made no mention of Karabakh, many assumed that Turkey had dropped its longstanding insistence that normalization was contingent on Armenia withdrawing its troops.⁸

It soon became clear, however, that conditionality had not been dropped. Instead of ratifying the protocols, Turkish parliamentarians from the ruling party and the opposition insisted that normalization would proceed only after progress was made on the Karabakh conflict, a position Turkish officials subsequently affirmed.

Armenia and Azerbaijan Through Peace and War (NYU Press, 2003).

6 “Turk says Russia is Tangled in Caucasus War,” *New York Times*, April 15, 1993.

7 “Joint Statement of The Ministries of Foreign Affairs of The Republic of Turkey, The Republic of Armenia and The Swiss Federal Department of Foreign Affairs,” April 22, 2009, available at http://www.mfa.gov.tr/no_56_-22-april-2009_-press-release-regarding-the-turkish-armenian-relations.en.mfa.

8 The protocols are available at <http://www.mfa.gov.tr/sub.en.mfa?93e41cc9-832f-4ec7-a629-a920bfdbb432>.

Over two years later, the prospects for Turkish-Armenian normalization in the absence of progress on the Karabakh conflict are dim. But there is also little sign of a breakthrough in the Karabakh conflict resolution process, spearheaded by the OSCE Minsk Group with the United States, Russia, and France as co-chairs.

Given these impasses, this article proposes an alternative way forward: an unconditional opening of Turkish-Armenian diplomatic relations followed by a redrafting of the Basic Principles in a way that acknowledges linkage, while reducing the ambiguities that have stalled the peace process to date.

I first analyze Turkish policy on the protocols, arguing that the Turkish government can at a minimum be blamed for sloppy diplomacy in 2009 – allowing Armenia and international mediators to persuade themselves that conditionality was negotiable while simultaneously gambling on a successful conclusion to the Karabakh peace process. I next justify the need for a change in policy, explaining why arguments for dropping linkage are not fully compelling and why the Basic Principles have run aground. Finally, I propose a redrafted set of Basic Principles, which includes the opening of the Turkish-Armenian land border and focuses on an interim solution to territorial withdrawal and IDP return, as well as on Nagorno-Karabakh’s political status.

The Failed Diplomacy of the Turkish-Armenian Protocols

On October 10, 2009, under the eager gaze of the top diplomats of the United States, Russia, the European Union, and Switzerland, the Turkish and Armenian foreign ministers signed two protocols on normalization that contained no preconditions regarding the Karabakh conflict. Within a few weeks, however, it became clear that Turkey was not going to ratify the protocols.

What went wrong? Did the Turkish government intentionally mislead its Armenian counterpart and international mediators, who had been regularly insisting upon normalization “without preconditions and within a reasonable timeframe”?

Not if you judge by the public statements of Turkish officials. Throughout the process, Prime Minister Recep Tayyip Erdoğan repeatedly linked a successful conclusion of the normalization process to progress on Karabakh (see, for example, the quotations at the top of this article). While Turkish Foreign Ministers Ali Babacan and, after him, Ahmet Davutoğlu were more circumspect in their public statements, observers interpreted their statements emphasizing the importance of achieving par-

9 See the two U.S. Department of State statements that opened this article, as well as “President Serzh Sargsyan met in Prague with the President of Turkey, Abdullah Gul,” Office to the President of the Republic of Armenia, May 7, 2009, available at <http://www.president.am/events/news/eng/?pn=145&id=511>.

allel solutions as an echo of the Prime Minister’s assertions.¹⁰

The sea change in Turkey’s Armenia policy in 2009 was thus to *open* negotiations – carry them, really, to their very end – without waiting for signs of progress on Karabakh. Turkey had not dropped conditionality; it had just sought to make it more respectable. The Turkish government appears to have believed that participating in negotiations would enable it to demonstrate a sincere desire to normalize relations, chart a clear vision for the future of Turkish-Armenian relations, and, possibly, ease the way for Armenia to adopt a more pliable position on the Karabakh conflict.

This, however, was not the way supporters of normalization understood the disconnect between Turkish officials’ public statements and their seemingly sincere pursuit of normalization. One reading was that Turkish officials may have been talking about Karabakh for domestic purposes or to reassure Azerbaijan, but they had still genuinely embarked on a new course and were committed to seeing it through to its end. Another was that the Turkish political elite was divided, but “doves” like President Abdul-

10 See, for example, Charles Recknagel and Andrew Tully, “Turkey Signals Opening to Armenia Must Include Nagorno-Karabakh Process,” Radio Free Europe/Radio Liberty, April 22, 2009, available at http://www.rferl.org/content/Turkey_Signals_Opening_To_Armenia_Must_Include_NagornoKarabakh_Progress/1613844.html and “Turkey Still Committed to Preconditions in Armenia Talks,” Asbarez, July 29, 2009, available at <http://asbarez.com/68790/turkey-%e2%80%98still-committed-%e2%80%99-to-armenia-talks-with-preconditions/>.

lah Gul supported normalization and would ultimately be victorious.¹¹ Yet another was that the government was under pressure from Azerbaijan, suspicious of Turkey's efforts and seeking to derail the process, but that Baku's over-the-top efforts to influence Turkish decision-making were destined to fail. The Turkish government's decision to let Davutoğlu sign the protocols in a high-profile international venue unavoidably strengthened the view that the government was serious about normalization without preconditions.

But in the end, the government did not try that hard, if at all, to secure parliamentary approval of the protocols. This neglect led many to conclude that the Turkish government had been misleading Armenia and international supporters of normalization all along.¹²

Insincerity, however, is not the only possible explanation for the failure of the protocols. One might say that the Turkish government was guilty rath-

er of sloppy diplomacy. It expected Armenia and international mediators to treat its representatives' informal public statements with the same significance as their formal negotiating stance. It also failed to directly counter Armenian and U.S. government assertions that normalization was to be achieved without preconditions. Most astonishingly, Turkish officials do not appear to have warned the Armenian government or international mediators that the protocols, if signed, would almost certainly not be ratified.

At the same time, the Turkish government appears to have been playing a risky game – betting that the latest stage of the Karabakh conflict resolution process, specifically agreement on a set of so-called “Basic Principles” for settling the Karabakh conflict, could be brought to a successful close before the Turkish parliament was to ratify the protocols. In this way, Turkey would be able to square the circle of its Armenia policy — conditionality would be satisfied informally without it having been made an explicit part of the process.

While there were some grounds to believe progress on the Basic Principles might be possible, agreement was still a highly uncertain prospect. Certainly, the chance of success was hardly so great as to make a prominent endeavor like the normalization process dependent upon it. But it was either this or halt the “feel-good” di-

11 Gul avoided making explicit statements linking the two processes and did not attempt to debunk the notion put forward by Armenian president Serzh Sarkisian in May 2009 that the two had agreed to “move forward with normalization without preconditions and within a reasonable time frame” (fn. 9).

12 In particular, the suspicion was that the Turkish government had agreed to declare the formal start of the normalization process only to avoid a vote in the U.S. Congress on recognizing the Armenian genocide. Many believed it was no coincidence that the Turkish-Armenian statement was issued just two days before the annual April 24 commemoration of the genocide. For an expression of such suspicion prior to the signing of the protocols, see the U.S. Congressional letter reprinted in “Over 80 House Members Slam Turkey’s Reversal on Proposed ‘Roadmap’,” Press Release, Armenian National Committee of Armenia, July 30, 2009, available at http://www.anca.org/press_releases/press_releases.php?prid=1745.

plomacy of the protocols, an outcome that no stakeholder wanted.

In the end, the diplomatic consensus to ignore Turkey's consistent – if informal – linkage between normalization and conflict resolution alienated Turkey from Azerbaijan; lent Armenia an unwarranted optimism that change was in the air; made Turkish policymakers look inconsistent, duplicitous, or uncertain; reinforced the fragmentation of U.S. policy across the region; and, in the end, had fatal consequences for the Turkey-Armenia protocols.

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What Now?

More than two years later, the short-term prospects for full Turkish-Armenian normalization are dim. Given Turkey's emphatic restatement of linkage, there is little chance that the protocols will be ratified in the absence of progress on the Karabakh conflict. The best supporters of normalization might hope for is the implementation of smaller steps

to regain confidence and trust incrementally. Thomas de Waal, for example, has proposed an appealing list of measures that include increased Turkish connections to the Armenian diaspora (primarily via tourism); direct Turkish Airline flights to Yerevan; restricted border crossings; and electricity sales.¹³

At the same time, it seems prudent to renew a push for at least the unconditional establishment of diplomatic relations between Turkey and Armenia. In retrospect, the absence of such relations seems to have been more a casualty of Turkey's early decision to close its borders than the reasoned intervention of an external actor seeking leverage. Practically, Armenia loses little from the absence of diplomatic relations and has little to gain from their establishment. Instead, relations would simply be a mechanism for formal communication between the two countries, and for the provision of basic consular functions.

As for opening the border unconditionally, there are at least four arguments in favor, but these are not fully compelling – as Turkey's refusal to do so has demonstrated. First, Turkey has new economic and foreign policy priorities that will benefit from the border opening. But economic interests and Turkey's aspirations to become a regional “center of gravity”

13 See Thomas de Waal, “Armenia and Turkey: Bridging the Gap,” Policy Brief, Carnegie Endowment for International Peace, October 2010, available at <http://carnegieendowment.org/2010/10/05/armenia-and-turkey-bridging-gap/22p>.

are equally well served by keeping the interests of Azerbaijan, an energy rich, co-religious, co-ethnic neighbor, close to heart.

Second, the border closure has failed as a mechanism of conflict resolution. But even so, Turkey may still

But economic interests and Turkey's aspirations to become a regional "center of gravity" are equally well served by keeping the interests of Azerbaijan, an energy rich, co-religious, co-ethnic neighbor, close to heart.

wish to implement it as a purely punitive measure, until Armenia decides for other reasons to withdraw from Azerbaijani territory.

Third, opening the border could facilitate conflict resolution. Armenia's sense of security will increase, which could lead it to impute a lesser sense of risk in its dealings with Azerbaijan. But increased security on its western front might also provide Armenia with a "strategic depth" that will allow it not to compromise on its eastern front.

Finally, maintaining the status quo is untenable, as it risks the prospect of renewed war.¹⁴ The logic of accidental

¹⁴ To these justifications might be added others that help to explain U.S. support for dropping conditionality. While we might hypothesize that these include a) responsiveness to domestic lobbying and b) a possible opportunity to shift the balance of influence in the Caucasus away from Russia and toward the West, there have been only two publicly articulated

war, Azerbaijan's loss of faith in negotiations, the ambiguity of Russian treaty obligations to Armenia in the event of war, and the allure of trying to retake at least some territory outside Nagorno-Karabakh all increase the odds of an eventual renewal of conflict. Full Turkish-Armenian normalization could provide Turkey with a stake in deterring Azerbaijan from launching military action, thereby decreasing the odds of war. On the other hand, it might increase Azerbaijani desperation to the point that Baku concludes war is its best option.

So while there are good arguments for opening the border without making progress on the Karabakh conflict, none are so compelling to push Turkey toward full normalization. Another way forward, then, is to acknowledge the linkage between the border opening and the Karabakh conflict in a redrafting of the Basic Principles.

Redrafting the Basic Principles

The aim of the Basic Principles is not to settle the Karabakh conflict by finalizing Nagorno-Karabakh's po-

justifications: one that refuses to grapple with the problem of linkage at all (i.e., stating that normalization is "inherently valuable," "would benefit the people of both countries today," and is "an important and a good thing in its own right") while another vaguely alludes to positive knock-on effects (normalization is "a step towards genuine reconciliation in the region," a "contribut[or] to further trust and peace and stability, not just for Turkey and Armenia but elsewhere as well," "the true path to peace and stability and reconciliation in the region," and something that "holds out the prospect of positive transformative change in the region. "). All phrases belong to Assistant Secretary of State Phillip H. Gordon, March 3, 2011; March 17, 2010, November 12, 2009 (<http://www.state.gov>).

litical status. It is much too early for that. Instead, the aim is to achieve a feasible *interim* solution that will increase security for all parties; redress at least some of the consequences of conflict; catalyze transboundary activity; and ultimately transform the conflict environment in a way that can facilitate the parties' eventual entry into the final, more difficult, stages of a political settlement.

While the current Basic Principles embody these goals, they have proven unworkable.¹⁵ The main problem lies with what originally might have seemed their greatest strength: a “constructive ambiguity” that creates the appearance of agreement by papering over critical differences between Azerbaijan and Armenia.¹⁶ For instance, the Basic Principles call for “return of the territories surrounding Nagorno-Karabakh to Azerbaijani control” and the establishment of “a corridor linking Armenia to Nagorno-Karabakh,” but Azerbaijan and Armenia have been unable to agree on the timing of the return of territories (whether or not to allow Armenia to hold some territories as “insurance” pending a final settlement) and the size of the corridor (a road? a region? two regions?). While

the Basic Principles call for “the right of all internally displaced persons and refugees to return to their former places of residence,” they fail to address the timing and sequence of that return. Most importantly, while the Basic Principles call for a “future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will,” this principle has run aground on the details of its referendum-sounding measure (who will vote? when?). In essence, Armenia seeks guarantees that the population of Nagorno-Karabakh will be able to vote for independence sometime in the future, while Azerbaijan seeks to push such a measure back indefinitely, maybe forever.¹⁷ Other principles – an “interim status for Nagorno-Karabakh providing guarantees for security and self-governance” and “international security guarantees that would include a peacekeeping operation” are less disputed, even if the details have yet to be fleshed out.

Rather than continuing to search for the magic formula that will secure agreement on the Basic Principles as they stand, it may be time to contemplate their redrafting – both to accept a linkage with the opening of the Turkish-

15 The last publicly available statement of the Basic Principles is the “Statement by the OSCE Minsk Group Co-Chair countries,” Press Release, Organization for the Security and Cooperation in Europe, July 10, 2009, available at <http://www.osce.org/item/51152>.

16 On the “constructive ambiguity” of the Basic Principles, see Thomas de Waal, “The Karabakh trap: Dangers and dilemmas of the Nagorny Karabakh conflict,” *Conciliation Resources* (2009), p. 10.

17 In a June 30, 2009 interview with Russian state television, President Aliyev said, “This [determination of final status] could happen in one year, maybe in ten years, or in 100 years, or this could never happen. Time will tell.” *Azertag*, July 6, 2009, available in Russian at <http://www.azertag.com/ru/newsarchive?mod=1&date=2009-7-6&id=252&partition=1>. The quotation is cited in translation in “Nagorno-Karabagh: Getting to a Breakthrough,” *Europe Briefing*, No. 55, International Crisis Group (October 2009), p. 7.

Armenian border and to reduce unbridgeable ambiguities. Such principles should not pretend to be complete. They should not seek to resolve the Karabakh conflict in its entirety, and they should not strive to give Azerbaijan or Armenia all that they have sought in the negotiations to date.

One set of Basic Principles that fits this bill is the following:

- the opening of the Turkish-Armenian land border;
- return of all territories surrounding Nagorno-Karabakh to Azerbaijani control, except Lachin and Kelbajar;
- interim Armenian control over Lachin and Kelbajar;
- an interim status for Nagorno-Karabakh providing guarantees for security and self-governance;
- the right of all internally displaced persons and refugees to return to their former places of residence, with the modalities of return to Lachin, Kelbajar, and Nagorno-Karabakh to be determined at a later time;
- international security guarantees that would include a peacekeeping operation.

Such a redraft would be of benefit to both Azerbaijan and Armenia. Azerbaijan would retain Turkey's commitment to make the opening of the border contingent on the withdrawal of Armenian forces. It would receive much of its territory outside

Nagorno-Karabakh, enabling the return of IDPs. Azerbaijani refugees from Armenia would be allowed to assert their right of return. Finally, the agreement would not effect any change in international interpretations of Azerbaijan's *de jure* territorial integrity.

Armenia would also gain from such an agreement. It would receive the expected benefits of a border opening with Turkey. It would continue to retain control (on an interim basis) of the two territories it deems most strategic for the defense of Nagorno-Karabakh. The latter would receive an internationally-mandated codification of its rights of self-government ("interim status") for the foreseeable future. Armenian refugees/IDPs from Azerbaijan would be able to assert their right of return, while the return of Azerbaijani IDPs would be managed in phases. Nagorno-Karabakh would be provided with international security guarantees to prevent Azerbaijan from deploying military force against it.

It will not be easy to reach agreement on a redrafted set of Basic Principles. The Armenian government has long insisted that any linkage between the border opening and the Karabakh conflict is a non-starter. It has also long been unwilling to give up territory outside Nagorno-Karabakh without a clear guarantee that the breakaway autonomous region will eventually have the opportunity to

opt for formal independence. For its part, the Azerbaijani government will not want to risk signaling any kind of formal consent to the continued occupation of Lachin and Kelbajar or the drawing of distinctions among groups of IDPs. Finally, though securing agreement on the principles of “interim status” and “international security guarantees” might be possible, hammering out their details in a mutually acceptable fashion will be challenging.

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The above analysis suggests one way to weave the two processes together with an eye toward gradual – and, in the case of Karabakh, open-ended – resolution. Other models, for instance alternating incremental steps on each track, might also be worth considering. Such approaches will surely encounter many challenges, as have the approaches before them. And any formal conflict resolution process requires on-the-ground efforts to prepare populations for peace that neither the Azerbaijani nor Armenian government has to date been willing (or able) to make. But only by making a genuine effort to constructively link Turkey-Armenia relations and the Karabakh conflict can the possibility of such a link be determined.

Conclusion

After raising such high hopes, the Turkey-Armenian normalization process of 2009 failed to come to fruition or spur a breakthrough in the Karabakh conflict resolution process. With neither the protocols nor the Basic Principles offering a promising way forward along separate tracks, it is worthwhile to consider how the two processes might be constructively linked. At the same time, it is important to keep in mind that neither track can offer a “grand” solution.

*The Caucasus and
its neighborhood:
A region where economics
and security collide*

**Fen Osler
Hampson***

Abstract

The article examines the current position of the South Caucasus, a region with a crucial role in driving global economic growth, innovation, and investment not only to the West, but also to Asia, particularly the dynamic economies of China and Korea. The author analyzes the three South Caucasus countries based on their political situations, their economies, and their role in shaping the future of region. Further, the author argues that complacency is not an option for the South Caucasus, where festering conflicts - notably between Azerbaijan and Armenia, and Georgia and Russia - are not simply matters of local concern; their escalations would have global consequences, not least because of the region's increasing geostrategic importance and its key role as an energy producer, with critical supply lines to the West.

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The South Caucasus has historically been an area of extraordinary richness and diversity, and vast economic potential and opportunity— but also of conflict. Much like the Balkans, it is a region where East and West meet, and where three great empires—the Russian, the Ottoman, and the Safavid (Persian)—clashed in earlier times. With discovery of oil in Azerbaijan in the late nineteenth century, Russian ambitions to control the region intensified. The manipulation of ethno-religious differences by Russia and other external actors has long been part of imperial ambitions, from the Tsarist times, through the Bolshevik era, to the fall of the Berlin Wall.

Today, it is a region where many fires burn. These are the fires of economic ambition and growth, of political transformation and unrest, and of violent conflict resulting from uncontrolled assertions of identity and religion. The South Caucasus is also a region that demonstrates on a broader scale the way in which regional and global geopolitical tectonic plates are shifting, creating new opportunities for social, economic, and political interaction, while simultaneously igniting old tensions and rivalries. These tensions threaten regional political stability with larger global consequences. Left unchecked, they also threaten to jeopardize the huge strides in economic, social, and political development that the key

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countries of the region, notably Azerbaijan, have taken in recent years. Unfortunately, the efforts of various external actors to promote the resolution of the region's key disputes have been desultory and half-hearted of late. They will have to be reinvigorated and intensified. The European Union and the United States have a critical role to play in fostering negotiations between the warring parties, and they must provide leadership. The region's long-term prosperity and political future ultimately depend upon the successful resolution of its key disputes.

The Growing Global Importance of the South Caucasus

The South Caucasus is a region of growing importance not only to the West but also to Asia, particularly the dynamic economies of China and Korea, which are increasingly important in driving global economic

growth, innovation and investment. The South Caucasus is also a region that increasingly sees itself—and is seen by others—as a strategic gateway between East and West, not least because of the wealth of natural resources, especially oil and gas, but also because it has the potential to serve as a key transit route for energy and resource shipments from Central Asia.

Three states—Azerbaijan, Georgia, and Armenia—form the South Caucasus region, which is delineated to the north by Russia, to the southeast and southwest by Iran and Turkey, and to the east and west by the brooding inland waters of the Black and Caspian seas. Some might argue that a region should be defined by its common values, shared interests, and a keen sense of identity; however the three countries of the South Caucasus are not necessarily unified by these elements.

What we do find is a “region” that is characterized by deep-rooted interdependent relationships which have developed over the years through the collision of culture and history, alongside shifting patterns of trade, investment, social migration and interaction. It is also an “open” region because of the special relationships that these three countries have forged with their neighbors and others—Azerbaijan with Turkey and Georgia, Armenia with Russia, Georgia with Azerbaijan and the West.

Azerbaijan

Azerbaijan is the region’s most remarkable success story, thanks to its rich oil and gas resources. The ancient Persians called it Atupatakan, “a place where sacred fire is preserved.” In Greek mythology, Zeus chained Prometheus to the Caucasus mountain range because he had stolen fire from the gods. Today, there are a still number of sites in the South Caucasus where whole mountainsides are on fire, where escaping gases from the ground have been ignited.

Before gaining its independence from the Soviets in 1991, Azerbaijan enjoyed a brief period of independence from 1918 to 1921, as the first democracy in the Muslim world. The macroeconomic stability and consistently high rates of growth that Azerbaijan has enjoyed since 1995 are indeed impressive. National GDP is fast approaching US\$100 billion, dwarfing that of its neighbors. Its growth rates over the past decade have reached double-digits, the highest in the world, notwithstanding the recent global recession. The country’s booming oil exports have also contributed to growth in the construction, banking, transportation and real estate sectors. Although high rates of inflation accompanied Azerbaijan’s oil boom during the last decade, these have been brought under control over the past two years, though a spike in oil prices does present a future risk.

Sound fiscal and monetary management by the government have been crucial to Azerbaijan's economic success. Privatization is a key element of the government's economic reform strategy. In 2000, the private sector made up 68% of the country's GDP. The second phase of privatization is currently underway, and for the most part envisages the privatization of medium and large-scale enterprises. As a result of this policy, the private sector generated 81% of GDP in 2007.

The 2011 *Index of Economic Freedom* gives Azerbaijan an overall economic freedom score of 59.7, placing it 92nd out of the 183 countries included in the 2011 *Index*.¹ Azerbaijan's score rose by one percent between 2010 and 2011, which indicates that it is making steady progress in achieving key reforms in the areas of fiscal and monetary policy, while also tackling regulatory reform and corruption. It is ranked in the top third of all countries in the Asia-Pacific region, and significantly above most of its immediate neighbors. Azerbaijan has also been working steadily to secure World Trade Organization membership. The accession process began in 1997, and is supported by a wide range of bilateral and multilateral trade treaties.

¹ "Azerbaijan," 2011 *Index of Economic Freedom*. Published by The Heritage Foundation & the Wall Street Journal. Available at: <http://www.heritage.org/index/country/azerbaijan>.

Azerbaijan's private banking sector continues to grow, despite the major role played by state-owned banks, particularly the International Bank of Azerbaijan. This growth has increased the supply of credit, though not yet to the degree necessary to enhance the growth of small and medium-sized enterprises in the economy. The government and private bond market also remains small and somewhat underdeveloped. In spite of these continuing challenges, Azerbaijan's banking system is generally quite stable, and the government is moving in the right direction by privatizing some of its state-owned banks.

Energy is the core of the Azerbaijani economy. Azerbaijan produces just over 1 million barrels of oil a day. It ranks 23rd among the world's major oil producers. More than half

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of Azerbaijani oil goes for export, given its relatively modest domestic consumption. Its proven oil reserves have been calculated at 7 billion bar-

rels, placing it 19th in the world.²

Azerbaijan's natural gas reserves also put it amongst of the world's major oil producers. Proven gas reserves are estimated at 849.5 billion cubic meters (27th in the world) and its natural gas exports amount to roughly 5.6 billion cubic meters annually (25th in the world). Much of Azerbaijan's oil is exported via the Baku-Tbilisi-Ceyhan Pipeline, which crosses through Georgia and Turkey, before being shipped by tanker to western destinations. The discovery of deep reservoirs in the Caspian Sea have set in motion plans boost Azerbaijan's natural gas production with.

In recent years, the government has made a concerted effort to use its oil and gas revenues to diversify the country's economic base in order to promote sustainable, long-term growth. The key policy instruments for promoting diversification are the State Programs on Economic Development, Small and Medium Entrepreneurship Development and Social and Economic Development of the Regions of Azerbaijan. Educational reforms and major investments in higher education and research are key components of Azerbaijan's growth strategy. The country is also becoming a focus for Chinese, Korean and other sources of foreign investment.

² "Oil Production Rankings." *CIA World Factbook*. Available at: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2173rank.html>.

In addition to oil and natural gas, Azerbaijan exports machinery, cotton, and foodstuffs. Its main export partners are Italy (20.69%), India (10.67%), US (9.24%), France (8.15%), Germany (7.62%), Indonesia (6.63%), and Canada (5.13%). Its key import commodities are machinery and equipment, oil products, foodstuffs, metals, and chemicals, which come from Turkey (18.69%), Russia (16.98%), Germany (7.87%), Ukraine (7.3%), China (6.18%), and the UK (5.73%).

Years of Soviet rule left a legacy of entitlement and corruption in the public and private sectors that Azerbaijan has found hard to shake; however, it is making solid progress on these fronts. Visitors are struck by the vigorous animation of Azerbaijani people, particularly the youth, who identify strongly with Western culture and values, and aspire to live in a country that upholds democratic principles and human rights.

Azerbaijan might be characterized as one of the world's "mini BRICs"—a term that has been used to describe the large, dynamic and influential large transitional economies that are emerging from the developing world (Brazil, Russia, India, and China). Azerbaijan's rapid economic growth over the past two decades has catapulted it into a position of growing prominence, not only at a regional level but also internationally. As the

country begins to enjoy its newfound stature and influence, it finds itself wrestling with the many challenges

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that come with greater visibility, attention, and integration into the global economy.

Azerbaijan has a large, Turkic-majority, Muslim-majority population, but it is also one of the world's most moderate Muslim countries. The country's commitment to secularism is to some extent the product of years of communist rule and Soviet hostility to Islamic culture and traditions. According to the government, approximately 96% of the population is Muslim. The remaining 4% consists mainly of Russian Orthodox Christians who live in Baku and Sumgayit. Almost two-thirds of Muslims are Shi'a, and the rest are Sunni, though the differences between these two groups are not as sharply defined as they are in some other countries. Local and external observers report that religious observance has traditionally been quite low and identities tend to be constructed around culture and ethnicity rather than religion per se. However, attitudes and religious practices in some of the more rural parts of the country in the south may be changing as a result of external in-

fluences and pressures. The country clearly faces some major challenges as a result of cross-border fundamentalist pressures emanating from the large Azerbaijani community concentrated around Tabriz, which constitutes almost one-third of the population of neighboring Iran.

The Azerbaijani Constitution allows religious groups freedom of affiliation and expression without interference from the state. The exceptions to this, under the law on religious freedom, pertain to the activities of religious groups that "threaten public order and stability." The government has tried to enforce these provisions by preserving a clear distinction between church and state and taking measures to keep religious groups out of politics. Religious groups have to register with the State Committee for Work with Religious Associations (SCWRA) and the publication, importation, and distribution of religious literature are carefully monitored by government authorities.³

Georgia

Georgia was seized by the Russian tsars in the 19th Century. It enjoyed a brief period of independence from 1918-1921, after which it fell under Soviet rule. When the Soviet Union collapsed, Georgia struggled to assert its independence. Its current

³ See US Department of State, "Azerbaijan: Freedom of Religion Report 2006." Washington, D.C. Available at: <http://www.state.gov/drl/rls/irf/2006/71368.htm>.

president, Mikheil Saakashvili, was elected to power in 2004.

Although the country has embarked on a series of widespread reforms to liberalize and open the economy to foreign investment and to promote democratic development, it has struggled against Russian support for secessionist movements in Abkhazia and South Ossetia. Following military action by the Georgian military in South Ossetia, Russian forces intervened in 2008. Though Russian troops have since been “withdrawn”, Russia has unilaterally chosen to recognize the independence of these two breakaway regions.

Like Azerbaijan, the Georgian economy has witnessed unprecedented growth in recent years, supported, in part, by its role as a transit point for Azerbaijani oil and gas exports. Mining (manganese and copper in particular) and agriculture are the mainstays of the economy, with construction and financial services developing into important new sectors. Georgia’s economy experienced high levels of GDP growth (more than 10%) just before the global economic recession of 2008-09. Much of this growth was spurred by high levels of foreign direct investment and rising government expenditures. But the economy took a serious hit during the global recession and matters were made worse by the August 2008 conflict with Russia. Economic growth

was negative in 2009 as foreign di-

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rect investment and foreign workers’ remittances declined. The economy has since rebounded, although the prospects for sustained growth will depend on internal political stability.

4

In the late spring of 2011, the country’s capital, Tbilisi, was shaken by widespread public protests calling for the resignation of President Mikheil Saakashvili, in a “Day of Rage” styled after the revolutions that have swept the Arab world. The protesters accused Mr. Saakashvili of turning away from democracy and blamed him for what they viewed as Georgia’s humiliating defeat in the war with Russia.⁵

Armenia

Armenia possesses the weakest economy in the region and was hit hard by the global recession, having enjoyed

4 .” Central Intelligence Agency, “Georgia,” *The World Factbook*. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/gg.html>.

5 George Lomsadze, “Two Die as Police Break Up Georgia Protest,” *Wall Street Journal*, May 26, 2011. Available at: http://online.wsj.com/article/SB10001424052702304520804576346870952340708.html?mod=googlenews_wsj.

high levels of growth before the crisis. The country has paid a high economic price for its ongoing conflict with Azerbaijan. Following Armenia's invasion of Nagorno-Karabakh in 1994, Turkey closed its border crossings. Countervailing pressures from Azerbaijan have thwarted recent Turkish efforts, supported by the US, to re-open its border with

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Armenia and improve relations. Armenia continues to depend heavily on its commercial and aid links with Russia, as well as the remittances it receives from the large Armenian diaspora.

Influence and Ongoing Challenge

The foreign policies of countries in the South Caucasus region are becoming increasingly assertive, self-confident, and independent, driven by changing notions of their own national interest along with newfound sources of power and leverage. They are moving from being pawns in the global power game to being independent and influential actors in their own right. Azerbaijan and Georgia in particular are looking to expand and

strengthen their ties with the European and the Atlantic region through energy exports, trade, investment, the development of new transportation corridors, and security cooperation. Azerbaijan's policies are driven by the strength of its energy sector, its desire to diversify its economy, and the fact that it, like Georgia, sees itself as a bridge between Europe and Asia. Its influence also derives from close relations with Turkey.

Armenia's influence comes largely from the strength of its diaspora, which is seen by many to be an obstacle to the resolution of the Nagorno-Karabakh dispute. This interethnic dispute between Armenia and Azerbaijan has a long and complex history. Towards the end of the Soviet era in the mid to late 1980s, violence erupted in the region when the Nagorno-Karabakh parliament voted to join Armenia. Tens of thousands of people died in the ensuing conflict as ethnic Armenians took control of the region. Immediately following the collapse of the Soviet Union in 1991, the region declared itself an independent republic. The death toll rose in the full-scale war that ensued between Armenia and Azerbaijan. Although a truce brokered by Russia was negotiated in 1994, the ceasefire has been an uneasy one. The threat of a renewed outbreak of violence and conflict remains, with wider consequences for regional stability.

In 1992, the OSCE (Organization for Security and Cooperation in Europe) established the “Minsk Group” to provide an appropriate framework for the peaceful resolution of the conflict. The Minsk Group is co-chaired by France, Russia and the United States. The other participants include Belarus, Germany, Italy, Portugal, the Netherlands, Sweden, Finland, and Turkey, as well as Armenia and Azerbaijan. Although the Group has met repeatedly and arranged successive rounds of negotiations, it has made little progress, largely because negotiations have been derailed by conflicting motivations and domestic pressure amongst key members.

Part of the reason for this is the presence of powerful Armenian diaspora communities in France, Russia and the US, which are keen to see Armenia maintain control over the Nagorno-Karabakh region, and do

The trans-Caucasus region still lacks a robust mechanism for conflict management

not want to jeopardize relations with Yerevan. Some believe that Russia is also using the continuing dispute to exert pressure on Baku, which has been trying to reduce Russian influence over its energy sector and export markets. The European Union, which could potentially play an important role in resolving the conflict, has been kept at bay by France and

Russia—the latter has objected to the deployment of a full-scale EU mission. The United States has been less engaged in conflict management and security of the region in recent years, distracted by its ongoing problems in Afghanistan and Iraq and its own domestic economic difficulties. As Thomas de Waal, a close observer of this conflict writes: “Although the Minsk Process has appeared poised to deliver success on several occasions, it seems stuck in a perpetual cycle of frustration and disappointment.”⁶

The Broader Consequences of Regional Instability and Need for Engagement

The festering conflicts in the South Caucasus region, notably between Azerbaijan and Armenia and Georgia and Russia, are not simply matters of local concern; their escalations would have global consequences, not least because of the region’s growing geostrategic importance and key role as an energy producer with critical supply lines to the West. Complacency is not an option. There is continuing risk that the conflict will be manipulated by elites who see opportunities for personal political gain and/or by external actors who do not want to see the region become stronger. The South Caucasus cannot live up to its full economic and social potential until these problems are addressed.

6 Thomas de Waal, ‘Remaking the Nagorno-Karabakh peace process’, *Survival* 52: 4, 2010, p. 160.

The trans-Caucasus region still lacks a robust mechanism for conflict management. Moreover, the region's main powerful actors are all—in one way or another—affected by conflicting pressures and short-term political motivations. They seem incapable, at least for the time being, of pursuing a long-term strategy that will benefit the region as a whole.

However, the threats and challenges confronting the trans-Caucasus region today are beyond the capability of local actors. Their resolution will require positive, sustained engagement from a wider group of committed international actors to help address the region's long-running conflicts. We can only hope that such engagement will emerge soon and that key 'lead nations' will move an effective conflict management response forward.

Azerbaijan's foreign policy since independence

**Brenda
Shaffer***

Abstract

Two decades have passed since the fall of the Soviet Union and the subsequent restoration of independence of the Republic of Azerbaijan. This article examines the major trends in the foreign policy of the Republic of Azerbaijan during 1991-2011. It discusses the key constraints and opportunities that have influenced Azerbaijan's foreign policy options and the chief goals of Azerbaijan's foreign policy in this period. The author argues that the existence of the conflict and the unresolved issues surrounding the status of Azerbaijan's occupied territories and refugee population have served as critical constraints on Baku's policy options as well as a useful lever for neighboring powers. The article will also look at the major milestones of Azerbaijan's foreign policy in the post-independence period.

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Following the collapse of the Soviet Union, Azerbaijan's¹ foreign policy can be divided into two distinct periods: the first under President Abulfaz Elchibey (1992-1993); and the second under President Heydar Aliyev (1993-2003) and President Ilham Aliyev (2003-). Under Elchibey, Azerbaijan's foreign policy was guided by ideological considerations. In contrast, under the Aliyev presidencies, Azerbaijan conducted a very pragmatic foreign policy based on material and non-ideological factors.

On gaining independence, the Republic of Azerbaijan inherited a perilous foreign policy environment. Azerbaijan is a small state located between three major powers: Russia, Iran and Turkey. The South Caucasus serves as a focal point of Russia-US competition, due to its strategic location and Azerbaijan's significant energy resources. This adds both security challenges and opportunities to Azerbaijan's strategic environment. On the eve of independence, Azerbaijan's neighbor Armenia challenged the internationally recognized borders of the new republic, and the new states were at war from early independence.

1 *The modern Republic of Azerbaijan considers itself the successor of the Azerbaijan Democratic Republic (1918-1920). This short-lived Azerbaijani state lost its independence following the Soviet takeover in 1920. Azerbaijan was subsequently incorporated into the Soviet Union, until it regained its independence following the collapse of the Soviet Union in December 1991. The Republic of Azerbaijan formally celebrates its independence on May 28, the day the first republic declared independence, and considers itself a republic since 1918.*

Since 1994, a very tenuous ceasefire has reigned between Azerbaijan and Armenia. As a consequence of the war, close to twenty percent of Azerbaijan's internationally recognized territory remains under Armenian occupation and close to a million Azerbaijani citizens are refugees and internally displaced people. Azerbaijan is also a landlocked state, and thus is dependent on its neighbors to allow it to transit goods through their territories. This gives neighboring countries potential leverage over Baku, and creates a need for Azerbaijan to craft special foreign policies towards them. As an energy exporter, a landlocked state is particularly dependent on its transit states and vulnerable to their maneuvers, and often must give major concessions in order to keep its trade arteries open.² Azerbaijan also possesses a large ethnic Azerbaijani diaspora, estimated at over 30 million; approximately 25 million ethnic Azerbaijanis reside in neighboring Iran.³ This diaspora can serve as a modest foreign policy asset in the United States and Europe, but it is a liability in Azerbaijan's relations with Iran.

Azerbaijan's geographic location has significant influence on its foreign policy options and outcomes. Azer-

2 *For more on the landlocked factor in Azerbaijan's foreign policy, see Avinoam Idan and Brenda Shaffer, "The Foreign Policies of Landlocked States," *Post-Soviet Affairs* Vol. 27, No. 3 (July 2011), pp. 1-37.*

3 *For more on the ethnic Azerbaijani minority in Iran, see Brenda Shaffer, *Borders and Brethren: Iran and the challenge of Azerbaijani Identity* (Cambridge, MA.: MIT Press, 2002).*

baijan's location on a strategic land bridge between Europe and Asia has

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endowed it with both opportunities and challenges in terms of foreign policy. Today, Azerbaijan's airspace is part of one of the globe's major air highways linking Europe, Asia, and the greater Middle East. Baku has positioned itself as a major air hub and location for refueling of intercontinental flights, including flights to Afghanistan. In addition, Azerbaijan is a major oil and natural gas producer and exporter. In 2011, Azerbaijan exported over a million barrels a day of oil and supplied natural gas to in Georgia, Turkey, Greece, Iran and Russia. The quantity of natural gas exports is also expected to grow significant in the coming decade. In addition, Azerbaijan serves as a potential transit route for Central Asian oil and gas exports.

Under Presidents Heydar Aliyev and Ilham Aliyev, the foreign policy of the Republic of Azerbaijan encompassed six major features: 1) balancing of relations with major global and regional powers, instead of being

a member of any exclusive alliance; 2) the absence of religious and other identity factors in determining the state's alliance and main vectors of cooperation; 3) maintenance of full independence and not serving as a de facto vassal state of any regional power; 4) policies that serve the state of Azerbaijan and not the greater Azerbaijani ethnic group 5) transportation policies and energy export as an integral element of foreign policy; 6) active attempts to ensure the state achieves safe and recognized permanent borders through the resolution of the Nagorno-Karabakh conflict with Armenia.

Azerbaijan's early foreign policy: the Elchibey period

Following the collapse of the Soviet Union, Abulfaz Elchibey was the first democratically elected president of Azerbaijan in the post-independence period (1992-1993). Under Elchibey, a professor of Middle East studies, ideological considerations superseded considerations of material factors in foreign policy and alliance selection. Thus, under Elchibey, Baku rejected institutionalized and especially security cooperation with Russia. It did not join the Moscow-led Commonwealth of Independent States (CIS) at its inception and called for the removal of troops under Russia's command from the territory of Azerbaijan. Furthermore, under Elchibey Baku sought alliances with states

President Elchibey took a very idealistic view of alliances choices, and ignored many of the realities of the regional power dynamic.

- Turkey and the U.S. - that did not want to perform the role of Azerbaijan's strategic backer. Elchibey had assumed that a shared Turkic identity would serve as a basis for an alliance with Ankara, despite the fact that Turkey showed no desire in this early period to enter into a military alliance with Azerbaijan. Particularly in the early 1990s, Ankara was guided by pragmatic interests, choosing not to get entangled in the conflicts in the region but to focus on promoting its economic interests among the new states of the former Soviet Union. Throughout most of the post-Soviet period, Ankara has also given precedence to its relations with Moscow, even at times when these policies have impinged on other partners in the post-Soviet space. In addition, Elchibey assumed that the pro-Western orientation of the early state at independence and its establishment of democracy would lead Washington to support Azerbaijan's security and prosperity. In reality, Washington's policies toward the South Caucasus in the early 1990s were highly constrained by the activities of the American-Armenian lobby in Congress and thus Washington did not extend support to Azerbaijan in this

period. In fact, under the pressure of the American-Armenian lobby, the U.S. Congress enacted Section 907 to the Freedom Support Act, which barred direct U.S. government aid to Azerbaijan and government-to-government cooperation, including in the military sphere.⁴ Further to miscalculation of anticipated alliances, Elchibey's policies toward Iran provided an additional impetus to Tehran to support Armenia in its war with Azerbaijan. Based on his ideological beliefs, Elchibey championed the language and cultural rights of ethnic Azerbaijanis in Iran (which comprise a third of the population of Iran, and the majority of the population of the northwest provinces of Iran that border the Republic of Azerbaijan). Due to Baku's promotion of liberation of the "South Azerbaijan"⁵ issue and Baku's strong pro-US orientation during the early period of independence, Tehran supported Armenia in its war with Azerbaijan.⁶

⁴ Section 907 has subsequently been waived by US Presidents since 2002, in recognition of Azerbaijan's important role in facilitating US led anti-terrorism policies and as a major transit state of US supplies to Afghanistan.

⁵ This is the term used by President Elchibey to refer to the ethnic Azerbaijani populated provinces in northwest Iran.

⁶ Iran's assistance to Armenia during the 1992-1994 Nagorno-Karabagh War included supplying food and fuel, and providing a conduit through its territory for other states' supplies to Armenia. For more on Iran's support of Armenia in the Nagorno-Karabagh War; see Brenda Shaffer "Iran's Internal Azerbaijani Challenge: Implications for Policy in the Caucasus," in Moshe Gammer (ed.), *The Caspian Region Volume I: A Re-emerging Region* (London and New York: Routledge, 2004), pp. 119-142. Iran continues to conduct extensive economic, political, security and infrastructure cooperation with Armenia, despite its occupation of lands of Muslim-majority Azerbaijan. For more on Iran's policies toward the Armenia-Azerbaijan conflict, see Brenda Shaffer, "The Islamic Republic of Iran: Is It Really?" in Brenda

President Elchibey took a very idealistic view of alliances choices, and ignored many of the realities of the regional power dynamic. Consequently, during his presidency, Baku engaged in the conflict with Armenia with no allies, while Armenia enjoyed support from Iran and Russia. Accordingly, Azerbaijan incurred significant losses in the war, leading to loss of close to twenty percent its of territory and the creation of over 800,000 refugees. In light of these strategic losses, a popular uprising emerged against the Elchibey government, with wide public support for the return of Heydar Aliyev and a more pragmatic strategic and foreign policy.

Foreign policy under Heydar Aliyev and Ilham Aliyev

President Heydar Aliyev served as president of Azerbaijan from 1993 to 2003. He was succeeded by his son President Ilham Aliyev in 2003. Ilham Aliyev was elected to a second term as president in 2008. During the tenure of Presidents Heydar Aliyev and Ilham Aliyev, Azerbaijan's foreign policy features six major trends: 1) balancing of relations with major global and regional powers, instead of being a member of any exclusive alliance; 2) the absence of religious and other identity factors in determining the state's alliance and main

vectors of cooperation; 3) maintenance of full independence and not serving as a de facto vassal state of any regional power; 4) policies that serve the state of Azerbaijan and not the greater Azerbaijani ethnic group 5) transportation policies and energy export as an integral element of foreign policy; 6) active attempts to ensure the state achieves safe and recognized permanent borders through resolution of the Nagorno-Karabagh conflict with Armenia. The major document enshrining the foreign policy approach during the tenure of Presidents Heydar and Ilham Aliyev is the *National Security Concept of Azerbaijan*, which was adopted on 23 May 2007.⁷

In contrast to the Elchibey period, under the Aliyev presidencies, ideological and identity considerations were removed from alliance formation, and the state adopted a policy of balancing its relations toward various powers, especially Russia the United States, Turkey and Iran. In its *National Security Concept of the Republic of Azerbaijan*, it declares that "The Republic of Azerbaijan pursues a multidimensional, balanced foreign policy and seeks to establish it with all countries."⁸ Azerbaijan has pursued multiple alliances and cooperation with states that often possess

⁷ Ministry of National Security of the Republic of Azerbaijan, "National Security Concept of the Republic of Azerbaijan," Baku, May 23, 2007.

⁸ *Ibid.*

Shaffer (ed.), *The Limits of Culture: Islam and Foreign Policy* (Cambridge, MA.: MIT Press, 2006), pp. 219-239.

opposing strategic orientations. Baku maintains multidirectional security cooperation with a number of alliances, including opposing alliances such

With Georgia serving as its main transit state, Azerbaijan has viewed Georgia's stability as part of its own national security interests

as the Commonwealth of Independent States (CIS) and the North Atlantic Treaty Organization (NATO). In September 2011, Azerbaijan officially joined the non-aligned movement. In addition to ties with multiple states that belong to varying alliances systems, Azerbaijan has joined a large number of regional and international political groupings and has been very active in these organizations. In the Aliyev period, Azerbaijan's religious or ethnic ties have not affected Baku's choice of alliances and partners. While maintaining excellent ties with many Muslim-populated states and Muslim international organizations, neither Aliyev regime has developed special alliances with states on the basis of shared religious identity.

With Georgia serving as its main transit state, Azerbaijan has viewed Georgia's stability as part of its own national security interests. Accordingly, Azerbaijan conducts a special foreign policy toward Georgia. On

multiple occasions, Azerbaijan has attempted to strengthen Georgia's stability, at times through voluntary concessions on issues of major interest to Baku. For instance, Baku chose, contrary to the advice of and despite pressure from the World Bank and other international institutions, to sell natural gas to Georgia at a relatively low price in order to strengthen Tbilisi's economic stability. Next, Baku strongly encouraged the ethnic Azerbaijani minority in Georgia to support the ruling governments in Tbilisi and to integrate into Georgian state institutions, often to the chagrin of the local Azerbaijani minority. This minority constitutes close to 7 percent of the population of Georgia and 10 percent of the population of the capital.⁹ Third, Azerbaijan has offered conciliatory positions on border delimitation with Georgia in order to smooth the process. In addition, Azerbaijan invests funds in infrastructure in Georgia, especially in the transport sector. Azerbaijan has taken it upon itself to fund the Georgian section of a major railway project—the Baku-Tbilisi-Kars railway—that is being established to link Azerbaijan, Georgia, and Turkey.

As a small state located adjacent to three powers—Russia, Turkey and Iran, and involved in a territorial conflict with neighboring Armenia, Azerbaijan's foreign policy neverthe-

9 Major Findings of First General National Population Census of Georgia, 2004.

less serves the goal of retaining its independence and refusing to serve as a vessel state of any power. As part of this policy and in contrast to neighboring Armenia and Georgia, Azerbaijan has not agreed to the deployment of foreign forces in its territories.¹⁰ In addition, Baku purchases arms to build its military capability from a variety of states, not one dominant supplier.

In the Aliyev period, Baku has conducted a very calculated policy toward the ethnic Azerbaijani diaspora, guided by foreign policy considerations. Over 8 million citizens re-

Thus, in the Aliyev period the government's policies toward the Iranian Azerbaijanis were shaped by the state of relations with Iran

side in the Republic of Azerbaijan, the vast majority of whom are ethnic Azerbaijanis. Outside the borders there are approximately 30 million more ethnic Azerbaijani diaspora members. The largest diaspora community is in neighboring Iran (numbering approximately 25 million); ethnic Azerbaijanis comprise the majority of the population in the provinces of northwest Iran that border the Republic of Azerbaijan. In the Aliyev

¹⁰ The only exception to this policy is the lease to Russia of the Qabala radar station, which houses a small contingent of Russian forces.

period, Azerbaijan has established a state agency, the State Committee for the Diaspora, which maintains regular ties with the diaspora. In addition, since 2001, the Government of Azerbaijan sponsors a World Azerbaijani Congress meeting in Baku every five years. The Ministry of Foreign Affairs views many of the diaspora communities as useful contributors to Azerbaijan's foreign policy efforts, and its embassies maintain ties with Azerbaijani diaspora communities in a variety of locations, especially in the United States and Europe. However, in contrast to the approach many states take toward diaspora communities, the Republic of Azerbaijan has not granted special citizenship rights to ethnic Azerbaijanis from abroad, nor has it encouraged their immigration to Azerbaijan.

In contrast to the Elchibey period, under President Heydar Aliyev and President Ilham Aliyev, Azerbaijani state institutions have been cautious in promoting ties with the Azerbaijani community in Iran. Attempts at direct ties with this community could jeopardized bilateral relations with Tehran, and under both Aliyevs, Baku prioritized its ties with Tehran, as opposed to supporting the rights of the co-ethnic population in Iran. Thus, in the Aliyev period the government's policies toward the Iranian Azerbaijanis were shaped by the state of relations with Iran. When relations were cooperative, Baku took steps

not to aggravate Iran on this issue. In contrast to other Azerbaijani diaspora communities, Baku does not maintain formal ties with the Iranian Azerbaijani diaspora. For instance, Baku refrained from inviting representatives from Iran to the various meetings of the World Congress of Azerbaijanis, despite the fact that this group comprises the largest diaspora community of Azerbaijanis.

At the same time, Heydar Aliyev did at points use the issue to signal to Tehran on a variety of security issues, in response to Iran's threats to Azerbaijan. For example, in 1994-96, Iran closed its border with Azerbaijan a number of times, often simultaneously with Russia. In response, Baku would broadcast a television show called *Shahriyar*, which dealt with the culture of Iran's Azerbaijanis, which was also picked-up in Iran, evidently attempting to signal to Tehran that Baku had means to strike back at Iran if the border remained closed. In addition, following the July 2001 threats to Azerbaijani-commissioned survey boats in the Caspian Sea and tens of intentional violations of Azerbaijani airspace by Iranian warplanes, Baku renewed broadcasts of television programs in the Azerbaijani language in Iranian territory.¹¹

Although Azerbaijan has refrained from courting the ethnic Azerbaijani

¹¹ ANS TV (*Baku, in Azerbaijani*) 25 July 2001, reported by BBC broadcasting, 26 July 2001.

community in Iran and has not pursued irredentist policies toward its neighbor, Iran has still maintained a very hostile policy toward Azerbaijan throughout the post-Soviet era. This policy includes support for terrorist groups that operate to destabilize the regime in Azerbaijan, and maintenance of close ties and cooperation with Armenia, despite its occupation of Azerbaijani territory and Yerevan's expulsion of over 800,000 Azerbaijanis from their homes. As part of its cooperation with Armenia, Iran officially inaugurated a natural gas supply pipeline to Armenia in 2007 and has supplied its neighbor with natural gas since 2009. Iran also imports electricity from Armenia. On multiple occasions, the Armenian leadership has also called for greater Iranian involvement in the Nagorno-Karabagh negotiations process and hailed the Iranian role in this process.¹² During a September 2011 visit of the Armenian Foreign Minister to Tehran, the Armenian representative praised "Iran's stance on the Nagorno-Karabakh issue."¹³

Transportation and energy issues form a significant sphere of Azerbaijan's foreign policy activity. This is due to Azerbaijan's special trade and transportation challenges as a land-

¹² See for instance speech of Armenian President Serzh Sarkisian on June 22, 2010 in Berlin, http://www.rferl.org/content/Iran_Against_Any_US_Peacekeeping_Role_For_Karabakh/2081078.html

¹³ <http://tehrantimes.com/index.php/politics/2666-iran-says-concerned-over-nato-radar-system-in-turkey>

By choosing the route through Georgia and Turkey, Baku indicated that a security alliance with these states was the most beneficial of its various options

locked state and the prominence of energy in Azerbaijan's economy and foreign policy strategy. As stated by Foreign Minister Elmar Mammadyarov, "An Azerbaijani foreign minister deals a lot with transportation."¹⁴ Baku is also striving to become a major transit state itself, for trade by other states in the Caspian region. It has already become a major hub for flights to Afghanistan. In addition, Baku promotes export projects that would transport Central Asia's natural gas through Azerbaijan. Baku's intensive foreign policy efforts to realize the Baku-Tbilisi-Kars railway link reflect the importance of transport as part of the country's foreign policy.

Azerbaijan's decisions on its energy element reflect a variety of foreign policy considerations. As a landlocked energy exporter, Azerbaijan's oil export infrastructure passes through neighboring states before reaching world markets. In this state, decisions on energy export pipelines have larger political weight than those of sea-abutters, since they involve designating permanent transit

¹⁴ Foreign Minister Elmar Mammadyarov, 5 July 2009, speech Azerbaijan Diplomatic Academy, Baku (author's notes).

states. Azerbaijan's choice of an east-west route through Georgia and Turkey for its main energy export pipeline route reflects its primary alliance orientation in the 1990s. By choosing the route through Georgia and Turkey, Baku indicated that a security alliance with these states was the most beneficial of its various options. In addition, a landlocked state tends to choose as its transit state one that has the strongest interest in maintaining the flow of trade through its territory and therefore least likely to disrupt it in the service of foreign policy and other goals. Thus, Georgia was selected as Azerbaijan's main transit state.

During the independence period, Baku's view of the role of energy export as a foreign policy tool has evolved. During the first decade following independence, Baku attempted to leverage its energy export as a foreign policy tool. The Azerbaijani leadership estimated that its role as an energy exporter would build a strong interest on the part of the U.S. and Europe in stability in the South Caucasus, and thus they would actively work towards the resolution of the Nagorno-Karabagh conflict. Moreover, linking with the west via permanent energy export infrastructure was viewed as a conduit for greater cooperation and a close relationship with European-Atlantic institutions. However, during President Ilham Aliyev's second term of office, Baku seems to have become

aware of the limitations of energy as a political tool,, namely that it can't be successfully leveraged to achieve many of its main security goals, especially in terms of the resolution of the Nagorno-Karabagh conflict.

In the first stage of Caspian energy export, Azerbaijan adopted a "multiple-pipeline" export strategy in order to limit its vulnerability to disruptions by a single transit state and to expand its international connections. In the second round of energy export, centered on the export of Shah Deniz natural gas, Azerbaijan is most likely to continue its "multiple pipeline" policy and thus attempt to encompass new markets, in addition to those it reached during its first round of establishment of energy export infrastructure.¹⁵

Azerbaijan's growing natural gas exports will require an expansion of foreign policy activity and agreements. The nature of gas trade renders it much more susceptible to political considerations than that of oil or coal. Petroleum and coal are primarily traded on international markets with little direct connection between supplier and consumer. Natural gas, on the other hand, is supplied chiefly via pipelines, creating direct, long-term linkages between suppliers and consumers. The high cost of the majority

of today's international natural gas export projects means that consumers and suppliers must agree to mutual long-term commitments. Thus, as Azerbaijan brings online new natural gas exports in the coming decade, building the framework for the right export venue, will occupy a prominent part of its foreign policy agenda.

An additional major vector of Azerbaijan's foreign policy in the post-independence period centers on ensuring that the state achieves safe and recognized permanent borders through resolution of the Nagorno-Karabagh conflict with Armenia. Throughout the post-Soviet period, the resolution of the Nagorno-Karabagh conflict has occupied a major portion of Baku's foreign policy activity. In its *National Security Concept of Azerbaijan* document, restoring Azerbaijan's territorial integrity is listed as the first goal of its national security strategy. The conflict is the major determinant of its decisions in the United Nations, for instance. The need to cultivate resolutions in its favor on the Nagorno-Karabagh issue shapes its votes and coalitions in this international organization, as well as in other international and regional institutions.

Over the first two decades of independence, Azerbaijan's foreign policy strategy toward the Nagorno-Karabakh conflict has evolved. In

¹⁵ For more on Azerbaijan's second stage of energy export strategies, see Brenda Shaffer, "Caspian energy export phase II: Beyond 2005," *Energy Policy* 38 (2010) pp. 7209-7215.

the first decade, there was a strong belief in the role of international institutions and law in helping Azerbaijan resolve the Nagorno—Karabakh conflict and regain control of its occupied territories. In parallel, Azerbaijan conducted a strong cultural diplomacy effort. Azerbaijan attempted to “make its case” on a variety of foreign policy stages, believing that once the world heard the facts, the international community would adopt stances in its favor, and support from a variety of states and international institutions would have a meaningful impact on the resolution of the conflict. During President Ilham Aliyev’s second term of office, there seemed to emerge an awareness of the limited impact of the various resolutions and judgments of the various international institutions and states not directly affected by the outcomes of the conflict.

The existence of the conflict and the unresolved issues of the status of Azerbaijan’s occupied territories and refugee population have served as a critical constraint on Baku’s policy options as well as a useful lever for neighboring powers. The conflict significantly affects Azerbaijan’s relations with most global and regional powers, especially Russia. External support, mainly from Russia, has been a key factor in the emergence of the conflict and thus external support is also key to its resolution.

The improvement of the military and Azerbaijan’s domestic economic and social situations has also increased the assertiveness of its foreign and security policies

Towards the future

Beginning in 2005, with the inauguration of the Baku-Tbilisi-Ceyhan pipeline, Azerbaijan’s revenues dramatically increased, allowing it to expand its foreign policy and security policy capacity, as well as to greatly improve the standard of living and quality of government services. As part of its improvement of state institutions and power, Azerbaijan has significantly raised the level and quality of the Azerbaijani military forces, and is making efforts to increase enlistment rates, training quality of the recruits and the overall professionalism of the military. The improvement of the military and Azerbaijan’s domestic economic and social situations has also increased the assertiveness of its foreign and security policies. During the 2011 military parade on Armed Services’ Day, President Ilham Aliyev stated that the “The military build-up will be continued...The country, which is at war, must first of all pay attention to the military build-up. Military expenditures take the first place in the

state budget. Our army must demonstrate perfect readiness in any conditions. We will use all opportunities to strengthen the material and technical basis of the army.”¹⁶

Azerbaijan is also highly aware that it is a small country with limited power, located next to a number of strong powers, as well as being situated at the center of U.S.—Russia strategic competition. Accordingly, Azerbaijan adjusts its foreign policies to the changes in the level of commitment and policies of various powers toward the region. For instance, Washington’s level of commitment and activity in the South Caucasus has changed a number of times during the post-Soviet period. As stated by Novruz Mammadov, Chief of the Foreign Relations Department in the Administration of the President of Azerbaijan, “After independence, we thought that the U.S. could offer all solutions for their problems. But through experience, we learned that it was not the case in actuality.”¹⁷ In addition, Russia has become increasingly assertive in the region, including in the military sphere.

During the second term of office of President Ilham Aliyev, some shifts in Baku’s bilateral relations are emerging in response to changes in Azerbaijan’s strategic environment.

Among the important changes are the relative retreat in terms of US presence and activity in the South Caucasus, especially under the Obama Administration, Russia’s invasion of Georgia during the August 2008 war, and Turkey’s agreement in principle to open its border with Armenia and other policy overtures to improve ties between Ankara and Yerevan. These shifts dramatically affect Azerbaijan’s strategic environment and thus its foreign policy challenges and strategies.

¹⁶ *APA news service, June 28, 201.*

¹⁷ *Author’s interview with Novruz Mammadov, Baku, April 2011.*

*Taking responsibility
for our own problems
and our own solutions*

**Gerard
Libaridian***

Abstract

This article focuses on the problems that the Caucasian states have faced during last 20 years, following the dissolution of the Soviet Union. The article emphasizes that mentalities and behaviors do not change at the same rate as laws and regimes in countries; the implementation of very good laws is often hampered by the inability of those responsible for the execution of these law to fully internalize the spirit of the laws and what such laws intended to achieve. The article also calls for the republics to take responsibility for the future of the region.

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On this, the 20th anniversary of the independence of the South Caucasus republics, it is most constructive to consider the following questions: How did we understand the processes of the break up of the Soviet Union? What terminology did we use to articulate that worldview? And, what are the consequences of those perceptions?

It was clear from the beginning that the three republics would face major challenges when they became independent. Yet it does not appear that the spectrum and depth of the challenges and the interrelationship between these challenges were fully recognized, either by those pursuing independence, or those watching it happen.

Indeed, the very tricky but widely used term “transition” ostensibly covered all these challenges, covering them so well that the term “transition,” having been invested with both descriptive and prescriptive powers, became a misnomer. And just as in the good old times of the Soviet period, for most of the states involved, terminology concealed more than it revealed. This teleologically loaded term, in fact, covered up the complexities of the transition process. It was difficult and possibly inconvenient to fully recognize the number and types of revolutions that were needed to make that difficult – and in some cases, seemingly impossible – transition possible.

Twenty years constitute a short period of time in a region where tragic events that might have occurred 50, 100, 1,000 years ago occupy more space in collective memories than the longer periods of coexistence, if not friendship.

We are living in an age where a search engine can offer you your whole his-

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tory and many versions of it within seconds, and on your home computer screen—and that search engine may look decrepit and old and antiquarian within a few months. But for us in the region, we look at those events of the past as more important determinants of our future than the larger challenges we are all facing on a regional and global level today.

The multiplicity of revolutions needed for a successful transition, and the difficulties of imagining and implementing a strategic plan for these revolutions are complex enough. But even more challenging than the adoption of legislation, the drafting of constitutions and the establish-

ment of institutions to implement those legislative initiatives and constitutions was the slow change in the patterns of behavior and mentalities of those who were both the promoters of the new laws and constitutions, and their executors. Laws can be reshaped overnight; people cannot be.

At the start of their independence and to replace the lost ideology of communism the three republics had two choices. They could have opted for legitimacy of government based on the concept of civic statehood, on citizenship and constitutionally based relations between citizens and the state; or for the legitimization of statehood based mainly on ethnicity and nationalism. We ended up with very mixed results. At the end, or at present at least, nationalism seems to have become more dominant. And the more governments moved toward authoritarianism and lost their legitimacy, the more they relied on nationalism for the legitimization of power.

Conflict resolution was a Western term with serious implications of its own. Sometimes I had the feeling that Western based conflict resolution meant, “you guys provide the conflict; we’ll provide the resolution.”

Other than citizenship, we had a very important couple of terms that became key words. One of them was

“conflict resolution,” which became central to contemporary discourse, and generally fostered a good amount of grant-writing and grant-giving - and that’s the story of another term that tells the story of a region trying to get out of a bankrupt and, by this time, a toothless empire.

Conflict resolution was a Western term with serious implications of its own. Sometimes I had the feeling that Western based conflict resolution meant, “you guys provide the conflict; we’ll provide the resolution.” We certainly provided those conflicts. There were plenty of mediators, including in the West, who used these conflicts as a means of pursuing their own geopolitical and strategic interests, regardless of the fact that actual conflict resolution was not achieved.

In this respect, I should say that I do not think it is a matter of who wants peace, which country opposes it and which country supports the continuation of the conflict. Rather, it has been a question of whose peace it will be. What if a peace, with its underlying conditions, poses a threat to one of the major mediators? There is a certain kind of peace that threatens the interests of some and increases the influence of others. It seems to me that, broadly speaking, after 20 years, there are good peaces and there are bad peaces, just as, apparently, there are good wars and bad wars, rather than good countries and bad countries.

These conflicts have cost these republics and peoples much more than the large number of lost lives, lost limbs, lost opportunities and displaced peoples on all sides. These conflicts have produced swollen military budgets, increased militarization of societies, and securitization of state policies that have distorted state spending, undermined the promise of independence and made progress and democratization, including human rights, easier to disregard.

In this process, it is not just the local conditions that have produced elites that now have an interest in continuing the conflicts – elites, sometimes political, that acquire economic leverage, or economic elites that buy up or become political elites. We are facing a very dynamic situation where the interests of major countries adjust to the dynamics of the local elites and vice versa.

Now that we have studied the multifaceted nature of the challenges facing the new states and political entities that emerged 20 years ago in the Caucasus, we can see that the challenge was not just to these republics, but also to their more powerful neighbors and the international players; these “big” players too needed to rethink radically their perceptions of the region. An even bigger challenge for the big players was to imagine the region as an integral part of a genuinely “New World.” In this task, they failed altogether, much as the local

Now that we have studied the multifaceted nature of the challenges facing the new states and political entities that emerged 20 years ago in the Caucasus, we can see that the challenge was not just to these republics, but also to their more powerful neighbors and the international players

players failed, at the end, to face their own challenges. The big players were unable to envisage the region without the assumptions that made the Cold War possible. For the US and Russia, specially, strategies regarding this region were based on a zero sum game, and the strong starts made by all three republics were marred by their perceived need to deal with threats to national security or territorial integrity.

By and large, the burden for these abortive transitions has been placed entirely on the three republics. Yet, for the transition to have had a chance to succeed, it was critical that the major powers, regional and international, did themselves transition into a new mode of thinking.

In effect, while supporting a “New World Order,” the big players sustained a mini-Cold War in this region and in others. The West—specifically the US—spoke as if Russia was now to be seen as a partner, but acted as if the idea was to make Russia sub-

servient; some in Washington insisted on destroying it, just as Germany was treated after World War I.

The new war, thus defined, certainly lacked the ideological ardor of the simpler and more comfortable justifications for the previous global antagonism: “communist and enslaved” versus “democratic and free.” Yet it was almost as ferocious, because now it entailed the involvement of Western economic forces in the name of national and energy security, that could be deployed in order to achieve strategic goals, or to formulate relations of strategic interest in a manner that prioritized energy interests.

Now Baku, Tbilisi and Yerevan were starting to look to Brussels and Washington as well as Moscow for solutions to their problems – indeed, for salvation. More often than not, they acted as if they were guests in the region--waiting to be served up proposals by the OSCE and others for the resolution of their problems, rather than realizing that (i) each was in the region to stay; (ii) so were their neighbors; and, therefore, (iii) it was necessary to find ways to accommodate each other and each other’s interests.

It is true that conflicts continue for reasons other than their initial causes. But, ultimately, these are local problems. It is up to Azerbaijan, Armenia, and Georgia to find solutions to the problems of their region.

Governments continue to find solace in the principles of international law and thereby connect to the larger community for whom such conflicts are, at best, diversions, and at worst, excuses and means to project themselves into the region.

Given the recent political and financial developments in Europe, the Middle East, and the U.S., we must recognize that we need to take greater control of our policies as Caucasian states, and assume responsibility for concessions and compromises that are necessary and unavoidable. The so-called international community will be absorbed in domestic problems and urgent problems in other regions of the world for a long time to come with increasingly fewer resources, time, and concentration invested in the region except, possibly, by the regional big powers with immediate local interests.

There are some steps we need to take to get out of this situation. We need to change our rhetorical focus from war and polarized positions to the need and possibility of peace, and work toward the legitimization of the position of compromises on all sides. We need to change the course we have taken in the teaching of so many separate and opposing narratives of our own histories, particularly as we educate the next generations.

We need to start thinking of ways to develop a sense of the region itself.

We need to change the course we have taken in the teaching of so many separate and opposing narratives of our own histories, particularly as we educate the next generations

As far as the governments in the region are concerned, we currently have a geographic political area, but not a mental and intellectual framework that imagines the region. While it is unlikely that the independent status of these states will disappear, we have already seen an erosion of the degree of independence. That erosion will continue without the development of a regional outlook. The lessons of the first republics should teach us something. And if that's not enough, we should look at the 2,000-year history of the region and see how it has been governed throughout history, to see that unless you decide you are a region and act as such, then you will be taken apart, bit by bit.

I have done two experiments since leaving my position in Armenia that have some relevance to this discussion. The first was when I traveled to Istanbul, Yerevan, Baku, Tehran, Tbilisi, and gave the same lecture on conflicts, focusing on the Karabakh conflict. The repetition was boring, so in each city, I was more critical of the policies of that particular government and kinder to the others. The interesting thing for me was the questions I was asked. There were all kinds of questions.

But at the end, in each city, there was inevitably one question that came up when I insisted on my critique of the policies of the government of that particular country. And that question was, "But sir, don't you see what neighborhood we are living in?" Turks looking at the neighborhood said, just look at Iraq, Syria, Armenia, Georgia, Iran, etc. And then the Iranians would say, look at those Azerbaijanis, Armenians, Turks, Arabs, etc. And so with Azerbaijanis, Armenians and Georgians. Every one of them thought the neighborhood was bad, but they thought it was bad essentially because of the others.

And if that's not enough, we should look at the 2,000-year history of the region and see how it has been governed throughout history, to see that unless you decide you are a region and act as such, then you will be taken apart, bit by bit.

The second experiment was in Istanbul, where I had invited mid-level officials from Armenia, Azerbaijan and Georgia to meet. We had prepared, with Turkish colleagues, a series of questions on foreign policy; the only issue we left out was the Karabakh conflict. The positions of the three republics were about 90 percent overlapping in their policies on the rest of the issues – 90 percent, if not more.

We need to rethink the one conflict that pits entities within the region against each other, and that's the Karabakh conflict.

And this fact has not been appreciated. Despite this overlapping, there has not been a single document on foreign policy issues signed by the three republics.

We need to rethink the one conflict that pits entities within the region against each other, and that's the Karabakh conflict. We have to get out of certain mindsets. Azerbaijani policymakers should drop the illusion that by strangling Armenia's economy with the help of Turkey through blockades, the Armenian side will have to make concessions that it will not otherwise make. And the Armenian side will have to drop the illusion that diasporan investments will be equivalent to investments in Azerbaijan in the hydrocarbon resource sector. This course is best described as mutually assured destruction.

Ultimately, we must also relinquish our reliance on the abstracted principles of international law, such as self-determination, territorial integrity, principles the international community doesn't seem to care much about, and respects only sporadically and selectively. We have to stop using terms like autonomy, territorial integrity and independence as starting points for negotiations. State-

ments of principles and reliance on the moral high ground—and who cannot formulate one to justify his position?—do not amount to negotiations. Negotiators who think the international community—as a whole or otherwise—will determine its position or positions on these conflicts on the basis of one or the other principle of international law must reevaluate their approach, in view of the developments over the past decade. And those who think “pragmatically” but also insist time is on their side must

We have to start imagining our own solutions and take responsibility for our own future in the region.

realize what they are losing as time passes. In every frozen conflict, the new generations no longer remember that their enemies were their neighbors of yesterday. The “enemy” is dehumanized; hatred, at that point, becomes possible, indeed inevitable, given the nationalist rhetoric that has overwhelmed the discourse. The consequences of this process, currently under way, have not yet been measured.

We have to start imagining our own solutions and take responsibility for our own future in the region.

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The Nagorno-Karabakh conflict:

*Regional implications
and the peace process*

**Kamer
Kasım***

Abstract

The article explains the importance of the one of the “knots” in the region, the Nagorno-Karabakh conflict, and lays out the implications of the conflict for the domestic and foreign policies of Azerbaijan and Armenia as well as regional powers (i.e. Russia, Turkey, and Iran). The author provides a brief history of the conflict resolution process to date, and argues that Azerbaijan’s domestic stability was badly affected by the conflict, which delayed the establishment of a stable state structure. Additionally, Armenian domestic politics have become hostage to the Nagorno-Karabakh conflict due to the closure of its borders with Turkey and its increased dependency on Russia. The author concludes that prolonging the status quo blocks any kind of integration and keeps alive the possibility of another destructive war in the Caucasus.

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The collapse of the Soviet Union and the end of the Cold War ignited numerous regional conflicts. Some of these disputes broke out immediately following the conclusion of Soviet rule, while others were longer-standing. The Nagorno-Karabakh conflict was underway before 1991 as a domestic dispute within the USSR; with the dissolution of the Soviet Union, it became a clash between two newly independent states, Azerbaijan and Armenia, and as such it was a regional issue. The Nagorno-Karabakh conflict was one of the bloodiest ethnic conflicts of the post-Soviet era, claiming more than 25,000 lives. As a direct consequence of the conflict, there are approximately 1 million people internally displaced, persons and 20% of the territory of Azerbaijan is occupied. A ceasefire has been maintained since 1994, though, violations have occasionally occurred, a reminder that the conflict could erupt again.

The Nagorno-Karabakh conflict has implications for the domestic and foreign policies of both Azerbaijan and Armenia. The conflict has influenced and also been affected by the policies of other regional powers, namely Russia, Turkey, and Iran. In its capacity as a non-regional actor and a superpower, the U.S. has also been influential, particularly after the ceasefire was reached. Azerbaijan's domestic stability was badly affected

during the conflict and the establishment of stable state structure was delayed as a result of the conflict. Azerbaijan was unable to develop – and profit from - its natural resources as quickly as it otherwise would have. The Nagorno-Karabakh conflict and consequent instability of the Caucasus hindered the implementation of the energy projects that would carry the wealth of the Caspian to world markets.

The closure of Armenia's borders with Turkey and Azerbaijan increased Armenia's dependency on Russia.

Armenia was unable to develop healthy relations with its neighbors. The closure of Armenia's borders with Turkey and Azerbaijan increased Armenia's dependency on Russia. In addition, Armenian domestic politics have become hostage of the Nagorno-Karabakh conflict. Both Azerbaijan and Armenia spend substantial portions of their national budgets on arms. Azerbaijan is losing hope that the resolution of the conflict and the restoration of territorial integrity will be achieved through negotiation process. Modernizing the Azerbaijani army would give Azerbaijan the hope and confidence needed to end the occupation of its territories. As long as Azerbaijani territory is under the Armenian occupation, Armenia is

anxious about possible military intervention by Azerbaijan. This creates insecurity in Armenia, and increases the demand for military spending. Its increasing budget from oil and gas revenues gives Azerbaijan the upper hand in terms of military expenditure. Armenia continues to rely on Russia to purchase weapons and provide security. Russia, by trying to prevent Azerbaijan's integration with the West and by maintaining its military presence in Armenia without much objection there, has benefited from the conflict. Turkey is endeavoring to prevent the occupation of the Azerbaijani territories and the legalization of the occupation, through diplomatic mechanisms. The Nagorno-Karabakh conflict put Turkey in a very difficult position, since Turkey considers Azerbaijan its most important ally in the region, and the crucial gateway to Central Asia.

Iran also wanted to play a role in the negotiation and conflict resolution process, but its isolation prevents it from doing so. The role of the US during the conflict period and the peace process has been restricted due to the powerful influence of the Armenian diaspora in the US. The Congress decision to stop the US administration from providing aid to Azerbaijan (Freedom Support Act Section 907) contradicted US national interests in the Caucasus, and indeed the realities of the situation in the region.

Negotiations since the ceasefire have been largely unproductive, which means there remains a risk that military conflict will be resumed. The Russian-Georgian conflict of August 2008 provides a stark reminder of the threat to the regional stability posed by so-called "frozen conflicts".

This article will evaluate the Nagorno-Karabakh conflict and the subsequent peace process in terms of their regional implications. The factors influencing the conflict will be analyzed and the reasons for the failure of the peace process will be examined.

Brief History of the Conflict

The Nagorno-Karabakh conflict started as a domestic dispute within the USSR before the collapse of the Soviet Union. After the end of the Soviet Union, the conflict became first a regional and then an international issue. However, the roots of the conflict lie in the historical claims. Armenia claims that the region was a part of the Armenian kingdom as early as the fourth century BC. However, Karabakh was aligned to kingdoms in the east, where Azerbaijani Turks lived. Throughout history Karabakh, has been ruled by Caucasian Albanians, Arabs, Mongols, Turks, and Persians. The Caucasian Albanian state existed until the ninth century AD, and from

the seventh century, with the arrival of Arabs, the state converted to Islam. There are arguments that the inhabitants of Karabakh are the descendants of Albanians. There were Khanates in the Caucasus until the Russian invasion of the region. Russia gained control of Karabakh after the Russian-Persian war of 1812-1813 with the Treaty of Gulistan, and Russian rule was consolidated after the second Russian-Persian war with the Treaty of Turkmenchay in 1828.¹

Russia encouraged Armenians to settle in Nagorno-Karabakh. This policy, along with population exchanges and the deportation of the Muslim population of the Caucasus, the Armenian population increased sharply. This process was secured by the Turkish-Russian war of 1877-1878. Russia's perception of Armenia as a natural ally in the Caucasus shaped Russian strategy. After 1828, 57,000 Armenians emigrated to Karabakh and Yerevan. In 1823, the Armenian population was 8.4% of the total population of Karabakh, with the Muslim population making up 91%. By 1832, Muslims represented 64.8% of Karabakh's total population, Armenians 34.8%. At the end of the nineteenth century, the Armenian popula-

tion had reached 53.3%, and Muslim population stood at 45.3%.²

A violent clash between Armenians and Azerbaijani Turks broke out in 1905, and 10,000 Azerbaijani Turks were killed and high officials of the provincial government were assassinated by an armed Armenian group, Dashnaksutyun, or "the Armenian Revolutionary Federation". After the short-lived Transcaucasus Republic that followed the 1917 Russian revolution, Azerbaijan, Georgia and Armenia were declared independent. However, all of them lost their independence with the advances of the Red Army.³ Nagorno-Karabakh was placed under the jurisdiction of Azerbaijan by the July 5th 1921 ruling of the Caucasian Section of the Russian Communist Party Central Committee. Nagorno-Karabakh was made autonomous, and in 1923 its capital was moved from Shusha to Khankendi (Stepanakert). Armenia was not happy that Karabakh had remained within the Azerbaijan SSR, and demanded its incorporation within Armenian SSR. A petition signed by 2,500 Armenians was presented to Moscow in 1964, demanding Karabakh's inclusion within the Armenian SSR. There were also violent clashes

1 See Suzanne Goldenberg, *Pride of Small Nations, the Caucasus and Post-Soviet Disorder*, London and New Jersey: Zed Books, 1994, p. 157. Michael P. Croissant, *the Armenia-Azerbaijan Conflict, Causes and Implications*, Westport, Connecticut, London: Praeger, 1998, p. 11. Svante E. Cornell, *the Nagorno-Karabakh Conflict*, http://www.silkroadstudies.org/new/inside/publications/1999_NK_Book.pdf, Uppsala University Report No. 46, 1999, p. 5.

2 Suzanne Goldenberg, *Pride of Small Nations, the Caucasus and Post-Soviet Disorder*, London and New Jersey: Zed Books, 1994, p. 158. In 1820 Armenians consisted of only 20% of the total population of Yerevan (Goldenberg, p. 158).

3 Svante E. Cornell, *the Nagorno-Karabakh Conflict*, http://www.silkroadstudies.org/new/inside/publications/1999_NK_Book.pdf, Uppsala University Report No. 46, 1999, p. 6-8.

in Nagorno-Karabakh during which 18 people were killed.⁴

During Gorbachev's presidency, Armenian demands were expressed with organized demonstrations, and in 1987 a petition was signed by 75,000 Armenians demanding that Nagorno-Karabakh be made part of the Armenia SSR. In 1988, the Armenians majority in Nagorno-Karabakh's Soviet ("Assembly") passed a resolution demanding to be put under Armenian jurisdiction. The USSR Supreme Soviet rejected the demand. In January 1989 Moscow imposed direct rule over Nagorno-Karabakh. In November 1989 this direct rule was lifted and Nagorno-Karabakh returned to the direct control of Azerbaijan.⁵

The most serious massacre happened in Khojali, which drew the attention of the international media to the Nagorno-Karabakh conflict.

Violence against Azerbaijani Turks in Nagorno-Karabakh increased towards the end of 1989. The failure of the authorities to stop the attacks sparked demonstrations in Baku.

⁴ Michael P. Croissant, *the Armenia-Azerbaijan Conflict, Causes and Implications*, Westport, Connecticut, London: Praeger, 1998, p. 20. Suzanne Goldenberg, *Pride of Small Nations, the Caucasus and Post-Soviet Disorder*, London and New Jersey: Zed Books, 1994, p. 161.

⁵ Kamer Kasim, "The Nagorno-Karabakh Conflict from Its Inception to the Peace Process", *Armenian Studies*, Issue 2, June-July-August 2001, pp. 170-185.

Soviet troops entered Baku on January 20th 1990 and a state of emergency was declared. This day is now known as Black January: as a result of Moscow's intervention, hundreds of people died and many were arrested. The Nagorno-Karabakh conflict and forced deportation of Azerbaijani Turks from Karabakh began before the end of the Soviet Union, and when it finally disintegrated, the situation was already out of control.⁶

After the collapse of the Soviet Union, Azerbaijan and Armenia became independent. Nagorno-Karabakh also declared its independence, as a "republic". The conflict became a regional issue and in 1992, it intensified. During their advance into Azerbaijani territory, Armenian forces massacred Azerbaijani Turks and committed serious human rights violations. The most serious massacre happened in Khojali, which drew the attention of the international media to the Nagorno-Karabakh conflict. On the evening of February 25th 1992, Armenian forces attacked Khojali, killing 613 people in an act of ethnic cleansing. It is widely believed that the Khojali massacre was committed by Armenian forces with the help of the Russian 366 Motor rifle regiment. The fall of Khojali was the first key strategic loss for Azerbaijan. Later on, the Armenian forces occu-

⁶ Michael P. Croissant, *the Armenia-Azerbaijan Conflict, Causes and Implications*, Westport, Connecticut, London: Praeger, 1998, pp. 36-37.

pied Lachin and Shusha and pushed the Azerbaijani forces out of Nagorno-Karabakh. On May 19th 1992, the Armenian attack on the autonomous exclave of Nakhichevan led to a dispute between the two regional powers; Turkey and Russia. In Turkey, the possibility of military intervention to protect Nakhichevan was discussed, in accordance with the 1921 Kars Treaty. In response, Russia's Commander of the CIS Joint Armed Forces, Shaposhnikov, stated that Third Party intervention (i.e. by Turkey) could trigger a Third World War. In the end, the Armenian forces ceased their attack on Nakhichevan and the crisis ended. However, the incident indicated that the Nagorno-Karabakh conflict had implications beyond Azerbaijan and Armenia.⁷

The occupation by Armenian troops extended beyond Nagorno-Karabakh, which created domestic instability in Azerbaijan. In addition to Nagorno-Karabakh, seven districts were occupied: Kelbajar, Lachin, Kubatli, Cebrail, Zangelan, Agdam and Fuzuli. The United Nations Security Council passed several resolutions calling for an immediate cease-fire, the withdrawal of the occupying forces and the reaffirmation of Azerbaijan's sov-

ereignty and territorial integrity. The UN resolutions did not change the situation on the ground. On May 12th 1994, the a ceasefire was reached with the Russian mediation, and the conflict reached a stage of 'Frozen Conflict'. Since then, the occupation of Azerbaijani territories, including Nagorno-Karabakh and seven adjacent districts, has continued.

Regional implications of the conflict

The Nagorno-Karabakh conflict has at least delayed, if not prevented, the construction of state structures in Azerbaijan and Armenia; the conflict has also prevented Azerbaijan and Armenia from strengthening their sovereignty. As for the Caucasus, the Nagorno-Karabakh conflict contributed to regional instability and negatively affected the implementation of energy projects. The policies of regional powers, particularly, those of Russia, have determined the direction of the Nagorno-Karabakh conflict. Russia had difficulty accepting the new states of the Caucasus as independent, sovereign entities, and tried to influence and even control their foreign policies. One mechanism by which Russia was able to exert influence on the Caucasus republics was the Commonwealth of Independent States (CIS); another key tool was the Russian military presence in the region. Azerbaijan's initial rejection

⁷ Kamer Kasım, "The Nagorno-Karabakh Conflict From Its Inception to the Peace Process", *Armenian Studies*, Issue 2, June-July-August 2001, pp. 170-185. Michael P. Croissant, *the Armenia-Azerbaijan Conflict, Causes and Implications*, Westport, Connecticut, London: Praeger, 1998, pp. 78-81. Kamer Kasım, "Azerbaycan ile İlişkiler", *USAK Stratejik Gündem*, <http://www.usakgundem.com/yazar/1990/azerbaycan-ile-ilişkiler.html>, 1 March 2011

of CIS membership and the Russian military presence in its territories that this membership entailed were significant factors in Moscow's support for Armenia in the Nagorno-Karabakh conflict. However, it is likely that Russia would have cooperated closely with Armenia regardless, due to their historical connection.

After Azerbaijan's entry into the CIS, with the help of other CIS members, Russian mediation led to the ceasefire. As the article will discuss below, the peace process has been conducted under the auspices of the Organization for Security and Cooperation in Europe Minsk Group (known as OSCE since 1994; previously it was called Conference on Security and Cooperation in Europe, or CSCE). Although Russia is one of the Co-chairs of the Minsk Group, it initiated its own peace proposals, and even undermined the role of OSCE. Russia pursued a more assertive strategy towards the Caucasus and Central Asia after introducing its 'Near Abroad' policy, which enabled it to regain its status in the region, as well as increasing its control over the region's energy resources. It is debatable to what degree the 'Near Abroad' policy truly served Russian interests. On one hand, Russia was able to some extent maintain its military presence, and delayed Azerbaijan's and Georgia's integration with the West. On the other hand, Russia alienated it-

As Brzezinski stated, 'the near abroad option offered Russia not a geopolitical solution but a geopolitical illusion'

self from the West and other former Soviet Republics. And in the end, Azerbaijan chose the Baku-Tbilisi-Ceyhan oil pipeline as a major export route for its oil, and the Baku-Tbilisi-Erzurum pipeline for its natural gas. Russian support for Armenia in the Karabakh conflict provoked anxiety over national security in Azerbaijan, and prompted Azerbaijan to try to develop cooperation with the West. As Brzezinski stated, '*the near abroad option offered Russia not a geopolitical solution but a geopolitical illusion*'.⁸

The Nagorno-Karabakh conflict also affected Turkey's regional strategy. Turkey considers Azerbaijan its most important ally in the Caucasus, and Azerbaijan's stability and territorial integrity are crucial for the implementation of the energy projects. In comparison with Russia, Turkey lacks of experience in dealing with regional conflicts. However, Turkey used all the available diplomatic channels to bring the conflict to the UN and OSCE agendas. Turkey also closed its border with Armenia after the Armenian occupation of Kelbajar.

⁸ Zbigniew Brzezinski, *The Grand Chessboard American Primacy and its Geostrategic Imperatives*, New York: Basic Books, 1997, p. 115.

Turkey followed this policy despite pressure from its Western allies to re-open the border. Armenia's objection to Turkey's potential mediation role in the Karabakh conflict - on the grounds that Turkey supports Azerbaijan - limited Turkey's influence over the peace process. Unresolved conflict has also prevented the normalization of Turkish-Armenian relations, despite the conducive atmosphere to reconciliation that followed the August 2008 Russian-Georgian conflict.⁹ The Armenian-Georgian border was closed during the conflict, which badly impacted on the Armenian economy; 2/3 of its foreign imports come to Armenia via Georgia.¹⁰ This factor forced the Armenian administration to rethink its relations with Turkey. Protocols were signed between Turkey and Armenia on October 10th 2009. One of the central issues in the protocols was a bilateral agreement to open the border within two months after the protocol entered into force.¹¹ Azerbaijan objected to the protocols even as they were being negotiated, on the grounds that there was no condition for the solution of the Karabakh conflict. On the other hand, Prime Minister

9 For the impact of the August 2008 conflict see Kamer Kasım, *Soğuk Savaş Sonrası Kafkasya*, Ankara: USAK Yayınları, 2011, chapter IV.

10 Naira Melkumian, "Armenia: Economy Hit by Georgian War", *IWPR*, 16 October 2008.

11 For the text of the protocols, see <http://www.mfa.gov.tr/protocol-on-the-establishment-of-diplomatic-relationships-between-the-republic-of-turkey-and-the-republic-of-armenia.en.mfa>

Erdogan assured Azerbaijan that Turkey would not open the border with Armenia without the resolution of the Karabakh conflict.¹² Ultimately, this normalization process between Turkey and Armenia was not going smoothly, and finally the Armenian government suspended the process. This process indicated that the solution of the Nagorno-Karabakh conflict is the most important issue in the opening of the Turkish-Armenian border. For the Armenian side, the Karabakh issue has nothing to do with its relations with Turkey. Thus Turkey's demand that the solution of the Karabakh problem be incorporated in the normalization process for Turkish-Armenian relations, and in the opening of the Turkish-Armenian border, is unacceptable. Armenia wants Turkey to draw a distinction between its relations with Armenia and the Karabakh issue. However, it is difficult as well as contradictory for Turkey to open its border with Armenia without any kind of agreement being reached between Azerbaijan and Armenia over Karabakh, given that Turkey closed its border with Armenia not because of Armenia's allegations of genocide or its ambiguity over Turkey's territorial integrity, but because of the continuing Armenian occupation of Azerbaijani territories.

12 "Erdoğan'dan Şehitlik Camiine Mesaj Gibi Ziyaret", *Zaman*, 13 May 2009; Mina Muradova, "Azerbaijan: Turkish Prime Minister Offers Strong Support For Baku's Position on Karabakh", *Eurasia Insight*, <http://www.eurasianet.org/departments/insightb/articles/eav051309a.shtml>, 13 May 2009.

It is impossible to talk about peace and stability in the Caucasus without first addressing the Karabakh conflict.¹³

Iran has played a limited role in the Nagorno-Karabakh conflict, before and after the ceasefire. However, it did act as a critical supply line for Armenia during the conflict. If Iran had behaved differently, and closed its border, Armenia would have faced a very tricky situation, one that could have pushed the government to be less intransigent, and be more open to compromise during the conflict. Despite the rhetoric of the Iranian government, Iran did not support Azerbaijan during the Karabakh conflict; on the contrary Iran maintained its cooperation with Armenia, in areas ranging from the energy sector to weapons technologies.¹⁴

¹³ See Kamer Kasım, *Soğuk Savaş Sonrası Kafkasya*, Ankara: USAK Yayınları, 2011, pp. 91-111.

¹⁴ For Iran's relations with Armenia and Azerbaijan, see Geoffrey Gresh, "Coddling the Caucasus: Iran's Strategic Relationship with Azerbaijan and Armenia", *Caucasian Review of International Affairs*, Vol: 1, No: 1, Winter 2006, pp. 1-13. Mitat Çelikpala, "Iran-Ermenistan İlişkileri ve Kafkaslar'a Yansımaları", *Stratejik Araştırmalar Dergisi*, No: 13, May 2009, pp. 123-129; Gökçen Ekici ve Nazmi Gül, "Ortak Tehdit Algulamaları ve Stratejik İttifaka Doğru İlerleyen İran-Ermenistan İlişkileri", *Stratejik Analiz*, Vol: 2, No: 22, 2002, pp. 37-43. Vladimir Socor, "Iran-Armenia Gas Pipeline: Far More Than Meets the Eye", *Eurasian Daily Monitor*, Vol: 4, No: 56, <http://www.jamestown.org/single/?nocache=1&txtnews%5Bttnews%5D=32607> 21 March 2007. Emil Danielyan, "US Concerned by Armenia's Energy Ties with Iran", *EurasiaNet*, <http://www.eurasianet.org/departments/insight/articles/eav06>., Brenda Shaffer, "Iran's Role in the South Caucasus and Caspian Region: Diverging Views of the US and Europe", Eugenia Whitlock (Ed.), *Iran and Its Neighbours: Diverging Views on a Strategic Region*, Berlin: Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs), 2003, pp. 17-22. Kamer Kasım, *Soğuk Savaş Sonrası Kafkasya*, Ankara: USAK Yayınları, 2011, pp. 143-155.

Iran perceives Armenia as a kind of buffer zone between Iran and Azerbaijan, of which it is suspicious, harboring particular concern about the significant number of Azerbaijani Turks living in Iran (over 20 million). Azerbaijan's close cooperation with the West and its energy policy is an additional source of unease.

As a non-regional superpower, U.S. policy was also affected by the Nagorno-Karabakh conflict. The U.S. policy towards the Caucasus was basically energy oriented, especially prior to the September 11th terrorist attacks in 2001. However, the U.S. policy towards the Karabakh conflict contradicted its energy strategy. Despite the fact that Azerbaijan is the most important country in the region in terms of the U.S. energy policy, the U.S. administration was unable to give sufficient support to Azerbaijan due to the influence of the Armenian lobby. The U.S. Congress passed the Freedom Support Act Section 907, which prevented the U.S. government from sending humanitarian assistance to Azerbaijan. The Freedom Support Act Section 907 has damaged U.S.-Azerbaijan relations in the long term. The U.S. provides humanitarian assistance internationally, but Section 907 prevented the provision of desperately needed humanitarian aid for the one million Internally Dis-

The impact that the Nagorno-Karabakh conflict has on the parties directly involved, Azerbaijan and Armenia, has been powerful and long lasting

placed Persons of Azerbaijan.¹⁵ The Congress decision was against the U.S. national interests, on the basis that the Armenian occupation created instability in Azerbaijan and enabled Russia to exert greater influence on Armenia and Azerbaijan. After 9/11, the U.S. policy toward the Caucasus has become more security conscious, and it is keen to maintain military influence in the region in order to pursue an effective anti-terrorism policy. Another change in U.S. strategy came with the Russia-Georgia conflict of August 2008. Some policy makers in the U.S. thought that Armenia should be tied to the West and “rescued” from the Russian domination as soon as possible. The key country in this strategy was Turkey. For this reason, Turkey was under pressure to open its land border with Armenia. The U.S. played an important role in launching the Turkish-Armenian negotiation process.¹⁶ One reason for

15 Kamer Kasım, “The US Policy on Caspian Oil and Its Implications for Turkish-American Relations”, Mustafa Aydın, Çağrı Erhan (Eds), *Turkish-American Relations, Past, Present and Future*, London: Routledge, 2004, pp. 129-151. Kamer Kasım, “ABD’nin Kafkasya Politikası: Enerji, Güvenlik ve Demokrasi Denklemi”, Turgut Demirtepe, (Ed.), *Orta Asya & Kafkasya Güç Politikası*, Ankara: USAK Yayınları, 2008, pp. 119-146.

16 Kamer Kasım, “Turkey-Azerbaijan-Armenia Triangle”, *Journal of Turkish Weekly*, <http://www.turkishweekly.net/columnist/3153/turkey-azerbaijan-armenia-triangle.html>, 27

the U.S. administration’s insistence on the normalization of Turkey-Armenia relations is the Armenian diaspora’s campaign to get a Congress resolution supporting the genocide allegations. The U.S. administration calculated that if Turkey-Armenia relations were normalized, then the President would have a stronger hand against the local Armenian lobby.¹⁷ However, the U.S. administration underestimated the importance of the Nagorno-Karabakh problem and the unresolved conflict has become the main obstacle in the U.S’ South Caucasus strategy.

The impact that the Nagorno-Karabakh conflict has on the parties directly involved, Azerbaijan and Armenia, has been powerful and long lasting. Azerbaijan has faced domestic turmoil since regaining its independence in 1991 largely as a consequence of the Nagorno-Karabakh conflict. IDPs from the occupied territories flooded the cities, which would have been difficult to deal with for any government. The operations of the oil and gas pipelines were delayed due to the conflict. After the ceasefire, Azerbaijan made progress regarding its natural resources, most

May 2009. Conference paper Kamer Kasım “Turkey, Russia and the US’s Policy Towards the Karabakh Problem”, *International Conference on Nagorno-Karabakh Conflict and Its Solution Ways*, Azerbaijan/Baku, Qafqaz University International Conflict Research Center, 28-30 May 2010.

17 Kamer Kasım, “Türkiye-Ermenistan İlişkileri: Protokollere Giden Süreç ve Sonrası”, *Ermeni Araştırmaları Dergisi*, May 2011.

The Nagorno-Karabakh conflict made Armenia vulnerable to outside influences, for example Russia, and the Armenian diaspora

importantly with the operation of the Baku-Tbilisi-Ceyhan oil pipeline. Despite the implications of Freedom Support Act section 907, Azerbaijan turned to the West and chose the east-west pipeline as its main oil export line. Although Azerbaijan managed to obtain important UN decisions emphasizing the territorial integrity of Azerbaijan and the illegality of the occupation, the international community did not act to change the situation on the ground. In this climate, Azerbaijan is keeping the military intervention option on the table, and has raised its military expenditure. Azerbaijan's military budget reached 3.1 billion U.S. dollars in 2011, 6.2 % of the GDP.¹⁸ Azerbaijan wants its territorial integrity to be protected, and any negotiation process should take this into account.

The Nagorno-Karabakh conflict also affected Armenia's domestic and foreign policy. The conflict made Armenia vulnerable to outside influences, for example Russia, and the Armenian diaspora. Armenia's first President following independence, Levon

Ter-Petrosian, was aware of the fact that as a landlocked country, Armenia needed to establish good relations with its neighbors for economic recovery and political stability. To achieve this, Armenia needed to establish normal diplomatic relations with Turkey, and also had to reach some kind of understanding with Azerbaijan. One of the important issues in the normalization of its relations with Turkey was the Nagorno-Karabakh problem. However, Ter-Petrosian was unable to make progress in the resolution of the conflict, and he was criticized by the diaspora and diaspora based political parties. Pressure from hardliners led to Ter-Petrosian's resignation.¹⁹ The subsequent Armenian presidents, Robert Kocharian and Serzh Sarkissian, had Karabakh connections and during their presidencies Armenia did not move any closer to the resolution of the conflict. Armenia refrained from recognizing Nagorno-Karabakh as an independent state, in order to avoid further international criticism. However, Armenia's economic, political and military support was obvious before and after the ceasefire of the Nagorno-Karabakh conflict. Armenia has a military presence inside the territory of Azerbaijan. In a report on Armenia's 1998 presidential elections, the Organization for Security and Cooperation in Europe's Office

¹⁸ "Azerbaijan has second highest military expenditure in the CIS", <http://www.trdefence.com/2011/02/22/azerbaijan-has-second-highest-military-expenditure-in-cis/>

¹⁹ Kamer Kasım, "Armenia's Foreign Policy: Basic Parameters of the Ter-Petrosyan and Kocharyan Era", *The Review of Armenian Studies*, Vol. 1, Issue 1, 2002, pp. 90-104.

for Democratic Institutions and Human Rights stated that “*Moreover, it is of extreme concern that one of the mobile boxes has crossed the national borders of the Republic of Armenia to collect votes of Armenian soldiers posted in the region of Kelbajar.*”²⁰

Peace Process for the Nagorno-Karabakh Conflict

The peace process for the Nagorno-Karabakh conflict was conducted mainly under the auspices of the OSCE. The OSCE Minsk Group was established before the ceasefire in 1994, at the OSCE was known as the CSCE). Following the ceasefire, the first important decision was made at the OSCE Lisbon Summit in 1996, where three principles were recommended by the Co-Chairmen of the Minsk Group as a part of the settlement of the Nagorno-Karabakh conflict. These three principles are: the territorial integrity of the Republic of Armenia and the Azerbaijan Republic; the legal status of Nagorno-Karabakh defined in an agreement based on self-determination which confers on Nagorno-Karabakh the highest degree of self-rule within Azerbaijan; guaranteed security for Nagorno-Karabakh and its whole population,

²⁰ OSCE, *Office for Democratic Institutions and Human Rights, Republic of Armenia, presidential elections March 16 and 30, 1998, Final Report*, http://www.osce.org/documents/odihr/1998/04/1215_en.pdf, p. 2, footnote, 2. See also Kamer Kasim, “*Causes and Consequences of the Karabakh Conflict*”, *Basic Principles for the Settlement of the Conflicts on the Territories of the GUAM States, 15-16 April 2008, Baku/Azerbaijan*.

including mutual obligations to ensure compliance by all the parties with the provisions of the settlement. These principles were accepted by all the participating states with the exception of Armenia.²¹

The Minsk Group Co-Chairs proposed a plan at the end of May 1997. As a package solution, it proposed the withdrawal of Armenian forces’ from Azerbaijani territories outside of Karabakh and Shusha within Karabakh. According to the plan, OSCE forces would be stationed in these territories, and would be responsible for security of returning IDPs.²² One of the features of the proposal was the separation of the two key issues, the cessation of hostilities and the status of Karabakh. The OSCE Co-Chairs indicated that an agreement on one of the issues could be implemented without having reached agreement on the other.²³ The Armenian President Ter-Petrosian deemed the proposal realistic, and Azerbaijan supported it on the condition of further discussion; however the Karabakh administration rejected it completely.

²¹ OSCE 1996 Lisbon Summit Document, www.osce.org/mc/39539, p. 15.

²² Carol Migdalovitz, “*Armenia-Azerbaijan Conflict*”, CRS Issue Brief for Congress, <http://www.au.af.mil/au/awc/awcgate/crs/ib92109.pdf>, 8 August 2003, p. 8.

²³ David Laitin and Ronald Grigor Suny, “*Armenia and Azerbaijan: Thinking a way out of Karabakh*”, *Middle East Policy*, Vol. 7, No. 1, October 1999, p. 164. For the details of the proposal See Ali Abasov and Haroutiun Khachatryan, *The Karabakh Conflict, Variants of Settlement: Concepts and Reality*, Baku/Yerevan 2006, http://www.ca-c.org/dataeng/books/book-1/Abaso_Khachatryan.pdf, Appendix 17.

The OSCE Minsk Group made a second proposal in December 1997, which it called a 'step by step' approach. Under the terms of the plan, any Armenian forces located outside the frontiers of the Republic of Armenia would withdraw behind those frontiers. The forces of the Nagorno-Karabakh would withdraw behind the 1988 boundaries of the Nagorno-Karabakh Autonomous Oblast, with the exception of the Lachin District. It was proposed that after the withdrawal, a buffer zone would be drawn around the boundaries of the 1988 borders of the Nagorno-Karabakh and OSCE peacekeepers would be deployed. The status of Nagorno-Karabakh, and the issues surrounding the Shusha, Lachin and Shaumyan districts, would be negotiated later on. Both Armenia and Azerbaijan accepted the proposal as the basis for further negotiations, but again, the Nagorno-Karabakh administration rejected it.²⁴

One of the basic problems during the process was the difference of opinion between Armenian President Ter-Petrosian and Armenian hardliners. Nagorno-Karabakh's unrealistic demand for independence and disagreements within Armenia exacerbated the problem. Ter-Petrosian resigned due to the pressure from diaspora and

²⁴ For the details of the proposal See Ali Abasov and Haroutiun Khachatryan, *The Karabakh Conflict, Variants of Settlement: Concepts and Reality*, Baku/Yerevan 2006, http://www.ca-c.org/dataeng/books/book-1/Abaso_Khachatryan.pdf, Appendix 18.

diaspora supported groups in Armenia in February 1998. Ter-Petrosian said that *"It is not possible to maintain the status quo for a long period of time because neither the international community nor Armenia's economic capabilities will permit it. To solve the question of Karabagh we have only one option, a compromise solution, which does not mean that one side is the victor and the other the loser; it does mean finding an agreement based on what is possible when the conflict has reached maturity."*²⁵ Prime Minister Robert Kocharian became president, and he rejected the proposal.

In November 1998, the OSCE Minsk Group made a 'common state' proposal, which would give Nagorno-Karabakh de-facto independence, and its own constitution, flag, seal and anthem. Nagorno-Karabakh would form its own legislative, executive and judicial authorities. The proposal even accorded it the right to establish direct external contacts with foreign states. This proposal was rejected by Azerbaijan on the grounds that it would violate its territorial integrity.²⁶

²⁵ Levon-Ter-Petrosian, "War or Peace? Time for Thoughtfulness", http://khosq.com/hy/article/2009/08/06/war_or_peace_time_for_thoughtfulness_by_levon_ter_petrosian_1998.

²⁶ For the details of the proposal See Ali Abasov and Haroutiun Khachatryan, *The Karabakh Conflict, Variants of Settlement: Concepts and Reality*, Baku/Yerevan 2006, http://www.ca-c.org/dataeng/books/book-1/Abaso_Khachatryan.pdf, Appendix 19.

One of the important steps in the peace process of the Nagorno-Karabakh conflict was the implementation of the Madrid Principles, which were introduced at the OSCE Summit in Madrid in November 2007.

After the three unsuccessful proposals from the OSCE Minsk Group, the peace process shifted to direct negotiations between the Presidents of Azerbaijan and Armenia. Presidents Aliyev and Kocharian met in Paris in March 2001 and in Key-West, Florida in April 2001. Press reports speculated that the negotiations were based on territorial swap, whereby Armenia would be connected to Karabakh through the Lachin corridor, and Azerbaijan would be connected to Nakhichevan through the Megri corridor. Nagorno-Karabakh would be within Azerbaijan, but with very broad autonomy.²⁷ These talks did not produce results. In 2004, the Prague process was started with the direct talks between the foreign ministers of Azerbaijan and Armenia. In 2005 OSCE made another suggestion, based on the withdrawal of Armenian forces from five out of the seven districts surrounding Karabakh, and a referendum 10-15 years later to determine the status of Karabakh. In this proposal, five of the districts

27 Ömer Engin Lütem, "The Karabakh Problem", Ömer Engin Lütem (Ed.), *The Armenian Question Basic Knowledge and Documentation*, http://www.avim.org.tr/bilgibankasi/en/index5_1_2.htm

around Karabakh would be given to Azerbaijan. However, the resolution of the conflict would ultimately be postponed for 10-15 years.²⁸ This attempt also failed to yield results.

One of the important steps in the peace process of the Nagorno-Karabakh conflict was the implementation of the Madrid Principles, which were introduced at the OSCE Summit in Madrid in November 2007. After the G8 Summit in L'Aquila on July 10th 2009, US President Obama, Russian President Medvedev and French President Sarkozy made a joint statement about the Nagorno-Karabakh conflict, and announced the basic principles: the return of the territories surrounding Nagorno-Karabakh to Azerbaijani control; an interim status for Nagorno-Karabakh providing guarantees of security and self-governance; a corridor linking Armenia to Nagorno-Karabakh; future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will; the right of all internally displaced persons and refugees to return to their former places of residence; and international security guarantees that would include a peacekeeping operation. The statement also indicated that the endorsement of these Basic Principles by Armenia and Azerbaijan would pave the way for the draft-

28 Ömer Engin Lütem, "The Karabakh Problem", Ömer Engin Lütem (Ed.), *The Armenian Question Basic Knowledge and Documentation*, http://www.avim.org.tr/bilgibankasi/en/index5_1_2.htm

ing of a comprehensive settlement to ensure a future of peace, stability, and prosperity for Armenia and Azerbaijan and the wider region.²⁹

The Russian-Georgian war in August 2008 also affected the Nagorno-Karabakh peace process. The Russian intervention in the Georgian territories brought harsh criticism from the West and damaged relations between Russia and the West. However, the conflict also demonstrated that the West was unwilling to get militarily involved to support its ally in a regional conflict. This might have an impact on Azerbaijan and Armenia view Russia's role in the region. At the same time, as discussed previously, the U.S. and the West, and even some members of the Armenian government, realized that it would be prudent to reduce Armenia's dependency on Russia, and to better integrate Armenia with the West. For this reason, the U.S. and the West encouraged the normalization of Turkish-Armenian relations. However, in their approach they undermined the importance of the Nagorno-Karabakh problem and its central position in Azerbaijan's foreign policy and Turkey-Armenia-Azerbaijan relations. Following the Russian-Georgian conflict, Russia wanted to recover its peacemaker role, inviting the Azer-

bajani and Armenian Presidents to discuss the Karabakh problem on November 2nd 2008. These talks produced the Moscow Declaration, which also referred to the Madrid Principles.³⁰ Under the Moscow Declaration, parties will try to solve the conflict on the basis of the norms and principles of international law, and of the decisions and documents adopted within that framework. This might be interpreted as confirmation that the conflict should be resolved based on the territorial integrity of Azerbaijan, since all the documents adopted by the UN, OSCE, Council of Europe and other organizations stressed a solution based on the territorial integrity of Azerbaijan. In Moscow talks there were also no representatives from the so-called "Nagorno-Karabakh Republic", which demonstrated that "Nagorno-Karabakh Republic" is not a party to the conflict.³¹ These are the positive elements of the Moscow Declaration, along with its reference to the Madrid Principles. On the other hand, the Declaration's commitment to the political solution disregards Azerbaijan's warning that it will use military force to bring Nagorno-Karabakh under the control of the central government if negotia-

30 *Kamer Kasım, Soğuk Savaş Sonrası Kafkasya, Ankara: USAK Yayınları, 2011, pp. 40-41.*

31 *Fariz Ismailzade, "Moscow Declaration on Nagorno-Karabakh: A View From Baku", Turkish Policy Quarterly, Vol. 3, No. 3, 2008, http://www.turkishpolicy.com/images/stories/2008-03-tpq/fariz_ismailzade.pdf.*

29 *For Joint Statement of Minsk Co-Chairs see <http://www.osce.org/item/51152>, <http://www.whitehouse.gov/the-press-office/joint-statement-nagorno-karabakh-conflict>*

tions fail.³² The Moscow Declaration did not achieve any breakthrough in the peace process, but it was important as a declaration agreed by the parties involved in the conflict.

Meetings between the two sides have continued since the Moscow Declaration. In advance of the OSCE Summit in Astana (December 1-2 2010), a meeting was held in Astrakhan on October 27th 2010. The two sides agreed to maintain mutual trust in the military sphere, to reinforce the ceasefire, to bolster confidence-building measures for the exchange of prisoners of war, and to return the bodies of those killed. Despite the outcome of Astrakhan meeting, there was no breakthrough in the peace process at the OSCE Summit in Astana.³³

An important meeting between presidents of Azerbaijan, Armenia and Russia was held in Kazan on June 24th 2011. After this meeting, Russia indicated that it might stop organizing talks between Azerbaijan and Armenia; the failure of the meeting had disappointed President Medvedev. At the Kazan meeting, Azerbaijan and Armenia failed to agree on the

32 Liz Fuller, "Moscow Declaration A Victory for Armenia", Radio Free Europe/Radio Liberty, http://www.rferl.org/content/Moscow_Declaration_A_Victory_For_Armenia/1337592.html, 3 November 2008. Liz Fuller, "Azerbaijan Floats Principles for Karabakh Peace Settlement", Radio Free Europe/Radio Liberty, http://www.rferl.org/content/Azerbaijan_Floats_Principles_For_Karabakh_Peace_Settlement_/1357686.html, 9 December 2008.

33 See Gulshan Pashayeva and Nigar Göksel, *The Interplay of the Approaches of Turkey, Russia and the United States to the conflict over Nagorno-Karabakh*, SAM Review, Baku 2011, p. 21.

basic principles for ending the Karabakh conflict as put forward by the OSCE Minsk Group Co-Chairs. The Kazan meeting was the ninth summit between Azerbaijan and Armenia hosted by Russia in the past three years. Medvedev said that he would only organize another summit if both parties firmly expressed their readiness to sign up to the principles of the settlement.³⁴

Why has the peace process failed so far?

There have been difficulties in achieving results in the peace process for the Nagorno-Karabakh conflict. The conflict began before Azerbaijan and Armenia gained their independence. After their independence, the conflict became a regional issue, and a ceasefire was signed in 1994. At the time of the ceasefire not only Nagorno-Karabakh but also the surrounding seven districts of Azerbaijan were under occupation. The protection of Azerbaijan's territorial integrity is the heart of the Nagorno-Karabakh problem. Another important issue for Azerbaijan is the return of the IDPs to the territories currently under occupation. The Azerbaijani position is that Nagorno-Karabakh is a part of Azerbaijan. Thus if a referendum conducted on the status of the Nagorno-Karabakh, it will be held to de-

34 "Russia's Medvedev Frustrated with Karabakh Impasse", Radio Free Europe/Radio Liberty, http://www.rferl.org/content/russia_medvedev_frustrated_karabakh_impasse/24248417.html, 27 June 2011.

cide the degree of autonomy *within* Azerbaijan. On the other hand, Armenia has asked for Nagorno-Karabakh to be accepted as a sovereign entity, separate from Azerbaijan, and has demanded a referendum, offering the option of separation from Azerbaijan. The Armenian side also intends to keep the occupied territories surrounding Karabakh, as a bargaining chip with Azerbaijan on the status of the Nagorno-Karabakh.³⁵

Since there are so many disagreements and so many issues to be resolved, it is difficult to reach a breakthrough in the peace process. This requires extremely skillful diplomacy and mediation efforts and also some degree of pressure on the parties to the conflict. In the case of the Nagorno-Karabakh conflict, more pressure should be put on Armenia, since Nagorno-Karabakh and seven districts are under the Armenian occupation. However, one of the problems and contributing factors to the failure of mediation in the Karabakh conflict is the behavior of the mediators. There are suspicions about their motives and incentives. The competing agendas of the mediators were also problematic. Mediators' attempts to limit the roles of other mediators contributed to the failure of the mediation.³⁶ Rus-

35 Gulshan Pashayeva and Nigar Göksel, *The Interplay of the Approaches of Turkey, Russia and the United States to the conflict over Nagorno-Karabakh*, SAM Review, Baku, 2011, pp. 22-23.

36 Michael J. Baranick and Samuel Schwabe, "In Pursuit of Peace in Nagorno-Karabakh", *The Cornwallis Group XI: Analysis for Civil-Military Transitions*, pp. 321-322.

sia's alleged impartiality was particularly suspicious. On many occasions, Russia supported the Armenian side. This created suspicion about Russian intentions when Russia tried to take an active role in the Azerbaijani side. This also reduced the effectiveness of the OSCE Minsk Group, since Russia is one of the co-chairs.³⁷ The OSCE Minsk Group Co-Chairs' position on the resolution adopted in the 62nd session of the UN General Assembly on March 14th 2008 also disappointed Azerbaijan. The resolution supports the territorial integrity of Azerbaijan within its internationally recognized borders and demands the withdrawal of all Armenian forces from the occupied territories of Azerbaijan. The resolution confirms the right of the population expelled from the occupied territories of Azerbaijan to return to their homes.³⁸

Conclusion

The Nagorno-Karabakh conflict is one of the world's "frozen conflicts", and it has the potential to turn into regional war. The stalemate and failure of the mediation has been perceived by Azerbaijan as a consequence of

37 For the Third Party Mediation in the Nagorno-Karabakh conflict see Bahar Başer, "Third Party Mediation in Nagorno-Karabakh: Part of the Cure or Part of the Disease", *Journal of Central Asia and Caucasus Research*, Vol. 3, No. 5, 2008, pp. 86-114.

38 OSCE Co-Chairs did not support the resolution. Look for details of the issue, http://www.azerbaijan.az/_News/_news_e.html?lang=en&did=2008-03-15. Fuad Axundov, *Co-Chairs Against Azerbaijan, the UN General Assembly Against Co-Chairs*, *Region Plus*, No. 7, (51), 1 April 2008, pp.8-12.

an Armenian strategy to make the occupation permanent. In the case diplomatic means being exhausted, Azerbaijan is retaining the option of military force to regain the occupied territories. The Russian-Georgian conflict of August 2008 indicated the danger of frozen conflicts for regional as well as international stability.

The current stalemate is disadvantageous for both Azerbaijan and Armenia. Azerbaijan has the problem of IDPs, and the Nagorno-Karabakh problem is consuming the time and energy of foreign policy makers, which could be used in other areas. Moreover, the continuing occupation, despite the decisions of international organizations, creates frustration among the population of Azerbaijan. For the Armenian side, it might be argued that military victory has not provided economic and political stability, and has not led to the international recognition of the occupation. Armenia has become totally dependent on Russia as a consequence of the frozen conflict, which is damaging to its sovereignty. As an enclave inside Azerbaijan, Nagorno-Karabakh has no borders with any state, and for this reason, it is impossible for Nagorno-Karabakh to be granted independent status.

The arguments about Armenian ‘military success’ and ‘the results of war’ might be perceived by the Azerbaijani

The current stalemate is disadvantageous for both Azerbaijan and Armenia.

jani side as an indication that military force is the only way to solve the problem.³⁹ For this reason, if diplomatic means has still a chance to be successful in solving the Karabakh conflict, it is not helpful to repeat expressions like ‘military success’ and ‘reality of war’. It is possible to create regional integration in the Caucasus. The “frozen conflicts” are the major obstacles to efforts to construct regional peace and stability. The resolution of the Nagorno-Karabakh conflict will open the way for the major integration between Europe and Central Asia, and the Caucasus will benefit from this through increased economic and political stability. On the other hand, prolonging the status quo blocks any kind of integration and sustains the potential for another destructive war in the Caucasus.

39 Ali Abasov and Haroutiun Khachatryan, *The Karabakh Conflict, Variants of Settlement: Concepts and Reality*, Baku/Yerevan 2006, http://www.ca-c.org/dataeng/books/book-1/Abaso_Khachatryan.pdf, p. 42

Is time running out for Iran?

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Abstract

Tensions around Iran's Nuclear Program are at their peak. The region is under more pressure than ever. There are already discussions about possible military action against Iranian nuclear objects by Israel. While sanctions against Iran are getting tougher and the IAEA continues to express its suspicions regarding the Program and the level of disclosure on the part of the Ahmadinejad government, Iran continues to respond with threats as well as diplomatic pressure. Both the U.S and Europe are determined to maintain the necessary level of pressure on Iran to ensure that it will not acquire nuclear weapons, while Israel is already on the verge of military action. Turkey's efforts in championing a solution to the problem have led to no real results, other than being put "out of action" by Iran itself. At the same time it seems that there are no concerted international efforts to establish a well-balanced dialogue with Tehran through its multi-level complex system of power. This report will attempt to cover external, regional and domestic vectors of the case and to provide specific policy recommendations, while analyzing the advantages and disadvantages of each vector.

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Introduction

Timeline of speeches by high-level U.S government officials, all of whom suggest that “time is running out for Iran”

*In 1995: “We view Iran’s action as a major threat to United States interests and international security, and we are **determined to stop them.**”– Clinton Secretary of State Warren Christopher.¹*

*In 2006 “So far, the Iranian regime has responded with further defiance and delay. **It is time for Iran to make a choice.** We’ve made our choice: We will continue to work closely with our allies to find a diplomatic solution — but there must be consequences for Iran’s defiance, and we must not allow Iran to develop a nuclear weapon.”– President George W. Bush.²*

*In 2010: Iran has “no interest in building international confidence that their nuclear program is for peaceful means [...] **Time and patience is running out.**”– White House spokesman Robert Gibbs.³*

*In 2012: “I believe there is a window of time to solve this diplomatically, but **that window is closing.**”– President Barack Obama.⁴*

¹ <http://www.fas.org/news/iran/1995/950508-394155.htm>

² <http://georgewbush-whitehouse.archives.gov/news/releases/2006/08/20060831-1.html>

³ <http://www.france24.com/en/20100223-us-warns-iran-time-patience-running-out>

⁴ <http://www.jta.org/news/article/2012/03/25/3092319/obama-time-running-out-for-iran-talks%29>

The Arab Revolutions of 2011 have already overturned the illusion of stability, which masked the furious changes sweeping across the Middle East. Interestingly enough, after the failed uprising in Iran in 2009, swiftly crushed by the regime, many argued that Middle East was not ready for change. But what many people failed to see is that the people of the Middle East had waited a long time for the wind to change - and once it did, it was too powerful to be halted by the traditional mechanisms of the various incumbent regimes. Iran is like Egypt and Tunisia were: young, relatively well-educated populations, ruled by a corrupt authoritarian government dependent on fear to keep the people in line.

Now Iran has brought international attention to Eurasia, a region boiling with geopolitics. Both the changes in the Middle East and the unfolding narrative of the Iranian Nuclear Program raise the question of whether is time running out for Iran? In the examples listed above, U.S government officials have long been talking in these terms, but suddenly the time-line seems even more immediate; moreover the implications of “time running out” are also changing. While Iran’s actions create tensions in its neighboring regions as well as concerns in the West, there is also general turmoil due to the fact that it is unclear what is going on inside the country’s political life. In this regard,

The Iranian regime is trying to transfer the information battle to the Caucasus, while also trying to influence the domestic situations in neighboring countries, which increases antipathy towards Tehran

the Iranian issue is heating up, and it is sometimes hard to “read” what’s going on. Karim Sadjadpour, associate of Carnegie Endowment for International Peace, pointed out that “even the regime hates the regime in Iran.”⁵ The Iranian regime is trying to transfer the information battle to the Caucasus, while also trying to influence the domestic situations in neighboring countries, which increases antipathy towards Tehran.

Conducted largely out of international view, the domestic situation in Iran, including its internal political struggles, remains in shadow of the country’s foreign policy. This state of affairs creates problems of its own, blocking the view of the international community, excluded from the inner circles of Tehran’s power system, and thus outside the realm of fully comprehending the rationale behind the Iran’s actions abroad.

What is happening now in international politics is what some scholars call the spiral model. The loops of the

spiral inevitably repeat themselves at each turn, and so on and so forth. In the case of Iran, we can see the next turn in Western foreign policy on the brink of repeating itself: sanctions, threats of military force, increase in oil prices, etc.

One of the questions raised frequently is why action is not taken to jolt the situation out of its dangerous spiral - for example, a military operation targeting Iran? There is no simple answer. Whether it is because 2012 is an election year, or because there is lack of commitment to military intervention on the part of Western states... the fact remains that Iran has pushed international politics into a spiral.

Thus as the external options regarding Iran are clearly off the agenda now, it is only logical that the international community will at some point, have to consider what is happening *inside* Iran. There is a pressing need for dialogue on multiple levels, even if that means forgetting about some policy restrictions or limitations to engagement. If Iran’s internal situation continues to be ignored, events in the region will only continue to develop in an uncontrolled manner, which will in turn exacerbate the spiraling of external politics.

This report is trying to separate the international, regional and internal options and examine them separately in order to understand their various

5 Revolution in the Arab World, Special Report of Foreign Policy, 2011, pp. 12-15

costs and benefits. While concentrating on recent events around Iran, the domestic situation will also be assessed, thereby aiming to provide the reader with a fuller perspective.

Quest for the international option

The international community remains largely transfixed by Iran's Nuclear Program. Officials from both the U.S and Europe believe that Tehran is trying to build nuclear weapons, while Iran maintains that the goal of the Program is simply to provide electricity to the country without using the oil supplies that can be sold abroad as well as to procure the fuel for domestic medical reactors. Indeed, American and European intelligence agencies, and the International Atomic Energy Agency (I.A.E.A.), agree that Iran is intent on developing the capability to produce nuclear weapons. But there are widely differing estimates regarding how long that will take, and whether diplomacy, sanctions, or military action is the best way to prevent it. Iran insists that its research is for peaceful use only, in keeping with the Nuclear Non-Proliferation Treaty, and that it will not be delayed or deterred.

And though the tensions surrounding the Iran's Nuclear Program in one of the most volatile regions of the world have existed for years, their recent escalation began in November 2011, after the release of the IAEA's report

and the increased sanctions that immediately followed from the West.

In response, Iran threatened to close the Strait of Hormuz⁶, disrupting around 20% of global oil traffic. The U.S that made it quite clear that they were prepared to take all necessary actions to maintain the oil flow crucial to the global economy.

Generally speaking, Iran does not have any legal rights to block or suspend the passage of ships through Hormuz. Such a maneuver would be considered not only grave breach of international law, but due to the economic and trade importance of the strait, a threat to international peace and security. Thus it is not surprising that the U.S is prepared to take military action. The ever-increasing presence of U.S warships in the Gulf area only confirms the gravity of the situation.

Moreover, the tensions around Iran's Nuclear Program have reached the point where Israel has made it clear that it is ready to attack Iran's nuclear facilities. Such statements from Israel are causing oil prices to go up, overriding the immediate regional

6 The Strait of Hormuz is one of the most important straits for the international trade exchange and security. While traversing that strait, ships have to pass through the territorial waters of Iran and Oman and follow Traffic Separation Scheme throughout the strait to escape the risk of collision. Basically, that Scheme separates inbound and outbound traffic in the Hormuz through the establishment of two 3 km (1.9 mile) lanes and another 3 km (1.9 mile) in between to navigate the ships flow through Hormuz. Total traffic lane is now around 10 km (5.7 mile) wide.

impact and further rattling the already unstable global economy, still struggling with the sovereign debt crisis in Europe.

Recently global geopolitical players agreed to continue negotiations with Iran, after the authorities in Tehran made statements that they would allow international inspectors access to the classified military complex Parchin. Until then, Iran had refused such access. However, it is still unclear how limited the access will be, and what conditions will be imposed.

The primary goal of the sanctions against Iran is usually described as an effort to disrupt its Nuclear Program by distancing the country from the international financial system, including both institutions and funds. The coordinated sanctions imposed by Europe and U.S target first of all the banking system. The secondary targets are the companies related to Iran's nuclear industry, as well as some petrochemical and oil industries. The common understanding is that these sanctions will weaken the Iranian government by depriving it of opportunities to develop and invest in the oil industry and gasoline refinement.

When the sanctions came into effect, Tehran responded by suspending oil exports to the UK and France, and threatening to do the same to other European states – thereby increas-

Regional security is under further threat from the continuing atrocities in Syria.

ing tensions again. What is interesting is that the UK and France are the *least* dependent on Iranian oil of all 27 European Union states. Thus in this sense, Tehran's response so far seems more of a diplomatic type of sanction.

Tensions have been on the rise since then. Experts are speculating about an Israeli attack on Iranian nuclear facilities, the enforcement of sanctions is growing tougher and Iran is threatening to retaliate, while simultaneously expressing its readiness to cooperate with IAEA to prove the peaceful nature of its Nuclear Program.

Regional security is under further threat from the continuing atrocities in Syria. While the situation is of grave concern to the international community, the UN Security Council has been deadlocked by vetoes from Russia and China. So far both Russia and the West agree only that the main role in negotiating peace in the country should belong to the Arab League. The problem is the recent memory of the Libyan resolution; the wide interpretation of this strict resolution on the part of the U.S and EU gave rise to participation on one side of the civil war, which led to the change of the regime in Libya and ultimately to the brutal death of former dicta-

tor Moammar Gadhafi, who regardless of overwhelming evidence that he had perpetrated appalling crimes against humanity, should have been

The long-standing policy debate on whether or not to “engage” Iran is now futile.

brought to justice by an international criminal court. At the same time Russia and China perceive an intervention in Syria as an opportunity for the U.S to weaken Iran, by distancing it from one of its allies.

The rising tensions in relations between Iran and Azerbaijan complete the picture of a very tense region already overwhelmed with security issues. Fearing the possible presence of U.S forces close to its northern borders, coupled with concerns about the large Azerbaijani minority living in the northern part of Iran, prompted Tehran to start an information war against Azerbaijan in its media, following attempts to assassinate Israelis on the Azerbaijani soil by specially trained armed groups.

Overall, the situation in the region has been tied into a very tense geopolitical knot. World powers are monitoring the situation carefully, trying to envision possible scenarios for the future of Iran, which at the moment does not seem so bright. The long-standing policy debate on whether or not to “engage” Iran is now futile. In

the post-9/11 world, Iran is integral to several critical issues on the U.S foreign policy agenda, namely Iraq, Afghanistan, Arab-Israeli peace, terrorism, nuclear proliferation, and energy security. Shunning Iran will not help any of these issues, and confronting Iran militarily will exacerbate all of them. The only remaining option is talking to Tehran.

Quest for the regional option

Despite the immediate reality of deliberate cruelty to defenseless and unarmed civilians in Syria, Iran continues to support Assad’s regime, which in turn gives more space to concerns regarding Iran’s intentions towards the Middle East. Leaving aside the scarcely justifiable arguments of whether Iran aims to deepen the Shiite-Sunni conflict, Tehran is trying hard to increase its influence across the Middle East and beyond, mobilizing the Shia populations -

Turkey’s recent complaints about Iran’s intentions and “dishonesty” take on greater significance.

therefore increasing the public support of Assad in the case of Syria. In reality, Iran is using the civil war in Syrian to deflect attention from its own nuclear activity; however, in the meantime, Iran is utilizing its leverage over the Shiite population

throughout the region to discredit Turkey and its projected image as a regional leader and model country. Thus Turkey's recent complaints about Iran's intentions and "dishonesty" take on greater significance.⁷ Turkey's stance over these two hot topics, namely the Syrian civil war and Iranian nuclear crisis, has taken a form of inclusion rather than exclusion. In that sense, Turkey sought to steer Syria away from bloodshed and international isolation. Similarly, when the international community imposed heavy sanctions against Iran, Turkey repeatedly tried to reduce this isolation, and has opposed the military option regarding the nuclear crisis. In the case of Syria, Turkey has departed from its initial stand and begun supporting and supervising the Syrian opposition. In this scope, there have been numerous meetings of Syrian opposition forces/parties/groups in Istanbul, the most recent of which has been condemned by Iran as a goodwill gesture to Israel. At this juncture, discussion of changing its traditional policy on Iran has begun to dominate political discourse in Turkey. Yet, some other political acts of Iran have contributed to this shift.

Turkey's actions exemplify the use of *pro-active diplomacy* and *presence on the ground*, the mechanisms that

7 Mustafa Akyol, *Iran's unreliable hypocrisy*, Hurriyet Daily News, (April 7, 2012) <http://www.hurriyetdailynews.com/irans-unbelievable-hypocrisy-.aspx?pageID=449&nID=17848&NewsCatID=411>

shape Ahmet Davutoğlu's foreign policy. Turkey utilizes every single multi-lateral and bilateral political option, and mediates between parties, closely monitoring the crisis and continuing its involvement in the various processes. Since 2009, Turkey has explicitly favored Iran in the nuclear-crisis, and has sought to settle the dispute through peaceful measures. So far, Turkish Prime Minister Recep Tayyip Erdoğan has accused the West of applying double standards to Iran's nuclear program; Turkey believes that Iran's nuclear program is for civilian purposes. In order to prove this to the world, Turkey started acting as a mediator between Iran and the West, and convinced Iran many times to return to the table for nuclear talks. While strictly opposing any sanctions imposed on Iran, contrary Turkey tried to provide alternative sanctions, and hence proposed a nuclear fuel-swap deal to Iran. A number of formal and informal rounds of talks were held in Istanbul, and in return Turkish foreign minister Ahmet Davutoğlu has shuttled back and forth between Iran and the West. Meanwhile, Iran criticized the establishment of a NATO defense shield in Turkey, and went too far at one point, blaming Turkey for trying to protect Israel from an Iranian counter-attack. Iran raised a similar accusation early last week after Turkey hosted an anti-Assad "Friends of the Syrian People" coalition meeting. This frustrates Turkey, since its actions on the nuclear crisis

have been taken at the expense of its commitment to the *equidistance policy*, i.e. standing exactly between conflicting parties. However, to Turkey, Iran's nuclear-crisis is more than just a conflict between Israel and Iran. Turkey's policies on the issue have stemmed from the notion that Iran's nuclear involvements are as dangerous as Israel's. Since *transparency* is barely applicable to the nuclear activity of either country, Turkey aims to achieve regional non-nuclearization. Under this scope, while Turkey has stated on numerous occasions its concerns about Israel's military-oriented policies within the region, at the Seoul Nuclear Security Summit in March⁸, the calls for transparency were directed at Iran.

All in all, Turkey argues that even though the crisis has global implications, the international community should seek assistance from Turkey, which can help broker a regional solution. Moreover, Turkey is urging Iran to believe in the sincerity and honesty of Turkey in this process. Prime Minister Recep Tayyip Erdoğan's formal visit to Iran at the end of March, sought to underscore this. Turkey reported that they had convinced Iran to return to talks with P5+1 and IEAE, with a meeting scheduled for April 13th in Istanbul. Right after this promising development, and despite the alleged con-

8 <http://hursariv.hurriyet.com.tr/goster/printnews.aspx?DocID=20214129>

Talking to Iran does not imply sympathy, in no way implies that troubling behavior will be indulged, and does not preclude efforts to simultaneously counter problematic Iranian influence and policies

sensus, Iran proposed that the meeting be held in Baghdad, Damascus or China, rather than Istanbul⁹. This, politically speaking, seeks to reduce Turkey's role. Is the regional option a genuine possibility? Or is Turkey flogging a dead horse? Finally, does Iran want the problem to be solved?

Since Iran seems ungrateful and has long forgotten the diplomatic capital¹⁰ of Turkey, Tehran has gained a reputation for unreliability, and even hypocrisy and dishonesty.

Quest for the internal option

All of the above leads to the inevitable question, with whom in Tehran should the Western powers be talking? For the last several years, U.S policy toward Iran has focused almost exclusively on short-term tactics at the expense of a coherent strategy.

9 <http://www.todayszaman.com/news-276589-iranian-envoy-denies-tensions-in-ties-with-turkey.html>

10 Suat Kınıklıoğlu, *Turkey's Iran issue: The end of Turkish romanticism*, (April 06, 2012) <http://www.todayszaman.com/columnist-276605-turkeys-iran-issue-the-end-of-turkish-romanticism.html>

The results are self-evident: today Iran is more repressive, its nuclear stance has grown more defiant, and its support for extremist groups has increased. At this point one should consider focusing less on ways to punish troubling Iranian behavior and more on a strategy that attempts to modify Iranian policies, allay the long-standing enmity between Washington and Tehran, and facilitate internal political reform with Iran. This begins with four basic points:

- Talking to Iran does not imply sympathy, in no way implies that troubling behavior will be indulged, and does not preclude efforts to simultaneously counter problematic Iranian influence and policies. The parties fighting bad guys are not necessarily good guys. Moreover, a consistent historical lesson is that “black-and-white” approaches often backfire.
- The Islamic Republic is not on the verge of collapse, and any reform movement will require time. Sudden political change in Tehran is unlikely and would not necessarily be an improvement on the *status quo*, as the only groups that are both organized and armed in Iran are the *Islamic Revolution Guard Corps (IRGC)* and the *Basij militia* (volunteer force of Islamic government loyalists). More liberal political

groups are unorganized and/or unarmed.

- U.S. concerns about the Iranian behavior – whether in relation to nuclear ambitions, opposition to Israel, or support for extremist groups – will not be put to rest as long as the incumbent regime remains in power in Tehran and its relations with Washington remain adversarial. In the current context, U.S. concerns that Iran is pursuing a secret nuclear weapons program will stay alive, even if Iran were to announce the suspension of its uranium enrichment activities tomorrow.
- The greatest impact Washington can have in helping to advance the causes of democracy, civil society, and human rights in Iran is by implementing policies that facilitate, rather than impede, Iran’s path to modernization. Improved Iran-U.S. ties are a prerequisite to Iran’s reintegration into the global economy, which would expedite internal political and economic reform in Iran, and weaken rather than fortify hard-liners’ control of power.

There is good reason why policy makers have often struggled to understand where and how power is wielded in Tehran. From the inception of the Islamic Republic in 1979,

the father of the revolution, Ayatollah Ruhollah Musavi Khomeini, aimed to set up the government's power structure in a way that would make it resistant to foreign influence. This meant creating multiple power centers whose competition would provide checks and balances to prevent one branch or individual from becoming too powerful and susceptible to outside influence. The result has been frequent political paralysis, an inability to make big decisions, and a tendency to muddle along with entrenched policies.

As an alternative to straight government to government talks, the strategy of using ethnic minorities to undermine Iran is flawed. The operations are controversial because they involve dealing with movements that resort to terrorist methods in pursuit of their grievances against the Iranian regime.

In the past years there has been a wave of unrest in the ethnic minority border areas of Iran, sometimes even involving bombings and assassination campaigns against soldiers and government officials. Such incidents have been carried out by the Kurds in the west, the Azeris in the north-west, the Ahwazi Arabs in the south-west, and the Baluchis in the south-east. Non-Persians make up more than 40 per cent of Iran's 75 million population, with more than 20 million Az-

eris, up to six million Kurds, more than three million Ahwazi Arabs and around one and a half million Baluchis.

Funding for their separatist causes comes directly from the CIA's classified budget but is now "no great secret," according to one former high-ranking CIA official in Washington.¹¹ The problem is, just because Lebanon, Iraq, and Pakistan have ethnic problems, it does not mean that Iran suffers from the same tensions. Iran is an old country – like France and Germany – and its citizens are just as nationalistic. The U.S. is probably overestimating ethnic tension in Iran. The minority groups to which the U.S. is reaching out are either well-integrated, or small and marginal, without much influence on the government or ability to present a political challenge. It is always possible to find activist groups that will go and protest, but working with the minorities will backfire, and alienate the majority of the population.

The Obama Administration may have been willing to rely on dissident organizations in Iran even when there was reason to believe that the groups had operated against American interests in the past. The use of Baluchi elements, for example, is problematic.

¹¹ William Lowther and Colin Freeman "US funds terror groups to sow chaos in Iran" *The Telegraph*, February 25, 2007, from <http://www.telegraph.co.uk/news/worldnews/1543798/US-funds-terror-groups-to-sow-chaos-in-Iran.html>

One of the most active and violent anti-regime groups in Iran today is the Jundallah, also known as the Iranian People's Resistance Movement, which describes itself as a resistance force fighting for the rights of Sunnis in Iran

The active Baluchi groups in Iran are Sunni fundamentalists who hate the regime in Tehran, but some can also be described as extremely dangerous radicals. The irony is that the CIA will once again working with Sunni fundamentalists, just as the U.S. did in Afghanistan in the 1980s. But the context has changed – Ramzi Yousef, who was convicted for his role in the 1993 bombing of the World Trade Center, and Khalid Sheikh Mohammed, who is considered one of the leading planners of the September 11th attacks, are both Baluchi Sunni fundamentalists.¹²

One of the most active and violent anti-regime groups in Iran today is the *Jundallah*,¹³ also known as the *Iranian People's Resistance Move-*

¹² Yosri Fouda, Nick Fielding. *Masterminds of Terror: The Truth Behind the Most Devastating Terrorist Attack the World Has Ever Seen* (New York: Arcade Publishing, 2004)

¹³ "Jundallah has engaged in numerous attacks resulting in the death and maiming of scores of Iranian civilians and government officials. Jundallah uses a variety of terrorist tactics, including suicide bombings, ambushes, kidnappings and targeted assassinations." *Secretary of State's Terrorist Designation of Jundallah*. Washington, DC, November 3, 2010. From <http://www.state.gov/r/pa/prs/ps/2010/11/150332.htm>

ment, which describes itself as a resistance force fighting for the rights of Sunnis in Iran. This is a vicious Salafi organization whose followers attended the same *madrassas* as the Taliban and Pakistani extremists. Sistan-Baluchistan, which borders Pakistan, is home to a large number of ethnic Baluchis, who are largely Sunni. The *Jundallah* took responsibility for numerous bombings, including of Revolutionary Guard soldiers in February 2007. Most recently, this Sunni group claimed responsibility for suicide bombings in July at the Zahedan Grand Mosque. The attacks targeting Shiite worshipers killed 27 people. While Iranian leaders said the United States was behind the attacks, the U.S. denied any affiliation with the group and any "direct funding" of *Jundallah* groups; however they did disclose that the leader of *Jundallah* was in regular contact with U.S officials.¹⁴ Pakistani government sources also acknowledged that the secret campaign against Iran by *Jundallah* was on the agenda when Vice President Dick Cheney met with Pakistani President Pervez Musharraf in February of 2007.¹⁵

The group reaffirmed its commitment to terrorist activities after Iranian authorities captured its leader, Abdul

¹⁴ "Bush Authorizes New Covert Action Against Iran" ABC News, May 22, 2007, from http://blogs.abcnews.com/theblotter/2007/05/bush_authorizes.html

¹⁵ "ABC News Exclusive: The Secret War Against Iran," ABC News, April 3, 2007, from http://blogs.abcnews.com/theblotter/2007/04/abc_news_exclus.html

Malik Rigi, in February 2010. The *Jundallah* group quickly announced a new leader, Al-Hajj Mohammed Dhahir Baluch. The *Christian Science Monitor* reported that Iran claimed previous leader Abdolmalek Rigi had been on a U.S. military base in Afghanistan less than 24 hours before his capture, when Iran forced a plane he was traveling on to land in Iran during a flight from Dubai to Kyrgyzstan.¹⁶ United States has declared these statements entirely false.

The C.I.A. and Special Operations communities also may use two other dissident armed groups in Iran: the Mujahideen-e-Khalq, known in the West as the M.E.K., and a Kurdish separatist group, the Party for a Free Life in Kurdistan, or PJAK.

The M.E.K. has been on the State Department's terrorist list for more than a decade, yet in recent years the group has allegedly worked with the U.S. on intelligence.¹⁷ One can see that some of the authorized covert

funds might well end up in M.E.K. pockets, if the U.S. Administration is desperate for results.

The Kurdish party, PJAK, has been operating against Iran from bases in northern Iraq for at least three years. Iran, like Iraq and Turkey, has a Kurdish minority, and PJAK and other groups have sought self-rule in territory that is now part of each of those countries. The PJAK, which is seeking greater Kurdish self-determination in Iran, and its sibling group, the Kurdistan Workers Party, or P.K.K., which is fighting for Kurdish autonomy in Turkey, use remote outposts in Iraq's semiautonomous Kurdish region to carry out attacks, according to the Iranian and Turkish governments. In recent years there has been a marked increase in the number of PJAK armed engagements with Iranians and terrorist attacks on Iranian targets. In early June 2010, the news agency Fars reported that a dozen PJAK members and four Iranian border guards were killed in a clash near the Iraqi border;¹⁸ a similar attack in May killed three Revolutionary Guards and nine PJAK fighters. The attacks on the Iraqi villages of Ali Rash, Sharkhan, and at least a dozen other Kurdish villages near the border with Iran continued for more than a month in summer of 2010,

¹⁶ Scott Peterson and Pat Murphy, "Iran arrests top Sunni militant Abdolmalek Rigi," *The Christian Science Monitor*, February 23, 2010, from <http://www.csmonitor.com/World/Middle-East/2010/0223/Iran-arrests-top-Sunni-militant-Abdolmalek-Rigi>

¹⁷ "Mujahideen-e Khalq in Camp Ashraf have been meeting with the U.S. military officials, the United States officials in that country dealing with the situation of their own security and dealing with the issue of their own protected rights... this organization that has provided the most valuable information to the whole world about the nuclear weapons program of the Iran regime, about the terror network of the Ayatollahs." Alireza Jafarzadeh, Former spokesman, National Council of Resistance of Iran (NCRI), "Frontline: Showdown with Iran: Analysis: The Mujahideen-e Khalq," PBS, from <http://www.pbs.org/wgbh/pages/frontline/showdown/themes/mek.html>

¹⁸ As quoted in "Iran says 12 PJAK members killed in clash near Iraq," *Today's Zaman*, June 6, 2008 http://www.todayzaman.com/newsDetail_getNewsById.action?load=detay&link=144035

Any attempt to capture a nation's decision-making process is bound to be reductive.

and included a foray by Iranian tanks one mile into Iraqi territory.¹⁹ But they elicited only a lukewarm protest from Iraq's government, including a statement pleading with neighboring countries to honor its borders. Other guerrilla groups in the past have suffered early defeats only to use these defeats as lessons, to hone their ability to immediately regroup, rearm and go on the offensive again, this time more effectively.

The White House's possible reliance on questionable operatives, and on plans involving possible lethal action inside Iran, have created anger as well as anxiety within the Special Operations and intelligence communities. Covert operations in Iran are believed to be modeled on a program that has, with some success, used surrogates to target the Taliban leadership in the tribal territories of Waziristan, along the Pakistan-Afghanistan border. But the situations in Waziristan and Iran are not comparable – one size will not fit all. These types of covert actions have vague possibilities for the overthrow of the incumbent Iranian regime, but they may cause a great deal of damage.

¹⁹ Timothy Williams and Namo Abdulla "Iran Tests Iraqi Resolve at the Border" *The New York Times*, June 16, 2010, from <http://www.nytimes.com/2010/06/17/world/middleeast/17border.html>

Taking the aforementioned into account, one can understand the possible pitfalls of such "assisted regime change" operations. But the issue may be much more complicated, thanks to the decision-making process in Iran. The large number of institutions, the important roles of non-government actors, overlapping institutional structures, the importance of personal ties, and lack of a clear division of labor among security ministries often lead to conflicting policies and uncertain implementation.

Although Iran's national security is the constitutional task of the *Artesh* and lies within the mandate of Iran's other security organizations, Iran does not have one single national security approach, or program of action. Policy outcomes are usually products of compromises reached by the security community itself and its political masters.

Any attempt to capture a nation's decision-making process is bound to be reductive. That said, Iran's decision-making is characterized by two competing trends. The complexity and apparent chaos of the Iranian system is marked, particularly to the outsider. The large number of institutional and non-institutional actors, family ties, personal relationships, overlapping institutional authority, and mixture of religion and politics all contrive to make it difficult to identify who has a say on what issue. Often there

are many voices, and similar issues often involve different actors within the system.

This complexity is balanced, however, by a cultural and procedural emphasis on consensus. Although debates in Iran are often fierce, major decisions seldom go forward without at least a tacit consensus among the elite. At the highest levels, regime figures may be constantly scheming against one another, but they seldom directly challenge each other, preferring instead to horse trade and compromise and thus, ironically, to work together. Moreover, elites seem to be governed by a set of informal rules known to the players, if not to outsiders. Elites, for example, can monitor meetings, Friday prayer sessions, and internal pronouncements to judge who is involved with which decisions.

Indeed, the system requires compromises in order to avoid paralysis. With so many input points in decision-making, and so many overlapping or parallel institutions, cooperation is necessary for even the most basic functions of government. The apparent chaos that characterizes Iran's institutions often gives the impression that important players act without oversight. This impression is usually false. To preserve the consensus, few actors dare conduct important operations without at least tacit approval of the senior leadership. Particularly at

lower levels, individuals hesitate to make decisions without authorization from above. Because of the emphasis on consensus, "rogue operations" by security officials are generally unlikely.

One also should note that the regime has learnt from the events in Tunisia, Libya, Egypt and Yemen that if you

In this context, the "million dollar" question is: Is there a "right" way to overthrow a "bad" regime and install the "good guys" in their place?

lose the military, you lose power. In Iran, the system functions in a manner unusual for the Middle East, given the limited role that the military plays in national political life and in the implementation of the country's foreign policy. The *Artesh* (regular Iranian Army) and the *Pasdaran* (Iranian Revolutionary Guard Corps) offer expertise at the discussion level of strategic issues and assessment of potential tensions for the political leadership. Far more than do Western militaries, they also try to influence the national debate. However, they *do not* call the shots and are often overruled by civilian officials. Civilian control, while hardly complete, remains dominant and prevents the military from behaving as a rogue actor.

Quest for the right option

In this context, the “million dollar” question is: Is there a “right” way to overthrow a “bad” regime and install the “good guys” in their place? There’s certainly no recipe for cleanly ousting a government. But several principles provide some basis for an approach:

- Target only governments that are clearly and relentlessly harming their populations. While many governments are calling for Bashar Assad to step down, none have legitimized the Syrian opposition by offering it as an alternative government. Don’t invoke humanitarian principles to provide cover for settling scores with ideological opponents. Merely opposing political interests is not justification for regime change. One might easily see that the government of Iran doesn’t meet the “test of awfulness” required for progressives to endorse regime change.
- In countries with governments that deserve to be overthrown, one should look for credible opposition leaders with a strong base of support among ordinary citizens. These leaders need to be clearly rooted in their countries, not well paid exiles or dissidents without grassroots support.
- Understand that the alternative to tyranny is not necessarily democracy. The most likely replacement for military based society is not a democrat but another military leader with slightly tougher moral backbone. In some cases, a slightly better character is worth the costs of change, given that the benefit of autocratic rule is the ability to change policy direction quickly. That would probably be the case in Sudan, where Omar al-Bashir’s government has committed about every possible crime against its own people, or in Syria, where the first anniversary of the uprising has not given those committed to the overthrow of the Assad regime much to celebrate. In the real world, less inhumanity is better than more, so progressives may find themselves backing governments that, while an improvement, remain deeply flawed.

In light of this discussion, one can see the final principle of progressive regime change. Some regimes,

The elections bolstered the Iranian regime at home, and gave it a freer hand to deal with foreign threats

however bad they are, must be endured. Look at how the Soviet Union collapsed, destroyed by its internal contradictions. No American-led military invasion could ever have toppled the Soviet Union. For progressives, the best approach to a truly awful government may be to isolate that government internationally and then patiently wait for its collapse. In this context, it is worth noting that the sanctions against Iraq, applied by the first Bush administration and then by the Clinton administration, were working and would have ultimately brought about a change in the Iraqi government – and at far smaller financial and humanitarian cost than a military invasion and occupation. The problem for those advocating military action, either indirect or direct, is that there are few, if any, good options. Fair enough, regime change allows a state to solve its problems with another state by removing the regime and replacing it with a less offensive one, but there is one problem: it is highly unlikely to have the desired effect soon enough. Before the vote last month, Ayatollah Khamenei urged people to vote in large numbers to “smack the face” of the enemies, a reference to Israel and the United States. His supporters equated low

turnout with an invitation for a military strike, because a low turnout would project an image of weakness at a time when the country had come under increasing threats. As a result, it was no coincidence that Iran’s Supreme Religious leader praised a 64 percent turnout for parliamentary elections at home, against the background of President Barack Obama’s statement that the U.S. is “not thinking of war with Iran”.²⁰ The elections bolstered the Iranian regime at home, and gave it a freer hand to deal with foreign threats.

One also should note that the Iranian regime still has powerful assets in the short term, including the Revolutionary Guard, which, unlike the Egyptian military, identifies more with the regime than with the nation. It also has the financial cushion of oil. Moreover, the Iranian opposition lacks clear leadership and a clear goal. On the wave of current events in the Middle East/North Africa region, Iran gained increased regional power, and expanded its leverage in international oil markets, which make it impossible for the U.S. to win UN Security Council support for more stringent sanctions against Tehran. Obviously UN Security Council-sanctioned military action against

²⁰ Iran: What the parliamentary elections mean, Global Post, March 13, 2012, <http://www.globalpost.com/dispatches/globalpost-blogs/commentary/commentary-what-the-iranian-parliamentary-elections-mean>

Iran's nuclear installations is out of the question thanks to the price tag of the Libyan crisis, as well as the lack of political will. The Syrian dilemma has become the testing ground for further action in the region, setting geopolitics against morality and geostrategy against principles. History will judge the victors.

Conclusion

While there will always be skeptics of the balancing strategy vs. targeting and “ramming” with a single strike, in the case of Iran there is a strong need to consider internal options alongside international and regional strategies.

There is no need to strain the comparison. Iran and the countries where the Arab Spring took place were and are in different places, with very different political dimensions. But the fundamental decision that is required today by the U.S. and the international community is not very different to the dilemma they faced three decades ago. Should you back the regime to the hilt, in the conviction that a change of regime would likely endanger regional security? Or should the international community side with the opposition –due to the need to be on “the right side of history” once the dust has settled?

Though there have been a number of attempts by the international com-

munity to solve the problem in one way or another, there remain many more possible strategies. This report concludes with the following *policy recommendations*:

- Other regional states should get involved in settling Iran's nuclear dispute. There is a strong need for Iran's neighboring countries to unite to help resolve the situation. That Turkey's attempt to come forward as a regional leader brought no results should not discourage other regional players from involving themselves in the situation.
- Regional states should not follow “hard-nosed” diplomacy. Particularly, the neighboring states of Iran should collaborate first of all with Iran itself, then with other regional states and finally with the international community. Trying to put forward exclusively national interests has not yielded positive results in the past and is not likely change the situation in the future.
- Israel and U.S are prone to use military force as a means to restrain Iran. At the same time, the military option is a serious threat to the entire region in the long-term. A non-nuclearized Iran at the expense of more nuclearized or militarized Israel is not a reasonable outcome.

- The dispute should be reduced to the axis Iran-Israel conflict. The nuclear involvement of states poses a threat to the entire region. Iran's, Israel's, Pakistan's, India's, Russia's and even Armenia's nuclear capacities equally put the region states at stake.
- A nuclear-fuelled power balance in the region is not an option; nuclear disputes damage attempts to create a self-sustaining peace throughout the region.
- Europe, though led by the UN sanctions, can play much more practical role. It should consider an approach that focuses more on mediation, through the structures of the EU rather than single states (e.g. UK, France). EU input in the situations that require step-by-step meditation has a good record.
- In general, the international community should prevent the discreet militarization of the region. Arms transfers to insurgent and rebel groups should be stopped in order to reduce tensions in countries neighboring to Iran. While using "soft power" to apply pressure on Iran there is a need to use diplomacy to prevent intensified militarization.
- Overall, external pressure on Iran only makes it harder to use the internal option. Thus adopting a more balanced approach (external pressure/internal dialogue) can be much more effective.
- The democratization of the region should be strongly promoted. The democratization of the region will make compromising easier for everybody, though democratization should not entail violent regime changes and painful transfers of power. The natural democratization processes already existing in the region should be supported and developed.
- Something should change in Iran. There is a pressing need for domestic reforms in Iran itself. The continuation of the current hard-line policy "us against the world" will ultimately lead to unwanted scenarios and is more likely to hurt the region as a whole, including Iran.

*The fragile nature
of security:
the strategies of regional
countries and unresolved
conflicts*

**Daniel
Warner***

Abstract

The fragile nature of security in the South Caucasus involves several parameters. This article begins with a general overview of the shift from defense to security following the end of the Cold War before addressing some of the specific geographic considerations of the region. Particular attention is given to changes in priorities from the Western perspective temporarily and geographically. The article then focuses on the specifics of the European Union and the North Atlantic Treaty Organization's policies towards the region, highlighting the lack of a common policy in both institutions as well as the differences among the three countries in several of their policies.

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Before looking at the specifics of the questions at hand as they relate to the South Caucasus region, certain general comments are in order as background to an examination of what applies to the region and the unresolved conflicts. The temporal and geographical contexts of our discussion are important, and some preliminary thoughts are necessary.

The very nature of security has been evolving since the beginning of the 21st century. While defense was the single most important issue during and shortly after the Cold War, security has become increasingly important, although its precise definition is not always clear. While defense dealt with high intensity conflicts, from nuclear mutually assured destruction to an armed conflict between the Warsaw Pact and NATO countries, security today includes everything from basic human security such as water, food, and shelter to protection from environmental degradation, terrorism, organized crime, illegal immigration, economic instabilities as well as cyber interference. “Securitization” has become a buzzword¹, as a host of new topics have entered the equation, in addition to the interstate warfare, ongoing since the 1990’s.

1 See Buzan, B., Waever, O., and de Wile, J. *Security: A New Framework for Analysis* (Boulder, CO: Lynne Rienner 1998) and subsequent writing by the Copenhagen School on “Securitization”.

Globalization and the permeability of state borders have changed the nature of threats and risks. There is growing concern about non-traditional threats in both substance and origin

At the same time as security has been given priority over or inclusive of defense, the subjects of security have also changed. Whereas under the traditional Westphalian state system, defense involved simply defense of the state, it has come to encompass actors beyond the state, i.e. the notion of global security, as well as actors below the state level, from societies, communities, all the way down to individuals.² While before the end of the Cold War we were looking at conflicts between states and defense systems, issues such as water, shelter and environment have transcended the state definition to include individuals as well as communities.

For example, the “responsibility to protect” represents an important conceptual change, entailing responsibility to go inside state borders to protect individuals and communities when a state is unable or unwilling to protect its citizens and those living within its borders.³

2 See Andrew Mack and the Human Security Report Project at Simon Fraser University in Canada.

3 See Daniel Warner and Gilles Giacca, “Responsibility to Protect,” *Post-Conflict Peacebuilding: A Lexicon*. Edited by Vincent Chetail, Oxford: Oxford University Press, 2009. pp. 291-306.

Globalization and the permeability of state borders have changed the nature of threats and risks. There is growing concern about non-traditional threats in both substance and origin.⁴

Historically, the shift from defense to security came after the Cold War. Amid the euphoria following the end of that era, and supposedly “The End of History,”⁵ much was written about the acceptance of a liberal/democratic order based on a free market economy. The answer to Immanuel Kant’s examination of how to achieve perpetual peace seemed to be on the verge of realization. Given the apparent triumph of this system, the democratic peace theory⁶ would be able to flourish, minimizing large-scale state conflicts. According to the post-1989 popular vision, there would be some states or areas where conflicts would remain, mostly internal conflicts, but it was merely a question of time before universal acceptance of the new system would lead to the establishment of perpetual peace. In this context, the Arab Spring might be interpreted as the beginning of this process, however messy the process will be. The fall of the Soviet Union had enormous implications for

the shift from defense to security, and from the state to the sub-state level. For if the liberal order had prevailed, then conflicts between states would no longer be of primary concern.⁷ The shift from defense to security was accompanied by the shift from interstate violence to intrastate violence, and the localization of violence.

Specially, in the South Caucasus, it is important to note a comment by Paul Fritch,⁸ given at a recent conference in Geneva: “The stubborn intractability of protracted conflicts (sometimes frozen, sometimes not) distract us from the fact that war in the OSCE region, while still far too common, has become a localized phenomenon, with casualties measured in dozens rather than millions. As we argue over missile defence, we too often lose sight of the fact that thermonuclear war has become a distant nightmare.”⁹ So that even if some forms of interstate violence existed, they were well below the level of world wars and well below the nuclear threat so predominant during the post-World War II era.

Our second preliminary comment deals with the concept of place. Although the liberal order was

4 See for example, Mustafa Aydin (ed.) *Non-Traditional Security Threats and Regional Cooperation in the Southern Caucasus*. (Amsterdam: IOS PressBV, 2011).

5 Francis Fukuyama, *The End of History and the Last Man* (New York: Penguin, 1992).

6 Fred Chernoff, “The Study of Democratic Peace and Progress in International Relations,” *International Studies Review*, Vol. 6, No. 1, 2004, 1079-1760.; Bruce Russett, *Grasping the Democratic Peace*. (Princeton: Princeton University Press, 1993).

7 Indeed, Andrew Mack has argued in the *Human Security Report* that violence has decreased with more deaths coming from intrastate violence than interstate warfare.

8 Director, Office of the OSCE Secretary General

9 Pul Fritch, “A more coherent OSCE response to addressing transnational threats,” forthcoming in DCAF publication and presented at Oct. 14-15 conference in Geneva.

supposed to be universal, there were regional considerations which modified the general theory. Specifically, as suggested above, following the end of the Cold War, the South Caucasus was a region of considerable interest for the West—the United States and NATO in particular – for its location on Russia’s southern border, its proximity to Iran, its oil reserves, and pipeline position. What was the relationship between Russia and its newly independent neighbors or the so-called near abroad? To what extent was the eastward expansion of NATO and the European Union possible? Both of these questions were burning issues in the post-1989 period, as the liberal order sought to spread beyond Western Europe and traditional defense issues became entwined with security issues.¹⁰

The extent to which liberal democracy would spread eastward and the possible mechanisms for this expansion became a priority. During the post-1989 euphoria, the United States, European Union and NATO gave significant focus to the newly independent countries of Eastern Europe, the South Caucasus and even Central Asia. Accession to major institutions, the development of civil society, and the rule of law as the foundations of a liberal order became paramount objectives for western aid programs. Indeed, the European

The recent economic problems of the EU have further diminished interest in “Old Europe” from the American perspective.

Union granted membership to eight former Soviet republics and satellites in 2004. For a number of reasons, including the desire to establish a buffer zone on Russia’s southern border, the South Caucasus became a focal point for Western interest.

But times have changed, and so have priorities. In his recent speech on the future defense posture of the United States, President Obama was quite clear about national priorities.¹¹ Not only was the defense budget to be reduced, but the geographic concentration of American forces was to be changed from Europe to Asia, Iran and the Middle East. Troops were to be withdrawn from Germany; ships and soldiers were to be placed in Australia and the Pacific Rim. This was the American perspective, with Europe in general and certainly Eastern Europe and the South Caucasus no longer a priority. America’s eyes have turned elsewhere: Indeed, the Arab Spring and the growth of China have taken the South Caucasus and indeed most of Europe off the radar screen. The recent economic problems of the EU have further diminished interest

¹⁰ Notice here the tensions between NATO’s concept of collective defense and President Medvedev’s concept of a European Security Treaty through the Corfu Process.

¹¹ Elisabeth Bumiller and Thom Shanker, “Obama Puts His Stamp on Strategy for a Leaner Military”, *New York Times*, January 5, 2012.

in “Old Europe” from the American perspective.

What caused this change? It is clear that the global, liberal order has not developed as far as was prophesied at the end of the Cold War. The End of History has not materialized. Even Francis Fukuyama admitted, “The process is harder and longer than I felt back then. I appreciate to a greater degree that democracy is built around institutions that are quite difficult to put into place, especially the rule of law”.¹² It is also clear that the economic difficulties of the Western powers are forcing them to make choices about the positioning of resources. Attempts were made to integrate Eastern Europe and the South Caucasus into Western Europe, institutionally, politically and economically, but this has had limited success thus far. The process appears more complicated than anticipated.

Finally, in terms of place, it is important to note that the very notion of the South Caucasus as a potential regional partner appears to be a very western construction, much like Edward Said’s brilliant description of the Middle East as one region in *Orientalism*.¹³ Western foreign ministries found it expedient to place Armenia, Azerbaijan and Georgia in one basket, disregarding the different national histories, languages and

politics. All of a sudden, with the collapse of the Soviet Union, it was easier to refer to the South Caucasus, rather than acknowledge the specific characteristics of each country. The West wanted them to be homogeneous, and encouraged a cooperation that denied political realities, in the same way they have done and continue to do across the Middle East and North Africa, especially in relation to the Arab Spring aftermath. The idea of regional cooperation among the countries of the South Caucasus was as inviting as the democratic peace theory and the end of history.

Following these comments on the problematic of time and place, we will focus on two major Western institutions and their roles in the South Caucasus to further illustrate the fragile nature of security and the difficulties western institutions have had in their own right to achieve coherence in their policies. While there are many exogenous forces at work in the region, including Russia, Turkey, the United States and Iran, our focus on these two institutions seeks to further illustrate the difficulties the West has had in coming to terms with the newly independent countries of the region, and its failure to provide security or solutions for the frozen conflicts.

EU Security Policy in the South Caucasus

A recent Working Paper from the German Institute for International and Security Affairs highlights

¹² Francis Fukuyama, Interview, *Newsweek Magazine*, September 19, 2008.

¹³ Edward Said, *Orientalism*, (New York : Pantheon Books, 1978).

many of the above comments while focusing on the particularities of the EU position. The author, Ondrej Ditrych, laments the lack of attention to the region, which he describes as “of strategic interest due to its geographical location and EU’s current energy concerns, where as a result of unstable security equilibrium a risk of conflict remains high”.¹⁴ Attempting to argue for the “reinvigoration” of the Eastern Partnership but realizing that concepts such as principle-not-geography have not worked, he is left to push for renewed attention based on traditional threats and energy security, rather than promoting democracy and highlighting common values

But for whom is he arguing? While we have already noted that the South Caucasus includes three separate countries with different histories, languages and politics, Ditrych argues for a singular European Union position. Just as Said faulted “the West” for its monolithic view of the Arab world, without disaggregating the various elements at play within the West, Ditrych tries to fathom a common European security and foreign policy position where it is just not possible. The European Union has had enormous difficulty in negotiating the euro zone crisis; Lady Ashton has very slowly started

to try to create a unified European external relations institution. Thus just as one resist definitions that deny the heterogeneity of the South Caucasus, so also should we be careful about referring to a coherent European Union policy. It is one thing for Ditrych to say that “The Europeanization of these regions is a key pre-condition for the peaceful settlements on EU’s terms,” but the real problem is the normative statement that “a strategic framework for EU’s policy towards the region should be established.”¹⁵

What are the major concerns of the EU? There are several, according to the author, and they are of different types, not easily categorized or prioritized. In no particular order: 1) Energy and pipelines - it is important to note that during the Georgian-Russian conflict of August 2008 there was no damage done to the pipeline in northern Georgia and South Ossetia. 2) The residue of the Georgian-Russian conflict has little potential for re-ignition, but then again it was not easy to predict the first conflict’s outbreak. 3) The frozen conflict over Nagorno Karabakh and its potential to explode if left unresolved. 4) Iran and its continuing hostilities with the United States over its nuclear

¹⁴ Ondrej Ditrych, “EU Security Policy in the South Caucasus,” *German Institute for International and Security Affairs, Working Paper FG 2, No. 5, 2011, p. 3.*

¹⁵ *Ibid.* Note a similar comment by Paul Fritch, Director of the Office of the Secretary General of the OSCE concerning transnational threats (TNT) when he says, “...there has not been a serious effort by participating States to identify comprehensive priorities for TNT-related work...TNT-related activities at the field operations level in particular tend to be driven more by the preferences and priorities of the host country than by the Organization-wide strategic goals... Paul Fritch, *op.cit.*, p. 6.

program. Any overt attack on Iran by the United States and/or Israel is bound to have implications for the entire South Caucasus region. 5) The continuing militarization by Russia of its southern border as well as troops in Armenia and the disputed territories of Abkhazia and South Ossetia. 6) The general role of Turkey in the region and the continuing inability, in spite of a determined Swiss effort, to resolve the historical dispute between Turkey and Armenia.

But what are the interests of the EU and the West regarding these issues? While much was made of the “reset policy” between Russia and the United States, with even a symbolic reset button offered by Secretary of State Hillary Clinton to Foreign Minister Lavrov in Geneva, the recent icy reception of the newly appointed U.S. Ambassador Michael McFaul in Moscow¹⁶ leaves little doubt that there is relatively little interest in either Moscow or Washington to seriously address these issues. Elections are coming up in the United States, Russia and France. No major changes in foreign policy will be forthcoming in the near future with domestic economic issues, unemployment and recession being the primary focus in each country.

Indeed, the EU’s stated ambition of bringing peace to the region has become lost in a web of isolated

initiatives, described by Ditrych as a “many-headed hydra with multiple actors,”¹⁷ none of them conclusive. Although the EUSR South Caucasus, established in 2003, has had some influence in ceasefires, incident prevention, and response mechanisms for Georgia and Russia, it has not been able to realize EU neighborhood policies in a concrete manner. Rounds and rounds of negotiations have taken place in Geneva between Russia and Georgia with no flare-ups, but no substantial progress either. A number of norms, regimes and practices have been put into place, but the overall ambition of extending European values and administrative practices has had difficulty in gaining traction either in individual countries or in the region as a whole. The recognition of Abkhazia and South Ossetia remains a sticking point.

On a positive note, however, the entry of Russia to the WTO after an 18 year struggle¹⁸ was a very favorable step in terms of the overall security picture of the region. Georgia had firmly opposed Russia’s membership since it became a member in 2000. Swiss creativity concerning border and customs questions reduced tensions.

The Working Paper specifically mentions the role of the EU in Azerbaijan. The role of the EU and its possibilities for influence in the

¹⁶ See Daniel Warner, “New American Ambassador’s Unfriendly Welcome in Moscow,” www.nashagazeta.ch January 20, 2012.

¹⁷ Ditrych, *op. cit.*, p. 9.

¹⁸ See Daniel Warner, “Russia to Join the World Trade Organization,” www.nashagazeta.ch, November 21, 2011

Karabakh peace process are small but not insignificant. The author rightly suggests that Azerbaijan and the EU have obvious common interests in energy that should not be separated from a stronger role for the EU in the peace process. Indeed, according to the author, regional cooperation should be an essential part of the Eastern Partnership, but one, as mentioned, that should avoid the difficulties of structural problems while emphasizing practical functionalities. Discussion of European-South Caucasus cooperation runs the risk of getting lost in the difficulty of defining both actors, and hence precluding concrete results.

The lack of coherence on the part of sides, the European Union and the South Caucasus, has consistently frustrated significant cooperation. As we have suggested, the European Union has failed to unify its members in important common policies, as demonstrated by the current euro zone crisis. The conceptualization problem in both regional configurations is part of the idealism of the liberal order, and very much reflects Benedict Anderson's description of imagined communities¹⁹ with all of the pitfalls of being divorced from realities.

NATO and the South Caucasus

If the situation between the European Union and the South Caucasus

¹⁹ Benedict Anderson, *Imagined Communities: Reflections on the Origins and Spread of Nationalism*. New York: Verso, 1983.

On a positive note, however, the entry of Russia to the WTO after an 18 year struggle was a very favorable step in terms of the overall security picture of the region

reflects two imagined communities, the situation between NATO and the three countries also merits further analysis, to disaggregate a regional approach as well as to highlight the difficulty of delineation between defense and security. Similar to the EU, NATO also expanded in the post-Cold War euphoria of 2003. In November 2004, NATO's Secretary General made its first ever visit to the three countries of the South Caucasus. The position of Special Representative to the South Caucasus and Central Asia was created.

Specifically, cooperation between NATO and the three countries has included the drafting of military doctrine, cooperation in military education, peacekeeping missions as well as the modernization of communication and control systems. Cooperation has been pursued at different levels. The Partnership for Peace (PfP) has become the central focus for NATO cooperation with the three countries.²⁰ Individually, however, Armenia is a member

²⁰ For a further elaboration of this point, see Martin Malek, "NATO and the South Caucasus: Armenia, Azerbaijan and Georgia on Different Tracks," *The Quarterly Journal*, Summer Supplement, 2008, p. 38.

of the Collective Security Treaty Organization (CSTO), Georgia's conflict with Russia has excluded membership for fear of the eventual use of Article 5 to defend Georgia against Russia, and the President of Azerbaijan has clearly stated that his country is not ready for NATO membership.

NATO Secretary General's Special Representative to the South Caucasus and Central Asia said; "Each of the three countries of the South Caucasus is very different."

NATO has no agreed strategy among the allies. Implicitly, NATO engages with the three countries with an à la carte menu that depends upon the ambitions of the individual countries. Georgia is obviously the most ambitious, with Armenia and Azerbaijan having Individual Partnership Action Plans that focus on defense reform, defense education and interoperability in peacekeeping. And just as NATO itself has no overall strategy for the region, it perceives the three countries separately. Indeed, as NATO Secretary General's Special Representative to the South Caucasus and Central Asia said; "Each of the three countries of the South Caucasus is very different."²¹

²¹ James Appathurai, quoted in *MilAZ.info*. 22-10-2011.

As for the frozen conflicts, NATO clearly stated in the Lisbon communiqué that the countries are urged to make more efforts toward settlement, at the same time as declaring strong support for the work of the Minsk Group, the 5+2 for Moldova, and the Geneva Talks for Russia and Georgia. In other words, there has been no active NATO involvement in the resolution of the frozen conflicts.²² The Lisbon Summit Declaration said:

With our vision of a Euro-Atlantic area at peace, the persistence of protracted regional conflicts in South Caucasus and the Republic of Moldova continues to be a matter of great concern for the Alliance. We urge all parties to engage constructively and with reinforced political will in peaceful conflict resolution, and to respect the current negotiation formats. We call on them all to avoid steps that undermine regional security and stability. We remain committed in our support of the territorial integrity, independence and sovereignty of Armenia, Azerbaijan, Georgia and the Republic of Moldova, and will also continue to support efforts towards a peaceful settlement of these regional conflicts, taking into account these principles.²³

Much of the cooperation has involved activities under the NATO Science for Peace and Security Programme (SPS), which would

²² "NATO does not seek a direct role in the resolution of these (Armenia and Azerbaijan, the Abkhazia and South Ossetia regions), but supports the efforts of other international organizations..." *NATO Backgrounder*, 11-09-2011, p. 5.

²³ Lisbon Summit Declaration para 35, Nov. 20, 2010. The last sentence was not acceptable to the Armenian authorities.

not usually be considered within traditional activities of NATO. Many of these activities, clearly labeled as “approved by NATO nations on the basis of consensus,” reflect security issues such as pesticides, nuclear power and security, the fight against terrorists, water resources, and seismic emergency response. None of these are traditional defense issues.

In addition, in examining the NATO fliers²⁴ outlining the programs, what is most impressive is how the scientific aspects of the projects are emphasized, with only indirect reference to larger security issues. A recent flier says that “Scientific cooperation enhances communication and understanding and therefore contributes to security and stability. One example of how the SPS Programme contributes to regional cooperation is the Virtual Silk Highway, under which NATO has supported the establishment of international Internet connectivity”.²⁵ Two other regional projects are noteworthy here: the Caucasus Seismic Emergency Response and the Water Resources Management of Agro-Ecosystems in the South Caucasus. Both of these regional or transnational cooperative activities could be interpreted as non-traditional security threats that conspicuously avoid the question of frozen conflicts or the direct threats of violence, as witnessed between

Georgia and Russia and potentially Armenia and Azerbaijan.

But what about an active NATO policy on the issues of defense? With regard to membership, the Bucharest Summit of 2008 made it very clear that a Georgian membership was far down the road. Georgia’s Individual Partnership Action Plan is certainly not the Membership Action Plan that was originally envisioned by both sides²⁶. Nor have there been any breakthroughs on the boundaries of Georgia and South Ossetia and Abkhazia, or on the status of Nagorno Karabakh. For that matter, and to return to our previous comments about the security issues in NATO’s fliers, NATO has not been involved in reducing the potential for armed conflict in the region. On the contrary, the possibility of Georgia’s joining NATO was perceived as heightening tensions with Moscow.

Indeed, the great unspoken in the above description of the South Caucasus is the role of exogenous forces. While we have already mentioned the United States and its obvious change in focus, away from Europe toward Asia, Russia continues to view NATO expansion and activities in the South Caucasus as interference, and is obviously trying to reduce its influence. While Russia’s influence militarily is patently obvious in Armenia, it is also present

24 See *The NATO Science for Peace and Security Programme fliers for Armenia, Azerbaijan and Georgia*, May 2010

25 SPS Flier June 15, 2011.

26 See Ahto Lobjakas, “NATO Lacks the Stomach for South Caucasus Fight,” *caucasus analytical digest*, No. 5, April 16, 2009, pp. 2-5.

to an extent in Azerbaijan. NATO has not participated in the unsuccessful attempts to solve the frozen conflicts, leaving the stalled negotiations to the EU, the UN and the OSCE. As Martin Malek correctly points out; “NATO representatives in general, and the Secretary-General in particular, have always deferred to the UN and OSCE when asked in Tbilisi and Baku about a possible role for the Alliance in the efforts to solve the ‘frozen conflicts’ in Azerbaijan, namely the situation in the breakaway republic of Nagorno-Karabakh, as well as the in Abkhazia and South Ossetia in Georgia. NATO has therefore not participated in the thus far unsuccessful negotiations over these conflicts...”²⁷

Conclusion

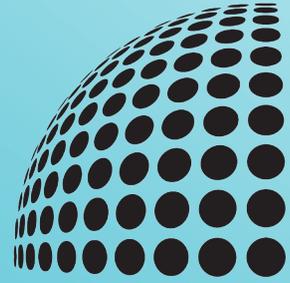
This paper has examined several aspects of the fragile nature of security in the South Caucasus. Temporally, we have highlighted the changing nature of security, with the move away from traditional defense issues between states, and the shift to intrastate violence, while recognizing that interstate violence still exists. Geographically, we have indicated that the liberal euphoria regarding the newly independent states of the former Soviet Union has been replaced by other priorities due to, among other reasons, the failure of instant transformation to democratic/free market systems. Finally, we reviewed the policies of the European

Union and the North Atlantic Treaty Organization toward the South Caucasus in order to demonstrate the fragmentation in perceptions of the organizations towards the region and within the region itself.

In many ways, these observations can be construed as pessimistic. They make no judgment about the nature of the conflicts nor do they make predictions about how the unresolved conflicts may be resolved. However, by placing certain discussions in their larger contexts, it is hoped that a better contextual understanding will illuminate the present challenges, and eventually serve to advance greater security in the individual countries and across the region.

²⁷ Martin Malek, *op. cit.*, pp. 44-45.

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Independence, democracy and the Russian taboo

**Tedo
Japaridze
&
Ilia
Roubanis***

Abstract

This paper argues that the relationship between Moscow and two former Soviet Republics, namely Georgia and Ukraine, has become a 'systemic factor' or a political cleavage in its own right. This perception or 'framing' of this relationship, it is observed, rests less on the actual evolution of this nexus of diplomatic relationships and more on informational strategies generated by parties, analysts and the press. This phenomenon we call the 'Russian Taboo,' in the sense that this perceptual frame has become a gravitational frame, leading international observers to evaluate progress in 'transition' of these polities by focusing on an 'East versus West' binary opposition. We thus trace the origins of this taboo, which culminated in the binding experience of the 'color revolutions.' It is then suggested that the bundling of foreign policy and democratic transitions is misguided, rendering this guiding perceptual frame redundant for the purposes of evaluating progress in the sense of democratization. Foreign policy orientation, it is suggested, exhibits much more continuity than is usually perceived, whilst democratization as a project in its own right seems to be insufficiently monitored.

** The ideas expressed in this article reflect the personal views of the authors and do not necessarily represent the views of the institutions of which they are a part. Written largely in a polemical style, the article is meant to introduce some food for thought and remains open for further elaboration and discussion.*

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Introduction

From the outset, it should be noted that this paper is not ‘a commemorative narrative,’ celebrating Georgia’s twenty two years of independence in the strict sense of the term. It is a paper inspired from analysts like Thomas de Waal and Neil MacFarlane, who have time and again been driving home the same message: for Georgia to advance along its path to democratization, we must come to face up to our ‘ghost,’ which is none other than our relation to Moscow. Framing the question as such, the ambition of this article is to contrast ‘facts’ with dominant notions of transition that have for long informed the analysis of post-Soviet polities. In this scheme, this paper attempts to use this historic occasion for a retrospective assessment of our immediate ‘transitional’ past. Admittedly, it is hard to grasp that it is nearly a generation since Georgia declared its independence from what Ronald Reagan once called the ‘Evil Empire.’ For those of us who lived through the turmoil of this seemingly open-ended process of ‘political transition,’ this is a time for recollection, reflection and assessment. For those of us who observed this period as academic bystanders of yet another ‘transition,’ this is a time for readdressing the validity of our assumptions, or indeed, the lens through which we look upon and evaluate the democratization process in this part of the world.

By virtue of these preliminary notes, it is hard to claim impartiality, neutrality and emotional detachment when revisiting this occasion. Lack of objectivity renders methodological transparency all the more significant. We opt to pursue a comparative approach, precisely in order to achieve some degree of dispassionate analysis, thereby contributing to a discussion that is relevant to political theorists and policy-makers. Thus we examine Georgia in comparison to Ukraine. Particularly, the theoretical focus of this paper is on the tendency to bundle together a number of

Admittedly, it is hard to grasp that it is nearly a generation since Georgia declared its independence from what Ronald Reagan once called the ‘Evil Empire.’

phenomena within a super-concept of ‘transition’, including foreign policy orientation, market liberalization and, not least, democratization. This bundling, it is suggested, is often misguided. In sum, this article is written for this generation, which has not lived in the former USSR or through the confrontational charge of the Cold War experience, and should be allowed to carve its own self-referential future, without the baggage of our transitional prejudice.

Methodology

This paper focuses on the ‘framing’ of domestic politics in Georgia and Ukraine in terms of an ‘East-West’ binary juxtaposition. In this context, framing refers to the control of norms that moderate the communication of knowledge and the social relations that develop between the source and the target of the message.¹ This source-receiver relationship, it is suggested, has been constructed through layers of historical experiences in a period of political ‘transition.’ Shedding light upon this process is one of the two objectives of this paper; the other is to demonstrate that this form of ‘framing’ is currently counterproductive.

The selection of these two case studies, namely Georgia and Ukraine, is grounded on at least three significant similarities:

- i. Situated in the Black Sea region, these two former Soviet Republics have at one point or another perceived Russian involvement in the region as a clear threat to their territorial integrity. This has led to the bundling of these two states by international observers in a single geopolitical context of analysis, in which it is assumed that domestic politics are reflective of a ‘Moscow versus the West’ cleavage.

¹ Bernstein, B. (1996). *Pedagogy, symbolic control and identity: Theory, research, critique*. London: Taylor & Francis.

- ii. Both states have had the experience of a color-revolution, that is, ‘the Rose Revolution’ in Georgia and the ‘Orange Revolution’ in Ukraine, which cemented the dominant perception of domestic politics in these states as an ‘East versus West’ encounter. This is probably because these strong, dispersed and powerful civic movements benefited from the OTPOR movement (resistance in Serbia), that is, the transfer of specific know-how and methodologies mobilized against Serbia’s Milosovic (2000), facilitated by international financing and capacity-building seminars. From that point onwards, the forces associated with these revolts were perceived as pro-Western, hence democratic, and struggling against pro-Russian, hence autarchic, political forces.
- iii. Both states have been considered as candidates to join NATO, an objective that now seems to be fading, albeit remaining desirable.

Thus our comparison proceeds as following:

1. First, there is a summary of apparent drives for the perception of Georgian and Ukrainian political scene in binary, ‘East versus West’ terms.

2. Second, we examine the validity of this perception, juxtaposing foreign policy orientation with the advancement of a substantive democratization agenda.
3. Finally, we pose the question of whether our generation's notion of 'transition' is still relevant.

Thesis: 'Back to Europe' & the 'East versus West' Binary

Commemorating the birth, or re-birth of states, brings to mind the distinct role of identity politics. It should be remembered that in post-Soviet Republics the terms 'democratization,' 'liberalization' and 'independence' were used interchangeably.² For western analysts too, regime change, or 'transition,' was looked upon with great optimism. Despite socioeconomic hardship and nationalist encounters, early transitional periods of post-Soviet regimes were greeted in the West with a sense of optimism, of the type one finds when hailing 'the dawn of a new world'. At the time, the predominant narrative informing academic and political aspirations and expectations in the West was

2 see: Gonenc L. (2002). *Prospects for Constitutionalism in Post-Communist Countries*. London/NY: Martinus Nijhoff Publishers and Kuzio Taras (b) (2002). 'National Identity and Democratic Transition in Post-Soviet Ukraine and Belarus: A Theoretical and Comparative Perspective,' *East European Perspectives*, Vol. 4, No. 15, Retrieved From: http://www.taraskuzio.net/Economic%20Transition_files/economics-perspective.pdf

It should be remembered that in post-Soviet Republics the terms 'democratization,' 'liberalization' and 'independence' were used interchangeably.

shaped by 'the end of history' thesis',³ which suggested that liberal democracy is the sole remaining project of modernity by means of historical natural selection. In this context, newly written constitutional texts were read as manifestos of a new political universe,⁴ or indeed the reinstatement of a 'state of nature' perceived as universal.⁵ In celebrating independence, democracy, liberalization or, 'transition,' the West was in fact celebrating its own historical, political and even cultural vindication.

Without fail, transition presupposes rupture, which in Ukraine and Georgia came initially with independence referenda. In Georgia, it should be recalled, voters in South Ossetia and Abkhazia voted for the preservation of Union in the referendum held prior to the collapse of the USSR in March 1991; incidentally, this was a referendum boycotted by the Round Table-Free Georgia, the New Democratic

3 Fukuyama F. (1992), *The End of History and the Last Man*, NY: Avon Books INC

4 Priban J. (Sept. 2004), *Reconstituting Paradise Lost: Temporality, Civility, and Ethnicity in Post-Communist Constitution-Making*, *Law & Society Review*, Vol. 38, No. 3, pp. 407- 432

5 Elkin S. L. (January 1990). 'Citizenship and Constitutionalism in post-Communist Regimes,' *Political Science and Politics*, Vol. 23, No. 2, pp. 163-166

Party and the National Congress, the very political forces that less than a month later gained support from 93% of the electorate for independence. In Ukraine, the December 1991 independence referendum also delivered a 90% vote in favor of independence; but, it might also be recalled that this percentage was less convincing in areas such as the Crimean ASSR (54%) and Sevastopol (57%).⁶ In sum, it has been noted that generally, people in Eastern and southern Ukraine may often identify themselves as ethnically Russian, although hybrid identification is not uncommon.⁷ In any event, regional or sub-national exceptions to 'national identity' continued to haunt the political systems of both states. But in those early days, what mattered most was that substantial questions were being posed in on the basis of sound, free and fair electoral procedures, something previously unencountered.

These referenda were the domestic dimension of a greater spectrum of normative and political dilemmas that was unfolding in the early 1990s. The transition of states and transition of regimes are themes that are interwoven and simultaneously negotiated. It can be argued that in periods of domestic political flux, when there is no commonly accepted legal or po-

6 *The Ukrainian Weekly* (Chrystyna Lapychak), 'Independence - over 90% vote yes in referendum; Kravchuk elected president of Ukraine,' 8/12/1991, Retrieved From: http://ukrweekly.com/archive/pdf3/1991/The_Ukrainian_Weekly_1991-49.pdf

7 D'Anieri (2007), *Understanding Ukrainian Politics*, NY: M.E. Sharpe

Clearly, Russia was never keen to detach itself from its status as a global power or from its former lebensraum.

litical foundation, international law can offer an alternative legal corpus that is continuous and enduring, that is, if the international community is also willing to play a stabilizing role. If and when both legal and political conditions are met, the severity of domestic rupture can be tamed by the enduring presence of international norms. Thus in post-communist regimes it was often suggested that border settlement could have been founded on the *uti possedetis* principle which, based on the precedent of decolonization in Africa, would have allowed the gradual 'upgrading' of former regional-republican administrative boundaries to international borders.⁸

But, of course, the international balance of power was changing at the time whilst international norms were being 'revisited.' Clearly, Russia was never keen to detach itself from its status as a global power or from its former *lebensraum*. Either by evoking the image of a 'motherland' or a 'protector state,' Moscow continued

8 Weller M. (Jul. 1992). *The International Response to the Dissolution of the Socialist Federal Republic of Yugoslavia*, *The American Journal of International Law*, Vol. 86, No. 3, pp. 569-607 and

Teitel R. (May 1997), 'Transitional Jurisprudence: The Role of Law in Political Transformation,' *The Yale Law Journal*, Vol. 106, No. 7, pp. 2009-2080

to exert economic, cultural and political influence in post-Soviet polities, Georgia and Ukraine being no exception. And this continued involvement did affect domestic political processes, because even if ethno-nationalist cleavages in the Caucasus preceded, lived through and outlived the collapse of the USSR, the fact remains that there has been a continuous overlap between domestic and international policy agendas. In this context, Georgia and Ukraine differ significantly in how they dealt with their minorities and, coextensively, their relations to Moscow. But the effect was the same, for domestic politics were associated with a super-taxonomical concept of 'transition,' that is, a project of reform where each polity was evaluated in terms of its 'western versus eastern' orientation.

In Ukraine, ethnic, linguistic and national affiliation has been successfully blended into the political game, becoming a systemic factor, determining to a certain extent party affiliation. Incidentally, foreign observers often ignore the fact that this systemic aspect of the 'east versus west' cleavage also allows room for a healthy degree of hybridity. Therefore, members of the electorate who do not neatly fit the Procrustean table of ethnic-linguistic-national-political affiliation can also find political expression.⁹ Of course polarity also exists in Ukraine. Party affiliation often

goes hand-in-hand with the perceived stance of the party in its relationship to Moscow; this is a fact that while several analysts might find objectionable, has time and again proved to defuse conflict, keeping polarity within the realms of intra-party contestation rather than giving rise to civil war.¹⁰ But this is not to say that the influence of Moscow in Kiev was never a destabilizing force.

The Ukrainian economy was founded on industries organically linked with the former Soviet metropolis, namely: petrochemicals, defense, steel, coal, natural gas, etc. This huge industrial complex went hand-in-hand with a Russian speaking working class, residing in major urban centers in the East. In the early 1990s, Russians or Ukrainians with a Russian culture were estimated to comprise more than 35% of the population.¹¹ Thus the Ukrainian versus Russian nationalist cleavage, separating Galicia from the Crimea in terms of voting behavior, could also be seen as dangerously coinciding with other socioeconomic and political cleavages. And in producing a synthesis of this cleavage, which is after all the mission of every party system, it comes as no surprise that Kiev has since 1991 followed an almost uninterrupted 'multi-vector' foreign

¹⁰ Reuters (Lyuba Sorokina), 'Ukraine's election highlights the east-west divide,' 05/02/2010, Retrieved From: <http://www.reuters.com/article/2010/02/05/us-ukraine-election-division-idUSTRE6143L620100205>

¹¹ Motyl A. J. (1993), *Dilemmas of Independence: Ukraine after Totalitarianism*, NY: Council on Foreign Relations Press

⁹ *Op. Cit.*, Taras Kuzio 2002

Unlike Ukraine, in Georgia the attempt to institutionalize ethnic cleavages largely failed, mostly because bloodshed overshadowed other forms of political negotiation, not unlike former Yugoslavia.

policy dogma, striking a delicate balance between the United States and the European Union on the one hand, and Russia on the other.¹²

Unlike Ukraine, in Georgia the attempt to institutionalize ethnic cleavages largely failed, mostly because bloodshed overshadowed other forms of political negotiation, not unlike former Yugoslavia. As soon as Georgia proclaimed its independence, ethnic enclaves were swift to proclaim their own, which they commemorate in a symbolic battle with Tbilisi that can hardly go unnoticed.¹³ Soon after independence, the uprisings in Abkhazia and South Ossetia (1992-1993), not without Moscow's backing of militants, led to dramatic humanitarian tragedies, with tens of thousands in civilian casualties and hundreds of thousands of refugees. This tendency towards 'final solutions' in the ethnic delineation of the polity was

¹² Pavlenko (November 2003), "Political Reform or a Game of Survival for President Kuchma?," PONARS Policy Memo, no. 294 http://www.csis.org/media/csis/pubs/pm_0294.pdf.

¹³ *Moscow Times*, 'South Ossetia Marks 20 Years of Independence,' 20/09/2010, Retrieved From: <http://rt.com/news/south-ossetia-independence-anniversary/>

cemented in the summer of 2008, when Russia made a direct link between the case studies of Kosovo and the autonomous regions of Georgia. While there are a number of reasons to doubt the credibility of this equivalence,¹⁴ the fact remains that international norms have not served as a stabilizing force for Georgia.

This is not to say that there have been no serious attempts to appease ethnic minorities in Georgia, or to address concerns and establish some room for negotiation. True, the autonomous republics of Abkhazia and South Ossetia were established during the Soviet regime, but they were also recognized by the modern Georgian Constitution. Moreover, Presidential Decrees from 1994 to 1996 established Abkhazia and South Ossetia as Autonomous Regions. In 2007, a Commission to work on the South Ossetia status was established, headed by Prime Minister Zurab Nogaideli. However, precisely because this nexus of allegedly domestic conflicts often escalated into a war-by-proxy with Moscow, the relationship with the former Soviet metropolis has been marked by vitriolic rhetoric from both sides; Neil MacFarlane, for instance, has time and again spoken about the political capital invested in this conflict from both sides of the spectrum, gravitating on exhibitions

¹⁴ Slate (Hitchens Christopher), 'South Ossetia Isn't Kosovo,' 18/08/2008, Retrieved From:

http://www.slate.com/articles/news_and_politics/fighting_words/2008/08/south_ossetia_isnt_kosovo.html

However, the use by western analysts of the term ‘revolution’ places an emphasis on rupture, which may also be considered a one-sided exaggeration, since foreign policy options are geopolitically and socioeconomically constrained in ways that can hardly be transcended by the resolve of a single administration.

of bravado and patriotic rhetoric.¹⁵ In this scheme, the notion of systemic inclusion and conflict transformation remains an intellectual exercise.

The emblematic rift in Moscow-Kiev-Tbilisi relations, which also solidified the domestic nature of political cleavages, came with the color revolutions. A lot of ink has been used in conspiratorial theories about U.S./Soros Foundation involvement in these revolts. Conspiracy theories are of course one-sided exaggerations, which largely address the question of support in terms of *who and how*¹⁶ rather than *why*. The answer can only be that whatever the western involvement, it could only empower existing social forces willing to engage in civic activism. However, the use by

western analysts of the term ‘revolution’ places an emphasis on rupture, which may also be considered a one-sided exaggeration, since foreign policy options are geopolitically and socioeconomically constrained in ways that can hardly be transcended by the resolve of a single administration. Doubtless in the context of Georgia and Ukraine, color revolutions clearly signified a determination to turn firmly westwards, partly in affirmation of sovereignty and resistance to the notion of belonging to a Russian ‘sphere of influence,’ but also as a desire to entrench EU style-and-standard pluralistic democracies. And, as noted earlier, ‘independence’ and ‘democratization’ are terms which, in this part of the world, went hand-in-hand.

In Georgia, the Rose Revolution (2003) came at a time when Moscow was widely perceived – and with good reason – to be openly challenging Georgian independence. In 1992 it was clear that Russian financial backing, military equipment and logistical support had played a crucial role in supporting autonomist forces in 1992; moreover, in the midst of the civil war in 1993, Russian troops were invited into Georgian territory to protect the government of President Shevardnadze vis-a-vis an attempted coup. This intervention had ‘strings attached,’ since it involved Georgia joining the CIS and accepting Russian troops on the ground

¹⁵ MacFarlane (27/07/2011), ‘Russia-Georgia Relations,’ *Politics in Spires*, Cambridge Un. Retrieved From: <http://politicsinspires.org/tag/peace/>

¹⁶ *Guardian* (Ian Traynor), ‘US Campaign Behind the Turmoil in Kiev,’ 26/11/2004, Retrieved From: <http://www.guardian.co.uk/world/2004/nov/26/ukraine.usa>

Similarly, the ‘Orange Revolution’ (2004), came at a time when Russia seemed to be developing a ‘hands-on’ approach in Ukrainian politics.

as peace-keeping forces that would guarantee the negotiated ceasefire.¹⁷ From that point onwards, one might have assumed that Georgia was entrenched in the Russian sphere of influence. This was not the case. For instance, on September 23, 1999, the National Democratic Institute (NDI), which monitors global democratic development on behalf of the U.S. Democratic Party, awarded its prestigious Averell T. Harriman Medal of Freedom to President Eduard Shevardnadze, the very President ousted by the Rose Revolution.

It is often assumed that Georgia’s pro-Western orientation was cemented in the aftermath of the Rose Revolution, which is clearly not the case. One can hardly dispute the fact that the elections preceding the Rose Revolution (November 2003) left a lot to be desired;¹⁸ nevertheless, the award-winning western credentials of Eduard Shevardnadze were impec-

17 (March 1995) Human Rights Watch Report, ‘Georgia/Abkhazia: Violations of the Laws of War and Russia’s Role in the Conflict,’ Vol. 7, No. 7, Retrieval at: <http://georgiaupdate.gov.ge/ru/tagliavini/15c7ac9f9e93192bc30fbbeacc87c70b/d47fb18b456b1f8392cb799b18529463/5571e6e78bc e130b77ef65c825303656>

18 OSCE/ODIHR (November 3-25, 2003), ‘Post-Election Interim Report’ Election Observation Mission, Georgia, Parliamentary Elections, Retrieval at: <http://www.osce.org/odihr/elections/georgia/17822>

cable. This was the man who early on had carved the road for Georgia’s engagement in the Baku-Tbilisi-Ceyhan Pipeline, anchoring Georgia in an emerging energy game that was clearly western oriented.¹⁹ Shevardnadze was also responsible for setting up the foundations of what would become a solid military structure, by cooperating with the US via the Train and Equip Mission; incidentally, this was program was initiated at the very time when Russia was putting pressure on Tbilisi to control the use of the Pankisi region which, allegedly, had become an operational base for Jihadist groups.²⁰ He had significant moral credentials - this was the former Foreign Minister of the USSR, who had aided Gorbachev in putting an end to the Cold War. In terms of foreign policy, one could hardly say that the Rose Revolution constituted ‘a rupture.’

Similarly, the ‘Orange Revolution’ (2004), came at a time when Russia seemed to be developing a ‘hands-on’ approach in Ukrainian politics. Broadly speaking, the elections preceding the events of the Orange Revolution in November 2004 raised fears that the country could split in two. This fear became acute when the Donetsk regional council

19 Baran Z. (2005). ‘Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey.’ in Starr F. & Cronell S.E. (Eds), *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, Stockholm: Institute for Security and Development Policy

20 Areshidze I. G. (March-April 2002). ‘Helping Georgia,’ *Perspectives*, Vol. XII, No. 4, ICIP, Retrieved from: <http://www.bu.edu/iscip/vol12/areshidze.html>

declared its willingness to proceed with a referendum on autonomy, that is, in a conference attended by the Mayor of Moscow (Yuri Luzhkov). This immediately brought to mind the ‘Transnistria precedent.’ It is of course no accident that Donetsk was the Yanukovich’s home-base. Yanukovich was perceived as running a ‘Soviet-nostalgia’ campaign, capitalizing on the fact that his opponent, Yushchenko, had an American wife and perceived US support, raising old, Soviet-born fears of ‘the enemy from within.’ But the fact, the event remained localized: many southern and eastern regions – including Crimea, Odesa, Mykolaiv, Kherson and Dnipropetrovsk – refused to back the movement.²¹ Nevertheless, the effect was the same, for an East versus West frame of perception, it solidified how the outside world perceived domestic political cleavages.

But again, the neat East versus West cleavage is a one-sided exaggeration. For if it is admitted that Yanukovich was former President Kuchma’s favourite candidate, or protégé,²² then one should also remember that Kuchma was also the architect of Ukraine’s ‘open vector’ foreign policy dogma. True, Kuchma today is mostly remembered as a Russophile and, perhaps, with good reason: the

emblematic gesture-exchanges between Moscow and Kiev pointed to this direction, such as Putin calling 2002 ‘the Year of Ukraine in Russia,’ swiftly matched by Kuchma’s proclamation of 2003 as the ‘Year of Russia in Ukraine;’ the Gazprom-Naftogas Ukrainy deal (2002) pointed to this direction; as did the declaration of Ukraine’s intention to join the Eurasian Economic Community pointed (2002). However, this was only one vector; there was another. Kuchma, along with Shevarnadze, was amongst the founders of the GUAM regional group (1997), which specified amongst its main aims the combat of separatism and the promotion of territorial integrity. It was under Kuchma’s Presidency that Ukraine first presented a plan for meeting EU accession criteria (February 2002) and addressed the technical dimensions of a plan to join NATO (May 2002).²³

Whether the coming to power of President Yushchenko and Prime Minister Yulia Tymoshenko constituted a simultaneous ‘clean break’ with Russia is open for debate. But, there is little doubt that the Orange Revolution movement expressed concrete and sincere democratic grievances. International electoral monitors were in consensus over the fact that the first electoral encounters of October-No-

21 Kuzio Taras (02/12/2004), ‘Ukraine: East-West Break-up are overdone,’ *Oxford Analytica*, Retrieved from: http://www.taraskuzio.net/media14_files/27.pdf

22 BBC News, ‘Profile: Victor Yanuchovich,’ 03/02/2010,

Retrieved From: <http://news.bbc.co.uk/2/hi/europe/4038803.stm>

23 Haran Olexiy & Pavlenko Rostyslav (September 2003). ‘The Paradoxes of Kuchma’s Foreign Policy,’ *PONAR’s Policy Memo*, 291, Retrieved from: http://csis.org/files/media/isis/pubs/pm_0291.pdf

Last but not least, one cannot help noticing that NATO engagement in the region also seems to be treating these two states as parts of a single equation, as evidenced by the fact that NATO's door slammed simultaneously for both countries in 2008.

vember 2004 were fraudulent, whilst the independent verification of Yushenko's toxin poisoning clearly demonstrated that there was foul play. Moreover, it seems fairly widely acknowledged that the Yanukovich campaign was helped by favourable coverage in the Russian speaking media, Russian political support, and financing.²⁴

Antithesis: Unbundling Transitions (FP & Democratization)

The legacy of Colour Revolutions cemented the coupling of the political landscapes in Georgia and Ukraine in single 'East versus West' frame; this perception was further reinforced by the fact that the interests and perceptions of western allies in the region are shaped by the dynamic evolution of a geopolitically larger 'game': 'Russia versus the West.' There are at least three examples bearing testa-

24 Woehrel S. (01/02/2005), 'Ukraine's Political Crisis and US Policy Issues,' CRS Report for Congress, Retrieved from: <https://www.hsdl.org/?search&collection=crs&so=date&submitted=Search&creator=true&fct&page=1&creator=Woehrel%2C+Steven+J.>

ment to this dominant frame of analysis, guiding western engagement in the region.

First, following the Russo-Georgian War in 2008, media analysts speculated that Ukraine could or would be the next in line to have its territory challenged by Russia. Specifically, as events were unfolding in Georgia in 2008, Ukraine briefly stood up to Moscow over its Crimean port. As Russian warships were departing Sevastopol for Georgia, the Ukrainian administration announced restrictions on the fleet and threatened to ban its re-entry in Ukrainian territory. For certain analysts this was yet another play in the 'East versus West' grand narrative.²⁵ In this scheme, the fear of the proverbial domino effect was at play.

Secondly, it is anything but uncommon for energy-security analysts in the region to refer to these two countries as the major theatre of an 'East versus West' encounter that Papava and Tokmazivilli have coined the 'Pipeline Cold War.'²⁶ In this scheme, Ukraine and Georgia are often seen as pawns in a greater energy-security chess game.

Last but not least, one cannot help noticing that NATO engagement in the region also seems to be treating

25 USNews.com (Alastair Gee), 'In Ukraine's Crimea the Next Flash Point With Russia,' 26/08/2008, Retrieved from: <http://www.usnews.com/topics/locations/ukraine>

26 Papava, V. & Tokmazishvili M. (Spring 2010). *Russian Energy Politics and the EU*, *Caucasian Review of International Affairs*, Vol. 4 (2)

these two states as parts of a single equation, as evidenced by the fact that NATO's door slammed simultaneously for both countries in 2008.²⁷ This decision was perhaps made in the fear that a proxy East-West encounter in the Caucasus could escalate into open confrontation with Russia, which would clearly be of global consequence if either of the two countries evoked article V.

However, it requires a huge leap of faith in order to believe that this dominant perceptual frame of a geopolitical encounter corresponds neatly with a clash of norms, values and political beliefs of domestic political actors. It may be observed that political actors in either Ukraine or Georgia will customarily feed upon this underlying 'East versus West' narrative for the purposes of their electoral campaigns. But this does not mean that this political rhetoric also bears testament to the democratic credentials of pro-Western leaders or proves beyond reasonable doubt the autarchic outlook of leaders employing a pro-Kremlin discourse. In sum, the East versus West frame of perception may not always serve international observers wishing to evaluate or monitor progress in democratization in either of the two states.

In Georgia as well as in the West, there have been those who ques-

tioned whether foreign policy orientation, which is fervently western oriented, coincides with substantive progress in democratization. Early on, the grievances concerning Georgia's democratic deficit were domestic.²⁸ But, increasingly, international observers have also voiced their concerns.²⁹ Domestic or international, 'transition' monitors of every ilk are swift to hail Georgia's decisive steps towards market liberalization, but then move on to point out that there is a lot to be desired in terms of democratization. Yet these remarks are often overshadowed, for whenever the prospect of elections comes to the fore, the 'East-West' paradigm resurges to the detriment of the democratization agenda. For instance, the ruling party has recently made statements to the effect that one of the prime Presidential candidates, whose businesses are mainly in Russia, could be influenced by the Kremlin. The argument is that anyone who has managed to stay this wealthy in Putin's Russia must have Moscow's support.³⁰ The Russophobe card is

²⁷ *New York Times* (Tinatin Khidasheli), 'Georgia: The Rose Revolution has Wilted,' 08/12/2004, Retrieved From: http://www.nytimes.com/2004/12/08/opinion/08iht-edkhdasheli_ed3_.html?_r=1

²⁹ Bodewig Kurt (Germany), Acting Rapporteur and Subcommittee Chairman, 2007 Annual Session), *ECONOMIC AND POLITICAL TRANSITION IN GEORGIA*, NATO Parliamentary Assembly, Committee Reports, Annual Session, 170 ESCEW 07 E rev 2, Retrievable at: <http://www.nato-pa.int/default.asp?SHORTCUT=1171> and

Freedom House Country Reports (Georgia/Ukraine), Retrievable from: <http://67.192.63.63/template.cfm?page=21&year>

³⁰ *BBC News* (McGuinness Damien), 'Billionaire Tycoon Shakes Up Georgia Politics,' 11/11/2011, Retrieved From:

²⁷ *New York Times* (Steven Erlanger & Steven Lee Myers), 'NATO Allies Oppose Bush on Georgia and Ukraine,' 03/04/2008, Retrieved from: <http://www.nytimes.com/2008/04/03/world/europe/03nato.html?pagewanted=all>

And, perhaps paradoxically, there is evidence to suggest that this type of Russophobia is not constructive in any sense whatsoever, including foreign policy orientation, since, at times, this risky exercise in domestic bravado makes the Georgian alliance seem like a liability.

also deployed against journalists.³¹ The culminating effect is that whoever threatens incumbent power can swiftly and effectively be discredited by raising the spectre of Russia, thus silencing or diminishing the effect of domestic and international concerns about the regime's democratic credentials. And, perhaps paradoxically, there is evidence to suggest that this type of Russophobia is not constructive in any sense whatsoever, including foreign policy orientation, since, at times, this risky exercise in domestic bravado makes the Georgian alliance seem like a liability.³²

Conversely, despite full-circle lamentations on the recent Yanuchovich victory, which was seen by certain analysts as the Kremlin's victory

<http://www.bbc.co.uk/news/mobile/world-europe-15682606>

31 *Open Democracy* (Nino Tsagareishvili), *No Pictures, No Democracy*, 25/07/2011, Retrieved From: <http://www.opendemocracy.net/od-russia/nino-tsagareishvili/georgia-no-pictures-no-democracy>

32 *Observer* (Thomas de Waal), 'Georgia's Volatile Risk-Taker has Gone Over the Brik,' 10/08/2008, Retrieved From: <http://www.guardian.co.uk/commentisfree/2008/aug/10/georgia.russia>

and, hence, a Western defeat,³³ Freedom House indicators fair better in Ukraine than in Georgia on issues such as electoral procedures.³⁴ Some analysts are in fact more generous with Ukraine, suggesting that it may even become a 'regional example' of cautious yet decisive steps towards democratization, despite the fact that Yulia Tymoshenko sought to portray her opponent as the destroyer of Ukraine's European (i.e. Western) future;³⁵ and, given a tendency to embrace martyrdom, we should also bear in mind that political actors tend to often change role in this scene, with Tymoshenko herself once being hailed as the 'dissident oligarch'.³⁶ Meanwhile, in a Kuchma-like tradition, Yanuchovich seems to remain true to the 'open vector' diplomatic culture and with good reason. His weak Presidential office, unlike the super-strong Presidential office in Georgia, does not allow him to pursue divisive issues in a decisive manner. He promised before elections to recognize the Georgian breakaway republics; but so far has not done so. He has made no advances towards

33 *BBC News*, 'Pro-Moscow Yanuchovich to 'win Ukrainian Election,' 08/03/2010, Retrieved From: <http://news.bbc.co.uk/2/hi/europe/8503177.stm>

34 *Op. Cit. Freedom House Country Reports 2010*

35 Wilson A. (18/03/2010). *Dealing with Yanuchovich's Ukraine*, Policy Brief, ECFR/20, Retrieved From: http://ecfr.eu/content/entry/commentary_dealing_with_yanukovychs_ukraine_a_policy_brief

36 Kuzio Taras (March 7th, 2008). *How the Gas Issue Plays in Ukrainian Politics and How Ukrainian Politicians play the Gas Issue*, Paper Delivered at Harvard University, Retrieved From: http://www.taraskuzio.net/conferences2_files/Ukrainian_Politics_Energy.pdf

joining NATO, but neither towards CSTO. Recently, quite dismayed with Ukraine, Dmitry Medvedev stated:

“If Ukraine chooses the European vector, it will certainly be more difficult for it to find opportunities within the single economic area and customs union between Russia, Kazakhstan and Belarus, because this is a separate association. You can’t be everywhere at once and this is something that has to be understood by everyone, including my Ukrainian colleagues.”³⁷

Discussion – Synthesis: Moving Beyond the Russian Taboo

There is no doubt that the ‘Colour Revolution’ experience was founded on the activism, perseverance and self-sacrifice of thousands of people longing for democracy and, to an extent, the desire for a foreign policy shift that would take Georgia and Ukraine beyond the Kremlin’s grasp. The problem at hand is that this experience did not automatically fulfil both objectives at once. The fear of Russia, which can hardly serve as a model for democratic evolution, has justifiably entrenched a dominant perceptual view that ‘western foreign policy orientation equals democratic credentials.’ This is not the case. A western oriented foreign policy goes

a long way in cementing a market-oriented economy; goes a long way perhaps in creating a balance of power which, under certain circumstances, may lead to viable security architecture that keeps Russia expansionism at bay. But, so far, a western foreign policy orientation falls short of securing a western style-and-standard democratic process.

What is more, coupling the issue of foreign policy orientation and domestic democratization has, at times, been counterproductive. Clearly, the first priority of a democratic system is to achieve inclusiveness, even in the midst of extreme polarization on foreign policy issues. To this effect, a divisive line amongst traitors and patriots does not serve any purpose. Moreover, when anti-Russian rhetoric becomes the main instrument for boosting international legitimacy, the result may be that a country becomes a liability to its allies.

A second dilemma frequently encountered by political systems is the choice between effectiveness and inclusion. Now, in the context of a consolidated democracy, effectiveness can be the legitimate first priority, as it was in Italy in the reform of the Italian electorate system in the 1990s, designed to create effective governance in a political landscape that is notoriously fragmented. But, in an environment where individual freedoms and the separation of powers have not been achieved, then in-

37 EuroActiv, *Ukraine needs to choose EU or CIS-Medvedev*, 18/05/2011, Retrieved From: <http://www.euractiv.com/eps2011/special-report-russia-ukraine-eye-customs-union-eu-news-504944>

clusion should be the first objective; if not, underrepresented social demographics may seek extra-systemic political expression. Following this line of thinking, less strong executive offices, which are systemically forced to be more responsive to parliamentary cleavages, may also be more appropriate for political systems in transition, if the prime objective is to secure that all political actors remain systemically committed. In any event, if neither electorate processes nor constitutional designs are informed by the overarching priority of securing systemic inclusion, then the political system is conducive to extra-systemic forms of mobilization such as ‘color revolutions.’

Thus, to allow room for the emerging generation to enjoy and celebrate Georgian or Ukrainian independence, our generation must first transcend its ‘Russian Taboo.’ This is not a proposal for a re-direction of foreign policy; it is merely a call for our generation to place its own fears second, focusing on the priorities of the next generation, who are clearly concerned with substantive democratization, longed for since 1989.



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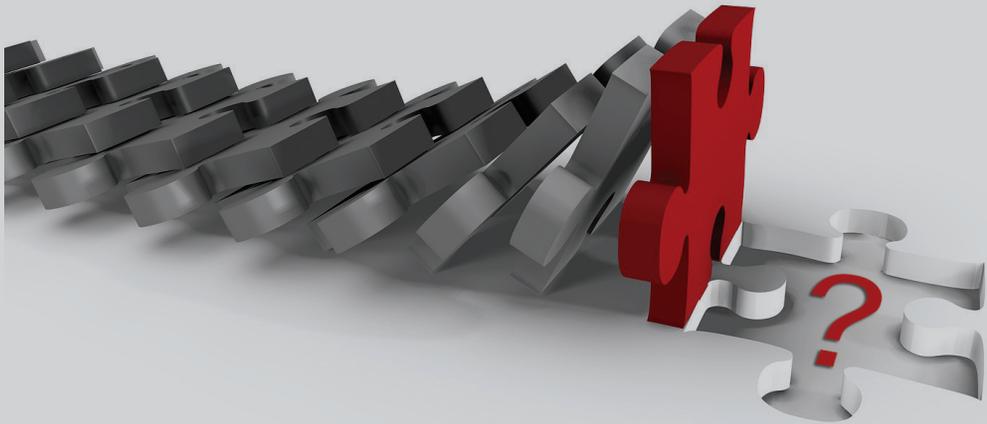
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Kazakhstan's Relations

with the South Caucasian states

**Shirin
Akiner***

Abstract

Since independence, Kazakhstan's relations with the states of the South Caucasus have been primarily determined by pragmatic considerations. Azerbaijan, and to a lesser extent Georgia, became attractive partners when Kazakhstan required additional export facilities for its commodities. There are, however, other important ties between Kazakhstan and Azerbaijan, stemming from their location on the Caspian Sea, in addition to historical and cultural affinities. The differences between the two countries – in physical and human geography, as well as in terms of their political alignments – far from creating barriers, have produced mutually beneficial prospects. The emerging Kazakhstani-Azerbaijani partnership is a step towards the development of what could become a strategic east-west network.

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In recent years, Kazakhstan's relationships with the South Caucasian states, particularly with Azerbaijan, have been deepening. Situated on opposite sides of the Caspian Sea, the two countries have a natural affinity. They have complementary capabilities as well as shared interests and concerns. The relationship is given added depth by the bonds of a common history and common ethnic roots.¹ The Kazakhstani-Azerbaijani partnership is significant, because it has the potential to become a strategic trans-Caspian link, with Kazakhstan representing the eastern portal, and Azerbaijan the western portal. The links between Kazakhstan and the two other South Caucasian states are weaker, lacking the physical proximity and the cultural ties that facilitate cooperation with Azerbaijan. However, as Kazakhstan's need for new export routes grows, so Georgia's ports on the Black Sea are starting to provide the basis for a closer relationship. By contrast, Armenia, landlocked and hemmed in by neighbors with whom it has relations that can at best be described as problematic, offers little immediate scope for a productive partnership. This paper looks at these budding alignments from the perspective of Astana's foreign policy objectives.

1 These ties were stressed by Azerbaijani President Ilham Aliyev in his speech at the inaugural session of the first Summit of the Cooperation Council of Turkic States, Almaty, October 2011. Available at: <http://en.president.az/articles/3383> [retrieved 16 February 2012].

This is not to underestimate the importance of the 'view from across the Caspian'. Nevertheless, it is Kazakhstan, the larger, economically more powerful and internationally more active partner, which is setting the agenda for this project. The main body of the paper examines various aspects of Kazakhstani-Azerbaijani cooperation. Relations with Georgia and Armenia are less developed, hence are treated more briefly here.

Kazakhstan and Azerbaijan: Similar but Different

The most obvious similarity between Kazakhstan and Azerbaijan is that they both have world-class reserves of hydrocarbons. Since the collapse of the Soviet Union, these resources have attracted the attention of the major international oil companies, as well as a growing number of Asian national oil companies. In other respects, the two countries have very different physical geographies. Situated on the north-eastern littoral of the Caspian Sea, Kazakhstan has a coastline of some 1,900 km. Spanning the notional divide between Europe and Asia, it shares long land borders with China, the Russian Federation (hereafter 'Russia'), and the Central Asian states of Uzbekistan, Turkmenistan and Kyrgyzstan. It has an immensely varied relief, marked by high mountains, rolling steppes, deserts and deep depressions. Its abundant resource base includes

good agricultural land, which is enabling the country to become one of the world's top grain exporters.² Kazakhstan has a relatively small population – an estimated 15.5 million – but by size of territory (over 2.7 million sq. km), it is the ninth largest country in the world.³

By comparison, Azerbaijan is a small, densely populated country, with a population of 8.4 million, and

The links between Kazakhstan and the two other South Caucasian states are weaker, lacking the physical proximity and the cultural ties that facilitate cooperation with Azerbaijan.

a total territory of 86,000 sq. km. This includes Nagorno-Karabakh (Garabagh), now under military occupation by Armenia, and the exclave of Nakhcivan, surrounded by Armenia, Iran, and Turkey. Azerbaijan stretches along the south-western rim of the Caspian, with a coastline of 713 km. To the south lie Iran and Turkey (the latter bordering Nakhcivan), and to the

2 In 2010 Kazakhstan exported over 1 million tonnes of grain to Azerbaijan (<http://news.az/articles/economy/43289>). In 2011, after a bumper harvest of 28 million tonnes, it was anticipated that exports to Azerbaijan would exceed all previous levels (<http://inform.kz/eng/article/2413995>) [retrieved 16 February 2012].

3 Data in this section are taken from the relevant country chapters of the CIA World Factbook 2012. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/aj.html> ; <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html> [retrieved 10 February 2012].

north, Russia; Georgia and Armenia are situated on its western flank. In addition to valuable mineral reserves, Azerbaijan's economic assets include agriculture (it is a major producer of tea) and fisheries.

A shared history and a shared cultural heritage have facilitated cooperation between Azerbaijan and Kazakhstan. Both countries were part of the Soviet Union, and despite the reforms that have taken place over the past two decades, the legacy of this period is still palpable. However, there are also older links, stretching back over centuries. Some of these ties may have been weakened by time and changing circumstances, but they retain a powerful emotional appeal. The chief bond is the common Turkic origin, amplified by the Turkic roots of their respective languages.⁴ Moreover, in both countries the national (i.e. state) culture emphasizes the Turkic heritage. Yet the ethnic composition is very different. Azerbaijan has a largely homogenous population (over 90 per cent Azerbaijani), while Kazakhstan is home to a large Slav population as well as some 130 other ethnic groups,⁵ thus questions of identity and cultural affiliation are more complex. A second important

4 Azerbaijani belongs to the Oghuz-Seljuk branch of Turkic languages, while Kazakh belongs to the Kipchak group; see N. A. Baskakov, *Vvedeniye v izuchenije tjurkskikh yazykov*, Moscow, 1969, relevant chapters.

5 According to the 2009 census, Kazakhs constituted 63.1% of the total population, Russians 23.7%, Uzbeks 2.8%, Ukrainians 2.1%, Uighurs 1.4%, Tatars 1.3%, Germans 1.1%, other groups 4.5%.

bond is Islam. Both countries are officially secular, but each has a long tradition of adherence to the Muslim faith. Again, however, there are differences: Kazakhstan forms part of the worldwide Sunni community, while in Azerbaijan, an estimated 70 per cent of the Muslims follow the Shia branch of Islam.⁶

Delimitation of the Caspian Sea

The geographic proximity of Azerbaijan and Kazakhstan, maritime neighbors across the Caspian, mean that they are inextricably bound together by a web of common interests and concerns. After independence, the first issue that required close interaction between the two states was the legal status of the Caspian Sea. For almost two centuries the only littoral powers had been Iran and the Russian empire/Soviet Union. Their use of the Sea and its resources had been regulated by bilateral agreements and treaties, but there had been no official discussion either of national sovereignty or of the delimitation of national sectors, thus the legal status of the Caspian Sea was not formally defined. After the disintegration of the Soviet Union, three new littoral states – Azerbaijan, Kazakhstan and Turkmenistan – suddenly came into existence and these questions assumed paramount

⁶ See *Mapping the Global Muslim Population: A Report on the Size and Distribution of the World's Muslim Population*, October 2009, p. 39. Available at: www.pewforum.org [retrieved 10 February 2012].

The geographic proximity of Azerbaijan and Kazakhstan, maritime neighbors across the Caspian, mean that they are inextricably bound together by a web of common interests and concerns.

importance. The fundamental issue was consensus agreement on the type of legal regime that should apply (the law of the sea, of frontier lakes, etc). Russia and Iran argued that the Sea should be treated as an 'indivisible reservoir'. By contrast, the new littoral states called for it to be divided into national sectors, and put forward various proposals for the way in which it should be delimited.⁷

In April 1992, Iran initiated the formation of the Caspian Sea Cooperation Zone (also known as the Caspian Sea Organization), comprising all the littoral states.⁸ The aim was to coordinate the national positions of these states on issues of common concern. However, hampered by tensions and divisions between the participants, it was unable to make progress and

⁷ For the historical background, see A. Granmayeh, 'Legal History of the Caspian Sea', in S. Akiner (ed.), *The Caspian: Politics, Energy and Security*, London, 2004, pp. 17-47; an important insight into the negotiations that took place in the early 1990s is given by V. Gizzatov, the Kazakhstani Deputy Foreign Minister with responsibility for these issues, in 'Negotiations on the legal status of the Caspian Sea 1992-1996: View from Kazakhstan', *op. cit.*, pp. 48-59.

⁸ M. Mozaffari, (ed.), *Security Politics in the Commonwealth of Independent States: the Southern Belt*, London, 1997, esp. pp. 151-153.

soon faded away. Nevertheless, the need to reach consensus on a range of crucial issues remained. In 1996, a Special Working Group (SWG), composed of academics and senior government officials from the five states, was formed in order to develop a convention on the legal status of the Sea. The first summit meeting between the leaders of the Caspian littoral states was convened in April 2002. Ten years later, after many meetings of the SWG and two more full-scale summits, some issues had been resolved but there was still no final agreement on an overall legal regime for the Sea. Meanwhile, the three northern states – Russia, Kazakhstan and Azerbaijan – began working on the demarcation of the sectors of the seabed to which they each laid claim. In July 1998 Russia and Kazakhstan signed a bilateral agreement on the delimitation of their adjoining sectors for subsoil use; a protocol to the agreement, setting out the geographical co-ordinates of the median line, was added in May 2002.⁹ Kazakhstan and Azerbaijan signed a similar agreement and appropriate protocol, in November 2001 and February 2003 respectively. These states signed a trilateral agreement delimitating the junction point of the contiguous sectors in May that year, thus completing the division of this part of the Sea. Analogous discussions were taking place between the border

⁹ A protocol on amendments to the 2002 document was agreed in January 2006.

states in the southern part of the Sea – Azerbaijan, Iran and Turkmenistan – but as of 2012, no binding agreement had been reached.

Security in the Caspian Sea

A serious area of concern for Azerbaijan and Kazakhstan, as for the other Caspian states, was environmental security. High levels of pollution, in part the legacy of more than a century of oil extraction and transportation, in part the result of intensive industrialization and urbanization in coastal regions, were having a devastating impact on the Sea's biosphere. Other environmental threats included the inadvertent introduction of invasive alien organisms (e.g. by-products of toxic agricultural fertilizers), which robbed the water of oxygen and created 'dead zones'. Such patches were spreading aggressively in the northern Caspian, notably in the vicinity of the Absheron peninsula. The cumulative effect of these various stresses was that the fragile marine environment was being degraded at an alarming rate. Fish stocks, including the precious caviar-producing sturgeon, fell to dangerously low levels; there was also a catastrophic decline in the numbers of the unique Caspian seal (*Phoca caspica*).¹⁰

Joint action was urgently needed. The

¹⁰ For a more detailed assessment, see S. Akiner, 'Environmental Security in the Caspian Sea', *The Caspian: Politics, Energy and Security*, pp. 343-362.

first step towards creating a unified approach came in May 1994, when the five states signed the Almaty Declaration on Environmental Co-operation. Four years later, the multi-sectoral Caspian Environment Program was launched; funded by the Global Environmental Facility, the EU and various UN bodies, it institutionalized a comprehensive action plan to address environmental and bio-resource issues.¹¹ These measures paved the way for the signing of the Framework Convention for the Protection of the Marine Environment of the Caspian Sea in November 2003 in Tehran – the first treaty agreement to which all five littoral states acceded. This document obliged the signatories to observe agreed principles and norms of environmental good conduct. It was not in itself a solution to the problems of the Sea, but it provided a sound basis for future collective action.

Other aspects of Caspian security were also causing concern. Organized crime was on the rise, including mass poaching of fish, piracy, and the trafficking of narcotics and other contraband. There were fears, too, regarding the vulnerability of onshore and offshore installations to terrorist attacks. In response to these threats, the littoral states began to build up

¹¹ For an overview of activities to date, see: <http://iwlearn.net/iw-projects/596/reports/strategic-action-programme-sap/@view-sims-server-related-items.html> [retrieved 16 February 2012].

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their Caspian naval bases, to upgrade their fleets and to train special marine forces. After the dissolution of the Soviet Union, the Soviet Caspian flotilla had been divided equally between the four successor littoral states. Subsequently, Azerbaijan, Kazakhstan and Turkmenistan began to develop independent naval capabilities. They were assisted by foreign military aid, much of which was provided by Turkey and the USA.¹² In August 2002, Russia staged large-scale military exercises in the Caspian, designed to combat terrorism and other security threats. Azerbaijan and Kazakhstan also took part in the operations, while Iran sent observers; Turkmenistan abstained, on the grounds that this would violate its declared status of neutrality.¹³

¹² For a careful analysis and chronology of this process see M. Katik, 'Militarisation of the Caspian Sea', in S. Akiner (ed.), *The Caspian: Politics, Energy and Security*, London, 2004, pp. 297-310. For an update on the situation, see J. Kucera, 'U.S. Helping Build Caspian Navies', 13 March 2011; available at: <http://www.eurasianet.org/node/63063> [retrieved 1 February 2012].

¹³ The central tenet of Turkmenistan's foreign policy is the status of Permanent Neutrality, formally recognised and supported by the United Nations General Assembly on 12 December 1995. This precludes participation in any organisation, or offensive action, of a military nature.

There was some joint participation (again without Turkmenistan) in later maneuvers and in 2009, Russia and Iran conducted their first combined exercises in the Caspian.¹⁴ In order to institutionalize such efforts, Moscow proposed the establishment of a joint naval task force, similar in concept to the Black Sea Naval Cooperation Task Group,¹⁵ to protect the littoral states from organized crime, as well as to ensure the safety of energy supplies. However, the idea failed to win support from the other Caspian states.

There was an additional reason to strengthen national maritime defences: the protection of (*de facto*) national territorial waters against possible encroachment by neighboring states. This was a matter of particular concern in the southern part of the Sea, where there was still no formal demarcation settlement between Azerbaijan, Iran and Turkmenistan. Yet the militarization of the Sea was in itself a dangerous development, heightening the risk that boundary disagreements might escalate into a full-scale conflict. A foretaste of this was given in July 2001, when there was a confrontation between Iranian and Azerbaijani vessels over a disputed

area of the Sea.¹⁶ The incident was defused relatively quickly, but it had shown just how easily such a situation could spiral out of control. Given the wider political tensions in the region, as well as the presence of Western energy companies in major exploration and development projects, there was a high risk that in the future such clashes would be internationalized, drawing in external armed forces – with disastrous consequences for the entire Caspian basin. With this in mind, the Caspian states unanimously agreed that no foreign military presence should be allowed on the Sea. The first step towards establishing a formal basis for a coordinated position on security issues was taken at the third Caspian Summit, held in Baku in 2010, when the five states signed a joint agreement on Caspian security. In a related move, Turkmenistan hosted an international forum on disarmament issues in Central Asia and the Caspian basin; it proposed the establishment of a high-level forum on regional security, peace, and cooperation. In September 2011, at the 66th session of the UN General Assembly, Turkmenistan confirmed its willingness to host the inaugural meeting of such a body.

¹⁴ Hana Levi Julian 'Russia-Iran Naval Maneuvers Begin in Caspian Sea', 29 July 2009, *Israel National News*. Available at: <http://www.israelnationalnews.com/News/News.aspx/132634> [retrieved 16 February 2012].

¹⁵ Katik, *op. cit.*, pp. 306-307.

¹⁶ In July 2001, an armed Iranian patrol boat confronted two Azerbaijani boats. The vessels, on lease to BP, were in area part of the Sea that was disputed by Azerbaijan and Iran. They were evicted following a small but menacing display of Iranian naval and air strength; as a result, BP decided to suspend its exploration activities in the southern Caspian.

Exploration and Development Projects

After the collapse of the Soviet Union, the rich hydrocarbon reserves of Kazakhstan and Azerbaijan swiftly attracted a massive influx of foreign direct investment. In Kazakhstan, three massive projects were initiated in quick succession. The first agreement, concluded with the US Chevron Corporation in May 1992, was for the development of the Tengiz field, on the north-eastern stretch of the Caspian coast.¹⁷ The second, also launched in 1992, was for the rehabilitation and development of the huge Karachaganak gas field in north-west Kazakhstan. This was undertaken by a consortium headed by British Gas and its partner, Agip SA.¹⁸ The third, and largest, venture was the exploration and development of the Kashagan field. In 1993 the Caspian Shelf Consortium¹⁹ started to survey an offshore area in the north-eastern (Kazakhstani) sector of the Sea. This resulted in the discovery, announced

¹⁷ The joint venture, Tengizchevroil (TCO) was established between Chevron and Kazakhstan to manage the project. Other petroleum companies later bought into the venture; Chevron retained a 50% stake, with the remainder divided between KazMunaiGaz, (20%), ExxonMobil Kazakhstan Ventures (25%) and LUKArco (5%).

¹⁸ The field had been in production since 1984, but was in urgent need of investment and modernization. The Karachaganak Petroleum Operating Co (KPO) was formed, with BG and Agip SA/Eni SpA as joint operators (each with a stake of 32.5%), and Chevron (20%) and LUKoil (15%) as junior partners. Production from the redevelopment began in 2000.

¹⁹ Comprised of Agip, British Gas, British Petroleum, Mobil, Royal Dutch/Shell, Statoil, and Total.

in July 2000, of a hitherto unknown mega structure. The find was one of the most significant events in the recent history of international energy exploration. However, Kashagan proved to be exceptionally difficult to develop, owing to the extraordinarily complex structure of the field and the extreme environmental conditions. It was originally anticipated that commercial production would begin in 2005, but after a series of delays and missed deadlines, the start-up date was postponed until October 2013.²⁰

In Azerbaijan, too, large-scale projects were being undertaken in partnership with Western companies. In 1994, a BP-led consortium signed a US \$8 billion contract – dubbed the ‘Contract of the Century’ – with the Government of Azerbaijan to develop the offshore Azeri, Chirag (Çırağ) and deep-water Guneshli (Güneşli) fields in the western (Azerbaijani) sector of the Caspian.²¹ In July 1999, there was more good news when BP Amoco announced the discovery of another offshore field, Shah Deniz (Şah Deniz), which contained estimated gas resources of some 400 billion

²⁰ The consortium underwent several changes of structure and of name (as did individual companies). In 2008, now known as the North Caspian Operating Company, the major partners included Eni-Agip, Total, ExxonMobil and Royal Dutch/Shell and KazMunaiGaz, each with stakes of 16.8%.

²¹ In October 1995 the Azerbaijan International Operating Company (AIOC), a consortium of companies from Azerbaijan, Japan, Norway, Russia, Saudi Arabia, Turkey, the United Kingdom and the USA, was established to develop these offshore fields; production of petroleum for export began in November 1997.

During these years, Kazakhstan and Azerbaijan pursued their own export strategies. These sometimes coincided, but at other times diverged

cubic meters. Coming one year ahead of the discovery of Kashagan, this was a landmark event, since it was the first confirmed discovery of new energy resources in the region since independence.

Meanwhile, in both countries other projects were being developed, onshore and offshore. The international oil companies were still the major investors, but in Kazakhstan, Asian national oil companies were becoming increasingly active, mainly from China, but also from India and South Korea. The same trend was taking place in Azerbaijan, though somewhat less intensively.

Pipeline Politics

The projects described above vastly increased the output of oil and gas from Azerbaijan and Kazakhstan. This, in turn, required new export routes, not only to cope with the growing volumes that were being produced, but also to reach new markets. The existing pipelines had been part of the internal Soviet network. This not only gave very limited market access, but also made the newly independent states vulnerable to Russian political and economic pressure. The situation

was highly unsatisfactory, not only for Azerbaijan and Kazakhstan, but also for foreign investors, who wanted to export hydrocarbons from the Caspian without the potential threat of Russian interference. Yet the construction of new pipelines was complicated by several factors, not least the long distances to international terminals and consequent high cost of such projects. There were also other problems, including environmental risks, U.S. sanctions against Iran, and regional instability that could threaten the trans-boundary transportation of hydrocarbons. Nevertheless, such pipelines were eventually built, and the Caspian basin was gradually integrated into the global energy market.

During these years, Kazakhstan and Azerbaijan pursued their own export strategies. These sometimes coincided, but at other times diverged. In 1995, the routes for Azerbaijan's first new export pipelines were announced. Designed to carry 'early oil' from Baku to the Black Sea coast, one branch ran north to the Russian port of Novorossiysk, while a southern branch was connected to the Georgian port of Supsa. Securing agreement from all the interested parties (states, producers and investors) had been difficult, but finalizing the route for the main export pipeline was an even more complicated undertaking, as so many conflicting geo-strategic

Kazakhstan, though, was not as yet fully committed to the Azerbaijan-Georgian-Turkish route. Its first priority was the construction of a pipeline linking Tengiz to Novorossiysk

interests were at stake.²² The first notable sign of progress came in October 1998, when with strong US backing, the governments of Azerbaijan, Georgia, Kazakhstan, Turkey and Turkmenistan signed the Ankara Declaration in support of a pipeline from Azerbaijan to the Turkish Mediterranean coast. Nevertheless, economic, political and environmental hurdles delayed implementation of the project for several more years. Also, there were doubts as to whether Azerbaijan would be able to produce enough oil to make such a pipeline commercially viable. It was only in 2002, when the extent of the reserves in the Kashagan field (in the Kazakhstani sector of the Sea) became known that the project seemed feasible. Thus, encouraged by indications that Kazakhstan would export some of its oil by this route, a BP-headed consortium undertook the construction of a pipeline from Baku via Tbilisi to the Turkish port of Ceyhan (henceforth known as the BTC pipeline). Completed in early

2005, BTC became operational in May 2006. Concurrently, negotiations were underway for the construction of a parallel gas pipeline, to run from the giant Shah Deniz field via Tbilisi to the Turkish city of Erzurum. Work on this project, known as the South Caspian pipeline (or simply the Baku-Tbilisi-Erzurum pipeline), began in 2004; it became operational in September 2006.

Kazakhstan, though, was not as yet fully committed to the Azerbaijan-Georgian-Turkish route. Instead, it was pursuing a number of other options. Its first priority was the construction of a pipeline linking Tengiz to Novorossiysk. To this end, the Caspian Pipeline Consortium (CPC) was created in 1992. Originally a joint venture between the governments of Kazakhstan and Oman, the consortium was later expanded to include Azerbaijan, Russia and several Western companies. There were numerous disputes over such issues as management and share structure, but the pipeline was eventually finished in 2001. In the meantime, the existing pipeline network that carried crude oil from central Kazakhstan to Samara (Volga region of Russia) was upgraded and expanded.

The most significant development during this period, however, was the evolving relationship with China. In 1997 Kazakhstan began sending oil

22 A great deal has been written about these issues, examining them from many different angles. A good overview is given by R. Kandiyoti, *Pipelines: Flowing Oil and Crude Politics*, London, 2008, esp. pp. 154-235.

by rail to its eastern neighbor. In 2002, the two countries embarked on the construction of a cross-border pipeline. Completed in December 2005, it had an annual throughput of 10 million tons, and carried Kazakhstani oil as well as Russian oil from the west Siberian oilfields. A second phase, extending the pipeline westwards to the Caspian coast, was completed in 2009. In parallel to this, plans were developed for a Kazakhstan-China gas pipeline, to be supplied by gas from the Karachaganak, Tengiz and Kashagan fields. This scheme was later expanded to run from Turkmenistan via Uzbekistan and Kazakhstan to China's Xinjiang region. The entire undertaking, completed in less than two years, was formally inaugurated in December 2009.

Trans-Caspian Deliveries

For centuries, passengers and cargoes had crisscrossed the Caspian by boat. After independence, the volume of maritime traffic grew rapidly, using ferries, barges and tankers. In 1996 Kazakhstan began 'swap deals' with Iran, shipping oil across the Sea for refining and distribution in northern Iran, in exchange for an equivalent amount of crude petroleum at Iranian storage facilities elsewhere in the world. Meanwhile, Kazakhstan was eager to supply oil and gas to the West. This was partly because its hydrocarbon reserves were immense,

but also in order to maintain geo-economic balance between routes to Russia, China and Iran. Accordingly, in June 2006 Astana finally agreed to join the BTC project (although the treaty was not ratified until May 2008). The agreement allowed for up to 500,000 barrels per day of petroleum, mainly from the Tengiz field, to be shipped by tanker from the Kazakhstani port of Aktau to Baku for delivery to BTC and thence to markets in Europe and elsewhere.

This dovetailed with the Kazakhstani government's plan to develop an integrated Kazakhstan Caspian Transportation System (KCTS).²³ The concept, which envisaged close co-operation between Kazakhstan and Azerbaijan, was formally agreed by the two countries in 2009. The primary emphasis was on developing tanker and barge transportation across the Sea, together with the necessary onshore infrastructure. The bulk of the trans-shipped cargo would be oil, but grain and other commodities would also be carried across the Sea. In the longer term, the aim was to expand the scheme to include all the littoral states. This scheme complemented initiatives put forward by the EU to develop transport and energy

23 For a description of the scope of the project see: <http://www.kmg.kz/en/manufacturing/oil/kkst/> [retrieved 16 February 2012]. This was part of a larger programme, launched by the Kazakhstani Government in 2005, to create a comprehensive 'Sea-Land' integrated transport and logistics network. See further: <http://en.trend.az/capital/business/1984750.html> [retrieved 10 February 2012].

corridors from Central Asia via the Caucasus to Europe. One of these was INOGATE (an acronym derived from an earlier project entitled ‘Interstate Oil and Gas Transport to Europe’), a program aimed at enhancing energy co-operation between the EU, Central Asia, Caucasus and the Black Sea. In November 2004, a ministerial-level INOGATE Energy Conference was held in Baku (the ‘Baku Initiative’), followed by a meeting in Astana in November 2006, which resulted in the Astana Energy Ministerial Declaration on scope and principles.²⁴ The other project was TRACECA (Transport Corridor Europe, Caucasus, Asia). Launched in May 1993, it was largely focused on the western sector of the proposed transport corridor. Neither of these programs lived up to the expectations they had created, since their projects were largely confined to the realm of planning. However, TRACECA did undertake some useful work in developing and modernizing the Caspian ports.²⁵

The construction of sub-sea pipelines was a possible, but highly controversial, extension of trans-Caspian links. In 1998 Kazakhstan had concluded an agreement with Royal Dutch/Shell, Mobil and

Chevron for a feasibility study on parallel underwater oil and gas pipelines to Azerbaijan. However, it was not until late 2002 that serious negotiations were undertaken, resulting in a framework agreement on the construction of an Aktau-Baku oil pipeline in March 2003. After some hesitation, Turkmenistan also gave its support to a sub-sea gas pipeline to Baku. This was largely driven by its interest in the Nabucco project – a scheme to build a pipeline to transport natural gas from Turkey (starting from Erzurum) to Europe, bypassing Russia. It was envisaged that Nabucco would receive gas from Azerbaijan, with contributions from Turkmenistan and Kazakhstan. The venture began to take shape in 2002, when a group of Western energy companies, with strong support from the EU and the USA, signed a protocol of intention. However, the project encountered many obstacles, not least of which was wavering political support. In January 2011, European Commission President Jose Manuel Barroso and Azerbaijani President Ilham Aliyev signed a joint declaration that committed Azerbaijan to providing ‘substantial’ long-term gas supplies to EU countries. In October, Turkmenistan also began legal negotiations to join the project, although by this time there were serious doubts in some quarters as to whether Nabucco would ever be implemented. Others,

²⁴ See: http://www.inogate.org/inogate_programme/about_inogate [retrieved 1 February 2012].

²⁵ See: http://ec.europa.eu/europeaid/where/asia/regional-cooperation-centralasia/transport/traceca_en.htm (retrieved 1 February, 2012).

however, including senior Turkish officials, remained optimistic.²⁶

Yet even if Nabucco were in doubt, by 2012 the issue of trans-Caspian pipelines had gained momentum to the point where, for Azerbaijan, Kazakhstan and Turkmenistan, the question was ‘when’, rather than ‘whether’. Russia and Iran, on the other hand, remained strongly opposed to such projects, in part for political reasons, but also because of genuine environmental concerns. Local environmentalists, too, were against these proposals, fearing that they would increase the risk of damage to the delicate ecosystem of the Caspian. Their arguments were given added weight by the impact of the oil spill in the Gulf of Mexico in 2010. If such an accident were to occur in an enclosed stretch of water such as the Caspian, the consequences would be infinitely worse. The transportation of gas is admittedly much less hazardous than of oil, but there were fears that if an underwater gas pipeline were built, it would set a precedent for the construction of an oil pipeline.

Trade and Investment

Despite the close cooperation between Kazakhstan and Azerbaijan

26 ‘Confidence in the Nabucco Project Fading’, 1 February 2012. Available at: <http://www.naturalgaseurope.com/confidence-in-the-nabucco-project-fading-4713> [retrieved 6 February 2012]. For a different opinion, see: ‘Turkey believes Nabucco not to lose its importance’, 16 February 2012; available at: <http://en.trend.az/capital/energy/1993131.html> [retrieved 16 February 2012].

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over Caspian issues, in other respects the general tenor of the bilateral relationship was low-key. There was a steady exchange of official delegations and the Kazakhstan-Azerbaijan Intergovernmental Economic Cooperation Commission, established in 1999, convened regularly. There were no headline-grabbing problems, but neither were there any significant joint undertakings. It was the exchange of state visits by the two heads of state, by President Ilham Aliyev to Astana in March 2004, and President Nazarbayev to Azerbaijan in May 2005, which signaled a more vigorous approach to the relationship. The outcome of these visits was a Strategic Partnership and Allied Relations Treaty. At the same time, a long-term Cooperation Program in the spheres of culture, science and tourism was launched. Bilateral trade began to increase, with Kazakhstan exporting grain and some manufactured goods to Azerbaijan and in return, importing oil products and machinery.

In April 2007, the Baku Grain Terminal was inaugurated, with President Ilham Aliyev and Prime Minister Masimov of Kazakhstan in attendance. This was a pioneering Kazakhstani-Azerbaijani joint enterprise that moved beyond the energy sector to support bulk trading in other commodities. Building on the concept of the KCTS, the Terminal benefitted from improvements in trans-Caspian transportation. The combination of access to excellent road, rail and sea transport links, along with modern loading and storage facilities, enabled it to handle large consignments of Kazakhstani grain. In its first year of operation (2007-2008) the volume of wheat trans-shipped through the Terminal was 80,000 tons.²⁷ This trade served the needs of both countries. Some of the grain was used to produce high quality flour and grain products for the Azerbaijani market, while the remainder was exported to other parts of the Caucasus, to the Black Sea region, the Middle East and North Africa. In 2010, when drought disrupted supplies of Russian crops and grain to Azerbaijan, Kazakhstan was able to take over the entire contract.²⁸

27 See further: <http://www.asadov-capital.com/ev/graint/>

28 M. Sieff, 'Kazakhstan takes over Azerbaijan wheat market from Russia', 18 August 2010; see: <http://www.universalnewswires.com/centralasia/viewstory.aspx?id=1453> [retrieved 16 February 2012].

Political Alignments and Regional Organizations

After independence, Azerbaijan and Kazakhstan pursued different foreign policy objectives. Kazakhstan favored a 'multi-vector' approach to international relations. This had two central planks. One was a firm refusal to be drawn into exclusive political-ideological blocs of any complexion; the other was a readiness to develop a broad but skillfully balanced, range of relationships with partners around the globe – in Europe, Asia, Australasia, the Americas and eventually Africa. This allowed Kazakhstan to maintain close ties with states that had rival or even mutually hostile interests and goals. Thus, it was a firm ally of Russia, but also had strong links to China; it had an excellent relationship with the U.S., but also with Iran. Azerbaijan, by contrast, was strongly pro-Western in orientation.

These different political stances were reflected in the multilateral relationships of the two countries. There was some degree of overlap, but also divergence. Both were members of the UN and UN-related bodies, likewise of other major international organizations, including the Economic Co-operation Organization;²⁹ the Organization

29 Established in 1985 by Turkey, Iran and Pakistan. Joined by Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Afghanistan in 1992. In February 2012 it was announced that the ECO Summit that year would be held in Baku. See: <http://news.az/articles/economy/54794> [retrieved 16 February 2012].

of Islamic Cooperation; NATO's Partnership for Peace Program (both countries had 'Individual Partnership Action Plans'); the Organization for Security and Co-operation in Europe (OSCE); and the Conference on Interaction and Confidence Building Measures in Asia (CICA, a trans-Asian equivalent to the OSCE, launched by Kazakhstan in 1992).

What Azerbaijan and Kazakhstan did not share was membership of the bodies that were most directly linked to their key relationships. For Kazakhstan, this meant Russia and China. There were three regional organizations that provided an effective forum within which Astana was able to negotiate and manage relationships with these giant neighbors. Two were CIS-based groupings: the Eurasian Economic Community (comprising Belarus, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan)³⁰ and the Collective Security Treaty Organization (same membership as EurAsEC, plus Armenia and Uzbekistan).³¹ The third was the Shanghai Cooperation Organization (SCO), which encompassed China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan

30 EurAsEC was part of a process to enhance CIS integration. The project was first proposed by President Nazarbayev in 1994; it developed in stages, introducing a Customs Union in 2006, and a Common Economic Space in 2012; the aim was to establish a Eurasian Union by 2015. In 2007, a senior Kazakh diplomat, Tair Mansurov, became Secretary General of EurAsEC.

31 In 2012, the rotating chairmanship of the CSTO was held by Kazakhstan.

an Uzbekistan as full members, with India, Iran, Mongolia and Pakistan as observer states, Belarus and Sri Lanka as dialogue partners, and Afghanistan as a 'contact group' member.³² Azerbaijan, by contrast, looked westwards to Europe and the USA. This was underlined by its membership of the US-backed GUAM Organization for Democracy and Economic Development (comprising Georgia, Ukraine, Azerbaijan and Moldova).³³ In addition to its stated aims of promoting democratic values and economic development, GUAM sought to accelerate the process of integration into Europe. The leaders of this organization insisted that they were eager to develop friendly relations with Moscow, but there was a widespread perception that their main purpose was to counteract and circumscribe the spread of Russian influence. Azerbaijan assumed

32 The SCO began as an informal structure known as the 'Shanghai Five', which aimed to resolve border issues and to promote confidence-building. In June 2001, it became a fully institutionalized regional organization; at this stage Uzbekistan joined the group. The stated aims of the SCO included the promotion of security by strengthening regional peace, co-operation and stability; it also prioritized infrastructural development and economic growth. See further S. Akiner, *The Shanghai Cooperation Organisation: A Networking Organisation for a Networking World*, Global Strategy Forum, London, 2010. In 2011-2012, the SCO was chaired by Kazakhstan.

33 GUAM, originally a consultative forum, was formally established in October 1997 in Strasbourg during the Summit of the Council of Europe. In 1999, during the NATO 50th Anniversary celebrations, the GUAM group met in Washington DC; on this occasion Uzbekistan acceded to the organisation, but later withdrew. For some years GUAM appeared to stagnate, but in 2006 it was given new impetus, following a series of moves initiated by Azerbaijan and Ukraine aimed at making the organization more relevant to regional needs. Priority sectors for GUAM included energy, transport, trade and economy, counter-terrorism and the fight against organized crime.

chairmanship of GUAM in January 2012.³⁴

Turkic Groupings

One of the first regional initiatives to be launched after the collapse of the Soviet Union was the institution of annual Turkic Summits. These high-level meetings were instigated by Turkey in 1992 in order to revive cultural ties with the newly independent Turkic states of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. Concomitantly, they were a means of projecting Turkey's political and economic influence, and at the same time counteracting Iranian influence. Particular emphasis was placed on the need to develop cooperation in the transport and energy sectors. Gradually, though, it became clear that neither Turkey nor the other member states had the capacity to implement the schemes that were proposed; hence these discussions were largely theoretical. After the seventh summit, held in Istanbul in 2001, the meetings were suspended. Yet the concept of a Turkic grouping had strategic potential. In 2006 President Nazarbayev took steps to re-invigorate the project by re-casting it in a new format and setting in motion a process of institutionalization. In 2010, four Turkic states – Azerbaijan, Kazakhstan, Kyrgyzstan and Turkey

– established the inter-governmental Cooperation Council of Turkic-Speaking States (CCTS); the inaugural summit was held in Almaty in October 2011. The Business Council of Turkic Speaking States was established at the same time.

These moves coincided with a change in Kazakhstan's relations with Turkey. After the euphoria of the early 1990s had dispersed, cooperation between the two countries stabilized at a fairly modest level. It was only when Kazakhstan's economy reached a critical point of prosperity that it became possible for a real partnership to develop, based on two-way flows of investment, and joint ventures in both countries. By 2009, Kazakhstani investment in Turkey totaled US\$ 4 billion (substantially more than Turkish investment in Kazakhstan).³⁵ At the same time, a perceptible shift was underway in Ankara's foreign policy. The focus was no longer predominantly on Europe and the USA, but on a broader range of partners in the Middle East as well as further afield in Asia and Africa. This accorded well with Astana's foreign policy stance, thereby creating another bond. It was against this background that in October 2009 the presidents of the two countries signed a Strategic Partnership Agreement.

³⁴ See: <http://pik.tv/en/news/story/27247-azerbaijan-to-chair-guam-in-2012> [retrieved 16 February 2012].

³⁵ 'Turkey's Commercial and Economic Relations With Kazakhstan', Turkish Ministry of Foreign Affairs website. Available at: http://www.mfa.gov.tr/turkey_s-commercial-and-economic-relations-with-kazakhstan.en.mfa [retrieved 10 February 2012].

In a further sign of cooperation and mutual respect, in June 2010 the third CICA Summit was held in Istanbul, and on this occasion Turkey became the first state to succeed Kazakhstan, the founder of the organization, as chairman (for a two-year period of office).³⁶ Thus, renewed interest in the creation of a Turkic organization formed part of a larger trend to strengthen links between the eastern and western halves of the Turkic world.

Kazakhstan, Georgia and Armenia

Kazakhstan's relations with the other states of the South Caucasus were cordial, but for several years remained at a low level. It was only when Kazakhstan began producing large enough surpluses of export commodities – primarily oil and gas, but increasingly also grain and other agricultural crops – that Georgia's strategic location on the Black Sea began to attract Astana's attention. In May 2006, KazTransGaz (part of Kazakhstan's state oil and gas conglomerate KazMunaiGaz) acquired the Tbilgaz company, thus gaining control of gas distribution and related services in Tbilisi.³⁷ Several other acquisitions followed in sectors such as tourism and

telecommunications. That year, total investments from Kazakhstan (from state as well as private enterprises) amounted to US\$ 185.7 million, making this one of largest sources of foreign direct investment in Georgia.³⁸ The pace of investment increased the following year, as the Kazakhstani government announced plans to construct a grain terminal in the port of Poti, at an estimated cost of \$10 million (a parallel project to the Baku Grain Terminal). At the same time, KazMunaiGaz created a joint venture with the international investment company Greenoak to build a new oil refinery in Batumi, on Georgia's Black Sea coast; the estimated cost of the project was US\$ 1 billion.³⁹ A few months later, in February 2008, KazMunaiGaz acquired sole ownership of the Batumi oil terminal, also a long-term contract for the management of the Batumi port facilities.⁴⁰ Kazakhstan's appetite for Georgian acquisitions seemed boundless. Yet that summer, the mood changed abruptly and major projects such as the grain terminal and the oil refinery projects were put on indefinite hold. There were two main reasons for this. One was the Russian-Georgian military conflict in

38 Website of the Ministry of Foreign Affairs of Georgia, under the rubric of Kazakhstan, sub-section Investment. Available at: http://www.mfa.gov.ge/index.php?sec_id=375&lang_id=ENG

39 See: <http://www.civil.ge/eng/article.php?id=14842>

40 See: <http://www.reuters.com/article/2008/02/06/georgia-port-sale-idUSL0682958720080206> [retrieved 10 February 2012].

36 For a review of Kazakhstan's relations with Turkey, see S. Akiner, 'Evolution of Kazakhstan's Foreign Policy: 1991-2011', *Journal of Central Asian & Caucasian Studies (OAKA)*, vol. 6/12, 2011, pp. 1-21, esp. pp. 7-10.

37 See further: <http://kaztransgas.kz/en/article/122> [retrieved 16 February 2012].

Kazakhstan was a close ally of Russia and although Astana did not make any public pronouncements in support of Russian operations, it was generally assumed that the decision to halt the projects in Georgia was politically motivated.

August 2008. Kazakhstan was a close ally of Russia and although Astana did not make any public pronouncements in support of Russian operations, it was generally assumed that the decision to halt the projects in Georgia was politically motivated.⁴¹ A second factor was the impact of the global financial turmoil, which precipitated a crisis in Kazakhstan's banking sector in 2008-9. This in turn resulted in a shift in investment priorities.⁴² Nevertheless, these events did not signal a complete break in commercial relations. Kazakhstani investors remained engaged in a number of projects, including the management of the Batumi port and gas distribution in Tbilisi. Thus, there was every likelihood that in time, ties between Georgia and Kazakhstan would be revitalized.

41 'Kazakhstan Withdraws from NATO Exercises', 21 April 2009; available at: http://www.acus.org/new_atlanticist/kazakhstan-withdraws-nato-exercise [retrieved 10 February 2012].

42 See: <http://www.ordons.com/asia/middle-east/145-kazakhstan-stops-construction-of-oil-refinery-in-batumi.html> [retrieved 16 February 2012].

Kazakhstan's relations with Armenia followed a different path. Diplomatic relations were established on 27 August 1992, on the same day as between Kazakhstan and Azerbaijan. The presence of an Armenian diaspora in Kazakhstan, officially estimated at 25,000 people but unofficially at 100,000,⁴³ helped to create cultural and personal ties between the two countries. Moreover, although Astana was sympathetic to Azerbaijan's position on the Nagorno-Karabakh issue, it was careful to maintain friendly relations with Yerevan, and during its chairmanship of the OSCE (in 2010), it urged both sides to engage in dialogue and to seek a peaceful resolution of the conflict. However, trade and investment opportunities between the two states were very limited and there were few common political objectives. Thus, in the near future prospects for closer cooperation seemed slight.

Conclusion

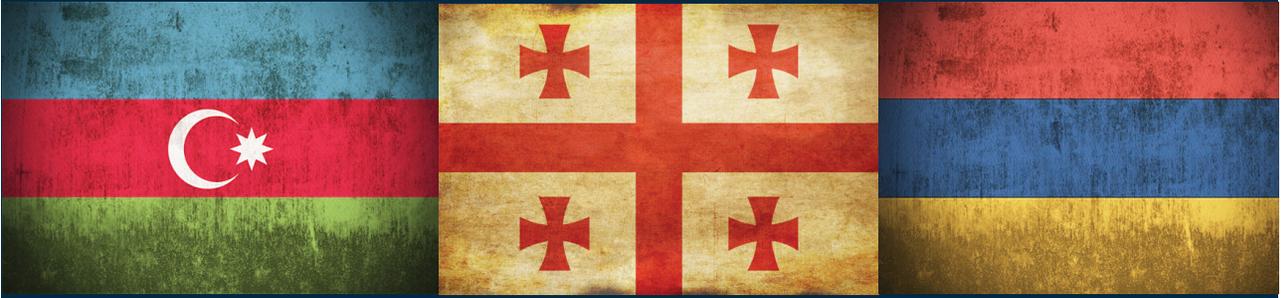
As discussed above, over the past two decades Kazakhstan's relations with the South Caucasus states have been primarily determined by pragmatic considerations. Azerbaijan, and to a lesser extent Georgia, became attractive partners when Kazakhstan required additional export facilities

43 'Armenian- Kazakh relations on high level' – report of an interview with the Kazakhstani ambassador to Armenia, January 2012. Available at: <http://news.am/eng/news/8868.html> [retrieved 16 February 2012].

for its commodities. There are, however, other important ties between Kazakhstan and Azerbaijan, stemming from their location on the Caspian Sea, likewise cultural affinities that add a human dimension to the relationship. The differences between the two countries – in physical and human geography, as well as in terms of political alignments – far from creating barriers, have produced complementarities that are of mutual benefit. Each of these states is becoming a regional hub. Together, they offer access eastwards to the expanding markets of Asia, westwards to Europe and southwards to the Middle East. Taken together, these different elements form a multi-dimensional bond that has the potential to become a strong and vibrant partnership. The link with Turkey, which is similarly based on a range of economic, political and cultural ties, further broadens the possible outreach of this partnership. However, for these relationships to achieve their full potential, not merely strategic vision, but strategic patience is required. No doubt there will be delays and shifts in national priorities, provoked by any number of disruptive events at local, regional or global levels. Yet there is a logic in the (re-)creation of a trans-Caspian, and eventually a trans-Black Sea corridor. Sooner or later, this must surely be realized. The nascent

Kazakhstani-Azerbaijani partnership is the first, tentative step towards developing what could in time become a pivotal east-west network.

Introduction by Dr. S. Frederick Starr



The South Caucasus 2021

Oil, Democracy and Geopolitics

Fariz Ismailzade and Glen E. Howard, Editors



THE JAMESTOWN FOUNDATION

Shifting Gears: *Georgia's Persian gambit and the logic of regional geopolitics*

**Kornely
Kakachia***

Abstract

Over the two decades since it regained independence, Georgia as a small, weak state has developed close relations with regional and international powers, and has aligned with them in order to compensate for its weakness. Often considered to be “the darling of the West” in the post-Soviet space, enjoying significant western support, Georgia’s recent move to establish closer political and economic links with the Islamic republic of Iran has caused some bewilderment in Western capitals. Considering that Georgia is perceived as a close partner of the United States in the Caucasus, and has received roughly \$4.5 billion in Western aid over the past three years, these developments attracted intense scrutiny from policy-makers and regional analysts alike. The paper aims to examine Georgia’s Iran strategy, and attempts to identify the key causes and motivations pushing Tbilisi towards Tehran. It also examines Georgia’s international position in relation to pressing regional security issues, and the attendant risks.

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Despite more favorable trends in international and regional politics related to globalization, small states are still precariously dependent on their ability to maintain their newly acquired sovereignty, territorial unity and autonomy in policy-making. The geographic location of a small state is an important factor in its relations with great powers and other international actors. Proximity to world powers has always entailed vulnerability to pressure from these larger neighbors, while control of strategic routes and resources has enhanced the strategic position of small states. Most small states also face disturbing external threats and heightened tension from a variety of internal ethnic forces.¹ Strategies that are available to small states facing shifts in the distribution of power or increased threats to national security are an important part of international relations discourse.² Drawing on the balance of power theory associated with classical realism, structural realism has set the debate.

The conventional view of the Realist school conceives international relations as the arena for the interests and aspirations of the major powers.³

1 Gabriel Sheffer. *The Security of small ethnic states: A counter Neo-Realist Argument. In The National Security of Small States in a Changing World. Ed. Efraim Inbar and Gabriel Sheffer. Franc Cass.p.9*

2 Lindell, U. & Persson, S. *The Paradox of Weak State Power: A Research and Literature Overview. Cooperation and Conflict, X,XI 1986, 79-97.*

3 See: Kenneth Waltz. *Theory of International Politics.* McGraw-Hill, 1979; Jack Donnelly. *Realism and International*

Smaller nations are treated as objects of policy, statistical units in categories of states classified in terms of their relationship to their respective protectors or oppressors, as ‘ours’ and ‘theirs’ - pawns to be gained or lost in conflicts or deals between the great powers. Yet the survival of small Caucasian nations has illustrated, not for the first time in history, that in a conflict between great power with international interests and commitments, and small nations with the single objective of survival, the balance of power cannot be calculated by simple arithmetic.⁴ As observed by Hans Morgenthau, the “protection of rights of a weak nation, that is threatened by strong one is then determined by balance of power as it operates in particular situation”.

Over the two decades since it regained independence, Georgia as a small, weak state has developed close relations with regional and international powers, and aligned with them in order to compensate for its weakness. Often considered to be “the darling of the West” in the post-Soviet space, enjoying significant western support, Georgia’s recent move to establish closer political and economic links with the Islamic republic of Iran has caused some bewilderment in Western capitals. Considering that Geor-

Relations. Cambridge University Press. 2000

4 For further details see: Svante Cornell. *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus. Routledge 2000*

gia is perceived as a close partner of the United States in the Caucasus, and has received roughly \$4.5 billion in Western aid over the past three years, these developments attracted intense scrutiny from policy-makers and regional analysts alike. This paper⁵ aims to examine Georgia's Iran strategy, and attempts to identify the key causes and motivations pushing Tbilisi towards Tehran. It also examines Georgia's international position in relation to pressing regional security issues, and the attendant risks.

Limits of U.S. Power and Geopolitical Reality Check

If geography determines the numerous aspects of state behavior and political options in countries or regions, so it does in Georgia too. Historical analysis of Georgian foreign relations since its independence reveals a trend.⁶ Over the last two thousand years, Georgia has acted as a buffer state between various empires and invaders⁷: the Romans, the pagan Persians, the Muslim Arabs, the Mongols, the Turk Seljuk's, the Byzantines, the Muslim Persians, the Ottoman Turks, as well as pre-revolutionary, post-revolutionary and post-Soviet Russia. At various points, Georgia

has struggled, fought, and eventually evicted invading forces from its area of the Caucasus; it could not otherwise have survived as a nation. In order to vanquish its more powerful enemies, Georgia historically was forced to form alliances with the enemies of its enemies, and such al-

Often considered to be “the darling of the West” in the post-Soviet space, enjoying significant western support, Georgia's recent move to establish closer political and economic links with the Islamic republic of Iran has caused some bewilderment in Western capitals.

liances almost always transcended religious boundaries.⁸ As a result of these aforementioned factors, Georgia's foreign policy emerged as a classic product of geopolitical factors, where geographic location remains one of the central features of a country's political development. In order to examine the management of security in the South Caucasus and the nature of Georgia's policies towards Iran, the defining factors at play should be clearly understood.⁹

⁵ A shortened version of this paper was published as PONARS Eurasia Policy Memo in September 2011

⁶ see: David Marshall Lang. *A Modern History of Georgia*. London: Weidenfeld and Nicolson, 1962

⁷ On detailed account on Georgia as a buffer state see: TornikeTurmanidze. *Buffer States: Power Policies, Foreign Policies and Concepts (Global Political Studies)*. Nova Science Pub Inc. 2009

⁸ LashaTchanturidze. *It does not take a prophet: War and Peace in the Caucasus. Central Asia and the Caucasus*. *Journal of Social and Political Studies* No. 1(55), 2009. p.10

⁹ GochaLordkipanidze. *The Main Actors in the South Caucasus-Introduction in: Security Identity and the Southern Caucasus The Role of the EU, the US and Russia*. Michael Geistlinger / Francesca Longo / GochaLordkipanidze YunisNasibli (Eds.) *Vien-Graz* 2008. p. 86

Georgia's problems have been aggravated by Moscow's policies, which have weakened and fragmented the country, aiming to curtail Georgia's Euro-Atlantic integration, or at least push it in the direction of "Finlandization".

Georgia has been a small and weak state since it declared independence from the Soviet Union in 1991.¹⁰ Its location - nestled between the Black Sea, Russia, and Turkey - gives it strategic importance far beyond its size, Georgia has had to rely on foreign policy as a means of establishing its presence on the international stage. Soon after independence, Georgia faced serious domestic and international problems that endangered its sovereignty. Georgia's fragile state structure and Russia's repeated attempts to subjugate and manipulate weaknesses of its small neighbor constituted the biggest challenge to national security. Georgia's problems have been aggravated by Moscow's policies, which have weakened and fragmented the country, aiming to curtail Georgia's Euro-Atlantic integration, or at least push it in the direction of "Finlandization."¹¹ When

¹⁰ Alexander Rondeli. *The choice of independent Georgia in: The security of the Caspian Sea Region* / edited by Gennady Chufrin. Oxford : Oxford University Press, 2001 p. 195

¹¹ Finlandization or "the policy of silence" has been defined as a process by which a democratic nation living in the shadow of a militarily powerful totalitarian state gradually submits to the political domination of its neighbor, and finally loses its

states are faced with an external threat, they tend to align with others in order to oppose the states that pose the threat. Thus Georgia's foreign policy has been driven by a desire to ally with external powers, a strategy that appears either as *balancing* (checking the rising Russian power) or *bandwagoning* (i.e., joining with West and seeking the patronage of the United States). It has also made great efforts to court NATO, as well as other regional powers, including Iran. From the early nineties, Georgia had no choice but to engage in a matrix of alliances, involving key regional powers, smaller powers within the region, and key international players.

Following the August 2008 war with Russia, part of Moscow's attempts to weaken and isolate Georgia¹², Tbilisi was eager to expand and deepen its relationships abroad. The rapidly shifting power balance and new developments stemming from Russia's unilateral recognition of Abkhazia and South Ossetia have forced Georgia to re-evaluate and reshape its foreign policy strategy in the region. The war also demonstrated that the Western guarantees for Georgia lacked substance, and that the integrity of

internal freedom. For Georgians, Finlandization is believed to reveal a limitation of sovereignty, an abdication of the pursuit of national interests.

¹² For the analysis to back up this judgment, see: Kakachia, Kornely K., "Between Russian Assertiveness and Insecurity: Georgia's Political Challenges and Prospect after the Conflict", *Uluslararası İlişkiler*, Volume 7, No 26 (Summer 2010), p. 87-104.

the oil and gas corridor was essentially dependent on Russia's good will.¹³ The geopolitical dynamic become even more challenging as Obama's administration downgraded¹⁴ security ties with Georgia after initiating the "reset" policy with Russia, under which rapprochement with Moscow was made a key foreign policy goal.¹⁵ Moreover, although Georgia has closely allied itself with the U.S., and considers close relations with the United States and European Union as crucial to its future development, some US foreign policy makers have questioned the importance of United States interests in this region, arguing that developments there are largely marginal to U.S. national interests.¹⁶ As argued by Zbigniew Brzezinski, "with the decline of America's global preeminence, weaker countries will be more susceptible to the assertive influence of major regional powers [...] American decline would leave this tiny Caucasian state [Georgia]

13 Sergey Blagov, "Georgia: Pipeline Routes on a Powder Keg," *ISN Security Watch*, August 20, 2008, <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ois591=4888CAA0-B3DB-1461-98B9-E20E7B9C13D4&lng=en&iid=90265>.

14 For detailed account see: Jim Nichol, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*. Congressional Research Service, April 15, 2011. Available at: <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA543388>

15 *The Economist*. My friend's enemy is...my neighbor: Georgia, Geopolitics and Iran. November 8, 2010. Available at: http://www.economist.com/blogs/easternapproaches/2010/11/georgia_geopolitics_and_iran

16 Owen Matthews. *The Tbilisi Squeeze*. Washington's new friendship with Moscow has one very clear casualty: Georgia. *The Newsweek*. June 29, 2010. Available at: <http://www.thedailybeast.com/newsweek/2010/06/30/the-tbilisi-squeeze.html>

vulnerable to Russian political intimidation and military aggression [...] America's decline would put new limitations on U.S. capabilities, and could by itself stir Russian desires to reclaim its old sphere of influence."¹⁷ According to him, as India and China are gaining ground on the international stage, Russia is becoming increasingly imperially-minded, while the Middle East is growing ever more unstable. The potential for regional conflict in the absence of an internationally active America is serious. "Get ready for a global reality characterized by the survival of the strongest," concludes Brzezinski. While this critical re-evaluation of Georgia's role of in regional geopolitics is not major determinant of US policy towards region, and while cooperating with Russia does not necessarily entail condoning its policy in Georgia,¹⁸ it seems that Tbilisi has certainly taken note of these shifts, and adjusted its geostrategic calculations accordingly.

The perceived decline of the role of Georgia specifically and the region in general within American foreign policy has given rise to a situation when it seems clear that Georgia cannot

17 Zbigniew Brzezinski. 8 Geopolitically Endangered Species; Meet the weaker countries that will suffer from American decline. *Foreign Policy Magazine*. January/February 2012 Available at: http://www.foreignpolicy.com/articles/2012/01/03/8_geopolitically_endangered_species?page=0,0

18 Zbigniew Brzezinski, *From Hope to Audacity, appraising Obama's Foreign Policy*. *Foreign Affairs*. January/February 2010 Available at: <http://www.foreignaffairs.com/articles/65720/zbigniew-brzezinski/from-hope-to-audacity>

In the wake of the conflict with Russia there was also a strong realization in Tbilisi that while close strategic links with Washington provide some legitimate security and defense needs, the U.S. cannot always protect Georgia's vital security interests vis-à-vis Russia

rely exclusively on western backing to guarantee its security, and that it is essential to develop relations with neighboring countries.¹⁹ In the wake of the conflict with Russia there was also a strong realization in Tbilisi that while close strategic links with Washington provide some legitimate security and defense needs, the US cannot always protect Georgia's vital security interests vis-à-vis Russia. In some cases, it may have the opposite effect, limiting Tbilisi's bargaining power with rising regional powers to counter Russia's bellicose diplomacy. As a consequence of this, in the current political climate, the goal of Georgian diplomacy has been to promote of sustainable balance of power in the region, and to diversify its foreign policy portfolio, including by enhancing relations with non-bordering Iran. At this point, it seems as if the Georgian knock on Iran's door has been welcomed.

¹⁹ See: Alexander Cooley, "How the West Failed Georgia," *Current History*, vol. 107:711, (October 2008): 342-344

Tbilisi and Tehran: Shared Concerns vs. Conflicts of Interest

As both a source of opportunity and threat, the South Caucasus, occupies an important place in Iran's multiregional foreign policy agenda. Having ignored the Caucasus for decades, Iran has decided to re-enter the region's geopolitical chess game, first of all by cultivating a new relationships with Georgia, hoping to regain its once-potent role as a regional power.²⁰ Domestic political tensions - primarily the presence of a significant Azerbaijani minority in Iran - and national interests and confrontations beyond the region, including with the United States, also influence Iran's policies toward the region. While Georgia is not central to US-Iran strategic competition, its close alignment with the United States²¹ is a source of serious discomfort for Iran, plagued by western sanctions and with its domestic politics in turmoil. A Georgian analyst²² has identified four major characteristics of Iran's policy towards Georgia:

- Iran has no territorial dispute with Georgia and recognizes its territorial

²⁰ Herzig, Edmund, *The New Caucasus Armenia, Azerbaijan and Georgia*. Chatham House papers. Royal Institute of International Affairs. Pinter, 2000.

²¹ For detailed account see: Varun Vira and Erin Fitzgerald. *The United States and Iran: Competition Involving Turkey and the South Caucasus*. Center for Strategic and International Studies publication. August 2011. Available at: http://csis.org/files/publication/110804_iran_chapter_8_turkey_casp.pdf

²² Mamuka Kurasbediani. "Possibilities for reactivating bilateral relations between Georgia and Iran". *Policy paper series.GFSIS*. 2010 p.33

integrity;

- Iran opposes the United States, NATO and Israel strengthening their positions in Georgia and in the Southern Caucasus, and supports Russian interests;

- Building gas and oil pipelines which bypass Iran runs counter to Iran's economic interest, as it would reduce its importance as a transit corridor for gas and oil from the Caspian;

- Iran is interested in transit routes through Georgia towards the Black Sea and Europe.

Given Georgia's pro-West orientation Iran perceives Tbilisi as "Westoxicated" regime, subservient to US global and regional interests. Although it has not brought this into public discourse, it is nonetheless true that Iran is anxious about the US-Georgia strategic partnership. Tehran fears in particular that Georgia could be used as a staging post for the West in the event of a military operation against Iran. The Iranian leadership has regularly raised its concern over the US-Georgia security partnership with Tbilisi, claiming that "strengthening NATO's position in the region is not good for the region's population."²³ Recognizing the limitations of its ability to influence Georgia, however, Tehran has increasingly adopted a pragmatic

²³ *Ibid.* p.34

Due to its geographical proximity and important political and geostrategic implications, the current Russia-Georgia conflict is being closely watched by Tehran.

policy toward Tbilisi that better suits its limited political resources.²⁴

Due to its geographical proximity and important political and geostrategic implications, the current Russia-Georgia conflict is being closely watched by Tehran. Given that the perceived Russian threat is top of Georgia's foreign policy agenda, and has to date posed a major challenge to its sovereignty, Tehran has essentially tried to present itself as a protector of the weaker states in the region, and to promote anti-hegemonic policies. A good case in point is the statement by Iran's ambassador to Georgia, Majid Saber on May 21, 2010. Speaking to Georgian journalists and questioning whether the United States was a reliable strategic partner for Georgia during the Russo-Georgian war, he said: "No U.S. help was there when you [Georgia] needed it most...Real friendship is demonstrated in hard times."²⁵ He hinted that only Tehran could be a reliable friend to Georgia.

²⁴ Michael Cecire. *Iran's Georgia Play*. Available at [Evolutsia.net](http://www.evolutsia.net/irans-georgia-play/).
<http://www.evolutsia.net/irans-georgia-play/>

²⁵ Salome Modebadze. *Georgia deepens cooperation with Iran, despite objections*. *The Messenger*. May 25, 2010. Available at: http://www.messenger.com.ge/issues/2113_may_25_2010/2113_salome.html

It is also worth pointing out that Tehran's diplomatic activity in the Caucasus is by no means limited to Georgia. Iran has removed visa requirements for Azerbaijani citizens (November 2009), has been involved in key energy security projects in Armenia, and is planning to create a railway link with both countries. Iranian officials have also offered to help mediate the 24 year old Nagorno-Karabakh dispute between Azerbaijan and Armenia.²⁶

At the same time, in order to maintain its tactical friendship with Moscow - to counterbalance US influence in Caucasus - Tehran has been careful not to antagonize Russia's security interests in the region. In addition to cooperating on energy deals, Iran has already proven an effective regional ally for Russia. It also recognizes that Russia's nuclear cooperation provides the Kremlin with leverage over Tehran. However, over the past few years, Tehran has also hinted that it may prioritize its own national interests. The cooling of relations between Tehran and Moscow over Russia's support for sanctions against Iran has further contributed to this belief. Under such circumstances, it seems that Tehran's policy is not aimed at forestalling the westernization of the region, but is rather intended to keep the South Caucasus from becoming a

base for U.S. military power. Overall, Iran seems to be pursuing a stability-based foreign policy, in order to promote its economic and strategic objectives, and to expand its regional influence.

Georgia's foreign policy follows a general trajectory of seeking support from regional and international powers; its interest in Iran is purely geopolitical. From Tbilisi's perspective, Iran as a "pragmatic radical" within the region has the potential to play a constructive role in countering Russia's geopolitical ambitions. Cautiously accepting Tehran's recent overtures of friendship, Georgia's geostrategic calculations assume that due to its internal dynamics Iran could potentially advocate for Georgian territorial integrity. Politicians in Tbilisi are cognizant of the balanced position Iran took during the 2008 conflict between Russia and Georgia, when it refrained from taking sides though Iran's relations with Georgia were at their lowest point. Although Iran did not condemn Russia's aggression, Tehran officially supported the sovereignty and territorial integrity of all states, stressing the importance of respecting international norms and agreements. Subsequently, based on this policy, Iran also refused to recognize the Russian-backed separatist regions of Georgia, a move that was crucial to Tbilisi. In doing so, Iran seemed to be reinvesting in its image and prestige

²⁶ See: *Abdollah Ramezanzadeh, Iran's Role as Mediator in the Nagorno-Karabakh Crisis. In Contested Borders in the Caucasus, by Bruno Coppieters (ed.) 1996, VUB University Press*

in Georgia, which somewhat boosted its declining regional influence.

Despite professed partnerships, Tbilisi's dealings with Tehran have not been easy. While repeatedly emphasizing that bilateral relations are exclusively about trade and tourism, Georgian officials have to consider a number of delicate international issues if they are to maintain strategic relations with Western countries, notably Iran's nuclear program. In 2008, Georgian-Iranian relations were frozen for nearly a year, after Georgia agreed to extradite an Iranian citizen²⁷ to Washington on charges of smuggling, money laundering, and conspiracy.²⁸ Washington failed to recognize that this was a matter of great sensitivity for Georgia, and took it for granted that Georgia would take such a risky step, and the whole incident raised hackles in Tehran. In order to stabilize the situation, Georgian Foreign Minister Grigol Vashadze visited Iran in January 2010 to meet with President Mahmoud Ahmadinejad.²⁹ It is not known whether Tbilisi apologized to Tehran for the extradition, or whether anything was

offered to pacify Tehran, but since then Georgia's policy towards Iran has been quite successful and bilateral relations have stabilized. Indeed, Iran, buoyed by the prospect of making friends in the region, offered a reciprocal visit by President Ahmadinejad to Tbilisi. So far, however, Georgian officials have held off for fear of antagonizing the United States and its European allies.³⁰

Economic cooperation, investment and bilateral projects

Many small states have recognized the need for economic diversification, and have attempted to achieve that objective by encouraging foreign investment.³¹ Iran is a potentially important trading partner for Georgia, and the economic relationship between the two countries has shown promise, notably in the energy sector.³² As Georgian and Iranian political contact has improved, both sides have sought to enhance economic cooperation as well. Desperately looking for a way to move away from its dependence on Russia, Georgia sees Iran as an alternative energy supplier, and both sides have renewed the drive for an energy partnership. One of the best examples

27 Carrie Johnson and Spencer S. Hsu. *Iranian to be sentenced in arms smuggling case*. *Washington Post*. December 3, 2009. Available at: <http://www.washingtonpost.com/wpdyn/content/article/2009/12/02/AR2009120203728.html>

28 *Los Angeles Times*. *Iran, Georgia: Washington wary of warming ties between Tehran and U.S. ally*. November 5, 2010. Available at: <http://latimesblogs.latimes.com/babylonbeyond/2010/11/iran-georgia-washington-wary-of-warming-ties-between-tehran-and-us-ally.html>

29 *Civil Georgia*. *Iranian President Meets Georgian FM*. January 19, 2010. Available at: <http://www.civil.ge/eng/article.php?id=21899>

30 Giorgi Lomsadze. *Tbilisi Woos Iran While Washington Watches*. *Eurasianet.org*. May 28, 2010. Available at: <http://www.eurasianet.org/node/61179>

31 *A Future for Small States: Overcoming Vulnerability*. Commonwealth Secretariat, 1997 p.57

32 Helena Bedwell, "Iran Plans Georgian Hydro Plant, Seeks to Import Electricity," *Business Week* (21 May 2010).

of energy cooperation is the support Tehran provided to Tbilisi during the winter of 2006, when Russia cut off gas supplies to Georgia. Despite major pressure from its erstwhile ally in Moscow, Iran supplied energy at a low price to Georgia. To accept cooperation with Iran was not easy for Georgia; it was warned by the U.S. that a long-term strategic partnership with Tehran was “unacceptable” to the United States.³³ The Georgian political class certainly did not forget this, and learned a useful lesson regarding the political reality: Iran, which has the world’s second largest gas reserves³⁴ after Russia, is eager to find a new customer for its energy exports, and to expand its economic ties, even at the expense of straining relations with Russia. Georgia is also interested in Iran’s rich experience in alternative energy source, namely wind power, and has tried to encourage Iranian investment in this field.

Over the past decade, underlining long-standing historical and cultural ties between the two nations, Tehran has also signed agreements with Tbilisi on the elimination of double taxation, encouraging investment, air, surface and sea transportation, and customs and trade cooperation. The volume of trade transactions between the two countries has been go-

ing up steadily. Seeking to diversify transit routes for its cargo shipments, Iran is interested in Georgia’s transit capacity, and considers the country to be a viable alternative for freight shipments to Europe. It is expected that the visa-free regime between Georgia and Iran, which entered into force on January 26 2011, would help increase trade turnover even more.³⁵ As a result of this agreement, Tehran has offered to help Tbilisi build a new hydroelectric plant, made good on a plan to reopen a long-abandoned Iranian consulate in western Georgia³⁶, and sent thousands of Iranian tourists on chartered planes to Georgia’s Black Sea resorts.³⁷

In comments on the 2011 visa liberalization, Moscow has expressed hopes that cooperation between Tbilisi and Tehran will not be directed against a “third party”. An official Representative of the Russian Foreign Ministry, Andrey Nesterenko, declared that Georgia and Iran are located in a “complicated region”. “I hope that the tightening of relations between these two countries will not be directed against any third country”, he said, without specifying which third

³³ US ambassador warns Georgia against Iran gas deal. *Jerusalem Post*. November 26, 2006. Available at: <http://www.jpost.com/International/Article.aspx?id=42722>

³⁴ See: Table posted by Energy Information Administration. March 3, 2009. Available at: <http://www.eia.gov/international/reserves.html>

³⁵ Mzia Kupunia. *Georgia and Iran sign visa free travel agreement. The Messenger*. November 5, 2010. Available at: http://www.messenger.com.ge/issues/2229_november_5_2010/2229_mzia.html

³⁶ Incidentally, Iran had a consular service operating in Batumi since 1883 under the Russian empire which was open even during the Soviet era, until 1927.

³⁷ According to statistical data, in 2009, Adjara was visited by 250 Iranian tourists. In 2010, there were more than 5000 Iranian tourists. Altogether, Georgia has been visited by more than 18 000 Iran citizens; presumably the visa free regime will further increase the number of Iranian tourists.

country he meant.³⁸ Given that Moscow seems indifferent towards the Georgian-Iranian rapprochement, Washington has made no comment on the Tbilisi-Tehran love-in, stating that Georgia's economic relations

is that Iran might fill the power vacuum in the South Caucasus.

Yet despite further investment deals on transport and energy projects on the table and its location just over 300 kilometers to the south, Iran currently holds only a modest share of Georgia's imports. Notwithstanding the declared partnership, there re-

Figure 1. Trade turnover between Georgia and the Islamic Republic of Iran (2000 - 2011)³⁹

Year	Export	Import	Trade turnover
2000	6,801.5	5,879.8	12,681.3
2001	4,311.4	6,315.3	10,626.7
2002	3,316.4	8,096.8	11,413.2
2003	3,426.3	6,995.7	10,422.0
2004	4,500.7	15,157.9	19,658.6
2005	4,681.2	25,999.8	30,681.0
2006	2,699.4	40,301.8	43,001.2
2007	6,050.0	51,732.9	57,782.9
2008	10,060.0	52,080.0	62,140.0
2009	6,425.8	29,895.0	36,320.8
2010	12,140.7	55,079.5	67,220.2
2011 January-May	5,219.3	21,122.5	26,341.8

are its own business. It is not entirely clear, however, whether or not the Georgian initiative had Washington's full support. But amid heightened global tension stemming from Iran's controversial nuclear program, the announcements coming out of Tbilisi have apparently caught Western observers off-guard; the concern there

mains a huge gap between the actual and potential economic relationship between the two countries. Iran is not on the list of Georgia's key trading partners. According to official Georgian statistics, trade turnover between Georgia and Iran declined by 41.5 percent in 2009, to \$36.3 million. The figure climbed again to \$67.2 million in 2010, but in spite of this increase, trade between the two nations still accounts for less than 1 percent of Georgian imports.

³⁸ *Itv.ge. Andrei Nesterenko talks about Georgia-Iran Ties. July 2, 2010. Available at: <http://www.Itv.ge/News-View.aspx?Location=7223&LangID=2>*

³⁹ Source: website of Georgian Ministry of Foreign Affairs and Geostat-National Statistics office of Georgia

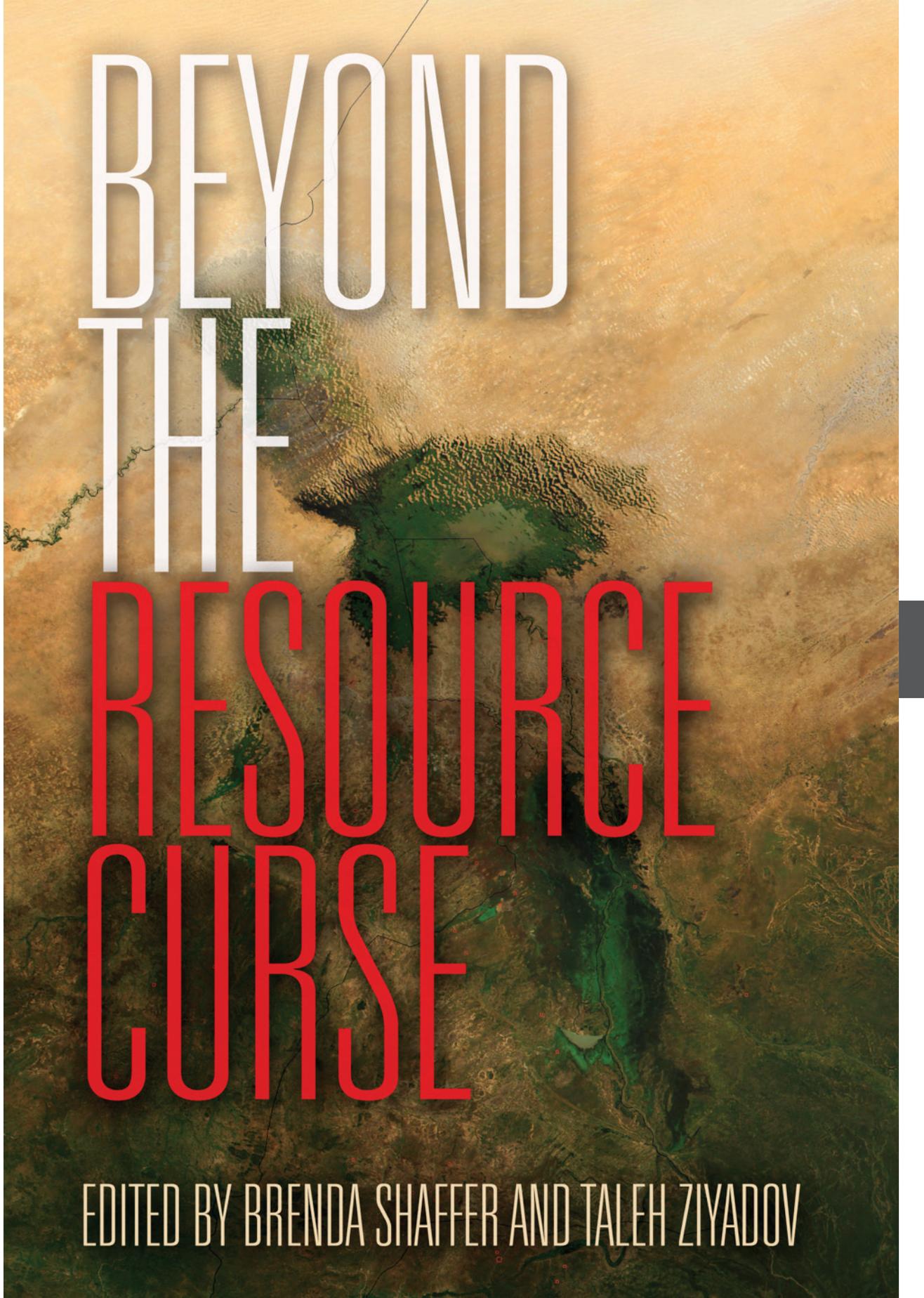
Conclusion

The nature of existing threats and challenges, and the difficulty of anticipating new ones, requires Georgia to seek close security cooperation within the international community. Given that some observers are suspicious of the visa-free regime between Georgia and Iran, and anxious about its possible implications for the West, Georgia's current cooperative policy towards Iran is not irrational. Closer relations with Iran, despite the extremely tense relations between Washington and Tehran, are an indication of Tbilisi's disillusionment with what it sees as the West's weakening interest in Georgia, as well as its desire to expand the space for political maneuvering in the region. Though Georgia remains tied to the West due to the strong financial and political support it receives, the lack of a decisive US and NATO response to the Russian invasion in 2008 has not been forgotten. It will color the extent to which Georgia believes it can rely on the US for its security, and how far it will go in offering Iran an opening to expand its influence. However, while Georgia might be playing a shrewd game of Realpolitik in the region, with Tehran and Tbilisi's apparent newfound closeness, it seems unlikely that we will see Iran playing a major role in the region anytime soon.

With its unstable relations with Azerbaijan and strategic links with Armenia, the real economic and geopolitical dividends of Iranian diplomacy in the South Caucasus are largely theoretical at this point, as Iran's ability to become an influential actor in Georgia is limited by geography (there is no direct border between the two countries) along with other key geopolitical factors such as the dominant Western and Turkish influence. Heavy dependence on Western economic and political support precludes allow Tbilisi crossing certain red lines in its dealings with Tehran. Policy-makers in Tbilisi are likely to continue to see ties with the United States as the best bet against Russian aggression, which makes it unlikely that they will support Iran in any major security disputes with Washington. Consequently, Georgia, as a NATO-aspirant, country, is unlikely to endanger its strategic relations with the United States or its prospects of Euro-Atlantic integration for the sake of improving relations with Iran.

On the whole, in terms of maintaining a balancing act, Georgia's new foreign policy towards Iran seems unequivocally pragmatic, driven by economic and to some extent security concerns. With its "small state" reflex, Georgia assessed the changing international political environment and determined that political dialogue with Iran would help strengthen mutual confidence between the

two countries. While trying to maintain a high level of strategic cooperation with the West and simultaneously to profit by trading with Iran, the Georgian political leadership is aware that as a small state, Georgia's room for maneuver and ability to formulate foreign policy are relatively limited. From the Iranian perspective, the advantage of Georgian-Iranian rapprochement is that Tehran can assert itself more strongly in the neighborhood, particularly when Iran does not have unlimited outlets for trade. Within this context, also taking into consideration Russia's significantly weakened role in Georgia and Washington's cooling relations with Tbilisi, Iranian diplomacy has room for maneuver in the region. All this suggests that Iran's presence on the Caucasian chessboard could end up serving as a stabilizing force in the volatile South Caucasus. As bilateral relations between Iran and Georgia enter a deep stage, it remains to be seen how far Iran and Georgia will benefit from their declared friendship.

An aerial satellite-style map of a region, likely in the Middle East, showing a mix of green and brown terrain. The green areas represent vegetation, while the brown areas represent arid or semi-arid land. The map is overlaid with a grid of latitude and longitude lines. The title text is superimposed on the map.

BEYOND
THE

RESOURCE
CURSE

EDITED BY BRENDA SHAFFER AND TALEH ZIYADOV

Post-Soviet nation-building

the Azerbaijani path

**Aleksei
Vlasov***

Abstract

The article examines Azerbaijan's development strategy after regaining independence and analyzes the turning points on this path. The author reveal that 2005 marked a turning point for Azerbaijan, when its economy demonstrated the highest global growth rate, and explain how the decade of 1994-2004 established the preconditions for a pivotal moment. During this period, key growth centers were identified, a national modernization model was developed, and the key parameters of the "Azerbaijani Project" were established.

The author proceed to describe the various problems on this path and to provide a fresh perspective on the Russia-Azerbaijan forward-looking agenda, arguing that Russia and Azerbaijan are not sufficiently engaged in the joint innovative projects necessary for the deepening and intensifying of bilateral interaction at a project level. Russia and Azerbaijan are facing common problems related to building an innovative economy.

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2011 marked the 20th anniversary of the dissolution of the Soviet Union, and the establishment of independent states that once made up this vast empire. From a historical perspective, this is a relatively short period – just one-fifth of a century. In terms of a human lifetime, however, this twenty year period represents the epoch following the biggest geopolitical catastrophe of the 20th century: the collapse of the Soviet Union. Each of the former Soviet republics carved out its own path, generating its own nation-building experience by implementing economic and social policies, and ensuring the security of its citizens. There was no universal model.

Many decisions were made intuitively by the political elites across the CIS countries. There was simply no time for strategic planning and long-term reckoning; the circumstances of the collapse of USSR meant that each of the 15 republics was immediately confronted with the challenges of elementary survival.

Now that 20 years have passed since the dissolution of the Soviet Union in December 1991, we are able to compare the various levels of success of these national projects, and assess the sustainability of the nation-states. There is no doubt that the Republic of Azerbaijan holds one of the high-

The signing of the “contract of the century” in 1994 determined the development path of the national economy for many decades, enabling the mobilization of additional resources, and ultimately the move from the “strategy of maintaining” to a “strategy of rapid development”.

est rankings. Azerbaijan’s success is particularly impressive when we consider the context in which its nation-building took place. During the initial years following the break-up of the USSR, Azerbaijan faced serious economic and social problems exacerbated and intensified by the Nagorno-Karabakh conflict and domestic political turmoil. Part of the country’s territory was effectively cut off from Azerbaijan; hundreds of thousands of Nagorno-Karabakh refugees fled to Baku and other parts of the country, and required permanent support from a government that could not provide the minimum resources.

Azerbaijan’s GDP per capita fell three-fold between 1990 and 1995, by which time it was less than half that of Uzbekistan, not a rich country. In fact, in terms of GDP ranking across the newly independent states, Azerbaijan was second from the bottom. Only Georgia, a country in the throes of an even larger

socio-economic crisis and political turmoil, had a lower GDP. After 1991, the average real income for an Azerbaijani citizen fell by a factor of 8.2, and hyperinflation reached a shocking 1763.5 percent in 1994.

It must be mentioned that even in the problem-free year of 2004, per capita GDP in Azerbaijan was still only 75% of its 1990 figure. 2005 marked a turning point for Azerbaijan, when its economy demonstrated highest growth rate globally. The decade of 1994-2004 established the preconditions for a critical turning point. During this period, key growth centers were identified, a national modernization model was developed, and the key parameters of the “Azerbaijani Project” were identified.

Which particular circumstances pushed the country to a sustainable development trajectory?

Above all, it was the achievement of political stability. In this context, the coming to power of Azerbaijan’s third president, Heydar Aliyev, was a key factor in this process. It was Heydar Aliyev who managed to achieve what proved the most important thing for sustainable economic development: the mobilization of the country’s political class, overcoming the internal conflicts that were preventing the state structure and general

population from addressing critical strategic challenges. The second factor was the identification of the economic growth paradigm, based on the pre-eminent role of the oil and gas sector.

The signing of the “contract of the century” in 1994 determined the development path of the national economy for many decades, enabling the mobilization of additional resources, and ultimately the move from the “strategy of maintaining” to a “strategy of rapid development”. It would not be unreasonable to argue that until today, the strategy of economic modernization has been based on the priorities identified by President Heydar Aliyev in the early 1990s. Another important factor in this success is the establishment of a new national elite. Heydar Aliyev built up a pool of young managers, graduates of Russian universities, and gave them the opportunity to apply the skills they had learned in recognized universities and higher education institutions such as MGU, MGIMO and MVTU. This was a group of loyal managing staff who returned to Azerbaijan during the country’s hardest times and dedicated their careers to the recovery and growth of the country.

In this context, Aliyev’s qualities as a political leader are particularly pronounced, notably his ability to select staff to implement the

key areas of state policy and create motivation mechanisms which, in those days, did not include financial incentives.

In the mid 1990s, the state did not have sufficient resources to sustain government apparatus, and consequently, those young public service managers were doing less well than many of their peers, who were successful businessmen. It was this cohort of “young statesmen” who built modern Azerbaijan. The final component in the success of Azerbaijani statehood was the ideological mobilization of society, built upon clear goals, objectives and themes of development.

Kazakh and Azerbaijani leaders were the first in the post-Soviet space to use strategic planning as a basis of sustainable development.

In this respect it would be appropriate to compare Heydar Aliyev with Nursultan Nazarbayev, the leader of Kazakhstan. Kazakh and Azerbaijani leaders were the first in the post-Soviet space to use strategic planning as a basis of sustainable development. It is clear that the successful economic reforms that were carried out in Azerbaijan at the beginning of the new millennium were made possible by political stability.

Given these considerations, the assessment by Azerbaijani researcher Nazim Muzaffarli seems very apt. He observes that systemic political stability requires an effective system of economic motivations, but at the same time, political stability needs to be ensured by the political structure of the society. Both of these conditions for transitioning to a new level of development were implemented in Azerbaijan at the beginning of 21st century.

National leader Heydar Aliyev laid the foundations for economic prosperity that was driven by revenue from resource sector. The development of the independent national oil strategy was one of the most important areas of economic policy for Azerbaijan. The implementation of the strategy began with the signing of a 30 year production sharing agreement for the joint development of Azeri, Chrag and deep-water Guneshli field in the Azerbaijani sector of the Caspian Sea, between the State Oil Company of Azerbaijan (SOCAR) and a consortium of 12 international oil companies. President Heydar Aliyev’s view on this contract was clear: “While not all of our thoughts are reflected in this contract, I think the proposed version corresponds with the economic interests of the people of the Republic of Azerbaijan today, and in the future. Therefore, I have taken the decision to sign the contract...”

Taking stock of the oil industry of Azerbaijan and taking into account my 25 years of experience in the oil industry, and considering the current real state of the oil industry inherited from the Soviet Union, I took this decision and ordered the signing of the contract. I have taken enormous responsibility and am ready to carry it on today and tomorrow”.

Revenues from the contract of the century were used to finance modernization projects. They helped to build social infrastructure, address regional development issues, and create the preconditions for the transition from a resource-based economy to industrial and innovative development. Under President Heydar Aliyev, a number of documents determining the development of various economic sectors were adopted. These projects are part of the overall plan outlined by the leadership of the country.

One of these fundamental projects was the establishment through presidential decree of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) in 1999. SOFAZ accumulates foreign exchange inflows from oil types of hydrocarbon activities of the international oil companies operating in the country.

The Oil Fund manages the accumulation and efficient use of the

funds received from oil and gas exports, as well as from the financial investments of the fund. Since oil and gas are non-renewable resources, it is important to ensure equitable distribution of resources among generations and to accumulate resources for future generations. In addition, the Oil Fund is used to directly finance significant socio-economic projects. Heydar Aliyev’s strategy determined the priorities of investments in Azerbaijan, which, in 2000, were:

- Expansion and upgrade of oil servicing sectors;
- Food processing;
- Highly efficient infrastructure, in particular in the power and telecommunications sectors.

These tasks have been successfully implemented, clearly demonstrating that there is consistency in the reform process in Azerbaijan.

In this respect, the policies carried out by the current president Ilham Aliyev are a direct continuation of the ideas formulated by his predecessor Heydar Aliyev.

The mid 2000s marked a breakthrough in the energy sector. The Baku-Tbilisi-Ceyhan oil pipeline was launched in June 2006. In the fall of the same year, the Baku-

The Baku - Tbilisi - Ceyhan oil pipeline was launched in June 2006. In the fall of the same year, the Baku-Tbilisi-Erzurum (SCP) gas pipeline started operation. These routes ensured the country's energy security.

Tbilisi-Erzurum (SCP) gas pipeline started operation. These routes ensured the country's energy security. Since 2004, several power plants have been built across various regions of the country, and have fully eliminated the electric power shortage. Azerbaijan has turned into an electric power exporter, and the growing economy has found new resources for effective development.

Regional development programs, personally overseen by President Ilham Aliyev, have been developed. Each region of the country has an individual development program that is based solely on the development of non-oil sectors.

Current priorities include the growth of manufacturing sectors. A number of major projects are currently being implemented. The government of Azerbaijan is making efforts to develop the manufacturing sector, encouraging businesses to innovate. The government uses public investment and stimulates

the private sector to work more actively in the public sector. A unique technopark is being established in Sumgayit, an industrial city near Baku, and efficient aluminium and pipe plants are now operational. The technopark is mainly designed to operate plants and production facilities supporting the power sector. Almost two dozen factories will be located in this area.

The consistency of political and economic policies ensured economic sustainability during the global financial crisis of 2007-2009. Azerbaijan has maintained high growth rates of investments. In 2010, Azerbaijan's economy was ranked the 72nd economy of the world by nominal GDP. The Moody Investor Service rating agency confirmed Azerbaijan's long-term default rating at Ba1 and modified its forecast from "stable" to "positive". During recent years, Azerbaijan has been showing highest growth rates of all the CIS countries: from 2003 to 2008 Azerbaijan's GDP rose 2.6 fold, and the poverty rate fell from 45% in 2003 to 9.1% in 2010. Non-oil growth in 2010 was 7.9% compared to 3.2% in 2009.

As scholar Y. Godin noted: "in addition to the extractive industries, Azerbaijan has been intensively developing processing sectors over the recent years. They do not face large-scale capital outflow, like in Russia and Kazakhstan, and they

are developing economic cooperation with the countries outside CIS. Economic growth is additionally driven by the rising purchasing capacity of the population. Azerbaijanis who work, for example, in Russia, earn well by their country's measures and transfer their earnings to their home country".

The economy grew four-fold in real terms over the last decade, exports expanded by a factor of 15, as did the state budget, investment expenses grew by a factor of 96, and strategic foreign exchange reserves increased 31 fold.

At the same time, the country's leadership recognizes the importance of cultural development. Major cultural centers are being constructed in Baku, Sheki, Qabala, Lankaran. A Mugam Center has been built in Baku to celebrate the country's musical and dance heritage.

Azerbaijan has made significant sporting achievements over the recent years. The country is among the top three in gymnastics, and free and classical wrestling. The Heydar Aliyev Foundation and its representative office in Moscow have been carrying out charity events in Azerbaijan, Russia, Ukraine and other countries.

Relations with Russia are important to the stable and sustainable development of Azerbaijan. Currently, Russian – Azerbaijani relations are at a new stage of development. While the geopolitics of South Caucasus raise new challenges, Moscow and Baku are aligning their positions on a number of areas: economy, security, humanitarian affairs, Caspian dialogue. As Russian President Dmitry Medvedev noted in a joint press conference after the Russian-Azerbaijani talks in late 2010, relations between the countries have multiple characteristics and potential for expansion.

Mutual appreciation and respect between the heads of state is an important factor in the development of bilateral dialogue, enabling the two governments to address the most complex and contentious issues in the relationship between Russia and Azerbaijan through personal contact.

In his interview with "Russia-24", President Ilham Aliyev emphasized that there is a "high level of political contact between the parties, through which we make decisions that bring real benefits. Owing to this, we characterize our relationship as a strategic partnership".

The most important international topic in bilateral relations is the settlement of the Nagorno-Karabakh conflict. Following the sign-

ing of the Maiendorf Declaration in November 2008, Russia has undertaken the role of a key moderator of the negotiations between Armenian and Azerbaijani leaders. While the final settlement of the conflict will require significant efforts, the initial results of this mediation mission are already visible. During the Sochi talks in March 2011, an agreement was reached between the parties to exchange prisoners of war, and outlines for the participation of civic diplomacy in the settlement are gradually developing. It goes without saying that this process needs to receive additional impetus in future; however, it is possible to state even now that Russia's role is having a positive impact on resolution of the Karabakh problem.

At the same time, Russia and Azerbaijan are not yet sufficiently engaged in implementing the joint innovative projects, which are necessary for a transition to a deeper, more intensive interaction at a project level. Russia and Azerbaijan are facing the common problems in building an innovative economy. The low share of R&D expenditure and irrational financing arrangements are obvious obstacles. Thus, uniting the innovation capacity of Russia and Azerbaijan is important not only for the practical introduction of modern technology, but, more importantly, for developing

The consistency of political and economic policies ensured economic sustainability during the global financial crisis of 2007-2009. Azerbaijan has maintained high growth rates of investments

competitive scientific and intellectual human resources.

Azerbaijan and Russia are facing the same set of challenges – achieving a new level of competition. The global agenda is changing, and the challenges facing our countries are evolving.

Azerbaijan and Russia are forward-looking countries. The new generation, born after the collapse of the USSR, will define the shape of this new world.

Economic change and the business environment in the South Caucasus

**Alum
Bati***

Abstract

On gaining independence in 1991, the three countries of the South Caucasus, Armenia, Azerbaijan and Georgia, faced similar economic and political challenges. Their industries and infrastructure had been devastated by the break-up of the Soviet Union. But while these challenges were similar, among them inter-ethnic strife and external threats, the resources at hand to deal with the birth pangs of nationhood were very different. Azerbaijan, with its larger population and oil and gas wealth, had a real advantage over Armenia, with its mineral wealth in the form of diamonds, and resource-poor Georgia. The surprise was that Georgia and Armenia, despite their relative disadvantages, managed to keep pace with Azerbaijan in economic development for the first 14 years of independence. Thereafter, Azerbaijan pulled ahead with increasing rapidity. Throughout these years, similar problems have bedeviled the economies of all three nations: corruption, political and economic oligarchies, narrow wealth distribution, and an absence or decline of skill bases. The erratic and inconsistent attempts to address these challenges have left much to be desired.

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On gaining independence in 1991, the three countries of the South Caucasus, Armenia, Azerbaijan and Georgia, all faced similar economic challenges. Their industries and infrastructure had been integrated into the Soviet Union, and its collapse caused severe disruption in all three countries. The demand for their manufactured goods, often shoddy in quality and poorly designed, fell dramatically. The loss of skilled labor when many of the ethnic Russians who had held senior positions emigrated to Russia and elsewhere, damaged chances of a quick recovery. Political crises in all three countries, including a war between Armenia and Azerbaijan (with large-scale movements of refugees and internally displaced peoples in Azerbaijan) and breakaway tendencies in parts of Georgia, hampered recovery efforts. The loss of markets and collapse of industry led to mass unemployment, hyperinflation and a dollarization of the economies. To this extent, all three countries were in a similar state of chaos at the outset. Since then, each has faced its economic challenges with elements of success and failure. Perhaps surprisingly, given their different levels of economic resources and potential, each country has, at the prompting of international agencies such as the International Monetary Fund (IMF), faced its challenges in a similar way, and reached a similar level of economic development, with business

environments across the three states now comparable.

Azerbaijan with its abundant hydrocarbon wealth has emerged the most economically developed of the three. But both Georgia and Armenia, though they have fewer obvious economic advantages and lower GDPs, have social indicators not markedly different from Azerbaijan.

Until 1995, the whole South Caucasus was pretty depressed. Azerbaijan and Armenia did not arrange a ceasefire until May 1994 but there were sparks of dynamism, especially in the former after the signing of the 'Contract of the Century', the contract for the development of the Azeri, Chirag and Deepwater Guneshli oil fields, in September 1994.

The economic development of the region can best be judged by looking at a range of factors, including infrastructure, the health of the banking and finance sector; inflation and other statistical data; corporate law; corruption and other business-inhibiting factors; bureaucracy, and so on. However, we will start with a look at natural resources, important for Azerbaijan and Armenia and, indirectly, for Georgia as well.

Natural resources: a curse or a blessing?

Until 1995, the whole South Caucasus was pretty depressed. Azerbaijan and Armenia did not arrange a cease-fire until May 1994 but there were sparks of dynamism, especially in the former after the signing of the ‘Contract of the Century’, the contract for the development of the Azeri, Chirag and Deepwater Guneshli oil fields, in September 1994.

That contract spawned a climate of optimism. The oilmen were starting to arrive in larger numbers, though it was well into 1994 before the oil workers started to outnumber the Christian evangelists and humanitarian aid workers. At the time, this spirit of optimism was evident everywhere in Baku, if not in rest of Azerbaijan or the South Caucasus. It was manifested in the sudden crop of new banks, many of which were little more than pyramid (or ‘Ponzi’) schemes - many of which went bust within a year. And whoever said smoking was bad had never lived in a city with unlit streets – the arrival of ‘Big Tobacco’, with their advertising light boxes, at least meant lights on the street at night. Baku’s economy was starting to move out of the doldrums.

The region experienced a mini-boom in 1997-1998; however, it was a false start. Though by the end of 2002, Azerbaijan had some 17 active ex-

ploration, development and production sharing agreements in the hydrocarbons sector, some had already collapsed, either due to lack of success in the exploration stage, or because declining oil prices in the late 1990s made development non-economically viable. The 2000 - 2004 period was a time of commercial depression for Azerbaijan. The price of oil was down to as little as \$25 a barrel in 2002. It was not until the oil pipeline from Baku to the Turkish Mediterranean port of Ceyhan started operating, in May 2005, that the Azerbaijani economy began to take off. It was a happy coincidence (helped by the 2003 U.S. invasion of Iraq) that there was also a jump in oil prices. A year later, gas was being pumped through the new South Caucasus Pipeline to Erzurum.

The new oil and gas pipelines brought indirect economic benefits to Georgia, which receives transit tariffs. Georgia’s position is neatly summed up by a report of the NATO Parliamentary Assembly: “Bolstered by the construction of the Baku-Supsa oil pipeline, GDP grew by 11% in 1997. By 1998, economic and structural reforms ceased, and a period of stagnation ensued. The slow pace of economic growth between 1998 and 2003 (3-3.5%) served only to widen the gap between the impoverished majority and the wealthy few, and an estimated

52% of Georgians were living below the official poverty line”.¹

Armenia has its own natural resources, notably diamonds, and its diamond cutting industry is, or at least was, an important foreign exchange earner. The price of diamonds is not as volatile as the oil price has been in recent decades, though diamond prices have also increased about 60% since 2005². In 2000, diamonds accounted for 40% of Armenia’s net exports³. However, the diamond processing industry has been hard-hit by the appreciation of the Armenian dram, which began in 2003. In the first half of 2007, Armenia’s diamond production was down by almost half on the previous year⁴, though it has since recovered a little.

One might assume that with its rich natural resources, Azerbaijan would be developing at a significantly faster pace than the other two South Caucasian republics. But this does not seem to be the case. Under the IMF’s reckoning, Azerbaijan and Armenia will have grown at about the same rate during the 2010-2012 period,

and Georgia will have outstripped them both. Unemployment, which is a good indicator of economic performance, is high in all three countries. According to official data, Azerbaijan’s unemployment rate is about 10%, compared to 19% in Armenia, and 17% in Georgia (2009 figures)⁵. However, official statistics in all the countries are suspect and real unemployment rates are probably higher, and considerably higher if one includes the under-employed.

One might also expect that Azerbaijan, suffering from the resource curse, would have much higher rates of inflation than in the other two republics. But this is not the case. Georgia and, especially Armenia, have also had high inflation rates⁶.

Economic spinoffs

Each of the three South Caucasus nations has experienced a construction boom (more accurately, a number of mini-booms), though in each case the capital city has benefitted more than the rest of the country. Baku was probably the first of the capitals to experience a significant expan-

1 NATO Parliamentary Assembly, paragraph 8, 170 ESECEW 07 E rev 2 - Economic And Political Transition In Georgia, <http://www.nato-pa.int/default.asp?SHORTCUT=1171>

2 See, http://www.diamondse.info/for_diamond_price_trends. Viewed for this article on 7 December 2011.

3 See the statement of 16 November 2011 of the Government of Armenia Minister of the Economy, Mr. Tigran Davtyan, reported in <http://www.panarmenian.net/eng/news/83950/> viewed on 8 December 2011.

4 See, <http://www.armtown.com/news/en/rfe/20070723/200707231/>, viewed for this article on 7 December 2011.

5 See IMF Regional Economic Outlook, 31 October 2011, <http://www.imf.org/external/pubs/ft/survey/so/2011/car102711a.htm>, viewed 7 December 2011

6 In 2010, consumer price inflation in Armenia, Azerbaijan and Georgia respectively was 8.2%, 5.7% and 7.1%. This information is derived from the World Bank based on official data. <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG/countries>. However, official statistics can be notoriously unreliable. For instance, the American Chamber of Commerce in Azerbaijan’s inflation survey puts 2010 inflation for Azerbaijan at 6.53% - see <http://www.amchamaz.org/default.html?ProjectPage=3>, viewed on 10 December 2011.

sion and modernization in its housing stock, initially to cater for the oil workers, but also the increasing influx of people from poor rural communities. The Hyatt Regency was Baku's first quality hotel, opening in 1995. That was when the city started to buzz. Not only did it provide a key symbol of modern living, it was also the first public space where western businessmen could feel relaxed and comfortable. "It also had an important economic impact on the city. Before the hotel opened, British Airways had already started scheduled flights to Baku to meet the growing demand from the oil companies and oil service sector. But the flights went through Bucharest. Now, with an acceptable hotel for their crew, British Airways could fly direct. Once it could do that, more businessmen were willing to visit. And with a good quality hotel, more senior executives, unused to roughing it in Soviet-era hotels, were ready to explore new opportunities. Other airlines, such as KLM, also saw the opportunity to develop routes, and to use Baku as a stop between Tehran and Amsterdam"⁷. The construction of a single luxury hotel changed the whole economic development dynamic- if not for the country as a whole, then at least for the capital, Baku. The boom that was taking place in Baku also led to the blossoming of casinos, which

7 Bati, A., *The Rise and High-Rise of Post-Independence Baku, Impact Azerbaijan*, issue 12, summer 2011, based on a similar piece posted on the author's blog on 11 October 2010: see stirringpottage.blogspot.com.

spilled over from Baku to Tbilisi and Yerevan. Casino-tourism had arrived, with players flying in from Israel, Turkey and Iran. While Azerbaijan has since clamped down on casinos, they continue to thrive in both Georgian and Armenian.

Both Tbilisi and Yerevan were behind Baku in the hotel stakes, understandably, given that they have neither the oil wealth or nor a comparable population. For a while, they almost caught up, with the Marriott opening in both cities and the Golden this and Golden that in Yerevan⁸. But Azerbaijan's success in the 2011 Eurovision Song Contest has spurred more development in Baku in readiness for hosting the 2012 extravaganza, and it will soon leave the other capitals far behind in terms of upmarket hotel accommodation. And Azerbaijan has, given its larger coffers, been more prone to wild splurges that have yielded little in the way of long-lasting public benefit. Nevertheless, Azerbaijan early on realized the importance of maintaining and upgrading oil and gas infrastructure.

However, thriving economies require electricity and other sources of power. The depressed nature of demand in the 1990s did not encourage the South Caucasus to develop more supply or to properly maintain the

8 For a report on Armenia's economic growth, see S Mitra, D Andrew, G Gyulumyan, P Holden, B Kaminski, Y Kuznetsov, E Vashakmadze: *The Caucasian Tiger, sustaining economic growth in Armenia*, World Bank, 2007

Nevertheless, Azerbaijan early on realized the importance of maintaining and upgrading oil and gas infrastructure

existing sources of supply. So when the recovery came, it was held back by power shortages. Even today, all three countries face power difficulties and low or fluctuating voltage. Nonetheless, the countries have started to tackle the problems, raising tariffs and modernizing and upgrading the infrastructure.⁹

There is one curious economic fact that merits mention. Workers' remittances and the earnings of non-resident workers in all three countries have increased significantly. Normally, one would expect workers' remittances from migrant workers to be strong where the local economy is not doing well and causes workers to seek employment abroad. Russia has been an obvious destination for migrant workers from all three republics. World Bank data reveals that in 2000 remittances/non-resident worker earnings were significant for Georgia (\$273m) but less so for Armenia (\$87m) and Azerbaijan (\$57m). However, by 2010, this had become a much more important category of income for Azerbaijan (up 25 times to \$1.4bn) than the other two (for whom it nonetheless continues to play a

⁹ For a study on Azerbaijan's power sector as it was in 2003, see *Sector Study for Power Sector in Azerbaijan Republic*, Oct. 2004, a study financed by the Japan Bank for International Cooperation.

significant role), presumably due to well-paid foreign oil workers¹⁰.

The Caucasian dilemma

In order to foster economic development¹¹, each of the three republics had to stabilize the economy and restore confidence; to adopt new legislation more appropriate to a capitalist economy and designed to encourage investment; and to tackle corruption, business ethics and corporate governance. The records of all three nations are mixed but, perhaps surprisingly, Azerbaijan has been least successful overall.

In terms of stabilizing the economy and restoring confidence, each republic has had a degree of success. They have closely followed the advice of the IMF and their macro-economic management has been good. The banking sector, although constricted by the global financial crisis, has not suffered significantly, though the region is 'over-banked'. Azerbaijan's management of the banking sector has been careful, though not careful enough to prevent the exit in 2002 of the only global bank operating in the country, HSBC. HSBC continues to operate in Armenia and Georgia. Still, confidence in the banking sector in all three countries has greatly

¹⁰ Cf. World Bank <http://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT/countries>.

¹¹ In a different form a part of what follows appeared on the author's blog (<http://stirringpottage.blogspot.com>) on 10 April 2011, entitled: *From Humble to Jumble: the Role of Law in Post-Independence Azerbaijan*

Each of the South Caucasus nations faced similar legal challenges in trying to bring about an ordered economy. Their legal systems had a shaky, and strife-riven, start to life.

improved since independence, when citizens were very wary of banks altogether. One example of this confidence in banks and currency stability can be seen in bank deposits and lending in Armenia: resident deposits have increased eight-fold in the period October 2000-October 2011, while lending has increased almost 12 times over the same period. At the same time, the proportion of lending in foreign currency has decreased by 25% and lending to households has increased by 11%.¹²

Although none of the three stock markets is very active, Armenia and Georgia have done more than Azerbaijan in creating an environment that facilitates the raising of capital – in 2008 Yerevan's exchange was bought by the Nasdaq-OMX group and Tbilisi has 135 companies listed on its exchange. In comparison, issuers on the Baku Stock Exchange exist largely in name only, being mainly banks and insurance companies, the liquidity of whose stock is almost non-existent,

¹² <http://www.cba.am/en/SitePages/statmonetaryfinancial.aspx>, viewed 4 December 2011.

Each of the South Caucasus nations faced similar legal challenges in trying to bring about an ordered economy. Their legal systems had a shaky, and strife-riven, start to life. When the Soviet Union collapsed in 1991, the new nations were left with a legal dilemma. There were essentially two co-existing bodies of law – the laws, rules and regulations passed by the legislative bodies of the Soviet Socialist Republics; and the legislation of the Soviet Union, including all the multilateral and bilateral treaties to which the Soviet Union was party. Azerbaijan, for one, in large part denounced the laws of the Soviet Union, including most of its treaties, retaining a handful of fundamental laws, primarily the Codes covering such matters as civil, housing and employment law. Faced with war with Armenia (the ceasefire was not agreed until May 1994), a dislocated and collapsing economy, and a loss of faith in the Azerbaijani currency, the country moved quickly to try to attract foreign investment and foreign advisers. Georgia and Armenia moved with similar intent.

In 1992, Azerbaijan ratified the law *On the Protection of Foreign Investments*, a piece of legislation still in force (in an amended form). As part of this early investment-friendly climate, in 1994 Azerbaijan also signed the first of its new double taxation treaties, with the United Kingdom, which was about to become Azerbai-

jan's biggest foreign investor. That treaty was the first on what is now a well-trodden path.

And, with great fanfare, in September 1994 the Contract of the Century was signed with oil companies for the development of the Azeri, Chirag and deepwater Guneshli fields. From a legal perspective, this agreement was an important milestone, as it was subsequently passed into law and thereby set a precedent not only in the realms of offshore exploration, development and production of hydrocarbons, but also for some onshore fields, the main oil and gas export pipelines, and for certain gold-mining ventures. Although the exact legal status of such private contracts passed into law has never really been clear, they have formed a foundation for the economic development and political stability of Azerbaijan¹³.

The double tax treaty between Azerbaijan and the United Kingdom was not only the first of many, but perhaps also exemplary of a problem which Azerbaijan, more than its South Caucasian neighbors, faced in its early days: the English-language version was the only official text, as an Azerbaijani draft apparently could not be prepared in time for the signing ceremony. The reasons for this could

be many but the possibility remains that Azerbaijan's senior lawyers and ministers did not have a sufficiently sound knowledge of the Azerbaijani language to draft and scrutinize laws (or treaties) in Azerbaijani, even using the Russian Cyrillic alphabet.

In Azerbaijan at least, before independence the best lawyers were educated in the Russian-language sector. They struggled with legal texts drafted in Azerbaijani (first introduced in the Cyrillic script and then in a modified Latin script). They would first compose their sentences in Russian, and then put them into a stilted form of Azerbaijani. Matters were made even worse when foreign consultants were involved: they would draft in a foreign language, which would then be translated into Azerbaijani by lawyers whose primary language was Russian and, when used by foreign lawyers, translated back into English via the same convoluted process. The result was often a jumble of words making little sense. To this day, though the situation is much improved, a sound command of Azerbaijani legal terminology continues to be a problem for legal draftsmen in Azerbaijan.

It is in the area of taxation that Azerbaijan can justly claim to some impressive advances, both in the technical knowledge of inspectors and also in the increased accessibility of the system through the introduction of electronic tax filing. The Azerbaijani

¹³ For the constitutional status of oil and gas production sharing agreements made in the 1990s, see Alum Bati, *The Legal Status of Production Sharing Agreements in Azerbaijan*, *Journal of Energy & Natural Resources Law*, vol. 21, no. 2, 2003

Ministry of Taxes has, perhaps chief of all ministries, shown itself willing to engage with the business community.

As for Armenia, legal reform was summed up by the European Bank for Reconstruction and Development (EBRD) in 2009, as follows: “Although commercial laws have improved, both the quality of individual commercial laws and their implementation require substantial reform. Thus the capital market’s legal framework according to a recent EBRD assessment was rated as “medium compliance”, revealing a state-dependent market regulator, a lack of framework for collective investment vehicles and of a clear policy towards market development.”¹⁴ Nonetheless, the EBRD’s 2008 Transition Report still placed Armenia and Georgia ahead of Azerbaijan in terms of development of core commercial and financial laws and the state of economic transition. The World Bank in its “ease of doing business” table ranks Georgia (16th) well ahead of Armenia (55th) and Azerbaijan (66th).¹⁵ That is probably an overly pessimistic assessment of Azerbaijan (or perhaps an overly optimistic one of Georgia).

The problem of the rule of law in all

¹⁴ See *Commercial Laws of Armenia, an Assessment by the EBRD*, July 2009, p. 3, <http://www.ebrd.com/downloads/sector/legal/armenia.pdf>

¹⁵ *Doing Business 2012, Doing Business in a More Transparent World*, <http://www.doingbusiness.org/reports/global-reports/-/media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB12-Chapters/Country-Tables.pdf>, viewed on 11 December 2011.

three countries is less a matter of the existence of good laws as their effective and equal application, however well-connected the parties involved may be. Corruption remains endemic, even in Georgia, which according to anecdotal evidence seems to have greatly reduced petty corruption: high-level corruption is tougher to eradicate. Transparency International’s 2011 Corruption Perceptions Index puts Georgia at 64th place (out of 182 countries), Armenia at 129 and Azerbaijan the worst of the three at 143. Azerbaijan comes out particularly badly, being the only one of the three to have slipped below its 2010 ranking.

The Millennium Bug

All three nations have seen an abundance of new legislation, often under the advice and guidance of foreign aid agencies who have not always demonstrated a full understanding of the markets with which they are dealing. In too many cases, foreign development assistance in the field of legal reform has been wasted or used recklessly. In many ways, there has been too much new legislation.

The second half of the 1990s saw some major legislative developments, especially during the initial stages of privatization. From the outset, the process was mired in controversy. It was launched, with the assistance of the World Bank, under a flawed voucher

scheme whereby all citizens were given vouchers that were in theory meant to represent a share in the state's property but in practice were almost worthless (except to a lucky few). By the end of the 90s, privatization had begun in earnest in each of the republics. In Azerbaijan, Qaradagh Cement was amongst the first of the major state-owned enterprises to be privatized¹⁶. Each republic has faced similar problems relating to transparency and effectiveness in the privatization process, though Azerbaijan seems to have suffered most.

The new millennium also brought a spate of vigorous legislative action, infecting the respective legislatures like a virus. The Azerbaijan experience is illustrative: by mid-1999 a new Labor Code had entered into force, updating the old Soviet version and incorporating the requirements of dozens of International Labor Organization conventions to which Azerbaijan had acceded. The Labor Code was followed swiftly by new Tax, Family, Civil, Criminal, Administrative Offences and procedural Codes, in 2000. There would be many more in the years to follow - but the much-vaunted draft law On Oil & Gas remained in the cupboard collecting dust.

This flurry of activity in law-making demonstrated the enormous hope and

¹⁶ For the privatisation process in Georgia, see <http://www.greenalt.org/webmill/data/file/publications/Privatizeba-Eng4.pdf>

goodwill there was, at the same time as highlighting some of the deficiencies of the legislative process. On the positive side was the fact that in Azerbaijan, both the Labor Code and the Tax Code genuinely sought extensive public consultation, with drafts of both published in newspapers. Comments were not only elicited but acted upon; this author personally appeared before two parliamentary committees and spent several hours discussing various amendments with the generous-spirited drafters of the Labor Code. Alas, this open consultative process has never been repeated.

The disadvantage of this spewing forth of legislation was its quality. For some of this, the foreign consultants shoulder the bulk of the responsibility. In Azerbaijan at least, the key problem has been the poor command of the national language and legal terminology by all parties involved.

On top of all everything else, the lack of transparency in dealings has posed additional challenges. Although the laws are largely in place in each of the countries, and Georgia maintains a lead over the others in terms of the ease of establishing businesses¹⁷, the absence of effective stock markets and compulsory filing of (and public

¹⁷ <http://iab.worldbank.org/Data/Explore%20Topics/Starting-a-foreign-business>, *Investing Across Borders*, 2010, indicators of foreign direct investment regulation in 87 economies. World Bank Group

access to) audited accounts of larger companies makes for poor corporate governance.¹⁸

Conclusion - the next challenge

In order to establish an environment for a thriving economy, good legislation is important. Legislation has continued to pour out of the parliaments, the presidents' offices, the Cabinets of Ministers and a plethora of ministries at an ever-increasing rate. But too much legislation can be counter-productive, distancing parliament from the legislative process, and placing an enormous burden on the presidents' experienced but small and over-worked legal teams. It is surely time for the deputies of the parliaments concerned to shoulder a greater share of this burden and to perform the job for which they have been elected, namely the introduction, scrutiny, and amendment of primary legislation.

The economic record, in general, has been good. In the 1990s, many feared that due to its natural resource wealth, Azerbaijan would be riddled with 'Dutch disease', causing inflation, industrial stagnation and massive income disparities. However, this has not happened and fears have largely been assuaged. Although inflation remains stubbornly high and

income disparities are very noticeable, the extent to which the three South Caucasus republics have developed in line with one another is remarkable. Others have argued that, with its abundant hydrocarbon wealth, Azerbaijan should be well ahead of its South Caucasian neighbors. Only in the last few years has Azerbaijan's per capita GDP really taken off. In 2005, the per capita GDP of all three republics was more or less the same. Since then, although all three economies have shown improvement, Azerbaijan has opened up a widening gap, improving by 357%, compared to 187% and 178% by Armenia and Georgia respectively¹⁹. That economic improvement is not immediately reflected in the overall business environment, but due to increasing business, this will change in time.

¹⁸ For an analysis of corporate governance in particular in Azerbaijan, see Bati, A. (2006), "Eurasia: Corporate Governance Challenges of Non-Listed Companies", in OECD, *Corporate Governance of Non-Listed Companies in Emerging Markets*, OECD Publishing. doi:10.1787/9789264035744-10-en.

¹⁹ Based on data for 2010 in current USD. See <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

Will the Arab

Spring reach Palestine?

**Joseph
Dana***

Abstract

The author writes about the possible impact of the Arab Spring phenomena on Palestine, arguing that Palestinians have been trying to use non-violent means to resolve their own problems with Israeli for over four decades. The author argues that internal divisions between Hamas-ruled Gaza Strip and the Fatah-governed Palestinian Authority have served the interests of party officials in Ramallah and Gaza City to ensure their continued rule, and thus the situation is untenable, with few harboring any hope that the current reconciliation talks will bring true unity.

Further, the author describes how Palestinian activists are gravitating towards non-violent means as a way of highlighting what occupation and Israeli control entail for them; peace is clearly sought after by activists, whose immediate concern is the ongoing human rights violations in the Palestinian Territories.

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Western discussions of the Middle Eastern revolutions during the past year have invariably included the question of whether the Arab Spring will arrive in Palestine. While this might seem like a natural jump, this thinking displays the ignorance about the Israeli-Palestinian conflict that is too often shapes Western analysis of the Middle East. The Arab Spring captured international attention with demonstrations of the desire and capacity of Middle Eastern civil society to overturn unjust structures of governance through primarily non-violent means. Palestinians have been trying to use the same forms of non-violent means for the past 43 years.

Israelis and Palestinians are rarely able to predict outbreaks of violence. When observers forecast violence – for example, during the tense months around the statehood vote in the United Nations, when Israel warned of rebellion in the West Bank- nothing comes of it.

During the festive photo ops and grandiose speeches surrounding the Palestine Liberation Organization (PLO) United Nations statehood bid, few observers took note of the obvious exhaustion among average

Palestinians, as seen in interviews and polls. The emotional and physical losses of the Second Intifada have left Palestinians depleted, with little capacity to manage even political split between Hamas and Fatah in 2006. Internal divisions between the Hamas-ruled Gaza Strip and the Fatah-governed Palestinian Authority have served the interests of party officials in Ramallah and Gaza City, ensuring their continued rule. The situation is untenable, and few harbour any hope that current reconciliation talks will bring true unity.

Israelis and Palestinians are rarely able to predict outbreaks of violence. When observers forecast violence – for example, during the tense months around the statehood vote in the United Nations, when Israel warned of rebellion in the West Bank- nothing comes of it. Despite this unimpressive track record, many in the West Bank are quick to raise the coming Intifada against Israeli occupation. The next Intifada, people say, will be one of stones and not suicide bombers, a clear allusion to the First Intifada. Some non-aligned activists are acting on this sentiment and gathering around the idea of civil disobedience against Israeli occupation in Palestine.

Indeed, the use of social media is changing perceptions of the conflict in the West, moving away from the

peace and security narrative as the defining paradigm. The deprivation of Palestinian rights in the Occupied Territories is slowing entering the discourse, even in mainstream American thought. Ironically, former Israeli Prime Ministers like Ehud Barak are explicitly giving legitimacy to this shift in understating. In February of 2010, Barak said that “As long as in this territory west of the Jordan River there is only one political entity called Israel, it is going to be either non-Jewish, or non-democratic. If this bloc of millions of Palestinians cannot vote, that will be an apartheid state.”

Given the matrix of control that already exists in the West Bank, along with the institutional discrimination that Palestinians citizens of Israel face in all sectors of life, from buying land to choosing a community to call home, an Apartheid reality might not be as far off as Olmert and Barak assume. Palestine’s new generation of activists are aware of this rights narrative and, using the Arab Spring for inspiration, are pushing forward with a bold rights-based strategy.

Diana Alzeer is typical of the new breed of urban Palestinian activists. Her small frame conceals a fiery rhetoric, which quickly comes to the surface when the future of Palestinian activism is raised. Alzeer is emblematic of the next wave of Palestinian activism in the Occupied

Territories; young, non-violent, and disconnected from Palestinian party politics. Despite the news cycle of endless peace negotiations and fears of impeding violence in the region, non-aligned political activists like 24-year-old Alzeer are perfecting forms of civil disobedience, which they believe will be the backbone of the next chapter in the conflict. The rural villages dotting the rugged landscape of the West Bank that have been directly affected by Israel’s controversial separation barrier have become a rallying point for the nascent popular resistance movement in the Occupied Palestinian Territories.

In 2003, at the height of the Second Intifada, when bombs were exploding in Tel Aviv cafes and the Israeli military was imposing curfews throughout the West Bank, the unassuming Palestinian village of Budrus began a non-violent campaign against the construction of the barrier on its farmland. According to the Israeli government, the barrier needed to be placed inside Budrus to ensure the security of nearby settlements. After two years of almost daily non-violent demonstrations, some of which saw Palestinian women standing directly in front of working bulldozers, the Israeli military made an unprecedented decision: to change the route of the barrier. Ninety-five percent of the farmland in Budrus, which would have been swallowed by the barrier, was saved

through noncompliance and popular resistance. The Popular Struggle - the umbrella term for current non-violent resistance movements in the West Bank – saw its first victory.

After Budrus, many villages throughout the West Bank adopted our model of non-violence,” said Ayed Morrar, a revered and prophetic figure who led his village in the fight against the Separation Barrier.

“After Budrus, many villages throughout the West Bank adopted our model of non-violence,” said Ayed Morrar, a revered and prophetic figure who led his village in the fight against the Separation Barrier. “People at the time understood that our issue is about freedom, not economic or establishment issues. When the First Intifada took place in 1987, our economic, social and political situation was better than now. During the First Intifada and in Budrus in 2003, people were not looking for more money or to build a state. The main issue was and is freedom.”

Every Friday afternoon, after the midday Islamic prayer, a diverse array of Palestinian villagers, international supporters and Israeli peace activists gather in village squares across the West Bank before confronting the

Israeli military. Each village has a different story but the issue is always the same; the slow confiscation of land by Israeli settlement.

Demonstrations begin with spirited calls for Palestinian unity but quickly take on a confrontational tone. In each village, activists march towards contested lands and are stopped by a blockade of Israeli jeeps and soldiers, ready to break up what they consider to be illegal riots. According to the Israeli military, all protests must be coordinated with the military governor, who holds the sovereign authority to grant demonstration permits. Since 1967, not a single permit has been issued for any type of Palestinian demonstration. These peaceful protests quickly spiral into an exchange of tear gas, stones and sometimes rubber bullets. After nearly a decade, the protests have a choreographed sequence, whereby peaceful protests turn into violent confrontations.

“The question is, how are we going to speak to the core social and economic needs of average Palestinians?” asked Fadi Quran, a 23 year old youth leader as he stood next to an eight meter high wall separating Ramallah from Jerusalem. “We need to tie the social and economic to the political reality on the ground. This is a challenge but not a challenge for people in villages like Nabi Saleh, who have had their land taken by

“We need to tie the social and economic to the political reality on the ground. This is a challenge but not a challenge for people in villages like Nabi Saleh, who have had their land taken by settlements.”

settlements.” He continued, “They see it; the link is obvious between the settlement taking their land, and their poverty. But in places like Ramallah and a lot of cities in the West Bank, it is not obvious.”

The March 15th movement is a loose collective of urban activists who share Quran’s vision of transforming the Palestinian struggle. The movement emerged last year in Gaza and quickly spread to the West Bank as a Palestinian response to the Egyptian revolution. Rebuilding Palestinian national identity, badly damaged by six years of internal division between Fatah and Hamas, has been the driving focus since its inception. Activists from in major cities who regularly travel to village protests decided to bring the reality of the occupation into the heart of Ramallah, a city often compared to Tel Aviv for its disconnected lifestyle. During one of their first protests in solidarity with the Egyptian people, plain clothes Palestinian Authority police officers arrested and beat a number of activists.

Despite its portrayal in the West, the Palestinian Authority (PA) is not well liked in the West Bank. Set up in the 1990s as part of the Oslo peace process, the PA was designed as an interim governing authority for Palestinians. Most Palestinians believe that the current Fatah dominated PA is corrupt and ineffective. Fadi Quran claims that the March 15th movement does not target the Palestinian Authority, but rather aims to develop a new way of fighting the occupation, through noncompliance, mass protest and non-violence. “At the moment, in Palestinian history and the history of the region, popular resistance and civil disobedience are the necessary tactics that should be used and at this moment in time they are the only tactics that we have to achieve freedom, justice and peace for all.”

The non-violence tactic is a striking component of the March 15th platform. Western observers have long wondered why Palestinians have not adopted forms of non-violent resistance on a larger scale. The commonly held position states that if Palestinians adopted such tactics, then the West would quickly and wholeheartedly rally behind the Palestinian struggle. According to activists, non-violence has been employed for years but is often overshadowed by attacks on Israeli civilians by radical political factions. “As Palestinians, we tried armed

Informed by the history of the Palestinian struggle, young activists are challenging the status quo of the Israeli-Palestinian conflict at a time when the world is counting on the next chapter of the Arab Spring to play out in Palestine.

resistance during the Second Intifada; apart from the fact that I do not agree with it in any way, it only moved us backwards,” Diana Alzeer noted in Ramallah, the evening before a demonstration. “We did not move forward.”

On the southern border of Jerusalem, on a non-descript bluff of land above the Jerusalem Zoo, sits the Palestinian village of al-Walaja. The former bread basket of Bethlehem, al-Walaja is currently enmeshed in a legal battle over the construction of the Separation Barrier on its land. Unlike Budrus, which would have lost farmland to the barrier, al-Walaja will be completely encircled by an eight meter high wall when the barrier is completed. The village will have a single entrance and exit point, controlled by a guarded gate once the wall is completed.

Sheerin al Araj is a member of the al-Walaja popular committee and helps organize the weekly non-violent demonstrations against the wall, which have been taking place

on Fridays for the past two years. Like other Palestinian activists, al Araj rationalizes her involvement in the Popular Struggle movement by analyzing the larger context of the Palestinian struggle. “Palestinians have not had a vacation or even a day off for the past 200 years. We have not had peace and quiet for 200 years,” she notes in her modest home adjacent to the Jewish settlement of HarGilo. “But these days are very promising. There is a lot of youth movement, there is movement on the ground - but I am a bit scared. Everyone is telling us that there will be a third intifada, which is not good for us. It does not matter what type of intifada it will be, it is still a war.” She pauses for a sip of sugary tea. “Non-violent, violent, it does not matter. The repercussions for Palestinians are always the same: violence. It does not matter how you fight.”

Ultimately, Fadi Quran noted, the role of the activists must be to make Israel’s occupation as difficult as possible to manage, using every non-violent tactic at their disposal. In a conflict where one side is at a great disadvantage in terms of the power dynamic, symbolic acts of non-compliance are perhaps the only way of inflicting significant damage. “The only thing that has really put pressure on the Israelis throughout history in terms of their relationship with Palestinians has been acts of civil disobedience like those of the

First Intifada. It forced the Israeli government to give concessions to the Palestinians.”

Informed by the history of the Palestinian struggle, young activists are challenging the status quo of the Israeli-Palestinian conflict at a time when the world is counting on the next chapter of the Arab Spring to play out in Palestine. Last May, thousands of Palestinian refugees in Lebanon and Syria, and hundreds of March 15th activists in the West Bank gathered at Israeli borders and checkpoints to mark the anniversary of the *Nakba*-the Arabic word for catastrophe, used by Palestinians to commemorate the creation of the state of Israel. Since the Second Intifada, Israel has created a myriad of borders and checkpoints to isolate and subdue Palestinians for security reasons. The idea of the March 15th activists was simple: hold symbolic mass protests at these border crossings and checkpoints to remind the Israelis of their presence.

Palestinian activists are coalescing around non-violence as a way of highlighting what occupation and Israeli control mean for them. Although peace is clearly desired among activists, their immediate concern is the day-to-day human rights violations that characterize life in the Occupied Territories.

Activists like Sheerin al Araj are using the present lull in violence to

perfect the non-violent methods of their struggle. News from the ground appears to be working against the Palestinians, as Israel has been given ample room to expand settlements and entrench its occupation, but al Araj is optimistic. “Each country has its own history. Each one of them has had their own 200 years of struggle,” she remarked as we walked around her modest village. “Palestinians had the same but what we did not have and was thirty years of quietness. In Egypt, they had [quietness] through dictatorships, which was awful, but it did give them a certain amount of quiet. That is what we have lacked but it does not matter because the Palestinians will have their moment. The ultimate result will be similar to the rest of the Arab world - and that is what scares the hell out of everybody.

The power of civil society to affect change in the Middle East is the lasting contribution of the Arab Spring. But for Palestinians, civil society has been affecting change since the beginning of their struggle. The problems, as activists understand it, are the corrosive influence of party politics, the reliance on armed resistance against a formidable military, and division. The last twenty years of endless peace negotiations and sporadic cycles of violence have been the worst for Palestinians, in terms of the abject loss of their rights. It is only a matter of time before the majority takes the lead of the activists.

“We taught everybody in the Middle East how popular resistance works,” said Ayed Murrar. “In the First Intifada, before Facebook and Twitter, while the Arab people were in a deep sleep, we taught them how to resist. Now we see real examples of people achieving their freedom in front of us and the price of our freedom is not more than their price. We are ready to pay this price.”

The Black Sea Region in 2020

– a place for the EU?

**Ed.H.Shelest
&
Z. Shiriyev***

Abstract

This report presents an analysis of the current stage and worst/best case scenarios for the development of the Black Sea region. This report was prepared within the framework of the Black Sea Young Reformers Fellowship (BSYRF) project in 2011, by experts from Azerbaijan, Bulgaria and Ukraine. The authors project possible trajectories for political, economic and civil society development, as well as conflict resolution, between now and 2020, emphasizing that the ideal scenario will not be achieved without increased involvement on the part of the European Union in regional affairs.

** This report was prepared within the framework of the Black Sea Young Reformers Fellowship (BSYRF) project in 2011, by Hanna Shelest, Zaur Shiriyev, Kaloyan Simenov and Natig Jafarov.*

I. Introduction

The Black Sea (BS) region¹ has attained new significance in the wake of the accession of Romania and Bulgaria to the EU in 2007. Despite the numerous territorial disputes and historical mutual distrust, and regardless of the ongoing conflicts among the states, the region has managed to sustain a limbo of “not-war and not-peace”, and to initiate a number of projects that have had a significant influence on the development of the region itself, as well as on the European Union’s local policy. Central and Eastern Europe rapidly integrated into the EU, and now improvements implemented within the BS states have led policy makers to declare that the time has come for the EU to engage more deeply in the Black Sea area. In less than two decades, the European Union has pushed its eastern frontier from Berlin to the Black Sea, and this geopolitical shift has opened up new opportunities as well as new challenges. However, from the current standpoint, it is easier to identify the weaknesses than the significant achievements of the EU’s policy towards the BS area. Nevertheless, the prospect

of European integration or closer relations with the EU served as leverage for the internal development of many BS countries.

At the same time, following the break-up of the Soviet Union, the European Union did not formulate a strategic vision or take political responsibility in the developments in the Black Sea region. From both the political and economic perspective, the EU still has a relatively divergent policy towards the countries in the region. Three EU Member States, namely Greece, Bulgaria and Romania participate fully in the EU Internal Market and EU common policies. Another key player in the region, Turkey, has acquired Candidate Country status, and from 1995 has had a Customs Union with the EU.² Five countries from the region, namely Ukraine, Moldova, Georgia, Armenia and Azerbaijan, belong to the European Neighbourhood Policy, which again has both political and economic dimensions, and Ukraine is close to signing an Association Agreement. Last but not least, the EU has a strategic partnership with Russia.

In addition to the European Union direction, the Black Sea countries

1 The Black Sea region is defined as the area covered by the twelve states participating in the Black Sea Economic Cooperation Organisation – Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Serbia, Turkey and Ukraine. In this paper we exclude Albania and Serbia as more related to the process of Western Balkans integration to the European Union than to the processes in the Black Sea region.

2 The scope of the Customs Union between the EU and Turkey covers trade in manufactured products between Turkey and the EU. It also entails alignment by Turkey with certain EU policies, such as technical regulation of products, competition, and Intellectual Property Law. Trade between the EU and Turkey in agriculture and steel products is regulated by separate preferential agreements (see: <http://ec.europa.eu/enlargement/>).

After several decades where the Black Sea region existed as a ‘Soviet lake’, or a buffer zone between Warsaw Pact and NATO, the dissolution of the Soviet Union opened up the area to external influences.

have always been active in terms of regional cooperation: together they have created organizations and coalitions including the Black Sea Economic Cooperation, Organization for Economic Development, GUAM Organization for Democracy and Economic Development, and the Black Sea Naval Task, Force, in addition to initiatives such as the Black Sea Forum and Commonwealth of Democratic Choice. Despite their relatively modest outputs, these programs have fostered and affirmed a sense of political identity for the Black Sea region, and stimulated the desire for cooperation and transformation of the region. Close cooperation with the EU has been on the agenda for all of these organizations.

From the other side, the European Union has decided to launch the Black Sea Synergy, as an expression of the EU’s commitment to the region. The impact of this initiative so far has been fairly small, but has been perceived more as a symbol of the EU’s intent, and its appreciation of the regional affairs.

In this research paper, we attempt to present the best and worst potential scenarios for development in the Black Sea region up until 2020, and to describe the possible role of the EU in this process. The projections of each scenario will examine the following perspectives: political developments, conflict resolution, economic developments and civil society. At the end of the paper, some conclusions and recommendations will be provided. Will the EU become “closer” to the Black Sea region and vice versa? Will Black Sea countries cooperate more at a regional level and with the EU, exploring the new windows of opportunities?

II. From the Placebo of the 1990’s to the Strategic Approach of the New Millennium

After several decades where the Black Sea region existed as a ‘Soviet lake’, or a buffer zone between Warsaw Pact and NATO, the dissolution of the Soviet Union opened up the area to external influences. However, the large littoral states, notably Russia, Turkey and Ukraine, are still in the process of defining their roles and searching for strategic alliances, as none of them alone can sustain the role of the regional leader.

Regional cooperation was not high on the agendas of the Black Sea countries, due to the ongoing interstate conflicts, particularly within

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and beyond the South Caucasus countries. The transformation of the European Union from an economic community to one that also engaged in political affairs more or less coincided with the inception of the conflicts in the Black Sea countries. The institutionally weak EU was not ready to respond to the challenges. During the first decade following the collapse of the Soviet Union, the EU was confronted with extremely high expectations in terms of its capacities; there was a gap between what these countries were hoping for and what the EU or its member countries could provide. The EU strategy towards the region and the regional states was not based on a unified approach agreed amongst member states.

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region” as the gateway to Europe, but they were not considered to be part of it. During this time, despite heightened interest in the area, its real priorities and needs were in fact largely ignored by the EU, owing to its lack of institutional capacity. Thus the region’s security issues and the attendant conflict resolution processes were mainly handled by the OSCE (in the case of the Armenia-Azerbaijan Nagorno-Karabakh, Transnistrian and South Ossetian conflicts) and the United Nations (the Abkhazian conflict).

It is necessary to mention that until 2005, the European Union had not taken any position regarding the settlement of the conflicts in the Black Sea region, except the general statements concerning peace methods of their resolution. The EU’s first involvement was connected with Moldova’s Transnistrian conflict. In 2005 in Chisinau, GUAM states under a Ukrainian initiative invited the European Union to help manage the Transnistrian conflict, an invitation that was accepted. The initiative had a positive impact, following the work of the EUBAM (European Union Border Assistance Mission).

The South Caucasus’ situation was from the very beginning more complicated than Moldova’s. Only in 2004, when the European Union appointed its Special Representative to the Caucasus, did the first

situation assessments for Brussels take place. In 2006 the mandate of the EU Special Representative was enlarged to encompass facilitation of conflict resolution. However, the contradiction in terms has meant that the extended mandate does not actually entail direct involvement in the negotiation process.

Particularly in the aftermath of Peter Semneby's term as European Union special representative (EUSR) for the South Caucasus (February 2011), the EU was subject to a barrage of local criticism. Local analysts are unhappy about the perceived contradiction between the launch of increasingly larger-scale programs on the one hand and what was essentially a curtailing of the EU Special Representative's mandate on the other. Following this criticism, experienced diplomat Philippe Lefort replaced Semneby as the EUSR for the South Caucasus and the crisis in Georgia, upon the recommendation of the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton. Lefort's term is from Sept. 1, 2011, until June 30, 2012. During his first visit to the South Caucasus, the new EUSR promised to pay close attention to conflict resolution. He repeats his predecessors in this promise. In an in-depth and wide-ranging interview with Mediamax on March 11, 2006, Semneby said emphatically, "[My] top priority is the resolution of frozen

conflicts in the region."

Until 2008, most believed that the EU was capable of preventing any further conflicts in the Caucasus, but the August War 2008 exposed the EU's lack of policy instruments. The European Union was the first to start mediation between the conflict parties. At that point, we could identify positive changes and concrete improvements regarding the EU's policy towards the region; for the first time statements were made on behalf of the EU rather than coming from separate member states. The positions of individual members were in alignment with the common EU standpoint. Negotiations have started with Russia but not with the South Ossetian authorities (the parties to the conflict were thus defined). The territorial integrity of Georgia has been confirmed, as well as the EU's readiness to send peacekeepers.

At the same time, the traditional weak points of the EU remain, seen in the inability to issue any sanctions against Russia following the violation of the first peace agreement in August, the too-hasty announcement that negotiations with Russia on the EU-Russia agreement could be reopened as early as October 2012, when it was not clear whether the Russian army would withdraw from Georgian territory. Furthermore, negotiations of the deployment of EU peacekeepers in South Ossetia and Abkhazia

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failed. Nor were any propositions concerning future management of the conflict presented.

The Six Points Agreement of August 2008 de facto designated the EU as the guarantor of peace in Georgia. With this agreement, the EU for the first time started to act as an official mediator between Tbilisi and Moscow, Tskhinvali and Sukhumi. However, in the preparatory phase, the EU decided to limit its meditation to issues related to conflict management, as opposed to conflict resolution, a move that decreased its chances of success.

The main feature of the EU involvement in Black Sea conflict resolution is that it is positively perceived by all parties to the conflicts, and considered a more or less neutral mediator. Most countries in the region see the EU as a more acceptable peacekeeper than the USA, because it encounters less opposition from the Russian Federation.

EU involvement is appropriate not only for conflict resolution but also within the political and economic

spheres. Compared with the United States and Russia, Europe has a key advantage: the countries from the region identify more closely with Europe. Taking into account that Europe does not have the traditional interests of a superpower, the EU could become actively involved in regional cooperative projects without being perceived as seeking a zone of influence. After the collapse of the Soviet Union, the idea was to support the newly independent states – and so the EU implemented institutional and administrative reforms, a food security program, regional infrastructure programs like TRACECA and INOGATE, the Partnership and Cooperation Agreements with the Black Sea Economic Cooperation countries. The problem, however, is that the EU has not appeared to have performed any kind of ongoing evaluation of these initiatives, nor of its strategy as a whole.

In the second decade following the dissolution of the Soviet Union, the EU's approach towards the Black Sea has expanded. The global security challenges have played a decisive role here. With its increasing role in the transportation of energy resources to Europe (for example, the Baku – Tbilisi - Ceyhan pipeline), and as an increasingly attractive economic space, the Black Sea region has gradually evolved into a zone of geopolitical significance. For these

reasons, the *European Security Strategy* adopted in December 2003 called on the EU to “take a stronger and more active interest in the problems in the Southern Caucasus”.³ This strategic impulse brought the South Caucasus onto the EU’s agenda, and the Southern Caucasus countries were accepted into its Neighbourhood Policy (ENP) in 2004. In the context of the ENP, the EU intended to contribute to peace and development by focusing on priorities such as the promotion of good governance and democracy.

The accession of Romania and Bulgaria to the EU in 2007 led to increased EU involvement in the Black Sea area. This was based on the ENP, the EU’s basic blueprint for its activity in the region, and the Black Sea Synergy document, which in 2007 became the most concrete indicator of the EU’s interest in the area. However, slow development by partner states and failure on the part of some countries to achieve ENP objectives frustrated the EU, a situation that brought about the understanding that EU membership was not something to which the Black Sea states tended to aspire.

Furthermore, some countries, including Ukraine and Moldova, initially opposed participation in the Neighbourhood Policy. Their main argument was

that the EU was putting countries with EU integration aspirations, and shared values, in the same basket as Northern African states.

In 2009, the European Union launched a new initiative for some of the Black Sea region countries – the Eastern Partnership⁴. According to the EU, the Eastern Partnership seeks to improve the EU’s relations with these countries, while the Black Sea Synergy aims to developing regional cooperation around the Black Sea.

According to the European Commission Communication on the Black Sea Synergy⁵, it is not the Commission’s intention to propose an independent Black Sea strategy. The Commission has rather been supporting the largely bilateral (i.e. between the EU and each specific BS country) implementation of the policies will continue to determine the EU’s strategic framework. Nevertheless, the Black Sea Synergy defines some of the key economic issues that will be targeted under regional cooperation: energy, transport, maritime policy, environment, fisheries, trade, regional

⁴ The Eastern Partnership comprises 6 countries: Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus. Of these six, only Belarus is not part of the BS region. The European Commission put forward concrete ideas for enhancing its relationship with these countries, particularly in the economic sphere, including deep and comprehensive free trade agreements with those countries willing and able to enter into a greater engagement and gradual integration into the EU economy.

⁵ Commission of the European Communities, Communication from the Commission to the Council and the European Parliament: “Black Sea Synergy – a New Regional Cooperation Initiative”, COM (2007) 160 final, Brussels, 11.04.2007.

³ *A Secure Europe in a Better World. European Security Strategy*, European Council, Brussels, December 12, 2003, p.8.

development and others.

In a press release on the Black Sea Synergy, the European Commission makes it clear that it recognizes that the center of gravity for the initiative is the Black Sea region, and not Brussels. However, it is difficult to locate this anchor given that the countries of the region are so different and diverse. The figures provided in the Annex illustrate these divergences.

It is also worth noting that this

One sector of particular interest to the European Union is civil society development. The situation in this sector is still somewhat ambiguous.

economic disparity has not decreased over the last two decades. The size of the Black Sea countries' economies, measured by the Gross Domestic Product (GDP) in Purchasing Power Parity, have also diverged in the last decade. Despite their geographical proximity, these countries do not always face the same economic challenges. For example, 2010 marked a year of significant economic growth for some countries: Turkey (8.2%), Moldova (6.9%) and Georgia (6.4%), while others experienced a significant recession and economic slowdown with GDP decline like Romania (-1.3%).

If there were to be a measure of similarity among the Black Sea states, the most accurate means would be the comparison of living standards and national wealth measured in terms of GDP per capita – i.e. the value of all final goods and services produced within a country in a given period divided by the average population for the same period. None of the countries in the region are among the richest in the world, but in the main nor are they among the poorest. However, the disparity remains, Greece holding 47th place, Russia currently at 71st, and Moldova at 176th.

The Black Sea countries are also very different in terms of the structure of their national economies. Some countries like Armenia still have very large agricultural sector that comprises almost one-fifth of its GDP. Other countries with the notable example of Azerbaijan have very large industrial sectors, two-thirds of GDP. The majority of the Black Sea countries have a dominant services sector but the relative size of this sector varies. Levels of unemployment, poverty, investments and public debt are also very divergent. However, the great transit potential, as well as natural resources, tourism possibilities, agriculture etc. allows for positive forecasts regarding future development in the region.

The 2008 August War showed once more how the intractable and fragile “status quo” has many friends.

One sector of particular interest to the European Union is civil society development. The situation in this sector is still somewhat ambiguous. There are countries that have come a long way, while others still have numerous problems. One of the main issues is that many of the European values and standards are perceived in the Black Sea states as very blurred.

Countries such as Turkey, Georgia, Ukraine, to a variable but large degree, have taken the right path towards civil society development. This does not mean that these countries do not have problems, but the general direction and trends of development are cause for optimism. In these countries, the development of civil society is dynamic; there is cooperation between the civil sector and the state in many ways, through mechanisms that are largely sponsored by the EU and separate national institution. However, in countries such as Russia, Azerbaijan, and Armenia, the development of civil society is cause for concern.

One of the serious problems affecting the development of the NGO sector in the Black Sea states is poor coordination between donors, which often leads to inefficient use

of resources. Another problem is that international donors sometimes provide substantial resources to government institutions, aiming to improve their performance, but thereby limiting their financial contribution to the NGO sector. Taking into account the problems of the political system, the impact of these government projects is very low.

In light of this summary of the EU's activity in the region and the current economic trends in the BS region, it is possible to project both a “pessimistic” and an “optimistic” vision for 2020.

III. A worst-case scenario 2020

1. A pessimistic scenario of political developments

The worst-case scenario can also be defined as “the status quo” scenario, where existing conflicts remain in stasis, and countries are motivated by the logic of zero-sum games. This “no war no peace” situation represents additional problems for the transformation of the Eastern borders of the Black Sea area - the South Caucasus - in a volatile and unstable region; the 2008 August War showed once more how the intractable and fragile “status quo” has many friends. In this case, only enemies of the “status quo” situation can be winners of a game that is still

being played on the basis of zero-sum principles.

This worst-case scenario sees external actors increasing their stake in the control of the region. In this scenario, the EU and NATO are losing their appeal, especially in young independent countries like Georgia, for whom the post-2008 “not stopping Russia” policy seriously damaged the standing of the EU. In addition, under this scenario, the internal political process in Ukraine leads to the rejection of an Association Agreement. As a result, the Black Sea area is starting to become a playground for Russia. With its illegal recognition of Abkhazia’s independence and the Sevastopol agreement in Ukraine, Moscow sees the Black Sea region as a post-Soviet, new-Russia space. Indeed, in this case the real losers are the ordinary people of the region, who are unable to reap the economic and political benefits that the region holds. At this point, it is important to mention the power dynamic that has developed through regional conflicts. The 2008 Russian-Georgian war showed that “frozen conflicts” have become a power struggle between Moscow and the West, rather than a regional conflict between the countries directly involved. Thus, the battle to gain control of this strategically important region paves the way to war in South Ossetia, by increasing Western influence in Georgia and

attempting to counterbalance the resurgence of Russian power.

Key political issues in the worst-case scenario:

1. Threat to democratic political transition process

Ukraine and Georgia, countries that transitioned from autocratic regimes to democratic ones through peaceful revolutions, are now experiencing a reversal of democratic reforms, along within the entire Post-Soviet area and the Black Sea region. The combination of the “hard power” dynamic, the failure of democracy, increased militarization of states, and disrespect for human rights have created an environment conducive to the genesis of new conflicts.

Russia develops more leverage in the neighborhood via political and economic mechanisms that enable it to consolidate control over the region, namely through diplomatic measures (unilateral recognition of self-proclaimed states) and military action (Russian-Georgian conflict). The “reset” policy between Russia and the US, and the “special relationship” with Germany has also shaped this vision. Additionally, the counter ideology of Islamic fundamentalism present in the North Caucasus has spill-over effects across the entire Black Sea region, contributing to conditions for increased instability

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Turkey has sought to become an emerging regional power. It becomes inward-looking and re-orientes its national policies, forging partnerships in the East (Russia, Iran). In this respect, Turkish accession to the EU seems important; yet in some ways Turkey remains involved in other states' foreign policies, with the EU demanding further reforms with little prospect of short-term progress on Turkish membership. In addition, Turkey's dependence on Russian energy limits its room to maneuver in the Black Sea region. The reluctance of the EU leaders to support Turkish accession and the EU's involvement in regional matters compounds Turkish acrimony toward the West.

At the regional level, the increasingly non-democratic attitudes and the geopolitical situation create conditions conducive to the development of this worst-case scenario, which sees countries locked in zero-sum logic dynamics, preventing

regional development. The increased militarization of states contributes to a security crisis at the regional level, and external actors drastically limit the possibilities of democratic development. Engaging with the Black Sea as a region – as opposed to engaging only with specific countries – is nevertheless problematic for the EU, as the soft power tools it favors are ineffective in a region where 'hard security' is preferable.

One factor limiting effective cooperation in the region is the constant competition between the states for a regional leader; Russia, Turkey, Romania, sometimes Ukraine, all implement policies which are not directed towards general cooperation but rather contradict one to another and only satisfy national interests.

2. A pessimistic scenario regarding conflict resolution

There are two options for the development of the worst-case scenario in the Black Sea region in the sphere of conflict resolution. One option is the securing of the *status quo*, which mostly entails a move from frozen conflicts to a frozen solution, where none of the parties is ready to take responsibility and to go beyond the current framework of negotiations. Some regional and external actors are interested in the development of this scenario as it

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provides them with an opportunity to influence the parties to the conflict as well as to secure their own image as neutral mediators, hoping that after the stalemate the parties will find a solution themselves. The focus of the European Union and the US on the current events in North Africa and the Middle East increases the probability of this scenario.

In the Black Sea region, conflict resolution is hampered by unwillingness to engage constructively in a meaningful peace-building process. While there are official structures for conflict settlement (OSCE Minsk Group, UN, etc.), they provide empty promises in these drawn out and futile negotiating processes. However, in the long run, if this “no war, no peace” situation in the region is maintained with neither bilateral/multilateral peace agreements nor a negotiated settlement, then the relative stability and the fragile cease-fires between Armenia and Azerbaijan on one hand, and Georgia and Russia on the other, are at risk. There is less risk of this happening in Transnistria.

However, the protection of status

quo is counter to EU interests, as it would reduce its regional visibility and influence.

At the same time Moldova will be prevented from further integration with Europe, and stability and security on the EU borders will not be guaranteed, especially in areas such as smuggling and illegal trafficking.

The second option is the absolute worst scenario whereby *conflict zones hostilities are resumed and develop into ‘hot conflicts’*. This also jeopardizes the regional energy infrastructure and security that is crucial to the EU’s future development plans.

In the case of *Georgia*, the worst scenario starts with more countries to recognizing the independence of Abkhazia and South Ossetia. The most likely country to do so is Belarus, due to the pressure from the Russian Federation in the energy and economic sectors. At the same time Russia, can play the card of consistent recognition of the former Georgian republics in order to secure its personal influence and leverages towards Abkhazia and South Ossetia.

At the same time *North Ossetia* can destabilize the region by urging separation from Russia and joining South Ossetia in a single state. This variant is the least likely, due to the power centralization in Russia, and

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the low level of socio-economic development in North and South Ossetia – hence the Ossetian state would be unable to self-finance. Moreover, this “hot” scenario is possible only after the Sochi Olympic Games, prior to which Russia will avoid shaking things up.

In *Nagorno-Karabakh* the worst scenario is undoubtedly the melting of the frozen conflict and transformation of military rhetoric into military action, which could happen on both sides. Under this scenario, military efforts around the NK conflict could lead to war. Skirmishes around Nagorno-Karabakh have recently intensified, and risk spiraling out of control - at the very heart of a key energy transit region. However, there are also clear disadvantages for Azerbaijan in the resumption of war. New military operations could disrupt investment in the Azerbaijani economy and slow down successful economic development. In addition, a new war may create serious problems for pipeline politics. Besides dealing a blow to energy projects, a war in the region could also seriously damage

the region’s capacity to provide transit support for the continuing operations in Afghanistan, which are unlikely to see conclusion in the near future.

For *Moldova*, the worst-case scenario is the banning of the Communist Party and the artificially changing the dynamics of the population, via a referendum on joining Romania - which can help halt the negotiations on a peace settlement with Transnistria. The next development is that Moldova waives its neutrality and applies for NATO membership. This will attract criticism from Russia and Transnistria. The situation escalates further, leading to Transnistria proclaiming independence, this time with solid Russian support including military assistance. The European Union and Ukraine have the opportunity to intervene as mediators. At the same time it is unlikely that EU peacekeepers will be deployed in the region, and the situation with failed peacekeeping in the Georgian case is repeated.

3. A pessimistic scenario regarding economic developments

The worst-case scenario regarding economic development in the Black Sea region between now until 2020 has several notable characteristics:

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current global *economic and financial crisis* affects the Black Sea region over the next decade. These economic challenges are present to a varying degree across the BS countries but their main characteristics are: slow economic growth or even economic recession, lack of foreign and local investments; lack of export potential of nationally produced goods; significant unemployment and inflation, increase of the public and private debt; further drop in living standards.

The Black Sea Economic Cooperation Organization objectives and goals are limited to written aims and official political declarations. Under this pessimistic scenario, the BSEC does not have any real impact on regional economic development; common projects of mutual interest cease; national interests and economic protectionism prevail in bilateral and regional relations.

This scenario is also linked to the *weak influence and reduced role of the EU* as an economic anchor and partner to the region. There is little or no further integration of the Black

Sea countries with the EU economy. The accession process of Turkey and Ukraine is blocked or slow-moving, preventing further integration into the EU Internal Market and common policies. The association agreements between the EU and the Eastern Partnership countries are not signed, or not properly implemented by 2020. The strategic partnership between the EU and Russia also faces substantial problems.

Under this scenario, it is possible that not only the Black Sea region and its relations with the EU remain underdeveloped, but the European Union itself continues to face serious economic troubles, including debt crises, financial market crises, and general economic crises that create problems for both the EU Internal Market and the Eurozone.

4. A pessimistic scenario regarding civil society developments

This scenario envisages the creation of the quasi-civil society under the control of governmental authorities, or existence of the weak NGOs, mostly sponsored by the international community with declared goals and but no concrete actions. It is characterized by vague and hard-to-measure missions, without real promotion of peace and democracy, governmental control and confidence-building. This situation can result from either strict governmental

regulation, or lack of control on the part of donors regarding income and outputs. This scenario can be caused by too much donor support being given to governmental bodies, or local authorities hindering access by small NGOs to grants from the European Union and other donors.

IV. A best-case scenario for the Black Sea region and EU involvement

1. An optimistic scenario for political developments

The best-case scenario is an integrated Black Sea region with strong and effective linkages with the EU. Key regional actors, such as Russia and Turkey (as an EU member or very close to membership – an important assumption for this scenario), participate fully and constructively in regional cooperation. These national developments facilitate the gradual integration between the countries in the area, and at the same time support increased inclusion in the common European space. A key external stabilizing factor is the role of the EU and its ability to take decisive leadership in terms of its foreign policy toward the Black Sea region. EU and NATO memberships, or a clear path leading to future memberships, are offered to interested and qualifying ENP countries in the region.

The dimension of the Black Sea

region within the EU's neighborhood policies fills an obvious gap in the EU's vision for wider Europe. The EU is moving towards a degree of commonality in its approaches to each of the three enclosed seas of its periphery — the Baltic, the Mediterranean and now the Black Sea. While the political profiles of these maritime regions are of course very different, they give rise to many similar policy challenges. In this sense, the Black Sea could fit broadly into the pattern of the EU's regionalism already established in successful cases (Mediterranean, Western Balkans). However it still has to be determined whether to play the whole EU initiative through the pre-existing BSEC organization, and how agreements might be reached with Russia and Turkey as the major players. In light of the Arab Spring, the strategic importance of the Black Sea to the U.S. has grown in relation to challenges in the broader Middle East. This could give new impetus to EU-U.S. common policies in the region.

It may be that Turkey's role is important in developing the EU's regional strategy. Since Turkey is a pivotal actor in the Black Sea zone, future relations with Turkey are strongly connected to the region's future. Ankara's views on broader regional cooperation will have a powerful impact on the EU perspectives, but the EU leaders

must explain to their countries just how important Turkey's accession to the EU is. Without a clear promise to Ankara, the EU's game-playing will damage and limit its potential role in the Black Sea region.

In the best-case scenario, Ukraine, following democratic elections and pressure from the European community on the fulfillment of its obligations in the sphere of the judicial system reform and free participation of opposition parties in elections, will sign an Association Agreement (AG) with the EU. Some BS countries, namely Azerbaijan and Armenia, need to move more rapidly on AG negotiations, while Georgia rapidly gained a DCFTA agreement and is closer to signing an AG.

2. An optimistic scenario regarding conflict resolution

One of the options for the best-case scenario is that the Georgian conflicts are settled on the basis of a comprehensive Russian-Georgian-Abkhazian-South Ossetian agreement during the Olympic Games of 2014, according to which South Ossetia will become a part of Russian Federation and Abkhazia will join Georgia in a single state modeled on the principles of the Swiss cantons or Belgian provinces. The EU can act as a mediator in such negotiations. It would have a positive impact on both Ukraine's domestic situation and

the wider regional environment if Ukraine joins these efforts by the EU.

Clearly the Georgian government has only one chance to re-take its territories using the "State Strategy on Occupied Territories: Engagement through Cooperation,"⁶ which has full support from the West. Moscow might pressure Sukhumi to ignore Western overtures, given that increased engagement could reduce Russia's influence in the region. If Russia took this approach, it would lead to greater tension in the Russian—Abkhaz relationship, as Russia would be preventing Abkhazia from pursuing a policy that would look very appealing to the Abkhaz. Georgia's "Action Plan" has the best possible chance for solving conflicts. Georgia's commitment is positive and sounds convincing, but will the occupiers and the separatist regimes commit themselves to these proposals, or will they seek to hinder them? Indeed, the very designation of the two regions as "occupied territories" is likely to trigger anger and resentment insofar as it implicitly denies that the local populations have any say over how, and by whom, the regions are administered. For that very reason, the strategy is hardly conducive to promoting "engagement through cooperation" with "populations that have differing perceptions of the

6 Georgian government approves state strategy on occupied territories, Rustavi 2, Available from: http://www.rustavi2.com.ge/news/news_text.php?id_news=35397&pg=1&im=main&ct=0&wth [Accessed 21 September 2010]

conflict” in any sphere of activity, whether it is the economy, health, education, promoting freedom of movement, or “preserving cultural heritage and identity.”

This kind of situation development is more likely, due to the close relations between Russia and South Ossetia, where South Ossetia is totally financially dependent on Moscow. Moreover, the South Ossetian authorities have declared their desire to join the Russian Federation. At the same time, Abkhazia has never expressed such a wish and despite the close military and economic cooperation with Russia it has always been more aligned with the notion of independence. Abkhazia could also be attracted by opportunities for foreign investment and closer cooperation with the EU, which is possible through Georgia.

Under this scenario, the EU will become more active in the final settlement of the Transnistrian conflict. Not only will separate states, such as Germany and Romania, participate in the process, but the European Union will be eager to take on the role of mediator, and maybe as an additional peace guarantor. The possibility of deploying EU peacekeepers and observers instead of the Russian military will be supported by most conflicting parties, and this civil-military mission will be responsible largely for monitoring

and institutional capacity building, together with border control and confidence-building measures. Such functions are determined by the challenges and threats that still exist in the region.

Under the best case scenario for the resolution of Nagorno-Karabakh conflict, diplomatic efforts around conflict resolution could lead to the signing - as soon as possible - of a Declaration of Basic Principles of Conflict Resolution, followed by a Political Settlement Agreement in the future. For the successful implementation of this scenario, it is important that a consensus be reached between the key players in global politics – the U.S., EU and Russia, who act as principal mediators in the Karabakh resolution process (EU as represented by France), with Turkey’s involvement in the process as a regional power. Under this scenario, the Armenian community of NK would be granted a high degree of autonomy with de facto absolute economic self-sufficiency and political self-government; the only caveat would be that it could not conduct its own foreign policy. In addition to these investments, NK would receive substantial subsidies from Azerbaijan’s state budget.

3. An optimistic scenario on economic developments

The optimistic scenario for the Black

Sea region's economic development by 2020 is once again contingent on the potential role of the European Union as an anchor for economic cooperation and thus prosperity in the region. The optimistic scenario assumes both further regional economic cooperation among the Black Sea countries and at the same time increased integration of these countries towards the EU.

Greater integration towards the EU will most likely happen on a bilateral basis between the EU and the individual BS country. However, in some cases and especially in some sectors, EU integration may be based on a multilateral platform.

The possible nuances of this optimistic economic scenario for the Black Sea region in 2020 are as follows:

Greater trade integration to the EU: Trade integration has always been one of the EU's key instruments for greater integration and economic cooperation with third parties. The Black Sea region is not an exception. The ENP Action Plans contain trade and economic measures that aim to enforce bilateral trade relations with the EU. The possible association agreements with five Black Sea countries from the Eastern Partnership initiative (except Belarus) are likely to include even deeper and detailed trade rules, and create bilateral Free

Trade Areas between these countries and the EU.

Of course, it is also likely that as a further step, a *regional Free Trade Agreement* is established, similar to the CEFTA agreement.⁷ Such an agreement will exclude the current EU Member States and Turkey.

In an even more optimistic scenario, the majority of the Black Sea countries sign and join the *European Economic Area Agreement (EEA Agreement)*. The countries that join this agreement will achieve far greater economic integration than through trade agreements alone. Nowadays such accession to the EEA Agreement is not on the agenda of the non-EU Black Sea states but that may change by 2020.

Greater Black Sea economic cooperation and integration with the EU and within the region may be achieved by 2020 on the basis of *several key sector policies and strategies*. A brief outline of, just a few of the important policies and actions follows:

- Energy policy is undoubtedly one of the policies where the EU has an important stake in the Black Sea

7 CEFTA is the Central European Free Trade Agreement. Currently CEFTA comprises the following members: Croatia, Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina, Moldova, and Kosovo.

region. The main objectives of this policy will be to provide a clear, transparent and non-discriminatory legal framework, in line with what the EU accords - for energy production, transport and transit, as well as energy security efficiency.

- In the area of *transport policy* further development of transport axes between the EU and the BS region will be a priority. Projects such as the Black Sea highway circle will be implemented.
- The EU also recognizes that in the *area of environment*, BS countries tend to lag in terms of implementing environmental standards. Under the optimistic scenario, the Black Sea countries will support the implementation of multilateral environmental agreements and establish a more strategic environmental cooperation system across the region.
- The Black Sea also applies a more integrated *maritime policy*, including the improvement of cooperation and integration in relation to maritime surveillance. An optimistic scenario for 2020 also covers a more integrated *fishery policy* in the region, promoting sustainable development through fisheries, management research, data collection and stock assessment in the Black Sea.

The optimistic scenario also entails a much more integrated and well-coordinated approach on the part of the EU and other international donors in providing *financial resources* for mutually beneficial projects in the region. This affects the European Neighbourhood and Partnership Instrument (ENPI), Neighbourhood Investment Facility (again under the ENP), the Instrument for Pre-Accession available to EU candidate and potential candidate countries, EU funds for cross-border cooperation, as well as financing through the European Investment Bank and the European Bank for Reconstruction and Development. According to this optimistic scenario, the Black Sea Trade and Development Bank will achieve better performance in terms of its tasks and objectives by 2020.

Under the best-case scenario, more Black Sea countries and/or countries from the region will support the EU economy, through policies and standards.

4. An optimistic scenario regarding civil society development

Under this scenario, the EU will enhance the level and quality of cooperation with NGOs from the region, which will help in solving regional conflicts and boosting political and economic development. In this regard, civil society will develop its untapped potential. The

NGO sector can become a platform for engagement in constructive dialogue and cooperation between conflicting parties. In the best-case scenario, the EU will direct its efforts at improving the competitive environment among the applicants of grants to attract the maximum number of NGOs.

V. Conclusion/Findings:

These scenarios leave ample space for interpretation and allow for some out-of-the-box thinking.

- The EU is faced with a growing dilemma: how to engage with the Black Sea region and pursue its security interests without simultaneously challenging those of Russia, especially considering the direction Russia's policies toward the region have taken over the last few years.

- Furthermore, the Eastern Partnership does not promise to change EU-Russia relations. The Eastern Partnership was met with relative indifference by Russia, which has been excluded from the initiative, even though the proposal emphasized the potential need for third party involvement, supposedly meaning Russia. However, it is not clear how the EU envisions Russian involvement.

- The Black Sea region has unique potential to become an area of prosperity and stability, but many

The EU is not always ready to speak in one voice, given the varying positions across its member states.

economic, transport, political, energy projects are stonewalled by existing conflicts on the territory of its members.

- The instability that has appeared as a result of the conflicts creates a climate conducive to criminal activity, terrorism and illegal migration. Political stability in the region cannot be guaranteed while these conflicts remain open. Moreover, they damage socio-economic development and trade links. These problems are challenges not only for the direct parties to the conflicts, but also to European security and that of neighboring states.

- The EU's engagement in the Black Sea region with regard to boosting energy security cannot be separated from the resolution of the region's conflicts; conflict resolution constitutes a key precondition for the consolidation of stability and sound state-building processes. These processes are in turn linked to a further challenge to Russian interests, namely the integration of the Black Sea states within European and Transatlantic institutions.

- The EU is not always ready to speak in one voice, given the varying

positions across its member states. For example, some states (France, Germany, Italy) are not ready for a bigger confrontation with Russia, while others (Poland, Baltic States, the UK) would like the EU to take a stronger position in guaranteeing interests of the newly independent states.

- As a mediator, the EU is not ready to act against Russia or to deploy its diplomatic sanctions. The EU is generally more comfortable with a post-conflict rehabilitation and peace-building role, and it is afraid of getting directly involved in conflict resolution.

- The second weak point of the EU as a mediator is the issue of maintaining a balance between the national interests of the member-states and the general mission of the organization.

- EU engagement in and around conflicts is best described as negotiation-cum-mediation.⁸ The EU negotiates with conflicting parties independently of their bilateral agendas with the EU and separately with conflicting regions. The EU's strength is in its multiple roles, mandates and engagement across different levels – although the EU has not always been able to capitalize on this.

⁸ Frichova Grono M. *Georgia's Conflicts: What Role for the EU as Mediator?* // *IJP Mediation Cluster, International Alert, March 2010, p. 20*

- The resolution of regional conflicts gives a powerful impetus to the development of the region and intensifies the integration processes and collaborative discussion. It strengthens the argument for the necessity of integration into Euro-Atlantic structures.

- One of the undeniable facts is that the EU's leverage is limited by the fact that there is no common view within the organization on the security problems of the South Caucasus and the entire Black Sea region. Peace processes in the South Caucasus need more active EU engagement. For example, in the Balkans, the peace process and implementation of peace agreements were significantly enhanced by the prospect of the EU membership. It is therefore important to develop a similar strategic vision for the Black Sea countries, especially for the South Caucasus. This would make it easier for their leaders to persuade the public of the need to compromise.

- The long-term strategy of the European Union's Black Sea policy is what is most significant, in the light of the potential expansion of this great power towards the south and the east. If the EU is able to tempt Ukraine and neighboring Moldova into its ever-widening borders, then added to Romania's and Bulgaria's existing EU memberships, this would give the EU possession of the

Integration towards the EU and enhanced regional cooperation may be realized firstly through more liberal trade arrangements in the region.

whole of the western and much of the northern shores of the Black Sea. This would pave the way for further eastward progression into Georgia and Azerbaijan, and from there to the strategic Caspian Sea, bordering Iran.

- Integration towards the EU and enhanced regional cooperation may be realized firstly through more liberal trade arrangements in the region. Another approach is to work towards greater integration and even a degree of regulatory harmonization of national rules in the Black Sea countries towards the EU standards in strategic sectors such as energy, transport, environment, fisheries, etc.
- Economic integration may be achieved through stronger regional cooperation among the BS countries as well as through simultaneous rapprochement and integration of the individual BS countries towards the EU Internal Market and common policy rules. In order to achieve the best results from the 2020 perspective, it is advisable that the region take a more integrated approach with regard to EU relations. Nevertheless, bilateral EU – BS country relations shall also continue

to play an important role.

The Black Sea region has come to a crossroads in relation to its internal development and external orientation. In the meantime, after some active involvement, the European Union has reached a point of uncertainty in regard to how far it is ready to be involved in the Black Sea process and the challenges entailed.

While the current situation does not promise a bright future, everything depends on an effective strategy and its implementation. Either the region will begin to integrate into Europe by developing effective strategies against the proliferation of terrorism, extremism, drug trafficking and organized crime, or security levels will deteriorate and Europe will see a new gateway to ethnic conflict, terrorism and insecurity. Any broad strategy must take into account a number of issues relating to the dynamics of the wider Black Sea.

At the same time the Black Sea countries must produce achievable goals that the EU can support financially and politically. Taking into account the democratic development of the states, the EU should understand that enhancing closer cooperation with the states from the region and signing Association agreements will give it more leverage to influence the current development and to secure future positions in that region.

More active involvement in the conflict-resolution process will also have direct and indirect benefits for the European Union's security and stability. In addition to the normalization of the general security situation and possibility of necessary financing for economic development, conflict resolution will have a tremendous effect on transport and energy spheres development, including the opening of trade routes from Asia to Europe.

Nonetheless, it remains a realistic aspiration that by 2020, the region could be more united, more prosperous, more democratic, more secure and more integrated into the EU. It is also important to note that the scenarios described above represent a common understanding of the present situation and of the factors that could determine change in both positive and negative directions.

Table: Main indicators for the BSEC countries

Source: Central Intelligence Agency, “the World Factbook”.

Indicators: Area (sq km); *comparison = country comparison to the world in relation to the indicator above*; Population (million inhabitants); Gross Domestic Product for 2010 estimated in billion US Dollars (Purchasing Power Parity); GDP growth – GDP real growth rate for 2010 estimated; GDP per capita in US dollars for 2010 estimated (in Purchasing Power Parity); Agriculture, Industry and Services – composition of GDP by sector in % for 2010 estimated (Agriculture + Industry + Services = 100%); Unemployment – rate of unemployment for 2010 estimated; Poverty – Population below poverty line; Investment – percent of GDP estimated for 2010; Public debt – percent of GDP estimated for 2010.

	Armenia	Azerbaijan	Bulgaria	Georgia	Greece	Moldova	Romania	Russia	Turkey	Ukraine
General indicators										
Area	29 743	86 600	110 870	69 700	131 957	33 851	238 391	17 098 242	783 562	603 550
comparison	143	113	105	121	97	140	83	1	37	46
Population	2 967	8 372	7 300	4 585	10 760	4 314	21 905	138 739	78 785	45 134
comparison	138	91	100	122	76	125	54	9	17	28
Economic indicators										
GDP (PPP)	16.86\$	90.79\$	96.78\$	22.44\$	318.10\$	10.99\$	254.20\$	2 223.0\$	960.15\$	305.20\$
comparison	133	73	72	121	39	149	48	7	17	40
GDP growth	2.6%	5%	0.2%	6.4%	-4.5%	6.9%	-1.3%	4%	8.2%	4.2%
GDP per capita	5 700\$	10 900\$	13 500\$	4 900\$	29 600\$	2 500\$	11 600\$	15 900\$	12 300\$	6 700\$
comparison	140	100	89	149	47	176	96	71	94	133
Agriculture	18.9%	5.2%	5.3%	10.4%	3.3%	16.2%	12.2%	4.1%	9.6%	9.4%
Industry	48.4%	62.0%	30.1%	28.7%	17.9%	20.0%	37.6%	36.8%	26.6%	33.6%
Services	32.7%	32.8%	64.6%	60.9%	78.8%	63.8%	50.2%	59.1%	63.8%	57.0%
Unemployment	7.1%	0.9%	9.5%	16.4%	12.5%	7.5%	6.9%	7.6%	12%	8.1%
Poverty	26.5%	11%	21.8%	31%	20.0%	26.3%	25%	13.1%	17.1%	35%
Investment	33.6%	16.9%	23.5%	15.4%	14.8%	22.7%	22.7%	21.9%	18.7%	19.1%
comparison	12	124	54	132	136	58	59	71	108	103
Public debt	16%	4.6%	16.2%	43%	142.8%	21.3%	30.8%	9.0%	42.8%	40.1%

The Black Sea Region in 2020 – a Place for the EU?

Prepared within the framework of the Black Sea Young Reformers Fellowship Project 2011.

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About Black Sea Young Reformers Fellowship

The Black Sea Young Reformers Fellowship is an initiative to support reformist thinking and reformist activities throughout the Black Sea region by identifying and encouraging reform-oriented, influential young policy-makers, civil servants and civil society activists from Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Romania, Russia, Turkey and Ukraine to form an effective and viable political network.

The project partners, the Center for Applied Policy Research (CAP), and the Institute for Regional and International Studies (IRIS) in cooperation with the Robert Bosch Foundation and the Black Sea Trust for Regional Cooperation, have started this initiative in order to establish a network of Fellows that will eventually influence policies and propel institutional and societal changes in the Black Sea region towards democracy, accountability and transparency.

Caucasus Under Review

Recently published books

*September 2011 – March 2012 **

Abstract

The recently launched books on the Caucasus listed below address a range of topics varying from politics and economics to history. The books offer academic insights on compelling and contested issues relating to the region, such as war; ethnic relations, state sovereignty, transformation, democratization, etc. Recently published, these books seek to fill a gap within their relevant field of inquiries. While they are distinct and independent bodies of research, they have been driven by a common impetus: war and radical transformation in the Caucasus.

* Report prepared by Husrev Tabak, Senior Editor of Caucasus International

Since 2008, the Russo-Georgian war has dominated academic discourse on the region. Accordingly, in his book called *War and Revolution in the Caucasus: Georgia Ablaze*, Stephen F. Jones surveys the domestic roots of this war. By exploring the role of leadership and public opinion, Jones includes a social dimension in his analysis of the Five Day War. He takes this alternative standpoint further with an analysis of the historical relations between national minorities in the region. Jones moves away from the traditional perspective and depicts an alternative picture - one that has been overwhelmingly ignored by the Western analysts. Nonetheless, he is not alone in discussing war; an edited volume, *Reassessing Security in the South Caucasus* (edited by Annie Jafalian), considers the Five-Day War from the security perspective and investigates its impact on building and maintaining a sustainable security environment throughout the region. The book considers the long-term security and defence requirements in the region in terms of the national interests not only of Russia and Georgia, but also of the other neighbouring countries such as Azerbaijan and Turkey. The book even brings the NATO and EU into the picture and examines their role in building a long-lasting peace in the Caucasus. In tandem with Jafalian's book, Emmanuel Karagianmis's *Energy and Security in the Caucasus* also focuses on war, but

from the viewpoint of the emergence of a conflict of interest among Azerbaijan, Turkey, and Georgia after the war. Karagianmis binds oil politics, pipeline questions, ethnic conflict, and inter-state rivalry together and offers a comprehensive analysis of the current security threats that imperil cooperation between the three regional states. In the same vein, another edited volume, *The South Caucasus 2021: Oil, Democracy and Geopolitics* addresses crucial issues in the region such as territorial conflicts, oil and natural gas resources, geopolitical complexities, pipeline politics, etc. Like Karagianmis, it offers a risk analysis for the near future. Among the featured books, *The South Caucasus 2021* is the most comprehensive and its academic contribution to the literature is likely to be the most significant. This is due to the range of issues it covers along with the diverse background of contributors. As its title implies, similar to previous books, it proposes decade-long trajectories for the future development of the region. At this juncture, as Stephen F. Jones does in his work, questions of democratic development, state-building, and economic development are revisited. The economic standpoint receives greater attention in OECD's *The OECD Eastern Europe and South Caucasus Competitiveness Outlook*, which examines economic possibilities, and ways of developing human capital and enhancing investment opportunities.

Finally, Nadia Diuk's *The Next Generation in Russia, Ukraine, and Azerbaijan* also deals with the issue of democratization in the region, and the role of leaders and youth in shaping the political systems of post-socialist states. This study concludes with an analysis of the sustained pressure on the central governments for political, social, and economic reforms. Recent scholarship on the Caucasus deals with a broad spectrum of issues, with particular emphasis on war, oil, and state-transformation within the region.

Recently Published Books

The South Caucasus 2021: Oil, Democracy and Geopolitics

Eds. Fariz Ismailzade and Glen E. Howard

Jamestown Foundation, January 2010 333 pp.

The South Caucasus 2021: Oil, Democracy and Geopolitics is a recent publication by the Center for Strategic Studies under the President of Republic of Azerbaijan, in partnership with the Jamestown Foundation in Washington, DC. President of the Jamestown Foundation Glen Howard and Executive Vice Rector of Azerbaijan Diplomatic Academy Fariz Ismailzade have served as editors for the book.

The South Caucasus 2021: Oil, Democracy and Geopolitics addresses the most vital issues of the region, such as territorial conflicts, oil and natural gas resources, geopolitical complexities, pipeline politics, analysis of the geopolitical risks in the next decades, geopolitics of the Caucasus-Caspian Basin, religion, demographic and migration prospects, and policy direction of the superpowers. The book is essential reading for students and researchers of post-Soviet history and Caucasus studies, sociology, Caspian Sea politics, political science, international relations, as well as for experts in the areas of energy and economics.

Bring together contributions from leading local and foreign experts, this publication aims to assemble the expert views on specific regional issues such as the economic, political and security prospects in the South Caucasus, as well as evaluating the direction of future events in this part of the world.

The Next Generation in Russia, Ukraine, and Azerbaijan

By Nadia M. Diuk, National Endowment for Democracy

Rowman & Littlefield Publishers, March 2012, 226 pp.

In the past twenty years, the former Soviet republics have seen plenty of change. There have been revolu-

tions, youth-led protest movements, and other forms of incredible political upheaval. At the center of all of this were young leaders fighting to be heard and clamoring for change. In her meticulously researched and insightful book, *The Next Generation in Russia, Ukraine, and Azerbaijan*, Nadia Diuk shows how those young leaders have risen up and become a part of the new political system. Using unique public opinion polling data together with personal interviews, she explores how this new generation of leaders is shaping the political system and how the young people of today continue to push for reform. This book is important for anyone interested in Eurasian European studies, political transitions, protest movements, or youth and politics.

War and Revolution in the Caucasus: Georgia Ablaze

By Stephen F. Jones, Mount Holyoke College in Massachusetts-USA

Routledge, December 2011, 176 pp.

The South Caucasus has traditionally been a playground of contesting empires. This region, on the edge of Europe, is associated in Western minds with ethnic conflict and geopolitical struggles in August 2008. Yet another war broke out in this distant European periphery as Russia and Georgia clashed over the secessionist territory of South Ossetia. The war had

global ramifications culminating in deepening tensions between Russia on the one hand, and Europe and the USA on the other. Speculation on the causes and consequences of the war focused on Great Power rivalries and a new Great Game, on oil pipeline routes, and Russian imperial aspirations. This book takes a different tack, which focuses on the domestic roots of the August 2008 war. Collectively the authors in this volume present a new multidimensional context for the war. They analyse historical relations between national minorities in the region, look at the link between democratic development, state-building, and war, and explore the role of leadership and public opinion. Digging beneath often simplistic geopolitical explanations, the authors give the national minorities and Georgians themselves, the voice that is often forgotten by Western analysts.

Energy and Security in the Caucasus

By Emmanuel Karagiannis, University of Hull

Routledge, December 2011, 248 pp.

Any understanding of the complex politics of the post-Soviet Caucasus presupposes an understanding of the relationship between the transportation of Azerbaijan's oil, inter-state relations and ethnic conflicts. Emmanuel Karagianmis in *Energy and Security in the Caucasus* discusses

oil politics, the pipeline question, ethnic conflicts, and inter-state rivalry and competition among Azerbaijan, Georgia, and Turkey, making a valuable contribution to the debate revolving around the geo-politics of the Caucasus.

The Northwest Caucasus: Past, present, future

By Walter Richmond, Occidental College in Los Angeles-USA

Routledge, November 2011, 2nd Ed., 256 pp.

This is the first book to present a comprehensive history of the Northwest Caucasus. Based on extensive research, it describes the peoples of the Northwest Caucasus, which have a significantly different ethnic makeup and history than the Northeast (Chechnya and Dagestan). The book examines their struggles for survival against repeated invasions and their ultimate defeat at the hands of the Russians. It explores interethnic relations and demographic changes that have occurred in the region over time with a particular focus on the 19th, 20th, and 21st centuries, incorporating recently published archival materials concerning the deportation of the Abazas, Circassians and Ubykhs to the Ottoman Empire by the Russians, which is treated as the first act of ethnic cleansing in modern history. The book also closely examines the struggles the Northwest Cauca-

sus peoples continue to undergo in the post-Soviet era, facing pressures from organized crime, religious extremism, and a federal government that is unresponsive to their needs. It emphasizes the strategic importance of the region, lying on the northeastern shore of the Black Sea directly on the border between the “Christian” and “Muslim” worlds. Overall, it will be of interest to scholars of Russian history and politics, Caucasus and Central Asian Studies, genocide studies, international relations and conflict studies.

Reassessing Security in the South Caucasus

Edited By Annie Jafalian, Université Jean Moulin - CLESID, France

Ashgate, November 2011, 258 pp.

This volume reassesses security in the South Caucasus, locating the region within the neighbouring zones of Europe, Russia, Turkey and Iran, and highlighting US interests in the area. Thus the edited volume provides an updated analysis on security interests, perceptions and policies at national, regional and international levels through cross-national studies. Aimed at highlighting long-term defence and security trends in the region, contributors re-examine their relevance and enduring impact. They identify changing dynamics under recent geopolitical and political developments in and around the region

such as the enlargements of NATO, the August 2008 Russia-Georgia war, the creation of the EU Eastern Partnership, and presidential elections. Chapters have been written by experts from inside and around the region, i.e. Armenia, Georgia, Russia and Turkey, with other important contributions provided by regional experts from France and Canada. Students and scholars of post-Soviet states, Eurasian geopolitics and European Security will find this volume enlightening.

Competitiveness and private sector development: Eastern Europe and South Caucasus

By Organisation for Economic Co-operation and Development (OECD)

OECD, October 2011, 231 pp.

With a total population of over 75 million people and a strategic location between wealthy trading partners, with Russia to the east and a vast market of EU citizens to the west, the Eastern Europe and South Caucasus (EESC) region is attractive as a destination for investment and trade. It is endowed with significant human and resources ranging from the black soil in Ukraine that produces some of the best wheat in the world, to energy reserves in Azerbaijan and unexplored water resources in several countries. However, in spite of recent growth – an average of almost 8% of GDP during 1998-2008 – the region's

productivity levels remain 77% below the world average. *The OECD Eastern Europe and South Caucasus Competitiveness Outlook* examines the key policies that would increase competitiveness in the countries of the region through developing human capital, improving access to finance for SMEs and creating more and better investment opportunities.

Notes for Contributors

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Articles should be original and in English, between 3,000–6,000 words and should include a 200-word abstract, as well as the full title and affiliation of the author. Please check with the editor should you wish to extend beyond the suggested length or would like to submit a shorter contribution. All notes should appear as footnotes and provide full citations. References should include the full name of the author, title of the work and publication date. Please send manuscripts to editor@cijournal.org. Manuscripts submitted to Caucasus International should be original and not under consideration by another publication at the time of submission.

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Footnotes

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