



SAILING THE UNSETTLED SOUTH CAUCASUS THROUGH TROUBLED WATERS TOWARDS REGIONAL INTEGRATION

*By George Vlad NICULESCU,
Head of Research, the European Geopolitical Forum*

Just like other parts of Eurasia¹, the South Caucasus is facing the challenge of a renewed East-West geopolitical competition underpinned by three evolving challenges²: 1) a growing ideological gap between Russia and the West; 2) the chronic persistence of protracted conflicts; 3) the dilemma of post-Soviet states: European vs. Eurasian integration.

More specifically, the South Caucasus geopolitical landscape is shaped by:

- competition between Russia and the West in the wake of the ongoing Ukrainian crisis, which effectively brought the European cooperative security era to an end;
- growing Russian regional assertiveness, whereby the Eurasian Economic Union (EEU) is increasingly used as a vehicle for countering strides towards European integration, while OSCE-led conflict resolution is manipulated to create geopolitical leverage over the regional states;
- a tacit Russian-Turkish partnership of convenience, which is basically motivated by both parties' focus on different fronts: Russia's engagement in the geopolitical confrontation with the West over Ukraine, while Turkey has been absorbed by the

fluid evolutions in the Middle East (particularly in Syria, and Iraq);

- the inability of the EU to exert, or at least claim, a bolder regional role because of its own institutional constraints, and the lack of appetite for new CSDP missions in the aftermath of the Euro crisis;
- NATO's self-restrained regional role being limited to soft security cooperation in "28+1" format, driven by:

1. its refocus on deterrence, and defence of the territory of its Eastern members against a resurgent Russia;
2. an apparent decrease of the strategic priority of the region in the wake of unwinding the ISAF operation in Afghanistan;

Overall, the geopolitical competition between Russia and the West over Ukraine may have a negative impact on the South Caucasus: it may either turn the current *de facto* situation into a new *de jure* geopolitical reality, or it may push the whole region into the swirl of instability around Ukraine. Two factors seem decisive for this analysis:

1. Russian progress in ensuring geopolitical control of Ukraine may tend to support the first option. Otherwise,

faced with a stalemate in Ukraine, Moscow might have to expand its confrontation with the West in the South Caucasus.

2. Turkish tacit acceptance of Russian incursions in Ukraine may also favour the legalization of the status quo in the South Caucasus, while Ankara's brazen reaction, via NATO or directly, may dramatically raise the risk of instability in the South Caucasus.

Against this complex and deeply worrying regional background, where Russia and Turkey (re-)emerge as the dominant regional powers, what strategic policy changes might be envisaged by Western decision makers to consolidate their position as viable South Caucasus players? From a methodological perspective, I address those questions through the lens of the evolving challenges in Eurasia.

Unsettled European Security Issues Linger

The geopolitical competition between Russia and the West became predictable after President Putin stated in April 2005:

Above all, we should acknowledge that the collapse of the Soviet Union was a major geopolitical disaster of the century. As for the Russian nation, it became a genuine drama. Tens of millions of our co-citizens and compatriots found themselves outside Russian territory.³

The seeds of the new confrontation were seen in those words, while alluding to both the goal and the strategy of the new resurgence of Russia.

However, this statement came after two rounds of NATO enlargement (1999 and 2004), and after the Big Bang enlargement of the European Union (2004). Moreover, it came after the Rose and Orange revolutions in Georgia and Ukraine, respectively, brought pro-Western leaders seeking NATO and EU membership for their countries into top state positions. In response, Russia suspended the implementation of the CFE Agreement from 2007, while in the summer of 2008 it fought and won the Five-Day War against Georgia. Afterwards, Moscow recognized the "independence" of Abkhazia and South Ossetia. The Georgian war actually came as a Russian warning against NATO's 2008 Bucharest summit decision to recognize Georgia and Ukraine as aspirants for NATO membership.

Both suspension of the implementation of the CFE Treaty and recognition of the independence of the Georgian breakaway republics enshrined a very clear geopolitical message from Moscow: Russia was not happy with the current European security arrangements built around the OSCE Decalogue, and no longer felt obliged to fulfil its commitments. In 2009, then Russian President Dmitry Medvedev came up with a proposal to discuss a new European Security Treaty, allegedly aiming to create a common undivided space in the Euro-Atlantic region to finally do away with the Cold War legacy. To that end, Medvedev suggested formalizing the principle of indivisible security in international law as a legal obligation pursuant to which no nation or international organization operating in the Euro-Atlantic region was entitled to strengthen its own security at the expense of others (nations or organizations). Eventually the West rejected this Russian proposal, for it felt it

might have prohibited future enlargements of NATO and the EU.

In that very same year, the EU launched the Eastern Partnership, aiming at creating conditions for accelerating political association and further economic integration of six partner countries from Eurasia. This EU initiative has been perceived by the Russians as a geopolitical process because: 1) of the wide-ranging consequences of what the EU thought was a purely technical, norms setting process of modernization; 2) they saw it as a competitor to Eurasian integration in the former Soviet space.

In December 2013 the Ukrainian crisis started after the Vilnius Eastern Partnership summit when former President Yanukovich refused, in the last minute, to sign an Association Agreement with the EU. Following the Euromaidan protests of pro-Western Ukrainians, and the unexpected ouster of Mr Yanukovich by the Ukrainian Rada, Moscow annexed Crimea. It has also agitated and supported pro-Russian insurgents in Eastern Ukraine, to the outright dismay of the West, which responded with waves of economic and political sanctions. At present, the area from 'Vancouver to Vladivostok' has been hijacked by a new East-West geopolitical competition, while *powerpolitik* rather than cooperative security seems to prevail in shaping the future destiny of Eurasia.

The Ideological Gap between Russia and the West

Over the last few years, many international observers have noted a deepening gap between perceptions in the West and in Russia on democracy, and individual rights and freedoms.

Russia and the West seem to have embarked on another ideological competition, similar in many respects with that during the Cold War. The difference is that Moscow is now supporting a sort of *anti-Americanism* consisting of a mixture of state-based nationalism and autocratic traditionalism to counter Western support for democracy and individual freedoms across Eurasia.

In 2013, in Georgia (which boasts Eurasia's best rankings on the *Freedom in the World* scale,⁴ displaying a *Partly Free* status, scoring 3 on a scale of 7 for both political and civil rights), a presidential election widely regarded as fair and honest marked a further step toward the consolidation of democracy. Armenia, which under strong Russian political pressure gave up plans for initialing an Association Agreement and a DCFTA with the EU and instead decided to join the Eurasian Customs Union, has kept its *Partly Free* status and scores for political and civil rights from the previous years (5 and 4 respectively). Azerbaijan has kept its *Not Free* status because of lower political rights scores (6 on a scale of 7) and its civil liberties rating, which declined from 5 to 6 due to property rights violations and crack downs on opposition and civil society in advance of the presidential elections.

The current geopolitical competition between Russia and the West is likely to worsen the state of democracy in the South Caucasus in the years to come. That might be the case since:

Russia's intervention in Ukraine, which amounts to acts of war, openly flaunts the principles on which the post-Cold War order in Europe is based, posing a challenge both to the European Union and the

United States. A winner-take-all approach undermines the prospect of establishing functioning liberal democracies around the EU's periphery.⁵

Moreover, "as a consequence of placing security and stability high on the agenda of ENP countries, the Ukraine crisis has also pushed democracy and democratization lower on the list of their priorities."⁶

Other factors are also likely to affect democracy in the South Caucasus. For example, the EU's prolonged economic crisis and preoccupation with its own future has dimmed its appeal as a model to many in the Eastern European neighbourhood. Other external influences, including intolerant forms of religious activism and extreme nationalism fed by the persistence of regional protracted conflicts, are increasingly shaping the policies of regional states. In addition, the Russian propaganda machine emphasized "the misgivings" of Western societies and the pains and sacrifices a country needs to make in order to join the West, while "Russia's penetrating, vivid messages are ineffectively counteracted by the boring, vague responses of European and national governments."⁷

Consequently, the West risks self-excluding itself from Eurasia—as 'the odd boy in town'—if it continues to shape bilateral ties with regional countries according to their level of democratic development. It is increasingly obvious that, in those circumstances, promoting liberal democratic standards for political rights in the South Caucasus might become a liability for the West, since they are heavily undermining the West's leverage to shape regional engagements. To maintain its

posture in South Caucasus affairs, the West should probably tone down its criticism of "undemocratic governance systems", and replace it with a pragmatic defence of its regional economic and security interests. Maintaining a minimal standard for the observance of civil rights may offer a face saving solution in regard to previous commitments. That would also imply seeking new regional arrangements according to common interests, not necessarily upon acceptance of common values. For example, enhancing the level of engagement with Azerbaijan may be required to consolidate regional governance in the South Caucasus.

A multipolar approach to broader Eurasian geopolitics might be also needed since the decline of Western influence in the world could weaken the parameters of the stability of the global governance system in coming years. Promoting the universalism of Western values might further accelerate this negative trend. It is quite likely that sharing democratic values would preserve the current Western alliances, while a more pragmatic approach to democratic values may attract new allies and break potential anti-Western alliances. In this vein, the leverage created by Western support of increased Eurasian roles for Iran, India and China could be also considered from this perspective.

The Resolution of Protracted Conflicts

The unresolved conflicts in the South Caucasus (in Abkhazia, South Ossetia, and Nagorno-Karabakh) are undermining efforts to build up effective regional cooperation and are generating regional instability and asymmetric security risks. Existing conflict management mechanisms have not yielded the expected

outcomes, and this might have a lot to do with the lack of regional strategic leadership. To offer better coordinated strategic leadership of existing crisis management mechanisms, international experts have been calling on Russia, the United States and Europe to re-energize conflict resolution in the Euro-Atlantic area. To that end, developing new means to strengthen diplomacy, supplementing traditional negotiations through contributions of the civil society, and building up public support for peaceful conflict resolution are often quoted as examples.

Russia has become a problem for Europe since the OSCE system has failed to accomplish its tasks in the post-Cold War era, while Moscow has sought to impose its own security arrangements in Europe. NATO and the EU brought peace to former Yugoslavia in the 1990s, while the OSCE has continuously failed to provide effective conflict resolution in Abkhazia, South Ossetia, Nagorno-Karabakh and Transnistria. Moscow has simply ignored the OSCE Decalogue in Ukraine/Crimea and Georgia, while seeking to justify itself through alluding to others who have arguably done the same (i.e. NATO in Kosovo).

The chronic persistence of the protracted conflicts in the South Caucasus (and Transnistria) might be also seen against the backdrop of Russia's recent refusal to accept OSCE rules. A parallel might be drawn between the ongoing Ukrainian crisis and the protracted conflicts in the South Caucasus and Transnistria. In all these conflicts, Russia tacitly prevented a peaceful solution to the conflict, while formally it played the role of peacemaker/provider of humanitarian relief. Moscow might continue to do so until a more favourable geopolitical configuration of the

European security system is agreed with the West. Alternatively, it may implement the policy of the *fait accompli*, whereby it solves the protracted conflicts on its own terms, irrespective of what the OSCE and its other members are saying or doing. The Russians have already played out this scenario in Crimea and is attempting to do so in Eastern Ukraine, and they might be applying it in the South Caucasus as well. However, "The region (i.e. the Eastern Partnership area) requires a security architecture that takes the current challenges into consideration, and demands determined action by the West towards solutions to the frozen conflicts."⁸ Therefore, the West might take a more pro-active and imaginative role in conflict resolution in the South Caucasus. For example, it may consider initiating multilateral talks with the authorities from Sukhumi, Tskhinvali and Tbilisi on options for conditional recognition of the sovereignty and territorial integrity of Abkhazia and South Ossetia, while more boldly proposing the use of the EU's military peace keeping assets and capabilities for conflict resolution in the South Caucasus.

Conflict resolution in the South Caucasus might actually become a test-case for developing new European security rules and mechanisms, which should integrate Russia and Turkey in a different way than since the end of the Cold War. In this vein, the West should engage more actively with both Russia and Turkey on the resolution of the protracted conflicts in the South Caucasus, with a view to overcoming their chronic deadlock. Such multilateral approaches would ensure better regional strategic coordination of the existing crisis management mechanisms; strengthen the regional ownership of the peace processes, in particular through developing and

implementing a joint post-conflict regional vision; and counter the fears of some local actors of Russian-imposed solutions.

However, the way forward in meeting such a goal will not be an easy ride because of: Russian failure to adapt its conflict resolution policies to multilateral approaches, in particular in Georgia; Turkish unsettled issues with some of the main parties to the protracted conflicts, most notably with Armenia; a US policy which attaches a relatively low priority to conflict resolution in the South Caucasus; and the EU's institutional constraints regarding its involvement in conflict management and resolution in its neighbourhoods, and its inability "to carry out a wider range of military tasks to protect its interests and project its values."⁹

The European vs. Eurasian Integration Dilemma of the Post-Soviet States

The steps taken by Russia, Belarus and Kazakhstan to create a Eurasian integration project have spurred suspicions in the West about an emerging geopolitical project aiming to re-build the Soviet Union (or the Tsarist Empire) into a new institutional outfit. Consequently, a Western myth of the Eurasian Economic Union (EEU) as a means to "re-Sovietize" Eurasia has emerged. This myth has not been supported by the realities of the Eurasian Customs Union (ECU) so far. However, according to most experts, the project of the EEU might be evolving towards deeper political integration:

Nonetheless, events between the invasion of Georgia and the armed seizure of Ukrainian territory in 2014 forced policy makers and

international affairs specialists worldwide to acknowledge the possibility that the Russian Republic under Vladimir Putin has reorganized its entire foreign and domestic policy in order to pursue a single objective, namely, the establishment of a new kind of union comprised of former Soviet republics and headed by Russia itself.¹⁰

In addition, experts have highlighted a blatant incompatibility between the Deep and Comprehensive Free Trade Area (DCFTA) agreements, signed by a number of post-Soviet states with the EU, and the commitments that should be made by a member of the ECU (the precursor of the EEU). This incompatibility is apparently making post-Soviet states face a dilemma between setting up free trade with the EU and joining the ECU/EEU, while focusing both Russia and the West on geopolitical competition.

The South Caucasus countries have been highly divided in their approach to the European vs. Eurasian integration dilemma, and the current geopolitical competition between Russia and the West has pushed them into making undesired choices. The first "victim" was Armenia.

The announcement, at the beginning of September 2013 in Moscow, by President Serzh Sargsyan of Armenia's decision to join the Russian-led Eurasian Customs Union (ECU) after concluding a lengthy four years negotiation on an Association Agreement (AA) and a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU took many by surprise. However, experts on the South

Caucasus had known for years that Yerevan had almost irremediably linked its security and economy, in particular its energy sector, to Russia. In fact, Armenia chose to partially sacrifice its independence and sovereignty for the sake of keeping a convenient *status quo* in the settlement of the Nagorno-Karabakh conflict, against a strategic balance shifting in favour of Azerbaijan. One year later, on 10 October 2014, at a summit held in Minsk (Belarus), president Sargsyan signed Armenia's accession treaty to the EEU. However, Yerevan has continued to pursue European integration, while taking into account its new trade commitments, by seeking to conclude with the EU an Association Agreement Light, or a Partnership and Cooperation Agreement Plus.

While Armenia joined the EEU, becoming what experts call a 'reluctant follower' of the Eurasian integration project, Georgia has chosen the path to European integration at the expense of Eurasian integration. On 27 June 2014, the prime minister of Georgia, Irakli Garibashvili, signed an Association Agreement (AA) and DCFTA with the EU, thereby joining, aside Ukraine and Moldova, what the experts call the 'European integrators' group. Although AAs stop short of guaranteeing future membership in the EU, they aim to deepen the EU's political and economic relations with Eastern Partners, and to gradually integrate these countries with EU's Internal Market.

Meanwhile, Azerbaijan seems to have sided with the so-called 'rejectionists' group (including also Turkmenistan and Uzbekistan), who simply prefer to stay away from any form of regional integration, seeking instead to become increasingly self-reliant. Economic analyses are practically unanimous in noting that due to the structure of the Azerbaijani

economy, mainly fuelled by energy exports to Europe:

the negatives [consequences of EEU membership] outweigh the positives. Even semi-official Russian analysis have acknowledged this, with one noting that 'if Azerbaijan joins the Customs Union, that it is jointly with Turkey and this will not happen soon because of the nature of the Azerbaijani economy.'^{11,12}

However, one Azerbaijani expert thought that:

A stronger Russia than in the 1990s may further enhance its geopolitical clout in various, subtle ways so as to develop and execute problem-solving scenarios that would gratify not only Russia's interests but also the entire post-Soviet neighbourhood. Such a move could urge CIS political leaders to accept Kremlin's rules and eventually integrate their countries into a Eurasian Union.¹³

Such views are obviously referring to the inability of the West to offer viable solutions to the protracted conflicts in the South Caucasus, specifically in the case of Nagorno-Karabakh, while Russia seemed able (but not willing yet) to manipulate both Baku and Yerevan into a peaceful settlement. This makes the case for Western pro-active involvement in conflict resolution in the South Caucasus even stronger.

The West should start to prepare the ground for sustaining post-conflict regional economic integration in the South Caucasus, while "in its relationships with its Eastern partners, the EU

should avoid imposing a choice between itself and Moscow, and should instead highlight the benefits of closer relations”¹⁴. This way, it would both circumvent the dilemma of European vs. Eurasian integration, and would make a significant contribution to peaceful resolution of the protracted conflicts. A vision for peace in the South Caucasus reinforced by comprehensive, integrated and sustainable cooperation, which would ultimately enable free movement of people, goods, services and capital at the regional level, could lead to economic integration and the opening of closed borders. To that end, the EU may specifically work towards developing options for harmonizing the European and Eurasian integration normative systems. Turkey’s interest to maintain simultaneous Free Trade Areas with the EU and the EEU and Armenia’s desire, as a new member of the EEU, to keep the door open for broader cooperation with the EU could provide further incentives for the EU to promote regional integration in the South Caucasus. Georgia and Azerbaijan may also support this vision, provided they would see it as a key element eventually leading to the resolution of the protracted conflicts on their territory.

Conclusion

Since the end of the Cold War, the South Caucasus has sailed in both turbulent and uncharted waters. The regional countries have been highly divided on their priorities for regional integration. The current geopolitical competition between Russia and the West has raised the stakes on where this region is heading, and has added new political, economic and security risks, challenges and opportunities. This article has highlighted some of those, while suggesting ways for the West to

help the regional countries decrease the risks, face the challenges and benefit from the opportunities.

It is becoming increasingly clear that, in the wake of the Ukrainian crisis, the West will seek to prevent Russian attempts at “re-Sovietizing” Eastern Europe and Central Asia by an emerging strategy of containment of Eurasian integration. The defence aspects of this strategy started to become apparent at the NATO Summit in Newport in early September 2014. With the reversal of Armenia’s European integration efforts, and its subsequent integration with the EEU, the South Caucasus has become a contested area. Consequently, guidelines for containing the Eurasian integration in the South Caucasus would be expected to emerge rather soon.

The main points of this paper suggest that the focus for a new Western strategy on the South Caucasus should take a constructive/power sharing approach. From this perspective, the resolution of the protracted conflicts should become a key Western priority. Such an approach might, on the one hand, undo Russian geopolitical games in the region, and, on the other hand, may open the door to developing new European security rules and mechanisms in the OSCE area. To that end, a more proactive and imaginative role of the West should be considered for engaging both Russia and Turkey in effective conflict resolution. For example, the West might start to prepare the ground for sustaining post-conflict regional economic integration in the South Caucasus, as a way to circumvent the dilemma of post-Soviet states caught in between competing European and Eurasian integration processes. In order to maintain its relevance in Eurasia, the West might also need to tone down criticism of

regional players' "undemocratic governance systems", while proposing a minimal standard for the observance of the civil rights. Instead, it may pragmatically defend its regional economic and security interests through seeking new regional arrangements according to common interests, not necessarily upon acceptance of common values.

To what extent the West, Turkey and Russia are prepared for constructive/power sharing rather than competition in the South Caucasus is unclear at this stage. As history has proven so many times in the past, decision makers

often deem competition as being more attractive than cooperation since the latter implies partially giving in on some objectives to enable compromise solutions. What it is often forgotten, however, is that the risk of losing everything through competition is much higher than the risk of losing something through cooperation. Unfortunately, sometimes it takes a crisis or even a war to gauge the different amplitudes of those risks. It is for the Western, Turkish and Russian leaders to decide what would be the best political choice, not only for their people, but for the Caucasian states as well. History will judge their choices.

¹ Eurasia is referred hereafter as the territory of the former Soviet Union, bar the Baltic states.

² For details see G. Niculescu - "The Evolving Challenges in Eurasia", published on 05/03/2013, at <http://www.cseea.ro/publicatii/view/brief-analysis/the-evolving-challenges-in-eurasia>.

³ V. Putin - Annual Address to the Federal Assembly of the Russian Federation, April 25, 2005, The Kremlin, Moscow from http://archive.kremlin.ru/eng/speeches/2005/04/25/2031_type70029type82912_87086.shtml

⁴ Freedom House, "Freedom in the World 2014" from <http://www.freedomhouse.org/report/freedom-world/freedom-world-2014>

⁵ Michael Leigh - "A Strategy for Europe's Neighborhood", The German Marshall Fund of the United States, Europe Program Policy Brief, Vol.1, No.1, September 2014.

⁶ Alina Inayeh, Daniela Schwarzer, and Joerg Forbrig - "Regional Repercussions of the Ukraine Crisis", the German Marshall Fund of the United States, Europe Policy Paper No. 3/2014.

⁷ Ibidem.

⁸ Alina Inayeh, Daniela Schwarzer, and Joerg Forbrig - Op.cit.

⁹ Daniel Keohane - "Strategic Priorities for EU Defence Policy", FRIDE Policy Brief, February 2013.

¹⁰ Frederic Starr & Svante Cornell - "Putin's Grand Strategy: The Eurasian Union and Its Discontents", Central Asia-Caucasus Institute & Silk Road Studies Program, 2014

¹¹ "Russia Expects Azerbaijan's Accession to Eurasian Customs Union Jointly with Turkey," *Trend*, October 11, 2013, <http://en.trend.az/capital/business/2200218.html>.

¹² Frederic Starr & Svante Cornell - Op.cit.

¹³ Elkhan Nuryiev - "How the West Helps Putin Fulfil His CIS Strategy", in *Moscow Times*, 6 April 2014, from <http://www.themoscowtimes.com/opinion/article/how-the-west-helps-putin-fulfill-his-cis-strategy/497604.html>.

¹⁴ Alina Inayeh, Daniela Schwarzer, and Joerg Forbrig - Op.cit.

Disclaimer

The information presented in this report is believed to be correct at the time of publication. Please note that the contents of the report are based on materials gathered in good faith from both primary and secondary sources, the accuracy of which we are not always in a position to guarantee. EGF does not accept any liability for subsequent actions taken by third parties based on any of the information provided in our reports, if such information may subsequently be proven to be inaccurate.