

# Elections in the South Caucasus: Reflections on Economic and Security Affairs

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This article explores the significance of the presidential elections held in Armenia, Azerbaijan, and Georgia in 2013 within their broader geopolitical contexts. While the elections were important in terms of the political change – or continuity – that they reinforced, the article argues that they were not a primary driving force for change in the region. Rather, it is the larger trends that are having the greatest impact on the political, economic, and security evolution of the region – most notably Russia's resurgence in the Caucasus, Turkey's renewed focus on becoming an active regional player, and the potential implications of negotiations between the U.S. and Iran. In line with historical patterns, external players continue to shape the regional dynamic in the Caucasus as much as internal ones do, if not more so. The elections in Armenia, Azerbaijan, and Georgia – and their largely predictable outcomes – are a testament to the relative political stability of the Caucasus compared to the situation 20 or even 10 years ago. Yet the geopolitical forces shaping the region remain as dynamic as ever, portending significant changes in the months and years ahead.



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In 2013, all three countries in the South Caucasus held presidential elections. In a region where presidents hold considerable - sometimes overwhelming - power, this can be considered to be a watershed year.

However, reflecting on the past year, these elections have hardly turned out to be the most defining events for the three South Caucasus states. This is not to understate their importance - certainly they marked a significant show of political continuity in Armenia and Azerbaijan, which is not to be taken for granted in these two countries. In Georgia, where a new president was elected, the election also represented a sign of continuity and a strengthened mandate for a new political movement on the rise, the Georgian Dream.

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But in regard to economic and security affairs, 2013 was less about these presidential elections than the changing regional climate in which they took place. The geopolitical winds of change have been blowing strong in the Caucasus, more as a result of external forces than internal ones. Specifically, Russia's rise in power, Turkey's renewed focus on the region, and - still in its nascent stages but perhaps most importantly, the negotiations between the U.S. and Iran - all have influenced economic and security developments in the Caucasus region in ways just as significant, if not more so, than the elections.

Thus, while the elections and their significance are worth exploring in detail, they must also be considered alongside the broader economic and security trends that are currently playing out in the wider Caucasus region.

#### *Elections and political dynamics in the Caucasus*

Political transitions have traditionally been sources of significant change and instability in the Caucasus. In the early days of the post-Soviet period, the leaders of all three countries faced immense challenges to their grip on power. In 1991, Georgia's first president, Zviad Gamsakhurdia, was deposed in a coup less than one year after his election, as the country was engaged in a civil war over the breakaway territories of Abkhazia and South Ossetia. Azerbaijan's first president Abulfaz Elchibey was overthrown in 1993 in the midst of the war with Armenia over Nagorno-Karabakh. Armenia's first president, Levon Ter-Petrossian, lasted longer, but was eventually forced to step down in 1998 over Nagorno-Karabakh and his attempt to reach a compromise

agreement with Azerbaijan. These elections and the chaotic security environment in which they were held exacerbated the economic and political strains of the immediate post-Soviet era.

The next phase of political leadership was relatively stable compared with the initial post-Soviet period of chaos. Former Soviet leaders were elected in Georgia and Azerbaijan in 1992 and 1993 respectively, as Eduard Shevardnadze and Heydar Aliyev were brought into power to establish stability. In Armenia, Robert Kocharyan was elected in 1998 to take over from Levon Ter-Petrossian. All three held office for relatively long periods in comparison with their predecessors, with each serving for roughly a decade in their respective countries. It was during this time that the economies of the Caucasus countries began to rebound, albeit slowly and sporadically.

However, elections during this period and thereafter also produced instability. In the 2003 presidential elections in Armenia, the polls produced a second round runoff between incumbent Robert Kocharyan and challenger Stepan Demirchyan of the People's Party of Armenia, with neither candidate securing over 50 percent of the vote. Kocharyan won the second round with 67 percent of the vote, but the results were disputed and led to opposition protests numbering in the tens of thousands. However, the Constitutional Court upheld the election and Kocharyan was sworn in for a second term.

In 2008, the presidential elections were once again controversial and closely contested. Having served two terms, Kocharyan was not allowed to run again, but instead supported former Prime Minister and fellow Karabakh native Serzh Sargsyan against former president Levon Ter-Petrossian. Sargsyan won just over 50 percent of the vote and therefore secured victory in the first round, but results were disputed by Ter-Petrossian, whose supporters held protests in Yerevan's Freedom Square. These protests, which numbered in the tens of thousands, lasted for 10 days before they were violently dispersed by police and military forces. At least 10 people were killed, which led to a state of emergency that was followed by a period of arrests and purges of prominent opposition members. However, Sargsyan was not significantly challenged by Ter-Petrossian after the immediate aftermath of the election, despite regular opposition rallies organized by the former president.

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Azerbaijan has seen less instability and challenges around elections, with Heydar Aliyev winning comfortable victories in both 1993 and 1998. However, Aliyev's death in 2003 forced a transition of power to his son, Ilham Aliyev. Though these elections were more disputed than under Heydar Aliyev, Ilham Aliyev was able to secure a strong victory with 75 percent of the vote. The younger

Aliyev has pursued the same broad economic and security strategy as his father, namely developing the country's burgeoning energy industry and avoiding getting entangled in alliances with Russia or other regional powers. Aliyev achieved comfortable victories in the 2003 and 2008 presidential elections, with only minor protests by opposition forces during and after those polls.

In Georgia, the presidential elections in 1995 and 2000 produced comfortable majorities for Shevardnadze. However, the parliamentary elections of November 2003 were marked by claims of fraud and vote-rigging and eventually led to Shevardnadze's overthrow in the Rose Revolution. Parties that supported him - most notably the For a New Georgia party and the Democratic Union for Revival - won the most seats in the parliamentary elections, but the United National Movement party (UNM) of emerging opposition leader Mikhail Saakashvili protested the results. Large-scale rallies ensued across the country, with hundreds of thousands of Saakashvili supporters taking to the streets. Shevardnadze was forced to resign, and Saakashvili became the country's new president in January 2004 when he ran unopposed in fresh elections, winning over 96 percent of the vote.

Following Saakashvili's victory, Georgia saw a relatively stable political period for several years in which Saakashvili and the United National Movement party won several consecutive elections as they pursued an assertively pro-Western foreign policy. Saakashvili easily defeated Levan Gachechiladze of the National Council party in the 2008 elections, winning over 53 percent of the vote. Meanwhile, the UNM won the absolute majority of votes in both the 2004 and 2008 parliamentary elections. This was due to Saakashvili's popularity, as well as the weak and divided opposition camp. Comprised of dozens of parties, the opposition suffered from in-fighting and the lack of a unified vision beyond opposing Saakashvili.

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However, the political system saw another major shift in 2012 with the emergence of billionaire tycoon Bid-

zina Ivanishvili and his Georgian Dream Movement (GD). Ivanishvili, who made his fortune in Russia and had not previously been involved in politics, appeared on the Georgian political scene at the end of 2011. But the forces that led to Ivanishvili's emergence had been established much earlier, when Georgia was defeated by Russia in the August 2008 war, and virtually all economic and political relations between Tbilisi and Moscow were severed. A weak economy along with internal corruption scandals, among other factors, undermined Saakashvili's government. Ivanishvili was able to co-opt and unify many opposition parties into the Georgian Dream movement, and pursued a policy of re-opening economic ties with Russia, which had been cut off during Saakashvili's rule. The Georgian Dream gained momentum over the course of the year and was able to defeat Saakashvili's United Movement party in the October 2012 parliamentary elections, winning 55 percent of the vote and gaining 85 out of 150 seats in parliament.

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Against this history of volatile elections and political cycles, 2013 looked set to be a dynamic election year, marking the first year that all three countries would hold elections in the same year. However, the 2013 elections were notable not for their dynamism, but rather for the lack of political and security instability they produced. Presidential elections in Armenia and Azerbaijan both produced comfortable victories for the incumbents, Serzh Sargsyan and Ilham Aliyev, in what were relatively unremarkable elections, with comparatively minimal protests or security disruptions.

From the perspective of the major external powers in the region, namely Russia, Turkey, and Iran, the election results in both Armenia and Azerbaijan were relatively favorable. While each of these external powers has rival interests in the region, they are all generally in favor of the political stability marked by the incumbents' victories. This provides a stable and familiar platform from which Russia, Turkey, and Iran can pursue their respective foreign policies. The major external power outside of the region, the U.S., did express concern over the fairness of the elections, particularly in Azerbaijan. However, the U.S. was also in a broader sense interested in stable political continuity, given its interests in the energy and security fields in Azerbaijan.

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In Georgia, a new president was elected, as Saakashvili was ineligible to run for a third term. However, the presidential victory of Giorgi Margvelashvili came as no surprise, as he was the chosen successor of Ivanishvili at a time when the Georgian Dream movement was in the midst of consolidating power at the expense of Saakashvili and his UNM party. The election itself also carried less weight, as it was accompanied by a constitutional change giving greater power to the parliament at the expense of the presidency. This made the appointment of former Interior Minister Irakli Garibashvili - also a close ally of Ivanishvili - to the premiership the more significant change, though both pledged to continue the policies initiated by the Georgian Dream founder after he stepped down following the elections.

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The elections in Georgia were most favorably viewed by Russia, of these external actors. Moscow had long wanted to see the end of Saakashvili's anti-Russian regime, and the presidential elections completed the transition from the Saakashvili regime, which the political changes of the previous year had already set in motion. While these elections do not guarantee Georgia's reorientation towards Russia, they certainly mark an improvement in the political relationship and prospects for further cooperation between Tbilisi and Moscow in the coming years. For this reason, both Turkey and the U.S. viewed the elections with concern, worried that the new government will undermine the strong ties that Tbilisi shares with Ankara and Washington. However, the new Georgian government has indicated it will continue its pro-Western path, which gives both the U.S. and Turkey cause for cautious optimism.

Thus, the elections of 2013 were most important in terms of their extrapolative nature, establishing the continuity of previously established political systems. This is not to say that the elections did not matter or were not significant. Particularly in Georgia, the elections marked the completion of a political transformation that had begun back in 2011 with the emergence of the Georgian Dream movement. The absence of security problems in Armenia was also notable, establishing a strong mandate for Sargsyan in his second term in office. The same can be said for Ilham Aliyev, though Azerbaijan's elections have traditionally been less disruptive than those in Georgia or Armenia.

Therefore, in order to assess the economic and security changes

in the Caucasus, and the possible future developments, it is important to look beyond the elections in the three Caucasus countries and examine the external forces that have also shaped regional dynamics.

### *The role of external powers in the Caucasus*

Economic and security dynamics are shaped as much by external factors as by internal ones. Reflecting on the past year, there have been many significant developments in both the economic and security spheres driven by regional powers like Russia and Turkey, as well as external players like the U.S., EU, and Israel.

The strongest and most influential power in the Caucasus is Russia. Russia has traditionally held a strong position in the Caucasus. With a military presence of 5,000 troops in Armenia, Russia serves as the de facto security guarantor for the country. Russia also controls many strategic aspects of Armenia's economy, including energy, infrastructure, and telecommunications assets. Combined with the large Armenian migrant population working in Russia, and Yerevan's dependence on Moscow from a financial and security perspective, Armenia was already a loyal ally strategically aligned with Russia.

Russia's position in Georgia, though politically contentious, was also strong due to the Russian military presence in Abkhazia and South Ossetia following the 2008 war. While Georgia continued to pursue NATO and EU membership under the Saakashvili administration, no significant progress was made on that front due to Western powers' wariness about challenging Russia over this strategic issue. Indeed, a de facto weapons embargo on Georgia by the West, in place since the war, was also a factor in securing Russia's security position in the country.

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Azerbaijan, the most independent-minded country in the Caucasus, presented more of a challenge to Russia in previous years. Russia did not have a military presence to secure its position in the country as it did in Armenia and Georgia, and Azerbaijan's energy industry gave it an independent source of wealth that Yerevan and Tbilisi do not have. Azerbaijan's oil and gas exports have allowed it to diversify its economic and political relationships and avoid dependence on Russia. However, given of Russia's strong position in Georgia and Armenia, Azerbaijan was in



a way locked into a position where it could not be overly aggressive towards Russia, and had to balance its relationship with Moscow rather than challenge it outright.

Over the course of 2013, Russia's relationship with the Caucasus countries saw significant changes. Armenia announced that it would join Russia's Custom Union, which will integrate the country's economy with that of Russia even further in the coming years. This also dashed any hopes that Armenia would move forward with key political and trade agreements that had been negotiated with the EU over the course of the year. Russia also announced that it would overhaul the Russian 102<sup>nd</sup> military base in Gyumri, upgrading the hardware of the base and modernizing the country's military. In short, Russia's already strong ties with Armenia strengthened over the past year.

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In Georgia, 2013 marked a period of political consolidation for the Georgian Dream movement, which also worked to Russia's advantage. The past year saw a slow but significant improvement in economic ties between Georgia and Russia, as Georgia's exports of wine, mineral water, and agricultural products to Russia were resumed, having been frozen for years under Saakashvili.

There were also discussions on expanding ties in more strategic sectors, such as energy and transport. However, security ties between Tbilisi and Moscow have been tense, as the dispute over the breakaway territories of Abkhazia and South Ossetia has remained an intractable issue. Furthermore, the Georgian Dream government has continued the country's integration efforts with the West, initialing Association and Free Trade Agreements with the EU and continuing to pursue strengthened ties with NATO. So while Russia's economic and political ties with Georgia have improved, the broader and more strategic security issues have and will continue to be a major obstacle to full normalization bilateral ties.

Azerbaijan's relationship with Russia also underwent significant changes in 2013. In response to Russia's strengthened position in both Armenia and Georgia, Azerbaijan was forced to re-evaluate its own relationship with Moscow. While Azerbaijan continued to pursue a diversified energy policy with a number of countries, from Turkey to Iran to the West, it did factor Russia's rise in the region into its decision-making. Azerbaijan chose to go with the more modest TAP over Nabucco West as a gas export route set to come online later in this decade. Azerbaijan and Russia also



struck a series of energy deals, including a joint venture between SOCAR and Rosneft.

However, Azerbaijan also strengthened its relationship with other players in the security sphere in response to Russia's growing regional stature. Azerbaijan already had significant security ties with Turkey, and these only intensified over the course of the year. Azerbaijan increased its weapons purchases from Turkey, and the two countries held the largest military drills in their history in July, following the opening ceremony at the Azerbaijani Defense Ministry's Garaheybat Training Center. Azerbaijan also increased security ties with Israel, with a number of high level visits this year alongside Israel's significant weapons sales to the country.

Another trend that has had a significant - and potentially dramatic - impact on the Caucasus is the evolution of the U.S.-Iranian relationship. While the year began with a hostile relationship between the U.S. and Iran, complete with rumors of a potential U.S. military strike against Iranian nuclear facilities, the dynamics have changed considerably over the course of the year. The election of Hassan Rouhani to the Iranian presidency in June saw a domestic political shift from the hard-line regime of outgoing President Mahmoud Ahmadinejad. This political transition, as well as the effects of U.S.-led sanctions on Iran's economy, generated the conditions for serious talks between the U.S. and Iran.

Progress on other important issues, particularly the agreement reached over the disposal of Syria's chemical weapons, opened the door for formal negotiations. Talks within the P5+1 format over Iran's nuclear program produced a landmark agreement in November, setting a 6-month timetable for Iran to freeze nuclear enrichment at current levels, in exchange for an easing of sanctions. While the agreement is tenuous, subject to numerous complications and potential delays and pitfalls, it has set the stage for a possible US-Iranian understanding in the longer term. This could greatly increase Iran's ability to project power in its neighborhood and beyond, and could have a major impact on the geopolitical alignment of the broader region. Given the implications of a U.S.-Iranian agreement, the talks themselves have already had a significant impact across the Middle Eastern region and the Caucasus, as numerous countries have had to change their calculus to account for such an understanding.

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One such country is Turkey, a natural competitor of Iran, and wary of Tehran's potential to grow as a regional power and challenge Ankara's position in countries like Syria and Iraq. Turkey is also concerned that Iran could become more active in the Caucasus; Tehran already has cultural and political levers in Azerbaijan and strong economic ties with Armenia. As such, Turkey has not only been strengthening ties with Azerbaijan, but has also renewed efforts to reopen talks between Azerbaijan and Armenia over Nagorno-Karabakh. Turkey would like to reopen ties economic and political ties with Armenia, but as Ankara learned in 2009, this cannot be done without significant progress achieved on Nagorno-Karabakh first. Talks were resumed for the first time in two years in November 2013, and the countries are set to meet again this year. Turkey hopes this will help it to expand its ties into both Armenia and Azerbaijan.

Another country whose calculus is changing is Russia, which opposes any deal between the U.S. and Iran that could enhance both countries' ability to project power in the Caucasus region. Over the past few years, Russia has been working to build up its influence in the Caucasus, and it does not want to see the U.S. and Iran cooperating to undermine that role. Russia is also wary of Turkey's efforts to take advantage of the regional realignment, and will make sure that it plays a significant role in the talks over Nagorno-Karabakh, given Moscow's strong position in Armenia. Therefore Russia's moves in the Caucasus will be framed by attempts to limit the political, economic and security influence of Turkey, Iran, Israel and the U.S., while entrenching its own. The continued outreach from the EU and NATO into Georgia will also be something that Russia will have to contend with in the coming years.

## **Conclusion**

Reflecting on events in the Caucasus over the past year, it is clear that a number of factors have contributed to significant changes in the region. While presidential elections held in Armenia, Azerbaijan, and Georgia were all significant milestones in domestic political developments, they were hardly decisive in framing the economic and security evolution in each country. Instead, the defining factors for the regional dynamic have been Russia's actions, Turkey's maneuvers with Azerbaijan and Armenia, and the U.S.-Iranian negotiations, among others.

In other words, the elections themselves did not drive the changes; rather they were symptomatic of broader trends underway. It

is these trends that made the Caucasus a truly dynamic region in 2013, and this dynamism is likely to grow in the coming years.