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Editors: Jarosław Cwiek-Karpowicz • Aleksandra Gawlikowska-Fyk • Dariusz Kałan
Piotr Kościński • Sebastian Płociennik • Patrycja Sasnal • Marcin Terlikowski
Katarzyna Staniewska (Managing Editor)

Russia in the South Caucasus: Conflict Management and Business with Oligarchs

Konrad Zasztowt

Russia's policy towards Georgia, Armenia and Azerbaijan combines poorly veiled threats of destabilisation (if any state dares to ignore Russian interests) with occasional offers of economic and military cooperation. Russia's ability to influence security in the region is significant due to its instability. The result of Russia's actions may be, among others, new incidents in regions controlled by separatists or threatened by separatism. The EU and NATO should develop their initiatives in the South Caucasus and in Georgia present a vision for further deepening of the country's integration with the respective organisations.

Georgia's Calm Response to Russian Provocations. The Russian authorities continue with actions aimed at destabilising the situation in Georgia to halt further integration of the country with the West after the signing of the association agreement with the EU. Among them is so-called borderisation—the construction of barbed-wire fences between the territory controlled by Tbilisi and the separatists—continues. Moreover, Russia has signed “agreements on deepening of integration” with Georgia's separatist regions (with Abkhazia in November last year and with South Ossetia in March). In July this year, Russian border guards installed barbed wire and “border signs” in the area where the Baku-Supsa oil pipeline passes, and less than half a kilometre away from the main route linking the western and eastern parts of Georgia. The government in Tbilisi reacted calmly, highlighting the possibility of moving the pipeline deeper into territory controlled by Georgia and criticising Russia for continuation of the creeping annexation.

The risk of armed incidents on the border between the breakaway republics is not high due to the control of the boundary line on the one side by the Russian army and on the other by the Georgians and the presence of observers from the EU Monitoring Mission (EUMM). Russia will, however, continue provocations against Georgia in order to emphasise its lack of acceptance for Tbilisi's European and Euro-Atlantic choice. Its continuous pressure on the Georgian government is aimed at persuading it to give up these goals or to change power in Tbilisi. Because of the Kremlin's involvement in the conflict in Ukraine, open intervention on the scale of the war in 2008 is unlikely. The activities related to borderisation, however, have not significantly affected Tbilisi. Thus, in the long term, more daring attempts to destabilise Georgia cannot be ruled out. Russia may support separatism in such regions as Javakheti, inhabited by Armenians, or the Chechen-populated Pankisi Valley.

Despite its provocative policies related to Abkhazia and South Ossetia, Moscow has declared its willingness to develop relations with the current government in Tbilisi. Lifting the embargo on imports of Georgian wine to Russia in 2013, though, has so far been the Kremlin's only concession. It was probably a “reward” for the more conciliatory rhetoric from the current ruling Georgian Dream coalition in comparison with the period of Mikheil Saakashvili's presidency (2004–2013). It was expressed in part as a critique of the former president's policies, which the new government, like the Russians, considers responsible for the outbreak of the conflict in 2008.

The Kremlin is also looking for alternative political partners in Georgia to Georgian Dream. Moscow has built its lobby arm, including the Eurasia Institute and other NGOs promoting integration with the Russia-led Eurasian Economic Union (EEU). Open criticism of integration with the EU and NATO, until recently taboo in Georgia, has appeared more and more frequently in speeches by politicians and others, including the Democratic Movement's (DM) Nino Burjanadze. DM bases its electoral programme on Georgians' disappointment with the few visible results of

rapprochement to the EU and NATO and a vision of prosperity that could be achieved through cooperation with Russia. During a visit to Moscow in July, Burjanadze stated that Crimea will never return to Ukraine and that its annexation was the democratic choice of its residents.

Anti-Government Protests in Armenia with Russia in the Background. Socially active representatives of the younger generation in the South Caucasus are aware that Russia is a model of a corrupt system and an ally of other similar governments in the post-Soviet area. An example of the opposition to following such a model were the street protests that erupted in Armenia in June after the announcement of an increase in the electricity price (i.e., the movement “Electric Yerevan”). The political vigour of the protesters was proven by subsequent concessions from the government, which eventually promised subsidies for electricity. Its supplier is a company belonging to the Russian concern Inter RAO UES. Some demonstrators did not accept the government’s compromise, which in their view was an attempt to shift the burden of the price increase from ratepayers to taxpayers. They see the crux of the problem as unfair, exorbitant prices imposed by the Russian monopoly.

Moscow, as with the Armenian government, was afraid of the potential of the protest. Electric Yerevan was quickly dubbed by Kremlin politicians as a “colour revolution” staged by the U.S. Shortly after the outbreak of the protests, Russia proposed to sign an agreement on granting Armenia a loan of €180 million for the purchase of Russian weapons at preferential prices. It seems this was the Kremlin’s response to Electric Yerevan and aimed at convincing Armenian society of Russia’s solidarity with its ally Armenia. It is uncertain whether such gestures will restore confidence in Russia. Some civil society representatives have criticised this agreement as part of an arms race between Armenia and Azerbaijan, which are entangled in a dispute over Nagorno-Karabakh.

High prices for Russian gas and electricity are not the only problem. The Armenians’ disappointment with deepening economic ties with Russia is linked to the entry of their country into the EEU. As a result, Armenia is experiencing a growing economic crisis due to the situation of the Russian economy after the decline in oil prices and sanctions after the annexation of Crimea.

Nagorno-Karabakh as an Instrument of Russian Pressure. Armenia joined Russia’s EEU project two years ago at a time when the Kremlin threatened to quit its informal support for Armenia in the Karabakh conflict. Officially, Russia did not support any of the parties in the dispute. It is only a member of the OSCE Minsk Group working on settlement of the issue. However, Moscow is developing its relations with the government in Baku. Azerbaijan buys Russian arms (including S-300 missile systems, Mi-35M assault helicopters, T-90 tanks and Smersh rocket artillery systems). The value of the purchased equipment in 2010–2014 amounted to almost €4 billion. The authorities in Baku openly speak about plans for the armed recovery of Karabakh.

In Yerevan, these threats push both the government and the opposition to submit to the dictates of Moscow, which is perceived as the sole guarantor of Armenia’s security. Azerbaijan counts on the support of the Kremlin for its position on the Karabakh issue. The number of armed incidents and casualties on the line of contact on both sides of the conflict is growing. One cannot exclude that in the event of an attempt to regain control of Karabakh by Baku, the intervention of Russian troops as “peacekeepers” would follow.

The Need for an EU and NATO Presence in the Region. The EU and NATO, in order to mitigate further crises in the region, should increase their involvement there, particularly with support for Georgia in the consolidation of the rule of law and pursuit of democratic standards. Thanks to successive governments’ cooperation with the EU and NATO, Georgia may be considered a model for other countries in the region in the sphere of democracy, the free market, and reform of the judiciary and security sector.

The EU should extend its Eastern Partnership offer to Georgia but with new elements to enable the country’s further rapprochement with the EU. These should include further-reaching economic integration (after the implementation of the current agreement on a free-trade zone), deepening the freedom to travel (Georgia is waiting for a visa-free regime with the EU, while Moldova obtained it last year), and at later stages the facilitation of Georgians’ access to labour markets in EU Member States.

On the Armenia and Azerbaijan matter, the EU should put greater emphasis on cooperation with civil society. It’s important to implement the existing “road maps” of EU support for local NGOs and monitor their effects. Social movements such as Electric Yerevan show that a new, socially active generation in the region strives for change in their countries in the spirit of European values: rule of law, transparency in government activities, and the right of citizens to oppose bad government practices.

On information policy, the EU Delegations and NATO liaison offices should support local NGOs and in Georgia closely cooperate with the government. The EU and NATO face a challenge of how to explain the purpose of their policies to the relevant societies. It’s not about “creating geopolitical spheres of influence,” as positioned by Kremlin propaganda, but support for reforms in the three Caucasian republics that will lead to the stabilisation of the internal situation in the long term to maintain peace in the region.

The EU and NATO are unable to resolve these regional conflicts. Their presence, however, reduces the risk of escalation. The activities of the EU Monitoring Mission in Georgia are a good example. Although it is not able to stop incidents such as borderisation, it prevents more dangerous phenomena, such as the resumption of fighting over the two regions of conflict in Georgia. NATO should continue to increase its involvement in the modernisation of the Georgian army, especially in supporting Georgia’s ability to fight hybrid threats such as the incitement of separatism.