



## FUTURE SCENARIOS FOR THE SOUTH CAUCASUS

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## South Caucasus 2025: Scenarios for an Uncertain Future

By Sven Behrendt, Beirut and Iris Kempe, Tbilisi

The South Caucasus is a geo-strategically important region, located between Europe and the wider Central Asian space, between Russia and the inherently volatile Middle East. From a global perspective, the South Caucasus is perceived as a single geopolitical and economic space, though its distinct political composition and ethnic fragmentation suggests that the South Caucasus is little more than a geographic concept.

Recent developments in the South Caucasus, most notably the Russo–Georgian war of summer 2008, reemphasized the relevance of the region and its constituent parts for broader geopolitical stability. The war was yet another example of the extent to which great powers competed for influence in their immediate neighborhood, in the case of Russia, and more distant areas, in the case of the U.S.

The Caucasus will remain in the center of the global geopolitical space in the foreseeable future: its geographic location attracts energy infrastructure projects safeguarding Europe’s energy security. Elections in Georgia will also determine the fate of the regional democracy agenda. The region has become a test case for Turkey’s foreign policy, torn between its European aspirations and a more autonomous agenda, turning east. It has also become a test for the strength of Europe’s “soft-power”-based foreign policy approach, aiming at supporting a gradual transition towards more democratic governance, based on liberal civil society and a prosperous, regionally integrated market economy.

The South Caucasus’ increasing geostrategic and geo-economic relevance, paired with the uncertainties that the future holds for the region, requires policy-makers to base their policies on alternative scenarios. There is not one single, most likely future for the region. To the contrary, any reasonable policy approach must be based on the assumption that the future political, economic and social dynamics of the region are very volatile indeed. In other words, things can go wrong.

Accordingly, the Expert Group Caucasus 2025 has identified four scenarios for the future of the South Caucasus:

- A Stable and Prosperous South Caucasus
- The South Caucasus Implodes
- Backwater South Caucasus
- The South Caucasus Muddling Through

These scenarios have been developed taking into account international, domestic, and regional political, economic, and social dynamics.

- On the international level, the most important driver is the influence that the most relevant global and

regional powers can exert, i.e. the U.S., Russia, the EU, and Turkey, but also the specific relationships and potential alliances that they are going to develop amongst each other. Wild cards include developments in the Middle East and East Asia.

- On the domestic level, countries have the potential to transition into fully fledged democracies, but also risk falling back into political stagnation providing the backdrop for hardening authoritarian structures.
- On the regional level, scenarios oscillate between deep political and economic cooperation to regional disintegration.

Assessing the interdependencies and overlapping dynamics between these three simple analytical categories, we sketched out scenarios that are ideally mutually exclusive but in reality do overlap. These scenarios, however, should to a high degree cover most plausible and likely futures for the South Caucasus.

### Scenario 1: A Stable and Prosperous South Caucasus

The most positive scenario anticipates that the region will turn into a prosperous, and partly democratic area that increasingly benefits from regional integration. The ability of Armenia and Georgia to establish robust democratic institutions, or at least head in that direction, depends on the overall commitment of their leaders as well as the development of healthy civil societies. Azerbaijan is somewhat lagging behind and is still governed by an authoritarian regime. However, the leadership has learned how to share power across various segments of Azeri society. Power is transitioning smoothly from one leader to the other. With time, the Azeri body politic will develop a distinct political consciousness which supports the development of democratic elements in the political decision-making process.

All countries engage in ever more intensive regional coordination mechanisms. Though short of substantial integration, regional collaboration has increased the collective bargaining power of the region. Local and regional actors resist the temptation to develop bilateral patron–client relationships outmaneuvering their

regional peers. A new sense of identity enables the region to pursue more autonomous regional policy making.

The new sense of shared destiny is also reinforced by economic considerations. All countries share an interest in developing the regional potential as a transport hub between Europe and Central Asia. Their economies are increasingly diversified, providing a solid base for increasing standards of living.

The positive developments in the region are supported by ever closer coordination between the EU and its member states and Russia. Europe, Russia and the U.S. develop tighter coordination mechanisms and understand that the South Caucasus is a region of common interests but also joint values. Based on the concept of an *overlapping integration space*, external powers contribute constructively to the positive development of the region.

In particular, the strategic consequences of the Russo–Georgian war of 2008 contributed to a heightened sense of dependency on Russia in Georgia, Russian–Georgian relations improve post-Saakashvili (2013), bearing the potential to replace open hostilities with trends of cooperation.

A Turkish–Armenian border deal offers an additional positive dimension for the region. With the border with Turkey and thereby a new window to the West opening, international investments in the region pick up as a new crossroad for transport and trade comes into being. As flag follows trade, national identities and cultures are constructed in a way that foster peaceful mutual coexistence. Since Turkish influence is acceptable to all interested outside powers including Russia, its presence in the region grows and it develops into a cohesive factor for the region over time.

### Scenario 2: The South Caucasus Implodes

Lack of political progress creates an ever accelerating downward spiral of civil strife and violent conflict. Political entities disintegrate and economic development stalls.

The fragile democracy of Georgia gives way to a populist authoritarian regime that seeks internal legitimacy by cultivating its external conflicts. Civil society and the media are suppressed.

Azerbaijan, thanks to the economic mismanagement of its natural resource base and the increasing alienation between the regime and society, falls victim to the radical force of political Islam.

Minorities throughout the region seek to exploit a situation of political disorientation, and radical political entrepreneurs benefit from institutional weaknesses. The Middle Eastern theatre increasingly influences poli-

tics in the region, with Shi'a and Sunni forces being supported by Iran and Saudi Arabia, the two competitors for hegemony in the Gulf region, respectively.

Russia, most affected by possible spill-over and destabilizing effects and nearly unchecked, intervenes and subsequently expands its influence in its “Near Abroad”. Yet, Russia’s intervention is difficult to sustain over the long term. A long “war of attrition” demands extensive military resources and repeatedly tests the robustness of its relationship with Europe and the U.S. The West, focusing on the military hotspots of the broader Middle East and East Asia fails to engage in a constructive way.

Conflict and discontent also have a devastating demographic effect in the region. As confidence in a prosperous future declines, marriages and birthrates decrease substantially, while an ever growing part of the respective populations seek refuge in exile. The South Caucasus faces depopulation and subsequent national catastrophes.

### Scenario 3: Backwater South Caucasus

Lack of political progress and ambition let the South Caucasus slide into a backwater of globalization. Azerbaijan and Armenia turn to a shaky form of authoritarianism. Georgia is increasingly disillusioned with its democratic experiments. Regional economic growth is sluggish. Commodity prices, a major driver of revenue for the government of Azerbaijan linger at lower levels than anticipated, and national diversification strategies have not taken off.

Accordingly, the outward-spinning forces in the region gain momentum. There is an increased awareness of the fractured nature of the region. National distinctiveness increasingly drives policies of local and regional actors. But small size matters and accordingly, their aspirations fail to be relevant and policies meaningful.

Europe is concerned about its own internal affairs, itself being threatened by political marginalization. The USA increasingly feels the realities of its military overstretch, with too many strategic battlegrounds in the Middle East and the Far East requiring its attention. Central Asia is turning eastwards to satisfy China’s tremendous demand for natural resources, which lessens the South Caucasus’ attractiveness as a significant transport hub. Russia has no intention to compromise its increasingly stable relations with the U.S. and Europe over the South Caucasus. Iran is preoccupied to fend off regional challenges for hegemony. Turkey, after making some overtures to the region, is reemphasizing its Western foreign policy outlook.

There is an increasing awareness of the artificial nature of the concept of the South Caucasus, grouping together three countries, which are indeed not to be treated as one entity. Especially the countries of the South Caucasus regard this concept with hesitation as they see the danger that it neglects, at least conceptually, the individual development paths and characteristics of each country. Countries of the South Caucasus will not fulfill the external expectations of regional integration, but fragment. Over time, individual countries might integrate with outside neighbours. It may well be possible that in 2025 Armenia will have undergone advanced integrated with Turkey, Azerbaijan will have become part of the Caspian region and Georgia will have oriented West and become an integral part of the Black Sea region.

#### Scenario 4: Muddling Through

The region continues to be based on balance of power concepts. The survival strategies of regional players are

based on opportunistic alliance building. Relationships between governments, outside forces, and domestic actors cease as quickly as they develop. Though giving an impression of political progress, the region as a whole stagnates socially and economically and leaves itself exposed to outside intervention. Peaceful coexistence and local escalation of conflict come and go.

While mild forms of authoritarianism assert themselves in the countries of the South Caucasus, the region remains a contested space. As Europe becomes less engaged, due to lack of progress and the political developments on the ground, Russia and Turkey realize mutual benefits from cooperating economically and politically in the region. Meanwhile, Russia is able to create a space of “sovereign democracies” including Moldova, Belarus and Ukraine. If this development coincides with the EU maintaining a closed door policy toward Turkey, a new East–West divide will be consolidated and the countries of the South Caucasus will face further isolation westward.

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## The 2014 Winter Olympic Games in Sochi: Implications for the Caucasus

By Stanislav Secieru, Bucharest

### Abstract

Predicting what will happen next in international politics is never an easy task. When it comes to the Caucasus, anticipating the region’s alternative futures is even more complicated. However, a high degree of volatility makes such an effort worthwhile. The Sochi Olympics is among the factors which should not be underestimated in scenario building for the Caucasus. Intensive preparations for 2014 already serve as a catalyst for economic development as well as a cause for environmental concerns. Looking beyond the immediate effects, the Sochi factor is also likely to affect politics and security in the entire Caucasus.

### Future Scenarios and the Sochi Factor

Regional scenario building traditionally revolves around optimistic, hybrid (combining a mix of positive and negative trends) and skeptical projections. However, this classic approach is far from perfect. To reduce uncertainty about the region’s possible futures as much as possible, the foresight exercise needs to address the impact of local mega-events on regional developments too. As far future scenarios for the Caucasus are concerned, the Winter Olympic Games in Sochi, scheduled for 2014,

are a case in point. The Russian Black Sea resort city of Sochi is located in the immediate vicinity of Georgia’s breakaway region of Abkhazia (113 km separate Sochi from Sukhumi) and the politically fragile republic of Karachaevo-Cherkessia (part of Russia’s North Caucasus Federal District). The geographical location of the 2014 Olympic Games venue, coupled with the economic opportunities it offers (the event’s budget is estimated at \$30 billion) and a variety of ongoing political and security challenges transforms Sochi, for the next

four years, into one of the region's focal points. Thus any realistic scenario planning for the Caucasus should consider the immediate and potential far-reaching consequences of this sporting event.

Intensive preparations for 2014 already serve as a catalyst for positive as well as negative developments. Sochi is a huge construction site which attracts workers from the economically depressed Northern Caucasus (in particular North Ossetia which is home to refugees from South Ossetia) and South Caucasus republics badly battered by the global financial crisis. An influx of Armenian workers into Sochi is already underway, a process facilitated by the compact Armenian minority which resides in the city. In this way, the Sochi Olympics provide job opportunities, alleviating to some extent the social pressure across a region known for high unemployment rates. On the negative side, the massive construction campaign inflicts irreparable damage on local ecosystems. Russian NGOs have identified grave irregularities during the construction projects, imperiling the Sochi National Park and Caucasus State Nature Biosphere Reserve, the latter of which is included on the UNESCO World Heritage site list. Civil society in tourist-dependent Abkhazia has quietly raised concerns about the massive extraction of local sand and stone for Sochi construction sites, worrying that this effort will harm coastal river deltas and Black Sea beaches. Thus, instead of improving living conditions, the "Sochi affair" could significantly deteriorate the environment of the local communities and damage the tourist industry.

Looking beyond the socio-economic and environmental impact, it is plausible to assume that the Sochi factor will affect politics and security in the Caucasus. As the Olympic Games approach, state, non-state and anti-state regional actors are likely to either restrain their behavior or engage in spoiler tactics. As the host of the games, Russia will actively pursue its objectives in the region. However, other regional players also see in the Olympics a window of opportunity, and are determined to push vigorously for agendas often running counter to those professed by the Kremlin.

### Sports and Politics Nexus

Russia traditionally has been strong in winter sports, winning more medals than the average country. However, the national team's poor performance at the 2010 Games in Vancouver proved to be a major disappointment. President Medvedev's last minute decision to cancel his trip to Vancouver and the subsequent "purge" of the country's sports federations provide a good sense of how Russia perceives its failures in international arenas

and the importance it attaches to the Olympic Games in Sochi. In Russia, international sports victories are associated with the performance of the political regime. Thus, Moscow will work hard to prove in 2014 that Russia is still an elite sports nation. Domestically, a successful performance at the Olympic Games should uphold the Kremlin's slogan, promoted over the last decade, that the country is "rising from its knees." In terms of foreign policy, the extensive media exposure surrounding the games (an estimated 4.7 billion viewers followed the Beijing Games in 2008) provide Russia with a great opportunity to boost its "soft power" potential by overhauling its image and portraying itself as a "civilized great power". The construction of Olympic venues from scratch may help demonstrate that Russia has not lost the ability to implement highly complex projects. As President Medvedev put it "this is our chance to show the world that we are a capable, hospitable and technologically-advanced country."

### Russian-Made Stability

In light of the Chinese experience in dealing with the protests supporting Tibet along the Olympic flame route, it is reasonable to assume that Russia will strive for stability (as this term is understood in Moscow) in the South and North Caucasus. Moscow would not like to see public opinion distracted by security and political problems in the North Caucasus, its illegal military presence in Georgia, or the potential renewal of hostilities between Armenia and Azerbaijan. In the worst case scenario, such developments could deliver a heavy blow to the Sochi Olympics PR campaign, provoke a boycott by an influential part of the international community, or result in the non-participation of the belligerent sides.

There are early signs that point to Russia's intentions to assure stability in a highly volatile region. The creation of the North Caucasus Federal District in January 2010 and the appointment of the former businessman Alexander Khloponin to lead it indicate that the Kremlin is looking for a more balanced mix between blunt power projection and a transformative approach in the North Caucasus to address the structural problems which breed violence and unrest. Khloponin's demand to appoint an ethnic Cherkess as a prime-minister of Karachaevo-Cherkessia in accordance with the informal power distribution algorithm (the president of the republic is an ethnic Karachai, the vice-president and speaker of the republican legislative is an ethnic Russian) shows that Moscow keeps an eye on the potential flashpoints close to Sochi and is willing to contain any manifestation of ethnic discord. In the South Cau-



caucasus, Russian diplomacy played a positive role favoring, even if half-heartedly, the Turkish-Armenian rapprochement. Far from being decisive, the Sochi factor is likely to influence Russian policy seeking to maintain the power equilibrium between Armenia and Azerbaijan to minimize the chances of conflict unfreezing in Nagorno-Karabakh ahead of the 2014 Games.

### **Georgian Politics and the Kremlin's Game**

With the Moscow Olympics of 1980 in mind, Russia is likely to prefer avoiding another military confrontation with Georgia, at least until 2014. But this does not mean that the Kremlin will stay aloof from Georgian politics. Moscow perceives the current Georgian regime as unpredictable, too unilaterally oriented towards the West in its foreign policy, and thus predisposed to play a spoiler game in the "Sochi affair" (for instance by supporting the campaign for the recognition of a "Circassian genocide" or upholding the ecologists' concerns about the resource drain from Abkhazia). Therefore, Russia is likely to work hard to ignite regime change in Tbilisi well before the Olympic Games begin. To achieve this goal, Russian top politicians will prefer to address directly the citizens of Georgia, reiterating Moscow's "peaceful intentions" and portraying President Mikheil Saakashvili as a political outcast (this was the gist of President Medvedev's message to Georgian citizens on Victory Day). In parallel, Russia will multiply its channels of political influence in Georgia by cementing ties with what it sees to be the moderate or pragmatic segments of the opposition. Friendly NGOs and representatives of the Georgian Diaspora in Russia might be co-opted in this effort. Occasionally Russia will demonstrate the advantages of a more "accommodationist" approach to put additional pressure on the government in Tbilisi. Former prime-minister Nougaideli's visits to Russia followed by holiday flights between Moscow and Tbilisi, as well as the liberation of Georgian citizens detained by the South Ossetian militia, provides insights into the tactics Russia will employ.

Since the results of the local elections in May suggest that the prospects that Saakashvili will be forced to resign are bleak, Russia almost certainly will be indirectly involved in Georgia's 2012–13 parliamentary and presidential electoral cycle. Moscow will act to upset the formation of a pro-presidential majority in the legislature and to weaken the domestic standing of President Saakashvili so that he will not be able to stay in power beyond 2013 or steer his heir through managed elections. Russia will seek a similar "revenge" as in Ukraine's 2010 presidential elections, looking to reassert its position in the Black Sea region. However, Russian decision-mak-

ers harbor no illusion about the chances of a pro-Russian candidate. The best case scenario for Russia would be a succession to power in Georgia of a Timoshenko-type politician—one who is more sensitive to Kremlin interests and who would engage Russia in a pragmatic co-existence in the South Caucasus, pursuing a multi-vectoral foreign policy.

Given the tradition of turbulent power transitions, elections in Georgia might get messy. It is difficult to anticipate how Russia would act in the case of a prolonged power vacuum generated by a political struggle which in a worse case scenario could degenerate into small-scale armed clashes. Given its massive military presence in South Ossetia and the short distance (40 km) from there to the Georgian capital, Russia could relatively easily seize Tbilisi by mobilizing additional forces from the North Caucasus. But such a move would heavily damage its plans for 2014, embroiling Moscow in a risky enterprise and strengthening the Olympics boycott camp. Unwilling to pay the costs of such a move, as an alternative, Russia could join the international community (EU, US, Turkey) or foster a regional "consortium" of security stakeholders with Turkey to facilitate negotiations for a political solution to end the standoff. International mediation would receive strong support from Armenia and Azerbaijan since both heavily rely on trade routes or energy transit through Georgia. A prolonged political instability and the potential disruption of transit through Georgia might serve as an additional incentive for Yerevan to make further steps towards the normalization of relations with Turkey which might lead to the opening of borders.

### **Russia–Georgia–Abkhazia Knot**

The new Georgian leadership which will probably emerge after exhausting political battles could adopt a cautious and less emotionally-charged line on Russia. Opinion polls show that the overwhelming majority of the Georgian population (52 percent) disapproves the government's policy towards Russia. Thus, if public opinion remains unchanged on this matter, the newly elected president might prefer to refrain from combative rhetoric and could take cautious steps to improve relations with Russia as much as possible in the post-2008 war environment. If Georgia opts for this track, then the Olympic Games in Sochi could provide a good occasion to employ sports diplomacy, especially if Turkish-Armenian joint efforts to open the border prove successful by 2014.

Nevertheless, the opposite scenario, Georgia's boycotting the games in Sochi, can not be ruled out either.

The move could be motivated by Russia's meddling in the electoral campaign, its continuous illegal military presence in Georgia, and the involvement of Abkhazia in the Olympic Games preparations. But without dramatic changes in the post-war status quo in relations between Georgia, the separatist regions and Russia (including, for example, the occupation of new territories in Georgia proper close to the breakaway republics or an escalation of violence resulting in civilian deaths), it would be hard to "sell" the international community on a boycott of the Olympic Games and would reduce the chance to improve relations with Russia. Contemplated also as a punishment of Abkhazia, a boycott would do little to help Georgia's cause by further alienating Sukhumi from Tbilisi. More than that, such a decision could portray Georgia as a state unable to find a long term *modus vivendi* between imperatives of domestic reform, normalizing relations with its important northern neighbor and upholding its territorial integrity by more conciliatory and flexible means that might pay off in the future.

Preparations for the Sochi Olympics will facilitate Russia's economic expansion in Abkhazia, paving the way for the de facto incorporation of this region into Russia. The Russian government earmarked for the period 2010–2012 around \$100 million for the social-economic development of Abkhazia. The breakaway region already serves as an important provider of natural resources (construction materials) and as a transportation hub (Russia gained control of the railway infrastructure for ten years) for Sochi. Furthermore, Moscow expects Abkhazia to provide cheap accommodation to 100,000 workers from the Olympic construction sites. Russia is also considering taking over the Sukhumi airport (Babushera) and operating flights to Moscow. The Kremlin actively promotes the idea of a Customs Union between Russia and Abkhazia, which Sukhumi has resisted so far. As Moscow solidified its military footprint in Abkhazia, it was quick to suggest significant reductions in the Abkhaz armed forces. Thus, Russia's overwhelming economic and military penetration in the years to come could alter demographics, eliminate the incipient political pluralism in Abkhazia and set the stage for importing Russian-style "sovereign democracy."

In contrast to Moscow, Sukhumi perceives the Sochi Olympics as a unique time that maintains Abkhazia in the spotlight and thereby opens a window for its "de-isolation" strategy. Turkey, home for a half million Abkhaz Diaspora, is seen as a channel through which Sukhumi hopes to break its isolation. In turn, Ankara, keen to diffuse Russia's growing clout in Abkhazia and boost its influence in the South Caucasus, sent signals that it is

ready to deepen economic ties with Sukhumi. Despite frustrations over the EU's decision not to recognize its sovereignty, Abkhazia regards Europe also as a potential source of investment and know-how transfer. There are fears in Abkhazia that after the 2014 Olympics, international interest in the region's fate will recede, leaving Sukhumi one-to-one with Moscow, which, while upholding *de jure* Abkhazia's independence will effectively hamper any efforts to assert de facto statehood absorbing it (as Moscow did many times in relations with its "client-entities") into the "Russian world".

### Terrorist Threat

Russian authorities intend to generate a spill-over effect that could project development efforts from Sochi further into the neighboring North Caucasus. However, chances for the opposite to happen are unfortunately high. Russian official statistics for 2009 show a significant rise in the number of attacks by Islamic fighters and their victims. Ahead of the Sochi Olympics, the Islamic rebels will be tempted to spread the violence beyond the North Caucasus. The May 2010 deadly terror attack in Stavropol (240 km from Sochi) is a warning bell for the Russian authorities. In 2013–2014 the world's attention will be attuned to Sochi, which makes it for the Islamic insurgents a perfect location for a shocking attack. If Russia intensifies its campaign to pacify the North Caucasus by military means and fails to address the roots of the violence, a new generation of radicals will be extremely motivated to hit back.

Sochi is the summer residence of the Russian head of state (Bocharov Ruchey) which means that there were tight security measures even before the city's successful Olympic bid. Over the last decade, Russian security services have gained valuable experience in counter-terrorist tactics. Hence, these factors, coupled with the complex security plan to be implemented by the Russian authorities, suggest that there will be enhanced safety for participants and visitors during the winter competition. However, global experience in fighting against terror has made clear that despite draconian security measures, terrorist attacks took place even in the most securitized zones. Given the trend of suicide attacks in the North Caucasus, terrorists might employ the same tactics in Sochi. Such acts are difficult to prevent and, unfortunately, the March explosions in the Moscow Metro are a grim reminder of what could happen in 2014.

Many construction sites in Sochi could serve as a perfect place to stock explosives in advance. Russian security services announced that in 2008 terror attempts involving explosive materials were prevented in Sochi

and Anapa. Islamic rebels could target the critical infrastructure, the destruction of which could lead to delay, suspension or cancellation of the event. As the Olympic Games will be organized in separate mountain (Krasnaya Polyana) and coastal (Sochi) clusters, railway links will be important for transporting athletes, officials, and tourists. A number of explosions on the gas pipelines and railways which connect Dagestan with Azerbaijan show the rebels' interest to inflict damages to the transportation infrastructure. If not prevented, terrorist attacks could incite violence throughout the entire Caucasus. Encouraged by its ability to carry out attacks in a highly securitized environment, the insurgents could try to extend the "front," for instance from Dagestan to northern Azerbaijan (in 2008 Azerbaijan's Special Forces clashed in the Gusar district with Dagestani militants). The Russian authorities might also try to camouflage their failure by accusing Georgia of providing shelter and support for Islamic fighters, fueling another spiral of tensions between Moscow and Tbilisi.

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## Conclusions

There is no doubt that the Sochi Olympics will have a multidimensional impact on developments in the Caucasus. The interpretation of regional trends and patterns coupled with a bit of imagination presented above revealed how the Sochi factor could influence politics, economics and security in different parts of the Caucasus. Although the prestige calculations of hosting the Olympics in Sochi will push Russia to seek stability in the region, some instruments and means employed to this end could generate contradictory effects. Other state or non-state actors' competitive agendas could breed tensions or, in a pessimistic scenario, create an explosive mix affecting parts of the region or the whole area, ultimately jeopardizing the 2014 Olympics themselves. Nevertheless, there are fair chances that the Sochi factor will play a positive role too by restraining states from openly aggressive actions and diluting to some extent the patterns of enmity in a region with an acute deficit of trust.

## Armenia–Turkey Relations: Options for 2025

By Alexander Iskandaryan, Yerevan

### Abstract

Armenia–Turkey relations are of extreme importance for the entire Caucasus region. How they look in 2025 will affect the entire region. An assessment is not very difficult as there are few options. Armenia–Turkey rapprochement began in 2008 and stalled by early 2010; however, following the political logic, normalization will happen sooner or later. The timing will depend on political developments in Armenia and Turkey but also on the regional context. Moreover, the situation in the South Caucasus will only have a limited instrumental effect on the rapprochement; it's the geopolitical context in the wider region, from the Balkans to the Larger Near East, which will define the place and role of Turkey by 2025.

### Most Probably, By 2025 the Borders Will Be Open

Where Turkey is concerned, the true question is "when" not "if." It is extremely unlikely that Turkey will give up its engagement with the West in the coming years. Even a dramatic development such as coup d'état or change of rule in Turkey will not make it abandon its Europeanization plans. Turkey's choice is about civilization, not current politics. Something like the Iranian revolution is not nearly feasible in Turkey. Irrespective

of whether or not the country will have joined the EU, Turkey will remain part of European geopolitics also in 2025. Turkey's relations with Armenia are part of Turkey's European agenda and of the EU and US agenda with regard to Turkey. With all the domestic problems this involves, 15 years is a long time for Turkey to withstand European and US pressure with regard to normalizing ties with Armenia.

Turkey's efforts to boost its role in Middle Eastern politics (manifest as an estrangement from and even a



confrontation with Israel) do not imply Turkey might give up its European integration ambitions. Ankara's rise to prominence in the Middle East is not intended to happen at the expense of its relations with the West but in many ways, for their sake. In this context, unsettled Armenia–Turkey relations will pose an impediment to Turkey's new activism in regional politics, and will keep negatively affecting its international image. The only way Turkey can deal with this impediment is by normalizing relations with Armenia and opening its borders, by 2025 or sooner.

From Armenia's perspective, there are no alternatives to normalization of ties with Turkey; all Armenian governments have acknowledged this fact and expressed readiness to unconditional normalization. Mistrust and hostility to Turkey do exist in Armenia and especially in the Diaspora, but they are insufficient to stop the ruling elites from going ahead with normalization.

Moreover, there is a domestic process ongoing in both countries, and it is moving rather fast. Despite widespread protests and apprehensions, the psychological borders between Armenia and Turkey are already down. Less than two years since the start of rapprochement, mutual relations have become part of domestic politics. Issues are being debated at various levels and new ties established in various spheres.

Fifteen years should be long enough for the borders to be unsealed. The question is when this happens: at the start of the 15 years, in the middle or towards the end. Exactly what Armenia–Turkey relations look like by 2025 will depend on when normalization will have happened. Therefore, three scenarios are possible.

### Scenario 1: Quick & Optimistic

Turkey–Armenia borders open between 2011 and 2015 and relations are fully normalized. The geopolitical context remains favorable, external actors continue supporting reconciliation, and domestic developments in Turkey and Armenia (such as the 2011 election to Turkey's Parliament) are also conducive to mutual rapprochement. Normalization is full-scale, and although political challenges remain, the two nations have the political will needed to deal with them. Societal rapprochement will also unfold, albeit cautiously, and historical reconciliation will gradually take shape. This scenario will lead to an overall change of the regional context, fostering integration between the societies and states of the South Caucasus and Turkey.

The role of external players will also change. After the opening of the Turkish–Armenian borders, Russia's influence in the region will decline, if slowly. Some regional

communication and transit projects will move to Armenia or involve it; Armenia will become another crossroads in the region. The new projects and the diminished need for Russia's military and strategic umbrella will enable Armenia to implement a more balanced foreign policy.

The opening of the railroad bridge over the Bosphorus and the opening of borders will make an Iran–Armenia railroad economically feasible as soon as the Armenia–Turkey stretch is already in place. As to an automobile road from Armenia to Iran—it is already under construction.

As the two neighboring nations interact and do business, the impact will be mutual. On the one hand, Turkish businesses will be active in the Armenian market and compete against Armenian companies. On the other hand, Armenian business will become involved in Eastern Turkey, which is poor and counts on ties with Armenia for its economic development. Many Armenian businesspeople are very keen to get engaged; several owners of Yerevan supermarket chains have already announced they would open shops in Eastern Turkey as soon as the opportunity arises. Of course, so far those are no more than plans, but some of them may work. Eight to 10 million people live in the regions of Turkey directly bordering on Armenia, promising Armenians access to a market three times larger than the domestic one.

### Scenario 2: Complex & Scattered

In this scenario, normalization is partial and inconsistent. The regional context creates obstacles to bilateral dialogue between Turkey and Armenia. Some external players lose their onetime interest in the rapprochement; others try to interfere with it. The societies of Armenia and Turkey suffer from growing mutual mistrust and hostility, resulting, on the one hand, from more profound Islamic and radical trends in Turkey, and, on the other, Armenians' growing feeling of isolation and vulnerability combined with the disappointment of Armenian society and Diaspora with the failed Football Diplomacy effort in 2008–2010.

In such a setting, Armenia will toughen its stand on Nagorno-Karabakh. Armenia's negativism and pessimism where the settlement of this conflict are concerned, and its rejection of the potential involvement of Turkey, will also be projected onto Turkey, causing Armenian society to perceive it as a hostile nation openly supporting Azerbaijan in its conflict with Armenia and Nagorno-Karabakh.

Both Armenia and Turkey will have to face the 2015 hundredth anniversary of the Genocide, which will also affect the results and options of rapprochement. As this

date approaches, by 2013–2014, nervousness and tensions will increase. Turkey will be concerned by the prospect of leading Western powers recognizing the Genocide; it may consider rapprochement with Armenia as a possible deterrent.

Aware that final settlement of the conflict over Nagorno-Karabakh is not realistic, Turkey will slacken its efforts to tie rapprochement with Armenia to this conflict; however, nationalistic trends in Turkish society will affect its policy with regard to Armenia. As a result, the mutual borders may be opened partially, or opened and then quickly closed again. Pragmatic motives will induce the two countries to sustain some degree of normalization, but mistrust and hostility will keep the bilateral relations very tense by 2025. New problems will arise alongside successes in normalization.

The opening of borders will cause some problems to escalate. Many Armenians will be eager to visit adjacent regions of Turkey which are part of Armenian history and the homeland of their ancestors. Visitors from Armenia will be appalled by the sad state of Armenian historical heritage in those regions whereas some local residents will resent the Armenian pilgrimages and the memories they evoke. A surge of intolerance and nationalism on both sides will be inevitable. With the border crossable, nationalist ideologies will no longer rely solely on historical memories but also on everyday problems that did not happen as long the two nations did not interact. The already existing and rather neurotic discourse about Turkish “crypto-Armenian” citizens will intensify in both countries. Descended from Armenians who survived the Genocide as a result of adopting or being forced to adopt Turkish identity and faith, the “crypto-Armenians” preserve some form of Armenian identity. They are seen as a threat to national identity by Turkish nationalists, and to ethnic and religious identity, by Armenian nationalists. Moreover, according to some data, up to a third of the population of the Turkish regions that border

on Armenia are Azeri, i.e. people having some aspects of Azerbaijani identity.

### Scenario 3: Long & Pessimistic

The border opens by 2025 as a result of slow, bit-by-bit normalization. Following the 2010 suspension of Football Diplomacy, bilateral relations relapse into the pre-2008 stagnation phase, both in terms of interstate relations and the perceptions of elites and expert communities. The two countries continue their quest for normalization, without, however, making any efforts to compromise, but rather trying to induce one another to make concessions.

The situation in Nagorno-Karabakh may become a deterrent to Armenia–Turkey rapprochement. Mounting militaristic rhetoric, renewed warfare in the conflict zone (regardless of its results) or any other force majeure developments in the South Caucasus may slow down Armenia–Turkey normalization.

However, given the regional trends towards integration with Europe, and Turkey’s ambitions to boost its role in regional and world politics, to which unsettled relations with Armenia will continue creating obstacles, normalization will still unfold, albeit slowly, unevenly and painstakingly. The international community will play a relatively low-profile but still positive role in rapprochement between Armenia and Turkey. Domestic perceptions of mutual relations will remain overall negative.

### Conclusion

At which stage this process will be in 2025—the very beginning of mutual ties, the most acute stage of trying to come to grips with each other, or already the stage of mutual adaptation—will depend on exactly when the border opens. Any risks to this process are external; they do not stem from Armenia–Turkey relations but from Armenia–Azerbaijan relations. A profound crisis in the conflict over Nagorno-Karabakh can have repercussions for the Armenia–Turkey relationship.

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## Georgia Post-2013: The Road to the Presidential Elections and Beyond

By Ulrike Graafls, Ivlian Haindrava, and Tornike Sharashenidze, Berlin and Tbilisi

### Abstract

It is hard to believe that by 2013, President Mikheil Saakashvili, then aged 46, will withdraw from politics when his second term in office ends. This young president has shown himself too ambitious to simply put down the pen and vacate the presidential palace for an early retirement. In order to understand what lies on the road ahead for Georgia before and after the 2013 presidential elections, it is essential to look at the current political trends and developments in a country that still sees its western course challenged by its powerful Russian neighbor in a geopolitically contested region.

### The Political Future of Mikheil Saakashvili

While it can be excluded that President Saakashvili will run for a third presidential term in 2013, it cannot be ruled out that he will follow some variant of a Putin–Medvedev model in order to maintain a powerful political position after 2013. To this end, he may transform the Georgian political system from a presidential to a semi-presidential or (in a far less likely scenario) to a parliamentary system, creating a new post for himself via amendments to the constitution before his term in office ends. But Georgia is not Russia, and even if the president pushes for a candidate loyal to him to rise to power in 2013, or even if he manages to create a meaningful post for himself, it remains unclear whether this strategy would bear fruit in the long-run or would simply prepare the way for proper transition of power.

Nevertheless, the legal basis for such changes may be put into place sooner rather than later, possibly even before the parliamentary elections in 2012, as a commission to review the Constitution is already in place. Although this process, which has been endorsed by the Venice Commission, seems to be a participatory one at first glance, Saakashvili holds the necessary power to modify a new draft Constitution to his advantage at any point convenient for him.

Whereas it is no secret that the reform efforts of President Saakashvili have somehow lost momentum in recent years and that some domestic as well as international observers have been quite critical of his policies, his hold on power remains almost unchallenged, due to the fact that he has devised a system of tight control which rests on four pillars, namely control over the distribution of wealth, excessive role of the state security forces, politicization of other state institutions, and management of information.<sup>1</sup>

<sup>1</sup> The authors conscientiously do not use the phrase information control, paying tribute to the fact that TV channels and newspapers echoing the views of the opposition exist in Georgia.

### The Government's Grip on Wealth and Media

In Georgia, the accumulation and distribution of wealth is still largely dependent on the consent of the government. The “state fund bubble”, which has been inflated by recent foreign development assistance, is often selectively distributed via an elite-dominated network of corruption combining state actors with Georgian economic players. Protest regarding the government's approach is rather ineffective, as the Ministry of the Interior, headed by Vano Merabishvili, and the Ministry of Justice, headed by Zurab Adeishvili, stand firmly behind government policies, preventing any changes to current practices. Thus, the state appears as an oppressive force which sees its policies through despite criticism voiced by civil society actors questioning the official government views.

An important means the government uses to suppress its public critics is its influence over the media. Transparency International provided a very telling summary of the situation in November 2009, noting that “Today, Georgia's media is less free and pluralistic than it was before the Rose Revolution in 2003 and the ousting of President Eduard Shevardnadze.” Another case in point is the March 2010 broadcast by *Imedi TV* of a mock-documentary about a new Russian invasion, which was meant to draw attention to a persistent Russian threat. The way it was presented, however, caused a severe outcry among the Georgian population and drew a worrisome picture of the extent the state is willing to permit information directed at the public to be manipulated in order to serve its purpose. Since then, the opening of Channel 2 with a declared aim to accord equal airtime to all parties may signal attempts to steer a different course.

Nevertheless, voluntary censorship on the one hand, and disproportionate representation of opposition channels and misinformation (spread not only by the government-controlled channels, but also by channels close to the opposition), on the other hand, are still contribut-

ing to the lack of thoughtful commentary about politics and policies in the public sphere. At the same time, constructive criticism and disagreement with the administration's policies from within its own structures remain absent. This phenomenon results from a concentration of power in the hands of the president who demands absolute loyalty from the people serving in government institutions and the presidential bureaucracy.

### Room for Political Change

Nevertheless, despite the fact that the government has constructed a system that does not leave much room for new challengers to rise or political changes, the possibility of change before or during 2013 still exists. It is especially likely if the current ruling circle—including the president and his closest confidants (all of whom have not yet demonstrated any presidential ambitions) Interior Minister Vano Merabishvili, Deputy Foreign Minister Giga Bokeria, and Minister of Justice Zurab Adishvili—fails to agree on a future model for Georgia.<sup>2</sup> Any erosion of the current unity among the ruling elite may lead to unexpected changes, possibly including public unrest. It must be kept in mind, however, that even in the case of unanticipated changes, most potential future political leaders visible in the Georgian political landscape today represent a certain continuity, as they can be regarded as products of either this or the previous administration. Nonetheless, the domestic political landscape in Georgia is currently undergoing some transformations.

Most notably, the recent municipal elections—administered in a better way than previous ones although still far from flawless<sup>3</sup>—are remarkable in two ways: First, the results passed unchallenged and without people taking to the streets. Second, the mayor of Tbilisi, Gigi Ugulava, has been directly elected for the first time. The vote lent credence to his ability to govern and made him more confident, which may enable him to challenge the current establishment and its course from within. Given his presidential ambitions, Ugulava represents another strong, charismatic leader in the ruling party, whom Saakashvili may need to accom-

2 The current mayor of Tbilisi, Giorgi Ugulava, used to belong to President Saakashvili's inner ruling circle, but due to some unspecified developments, it is speculated that he is no longer part of it. The reason may be presidential ambitions or disagreement with the future political model to be imposed on Georgia.

3 For a full assessment of the May 30, 2010 Elections see: International Election Observation Mission: Statement of Preliminary Findings and Conclusions, [www.osce.org/documents/odihr/2010/05/44179\\_en.pdf](http://www.osce.org/documents/odihr/2010/05/44179_en.pdf).

modate in the run-up to 2013 so as not to risk internal party divisions.

Meanwhile, opposition leaders such as Irakli Alasania, Davit Usupashvili or Salome Zourabishvili essentially propose to continue the reform efforts and western orientation Saakashvili has attempted during his presidency, promising improvements and corrections of the administration's domestic and foreign policy mistakes. At the same time a new political force has begun to take shape in recent months. Promising a different course based on closer relations with Russia, it may come to represent a challenge to the existing political direction of the country, if it manages to consolidate the current nascent trends and to be embraced by a sufficient number of the Georgian electorate.

### The Russia Factor in Domestic Politics

Amidst a rising sense of dependency on Russia after the August War and a perception that the West is taking an increasingly hesitant attitude toward Georgia, former Speaker of the Parliament Nino Burjanadze and former Prime Minister Zurab Nogaideli have emerged as examples of political figures catering to the possibility of restoring ties to Russia. Burjanadze is eager for to return to political power while Nogaideli is a technocrat, who some claim may be able to run the country. The two highlight the benefits of a closer alliance with Russia for a discontented part of the population negatively affected by the deteriorated situation regarding South Ossetia and Abkhazia,<sup>4</sup> the unilateral Russian embargo on Georgian goods, the post-war economic decline and the effects of the global financial and economic crisis.

In addition, the closure of the Russo-Georgian border has put great strain on the large Georgian Diaspora living and working in Russia in terms of supporting and communicating with relatives and friends on their native soil. These circumstances underline the vulnerability of Georgia vis-à-vis its powerful northern neighbor and in the absence of a closer and improved relationship with western allies<sup>5</sup> that provides a solid sense of secu-

4 The authors acknowledge that the Abkhaz and South Ossetian issues need to be dealt with more constructively in order to achieve sustained progress in Georgia. The problem is far reaching and cannot be addressed within the limits of this analysis. Strong political will and a change in discourse would be needed to start tackling the issues at hand. Among other things, the respective societies would have to be prepared for and engaged in a long-term process aiming at normalization without quick payoffs or misguided hopes for a resolution or reintegration of the territories in the short-term.

5 Two developments are noteworthy in this regard: 1) Saakashvili was denied any official visit with Western leaders for almost



rity, underscore the importance of normalization with Russia to an increasing number of Georgians—even if it comes at a cost. Russia has supported this new political force and even facilitated its rise through a series of meetings with high-ranking Russian officials in Moscow. Despite the fact that Russia restrained itself from conquering Georgia in 2008, it has not given up its hopes for home-grown regime change, which it actively supports in order to help a more convenient administration rise to power in Georgia.

While weakening the opposition, Burjanadze and Nougaideli's moves seem to have been welcomed by Saakashvili, who uses their pronouncements to polarize the domestic debate and sell himself once again as a pro-western hero against pro-Russian villains—a theme not entirely new to Georgian politics—meanwhile distracting from domestic problems and polishing his own image as the defender of western values in the eyes of Europe and the US. The president's effort represents an indistinct picture of his rule aimed at distorting the actual situation and also underlines his strategy to discredit all opposition figures based on their real pro-Russian aspirations or a construct thereof. Despite this political game, it cannot be ignored that the pressure Georgia is facing from Russia remains real. A pro-Russian course led by a new Georgian administration after 2013, although currently no more than a theoretical construct, would severely limit the country's sovereign foreign and domestic policy conduct and push against western influence in the entire region.

### The Geopolitical Environment: Turkey and Russia

Nevertheless, what will happen until 2013, thus paving the road for post-2013 Georgia, does not entirely depend on internal developments, but may also be heavily influenced by external factors. In a nutshell, if Georgia remains a focal point of western interest and if the West manages to provide a credible sense of security to Georgia and to find a way to motivate and hold the administration accountable for a process of democratic reforms, it may be possible to refocus the current domestic development path on sustainable modernization efforts. However, if the West decreases its involvement and loses interest in the country, the possibility for a political turn towards Russia and subsequent Russian influence permeating social and political structures

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two years after the war and 2) Turkish, Kazakh, and Arab/Eastern foreign direct investments increase as western ones decline. This is also mirrored as increasing official rhetorical adherence towards these states.

in Georgia may no longer be excluded. These developments would pose a threat, not only to Georgia, but also to the West.

While Russia's desire to dominate the region does present a necessary condition to threaten western influence, it alone will not be sufficient to achieve this aim without an important ally by its side, namely Turkey. If the West continues to alienate Turkey, the country may well strengthen its eastern foreign policy vector by enhancing its influence in the Caucasus and Central Asian region, whereby also seeking closer ties with Russia. This *Realpolitik*-approach, combined with established economic and military interdependencies in the region, would be sufficient for Russia to strangle Georgia whenever it desired and thereby divide the region into a Turkish and Russian sphere of influence, while the unconsolidated western powers would be pushed into the position of mere bystanders.

Although these remain distant threats for the time being, civil society actors in Georgia are taking note of the fact that a creeping change is taking place in the domestic political arena. Unease about the government's increasingly sophisticated methods to lever out democratic processes and the greater likelihood of renewed Russian influence in Georgia and its negative consequences for the country's development path is spreading. This is perceived not only as a short-term danger to the country, but one that could have detrimental long-term effects, as it would put one of the greatest hopes for Georgia's future in jeopardy, namely true change administered by those who not only pay lip service to, but embrace western and European values and are willing to put them into practice.

### Georgia Divided

The struggle permeating Georgian society today is one between future-oriented segments and those who have settled for a way of doing business as usual and who are geared to the past. The growing fragmentation within Georgia needs to be addressed in order for the "Europeanization project" not to fail. Consensus building and increasing compatibility between liberal and traditional values through domestic political and social processes would be a valuable first step. Realizing the potential for domestic consensus that a reform of the political system and a new constitution may yield, understanding and mobilizing overlapping interests of different parties, as well as reinvigorating the stalled reform process and strengthening—instead of weakening—the pro-western force that civil society represents, would be logical steps to follow. For now, however, these remain pipe dreams.



But the years 2012–2013 are important precisely due to the fact that—at least in theory—there exists the possibility of a new pro-European reformist coalition (including some of the best among those now in power) coming to power. Nevertheless, if the present administration fails to take the necessary steps to modify the current course, it may divide society even further amidst a polarized political environment and create the conditions that will make radical changes to the system seem necessary. Russia would be the likely benefactor of a fragmented Georgian society confronted with continuous political strife. It could easily foster and take advantage of this domestic divide in order to strengthen its own position, not only in Georgia, but possibly in the entire region.

### Three Scenarios

The *First Scenario* that follows from the text envisions a Georgia that sees its internal and external developments strengthened by sustained western support, including a partnership where problems can be openly addressed, while consensual solutions and accountability are properly monitored. Pro-western forces and civil society are tactically embraced, improving Georgia's image abroad. A culture of constructive criticism conditions a new openness that lends room to freedom of expression. The process of reviewing the constitution gains participatory character and helps to assess Georgia's recent political past and build consensus for a more inclusive future. A reassured public can fend off destructive attempts by outside powers to interfere with Georgian internal affairs and the attempts to support opposition forces within the country only further a pluralist political environment. As the political landscape transforms following the positive trend demonstrated by the recent municipal elections and after procedures are improved and substance follows suit, the likelihood of moving towards free and fair elections in 2013 increases, preparing the way for a new pro-western coalition with a moderate attitude towards Russia to take over and govern the country. The positive and democratic developments in Georgia give new impetus to conflict transformation efforts, which gradually develop in a more constructive direction.

The *Second Scenario* suggests that western support for Georgia continues in the established frameworks, but is not perceived as a serious commitment or as sufficiently strong to ensure the adherence to the Europeanization project by the government. While the administration mostly focuses on and rhetorically defends its achieve-

ments, a laissez faire attitude among the western allies relieves the government of pressure for a more critical assessment and much needed accountability. Uncontested set-backs in democratic developments peak in the institutionalization of light authoritarianism. President Saakashvili manages to find an effective method to promote a successor that grants him sustained influence extending beyond 2013. Relations with Russia remain hard to improve thereafter and are marked by occasional Russian attempts to meddle in Georgia's internal affairs by various means. Unable to resist the temptations of polarized and personalized politics, political processes with the semblance of democracy are nevertheless proposed occasionally. Filling them with substance can only be achieved in the long-term and in accordance with political will, which in turn depends on external and internal pressures. As a growing part of the public returns to doing business as usual; the future-oriented segments devoted to European values are experiencing the pressure of marginalization. Due to strong convictions, they nevertheless continue their work under difficult conditions, pushing for change. Progress and meaningful changes are slowed down. Meanwhile, internal cohesion remains, due to a strong sense of tradition, culture, and nationalism, supported by the religious establishment. Georgia is unable to develop its immense potential, which also impacts any efforts to transform the territorial conflicts in a productive fashion.

The *Third Scenario* that can be inferred from the discussion above is that the West turns its back on Georgia due to unsatisfactory progress which is perceived as a mockery to its western allies. Russian support within the country gains momentum, particularly as Russia exploits internal weaknesses until a friendly regime comes to power in Georgia. External manipulation in the form of mobilizing discontented segments of society and toying with ethnic grievances creates a constant threat of disintegration, in an atmosphere of divide and rule. Polarized politics and a regime of tight state control are the only means to induce a certain level of stability, while the potential for internal strife as well as renewed conflicts increases. Over time, Georgia grows increasingly dependent on Russia and Turkey, which tighten their control over the region, marginalizing western influence. Georgia's change of course has detrimental effects for regional developments, especially as civil society actors throughout the region have long looked to it as an inspiration for democratic and free development.

*(please see overleaf for information about the authors)*

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## European Partnership and the South Caucasus: Framework Condition for a Grand Bargain in 2025?

By Martin Kremer, Berlin

### **Abstract**

The future of the South Caucasus will depend to a large extent on overcoming geopolitical rivalry in the region and establishing working relations among the key external actors with influence in the region. A peaceful transformation of the region requires the successful management of the common neighborhoods between Russia and the EU. In fact, in the future, the EU, much more than the US, will emerge as the main player in region, as its interests are driven not only by immediate strategic, but also by far sighted economic and social considerations. In order to create the conditions which facilitate first and foremost the stability of this troubled region, the EU will need to work towards drawing Russia and the US into a larger European security framework which will necessitate close cooperation with other external players and international organizations.

### **Main Players in the Region**

Good framework conditions between Russia and the West remain essential to addressing many of the more difficult challenges to regional and international peace and security. The tentative debate on a new security order for a wider Europe, which began in the wake of Russian President Dmitry Medvedev's reaffirmed policy of modernization and the "resetting" of US–Russia relations, highlights the value of a comprehensive partnership between the West and Russia. Both sides share far more than just common history and geography. At the same time since the beginning of the 21st century, mutual estrangement, misunderstandings, and divergent perceptions and narratives have created a framework within which crises have divided Russia from the West and have divided the West over the question of how to deal with Russia.

The South Caucasus remains a focal point in that respect as the region is situated at the interface of the EU's Eastern Partnership and Black Sea Synergy Initiative, and is in the remit of the greater Middle East and new energy supply projects from Central Eurasia to Europe. The Georgia crisis—as well as the unresolved conflict in Nagorno Karabakh and the explosive situation in the Northern Caucasus—have demonstrated amply the large potential for conflict in the South Cau-

casus region. The fundamental question to both Russia and the West is whether the two sides will find ways to create conditions which are conducive to successfully manage conflict. In the years to come, the bulk of responsibility for managing substantive relations with Russia as well as the neighboring countries of the post-Soviet space, will clearly lie with the European Union and its member states, as their interests in this region are driven not only by strategic consideration (as is the case with the US), but also by cooperative economic ones.

The EU and its member states, but also Turkey as an emerging regional power, will need to find a re-politicized strategic approach to developments in the European neighborhood—not only by supporting bilaterally a challenging political, social and economic reform process within the South Caucasus countries, but also by engaging with new economic and mobility incentives with the region and regional powers as a whole. The big test for the EU's Eastern Partnership and strategic relations will be to unlock the region's potential for intra-regional cooperation by a comprehensive and transformative Eastern Policy which uses a sectorial approach to bring Russia closer to the EU.

The challenge will, however, by far exceed the necessity of cooperation in economics, societal transformation,

trade and energy. The EU's Common Foreign and Security Policy (CFSP), the Organization for Security and Cooperation in Europe (OSCE) and the North Atlantic Treaty Organization (NATO) will have to contribute decisively in the near term, drawing on the already existing EU Monitoring Mission in Georgia. To put it in different terms: soft security cannot replace hard security; this is all the more true in the face of the looming ethno-territorial conflicts which feature so prominently in the South Caucasus.

### Three Scenarios

In an *optimistic—ideal world—scenario* (which could be dubbed “shared responsibilities”) the EU, Russia, NATO and OSCE all live up to their high potential. The EU is making best use of its new external action opportunities under the Lisbon Treaty. Under this win-win scenario, sectoral cooperation will deliver the greatest impact of European Eastern policy, with neighboring states step-by-step becoming elements of European integration. According to the well proven formula that security in wider Europe is not possible against but only with Russia, NATO and OSCE rise to their challenges and put into place the European security architecture which was envisaged in the Charter of Paris in 1990.

In a *pragmatic—probably more realistic—scenario* (which could be called “enhanced mosaic cooperation”) concrete projects replace suspicion with an atmosphere of cooperation—having also an immediate positive impact on the South Caucasus region. Short of providing revolutionary change, the EU, Russia and the participants in the Eastern Partnership (including the three South Caucasus countries) make the best use of their partnership for modernization. NATO and OSCE manage “to get Russia right” and to negotiate a reinvigorated European security order—altogether resulting in the respect of existing geopolitical constraints but also allowing for as much Europeanization as possible.

In a *negative—unfortunately not entirely to be excluded—scenario* (tantamount to “turbulent or even imploding neighborhoods”) tensions in the shared neighborhood rise, with a “geopolitical race to the bottom” looming. Likewise a scenario of “negative neglect” for the region could even materialize. The EU's relations with Russia neither pass a test of cooperation on global issues nor on neighborhood, energy, rule of law and democracy concerns. In spite of all efforts, the Eastern Partnership does not develop any transformative power or any lasting avenues for interregional cooperation. The window of opportunity for achieving a sustainable European security architecture is irrevocably closing.

### Toward a New Security Framework

The likelihood of achieving favorable framework conditions, reinforcing the EU's numerous post-conflict activities in the South Caucasus region, will decisively depend on how the issue of a genuine European security order will be addressed. Only if the EU and the West manage to get Russia right will a sustainable European security architecture emerge. Dangers posed by an “expanded West” and a “shrunk East” in which each side too often continues to view the other as a rival have been exposed starkly by the August 2008 conflict in Georgia. Nor is Georgia the only flashpoint along the unstable frontier between Russia and Europe. Frozen conflicts similar to the ones in Georgia exist in a number of other European states including Armenia, Azerbaijan, Cyprus, Moldova, and potentially in Bosnia-Herzegovina and Ukraine. The possibility of escalation, along with the absence of a mechanism for regulating these conflicts, raises the specter of further instability in the future, a prospect all the more perilous should external powers compete for influence.

No satisfactory institutional mechanism currently exists which would allow aligning Russian and Western interests in case the two sides disagree. A reinvigorated security framework dedicated to achieving practical solutions to major problems in relations between Russia and the West could help both sides to overcome a resurgent East–West polarization. In the long run, it could also help reaffirm Russia's European orientation and potentially lay the foundation for deeper integration if Russia's politics and civil society begin evolving with the arrival in power of a younger generation. Likewise it could help to manage Russia's dwindling economic and political influence in the post-Soviet space.

The problem remains to find a mechanism that allows Russia to play a constructive role; that reinforces the security of vulnerable states along Europe's periphery, which continue to view Moscow as their greatest threat; and that allows Europe, Russia, and the United States to work jointly against common threats, all without paralyzing existing institutions. Instead of focusing on Russia's assimilation into Western dominated institutions, Europe and the United States should be pursuing a more restricted kind of security engagement with Russia, based on a set of shared interests. The basic logic underlying the Russian proposal for a new security structure is therefore sound, even if specific suggestions put forward by Medvedev have been disappointing.

A new security framework that takes the principles of nonintervention and sovereign equality seriously while focusing on common threats like interstate conflict, ter-

rorism, and drug trafficking would give Russia an incentive to contribute positively to Europe's security while separating these issues from more contentious questions related to Russia's domestic governance. By building institutional linkages, it would promote mutual trust, build the habit of cooperation among skeptical bureaucracies and security services, and at least keep the door open to more substantive security integration in the future. There are promising opportunities where a more collaborative approach would be in the interest of both Russia and the Europeans. Next to military security/arms control issues, the two sides share a common interest in the stability of the post-Soviet states not formally aligned to either Russia or the EU and NATO.

### Avenues to Reduce Geopolitics in the Region

On the issue of military balance it will be critical to prevent any further erosion in the system of agreements that has already worked towards establishing a predictable and stable relationship between Russia and Western powers. That means moving quickly to shore up the existing arms control regime, including obtaining ratification of the successor agreement to the Strategic Arms Reduction Treaty and reviving the process of applying the adapted Conventional Forces in Europe (CFE) Treaty.

The continued impasse over the adapted CFE agreement in particular is a major obstacle. In essence, the West will not ratify the adapted agreement, which Russia badly wants (because it would relax limitations on the deployment of Russian forces inside Russian territory and would ensure that ceilings on NATO deployments cover new members of the alliances) until Russia follows through on the "Istanbul commitments," under which Russia is supposed to withdraw all forces from Georgian and Moldovan territory—including the disputed region of Abkhazia. Despite the intractability of this issue, Moscow and Washington have been exploring ways of bringing the treaty into force, and the prospect of a broader discussion of European security can serve as an inducement for making progress.

The most prominent reason for Western skepticism of the proposal for a new Euro-Atlantic security treaty is fear that any new agreement will be used to hamstring NATO's ability to carry out its collective security responsibilities, or to admit new members. Indeed, the very act of negotiating is possibly highlighting differ-

ences among Europeans—unless the US and its European allies are providing sufficient leadership to make it impossible for Russia to apply a "divide and rule" policy. Using the OSCE as a cornerstone for a new security architecture, as currently in the so-called "Corfu process", is certainly challenging, in large part because of the dispute over the organization's human dimension. Strengthening the OSCE's security role (the "political-military dimension") in parallel with its commitment to the human dimension, however, could address this concern. Why not for example re-animate the classic contact group format—the foreign ministers of the US, Russia, UK, France, Germany, Italy, and Poland, plus the EU and NATO (as recently floated by the chairman of the Munich Security Conference Ischinger)? If the shortcomings of the peripheral North Atlantic Council are addressed, NATO could also be used as one of the building blocks for a new security arrangement. Why not also consider the proposal of a joint development of a missile defense system (as proposed by NATO Secretary Rasmussen) and organize in addition a more effective security dialogue between Russia and the EU (as suggested by German Chancellor Merkel and Russian President Medvedev)?

Any agreement to give Russia a larger role in European security arrangements will of course be politically challenging, given the background of the Georgian-Russian war, the repeated quarrels over energy between Russia and its neighbors, and the continued presence of Russian troops in both Georgia and Moldova's breakaway Transnistria region. Russia will have to give the European and Americans further evidence of good will on some of these issues before any concrete progress can be made on a new security framework. Recent Russian foreign policy achievements with regard to Ukraine, Norway and Poland may finally allow President Medvedev to come forward with such evidence.

Having said that, both sides have much to gain from possible arrangements, all the more so if progress would occur against the backdrop of an intensifying EU Eastern policy—thus helping to make an optimistic or at least pragmatic framework scenario gradually become reality. The result could then very well be a process—even in the challenging conditions of the South Caucasus region—that by itself already creates an incentive for some alleviation and—lastly—step-by-step resolution of conflicts in the South Caucasus.

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## About the Caucasus Analytical Digest

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