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Proceedings of the 13th Partnership for Peace International Research Seminar, held in Helsinki on 12-15 May 2004, and organized by the NATO Defense College Academic Research Branch, in co-operation with the National Defense College (Helsinki) with the support of the Finnish Ministry of the Interior.



THE SOUTH CAUCASUS: PROMOTING VALUES THROUGH COOPERATION

————— **NATO DEFENSE COLLEGE** —————
ROME, JULY 2004

**NATO DEFENSE COLLEGE
COLLEGE DE DEFENSE DE L'OTAN**

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**THE SOUTH CAUCASUS:
PROMOTING VALUES
THROUGH COOPERATION**

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**Edited by Jean Dufourcq and Lionel Ponsard
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EDITORS' REMARKS

This volume is a synthesis of the 13th Partnership for Peace International Research Seminar held in Helsinki on 12-15 May 2004, and organized by the Academic Research Branch of the NATO Defense College, under the auspices of the Dean, Mr. John Berry, with the assistance of the National Defense College and the Ministry of the Interior of Finland.

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The Editors
Rome, July 2004

NOTE DES EDITEURS

Le présent volume constitue les Actes du 13^{ème} séminaire international de recherche du Partenariat pour la Paix, tenu à Helsinki du 12 au 15 mai 2004 et organisé par la branche recherche du Collège de Défense de l'OTAN, sous les auspices du Doyen, M. John Berry, et en coopération avec le Collège National de Défense et le ministère de l'intérieur finlandais.

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Enfin, nous saluons le travail de Madame Laurence Ammour, assistante de publications à la branche recherche, sans qui ce volume n'aurait pas pu voir le jour, ainsi que l'appui technique de Monsieur Sokratis Skolidis, technicien à la branche reproduction.

Les opinions exprimées ici sont celles de leurs auteurs et ne reflètent ni celles du Collège de Défense de l'OTAN ni celles de l'Organisation du Traité de l'Atlantique Nord.

Les éditeurs
Rome, juillet 2004

INTRODUCTION

Jean DUFOURCQ¹

C'est en partenariat avec le Ministère de la défense et le collège national de défense finlandais que le 13^{ème} séminaire international de recherche du PPP s'est tenu à Helsinki à la mi-mai. Il a rassemblé un certain nombre de spécialistes du Sud-Caucase, qu'ils viennent d'Europe, des universités américaines, du terrain ou du QG de l'OTAN.

L'objet des travaux conduits à cette occasion était, en termes généraux, d'examiner comment promouvoir, par la coopération, des valeurs communes porteuses d'avenir pour le Sud-Caucase. Pour ce faire, les réflexions ont porté tout d'abord sur les problèmes régionaux et les défis à relever, aux plans géopolitiques et géo-économiques; puis ont été examinés le jeu des acteurs régionaux et l'évolution des initiatives internationales; enfin, c'est le rôle que peut jouer l'OTAN dans le Sud-Caucase qui a fait l'objet d'un examen soigné en commun.

Des débats riches et animés entre les participants, on peut relever les points suivants:

Une sorte de système stratégique régional instable est constitué par les trois Etats du Sud-Caucase (Georgie, Arménie, Azerbaïdjan) et leurs trois voisins russe, iranien et turc. Intérêts communs, antagonismes résiduels et cultures diverses s'y côtoient.

Au cœur de ce système relié au Nord-Est à l'Europe et au Sud au Moyen Orient, le Sud-Caucase s'apparente sans doute beaucoup plus à la structure du Maghreb central qu'à celle des Etats baltes désoviétisés à la fin de la guerre froide.

Ces trois pays, concernés par l'enjeu pétrolier actuel, liés par la Géographie et l'Histoire ont toujours des problèmes d'autorité centrale,

¹ Chef de la branche recherche du Collège de défense de l'OTAN, Rome.

de minorités et de frontières qui expliquent leurs postures et leurs engagements, notamment envers l'OTAN.

Le choix occidental de la Georgie, consolidé par la récente bonne volonté russe en Adjarie, lui permet d'aborder son avenir et sa modernisation avec résolution, même si les attentes placées dans l'OTAN et l'UE semblent par bien des côtés excessives.

Les évolutions internes de l'Azerbaïdjan et la tension au Nagorno-Karabakh peuvent pénaliser le rapprochement bien engagé avec les structures euro-atlantiques; ce pays que sa position stratégique favorise, au plan militaire comme au plan pétrolier, est encore lent à enclencher normalisation démocratique et transparence économique.

Abonnée au traité de sécurité collective que pilote la Russie, l'Arménie entretient des relations sensibles avec ses voisins pour des raisons culturelles anciennes. Désireuse de diversifier ses solidarités stratégiques et de briser une forme d'isolement régional, l'Arménie se tourne aujourd'hui plus volontiers vers l'OTAN.

L'OTAN a une image contrastée; elle reste perçue dans la région à travers le prisme négatif de la guerre froide et la proximité turque; vient s'y ajouter aujourd'hui l'image d'un Moyen Orient fragile où l'OTAN est de plus en plus engagé.

Les Etats du Sud-Caucase voudront éviter les solutions de sécurité conçues ailleurs et imposées par d'autres, les "parrais" proches ou les alliés atlantiques. Ils attendent de l'OTAN une forme de réassurance de leurs transitions et un soutien à leurs réformes. En se rapprochant de l'OTAN, ils cherchent à consolider leur nouvelle identité et à sécuriser leurs ressources, pas nécessairement à en devenir membres.

De ces cinq demi-journées de travail, on peut retenir que la région du Sud-Caucase constitue une vraie mosaïque qu'il convient d'examiner à trois niveaux: dans le détail local d'abord; dans la dimension régionale ensuite, vue des grands acteurs périphériques que sont la Russie, l'Iran et la Turquie; et enfin au sens large de pivot dans les enjeux pétroliers, les relations entre les continents européen et asiatique et le devenir du Moyen Orient élargi. L'OTAN y a une place qui reste encore à définir.

INTRODUCTION

Jean DUFOURCQ¹

The 13th PFP International Research Seminar was held in Helsinki in mid-May, in partnership with the Ministry of Defence and the National Defence College of Finland. In attendance at this Seminar, which focused on the South Caucasus, were a number of experts working in Europe, at American universities, in the field, and at NATO Headquarters.

The overall aim of this year's meeting was to explore ways of promoting common values in the South Caucasus through co-operation. To this end, we began by focusing our attention upon regional problems and the challenges to be met at both the geopolitical and the geo-economic levels, before going on to address the roles played by the regional players and the development of international initiatives. Finally, we made a careful examination of what role NATO might play in the region.

The following points emerged from the wide-ranging and lively discussions among the Seminar participants:

The three South Caucasian countries (Georgia, Armenia, and Azerbaijan) and their three Russian, Iranian, and Turkish neighbours form a kind of unstable regional strategic system. Common interests, residual antagonisms, and different cultures co-exist side by side.

Lying at the heart of this system, that is linked in the North-East to Europe and in the South to the Middle East, the South Caucasus probably has a lot more in common with the central North African structure than it does with the structure comprising the Baltic countries that were de-Sovietised at the end of the Cold War.

Linked by geography and history, these three South Caucasian countries, which have a direct stake in the region's oil and gas reserves,

¹ Chief Academic Research Branch, NATO Defense College, Rome.

are still facing a number of unresolved issues pertaining to central government, minorities, and borders which explains their attitudes and commitments, particularly vis-à-vis NATO.

Georgia's pro-Western choice, which has been consolidated by Russia's recent positive stance in Adjara, is enabling Tbilisi to get a firm grip on the country's modernisation and its future, although in many respects it seems to have set its expectations too high in respect of NATO and EU membership.

Internal developments in Azerbaijan and tensions in Nagorno-Karabakh may hamper Baku's further rapprochement with Euro-Atlantic structures. Despite its favourable strategic position, in military as well as oil and gas terms, the country is being slow to initiate real democratic normalisation and economic transparency.

As a member of the Russian-driven Collective Security Treaty Organisation, Armenia maintains sensitive relations with its neighbours for long-standing cultural reasons. Anxious to diversify its strategic ties and to break out of the regional isolation in which it seems to find itself, Armenia is now looking more towards NATO.

NATO's image in the region is a mixed one. In addition to continuing to be perceived through the negative lens of the Cold War and its closeness to Turkey, there is now the image of a fragile Middle East in which NATO is becoming increasingly involved.

The South Caucasian countries will avoid security solutions that are devised elsewhere and imposed by others, be they regional 'sponsors' or Atlantic allies. From NATO, they expect some form of reassurance for their societies in transition as well as support for their reforms. Their aim in drawing closer to NATO is not necessarily to become members, but rather to consolidate their new identity and to protect their resources.

Perhaps the most important point to emerge from these five half-days of discussions is that the region of the South Caucasus is a real mosaic, which should be viewed from three perspectives: first, from the local perspective; second, from the regional perspective of the major peripheral players, which are Russia, Iran, and Turkey; and, finally, from the broader perspective in the sense of its role as a pivot in oil and gas issues, relations between the European and the Asian continents, and the future of a wider Middle East. There is a place for NATO here, which has yet to be defined.

Map of the South Caucasus



THE SOUTH CAUCASUS, A REGION OF GEOSTRATEGIC IMPORTANCE: SPECIFICITY AND CURRENT SECURITY ISSUES

Ghia NODIA¹

The South Caucasus is often addressed as a ‘region of conflicts’, that is, a region notable for its high level of insecurity. This paper intends to give a general picture of security problems in the Caucasus. For this, we have to sub-divide the security problems of the area under several headings. Namely, I would stress three major sets of problems that are closely interrelated. This is not an exhaustive list, so I will mention other problems as well, but will mainly focus on the three principal aspects.

Frozen Conflicts

There are three recognized states and three unrecognized states in the region: apart from Armenia, Azerbaijan and Georgia, we also have Mountainous Karabakh, Abkhazia and South Ossetia. Until recently some people would also have included Ajaria, which was not ideologically secessionist, but did not recognize central authorities either –but just a few days ago significant progress was made there and I believe Ajaria ceased to be a problem of this type.

This is a legacy of the ethno-political conflicts that took place in the early 1990s, during the break-up of the Soviet Union. These conflicts happened, primarily, because the complicated quasi-ethno-federal structure of the Soviet Union was custom-made for indefinite rule by the communist party and so flared up as soon as that rule was broken, and also because inexperienced anti-communist elites could not find more effective means of popular mobilization other than ethnic nationalism.

¹ Director, Caucasus Institute for Peace, Democracy and Development, Tbilisi, Georgia.

These conflicts are stopped by cease-fire agreements that define mechanisms for preventing the re-emergence of conflicts, and have been largely successful in that. However, despite numerous efforts at negotiations, there has been no progress at all with regards to the final settlement that is, finding a formula that the parties to the conflict will accept.

This means, that at the moment all the stakeholders –that is, the recognized countries, the unrecognized entities, and the international community – have tacitly accepted the status quo as the reality with which the region may have to live with, for a long time. But it is also clear, that such a reality may be ‘livable’, but can only provide for a very bad life, and is an extremely serious handicap for further development. Namely, it seriously damages the prospects for development in several ways:

- *Danger of conflicts flaring up again.* While cease-fire regimes mainly work, there is no guarantee of lasting peace: in May 1998, for instance, small-scale fighting erupted in the Gali region and brought Georgia to the brink of a new war. Until recently, the Georgian partisan movement was quite active in the zone of the Georgian-Abkhazian conflict.
- *Major handicaps for state-building.* As there is a rather emotional attitude to the issue of “returning lost territories” in Georgia and Azerbaijan, these unresolved problems make it difficult for the political elites of these countries to focus on normal state-building tasks. This is not just a mental problem. The existence of such issues strengthens the nationalistic spirit and may be destabilizing for local politics (for instance, in 1997 President Ter-Petrosian of Armenia was brought down in a constitutional coup because he was believed to be too soft on Karabakh). The above-mentioned Georgian partisans destabilized the political situation in neighboring Megrelia and large-scale smuggling through Abkhazia and South Ossetia undermines the efforts of the Georgian government to raise public revenues.
- *IDPs and refugees.* According to official figures, there are 264 000 IDPs in Georgia and about 850 000 refugees and IDPs in Azerbaijan (there are refugees in Armenia as well but for that country it is not such a significant figure). The official numbers may be somewhat exaggerated, but there is no doubt that this is a very serious problem.

It is a humanitarian problem in itself, as well as a drain on resources in these poor states, but as a social group the refugees may have a destabilizing effect because they are a preferred target for radical nationalist rhetoric.

- *Safe heaven for the illicit economy.* Zones of uncertain status easily become places where an illicit economy flourishes. It is difficult to blame people who live in unrecognized states for this, because they do not have many possibilities for carrying out legal economic activities. This is especially true of South Ossetia, but also in a large part of Abkhazia. But this illicit economy of course cannot survive without some "regional cooperation", with corrupt officials and criminal groups in recognized states. This creates a vested interest in perpetuating the status quo.
- *Impossibility of regional cooperation.* Two out of three countries of the region, Armenia and Azerbaijan, are in a situation of cold war with each other. But it is obvious that without some level of regional cooperation, it will be very difficult for the region to take off.
- *Disrupting political and economic relations with Russia.* The Abkhazian and South Ossetian conflicts are among the principal reasons for the deeply mistrustful relations that exist between Georgia and Russia, while the Karabakh issue has soured Russian-Azerbaijani relations (though not to the Georgian extent). Unresolved conflict in Abkhazia blocks the main road between Russia and Georgia. This directly affects Armenia, and turns a big part of western Georgia into a geo-economic dead-end.
- *The region is less attractive for the West.* All countries of the region are ultimately oriented towards Europe and the West in general. This means that these countries want to be as close as possible to NATO and the European Union, though Georgia expresses this wish more strongly. However, the existence of unresolved conflicts is the major reason for which membership in these organizations cannot even be discussed seriously. Moreover, the region was not even included into the Wider Europe framework, and the lack of progress in the resolution of these conflicts is presumably the major (though not the only) reason for this.

Weak state and uncertain political order

The region is often singled out as the place where the state is notoriously weak. This means unstable political order, where succession of power is rarely orderly; this means very poor capacity of public institutions, in particular, low ability to raise public revenue, and endemic corruption. Every country may have security challenges, but there is a state to handle them; but if the state is unable to handle them, or has reduced capabilities, that the situation easily becomes volatile, and it is difficult to predict the outcome in any particular case.

Uncertainty related to the presence of unsettled conflicts is of course a major reason for which states continue to be weak, but it is not the only one. I believe that it is important that the states have some kind of undefined, in-between political culture: they have not fully embraced democratic political culture and have failed to build strong and sustainable democratic institutions, but do not fully accept autocratic political regimes either. This means that these are societies without a social contract, without a clear consensus on what kind of political order they want to have. Even autocratic political regimes need some kind of a tacit social contract to be sustainable.

The victory of pro-western democratic modernizers in Georgia as a result of the ‘rose revolutions’ in Tbilisi and Batumi may be a breakthrough for this country: it seems to have acquired some clear sense of direction. This means that while Georgia was the weakest, the most unstable of the three South Caucasian states (and these ‘revolutions’, roses notwithstanding, are of course another sign of this weakness), now it can achieve significant progress towards making the state stronger, and the reason for this, I would argue, is that the regime change laid the ground for a new social contract based on democratic values. But the revolutionary contagion from Georgia may actually be destabilizing for its neighbors.

Uncertain international security regime

Many things that were said about conflicts and the weakness of states in the Caucasus could also be applied to the Balkans. But there is one big difference: there is no doubt as to who is in charge and it is a ‘security protectorate’ of the West.. While Russia tried to play an

independent role, its importance is purely symbolic and well forgotten, and it was quite clear throughout the 1990s that Russia could not really compete for influence in the Balkans. So, the ‘international community’ took some time to decide what to do, although the players in this ‘international community’ were well known. Not so in the Caucasus: here there are two major international players, Russia and the United States, and it is not always clear whether relations between them constitute ‘cooperation’ or ‘competition’. At the level of diplomatic statements, their relations are often presented as being in competition, especially in the post-9/11 situation. Even the Russian political elite acts on the assumption that this is mainly competition, and too much activism of the US in the region is tantamount to a threat: the US and NATO are ‘encircling Russia’, or are trying to squeeze Russia out of the region. Local political players usually act on the assumption that these powers are competing for influence. Therefore, the language used in discussing the security situation in the region is the language of geopolitics, with local players being considered (or considering themselves) as the proxies of external powers: Georgia and Azerbaijan have their patron in the US, Armenia and the unrecognized states depend on Russia for their protection. For instance, with regards to the widely discussed issue of the oil and gas pipelines from the Caspian through Azerbaijan, all players and analysts of Georgia and Azerbaijan assumed that the issue was about competition and an American project targeted against Russia. The competition also contributes to the insolvability of the frozen conflicts: it is hard even to dream of solving them if Russia and Western powers pull in different directions.

Therefore, we have a situation that is difficult even to describe: neither US nor Russia openly admit that they are competing for influence in the region, but many of their actions and positions on specific issues and statements indirectly imply such competition, while informal interviews with political players leave no doubt as to the strong spirit of competition. Naturally, this situation is deeply destabilizing for the local states. Competition being informal, its purpose is unclear. It is hardly conceivable that either Russia or the US would simply ‘leave’, but neither is it clear, at what point Russia would consider the US presence to be threatening.

Against this background, relations between Russia and Georgia were especially tense, as Georgia was considered the most actively pro-

Western among South Caucasus countries, and being on the border with Chechnya did not help. Recent developments look quite hopeful: the Georgian government with Saakashvili toned down its rhetoric against Russia, while Russia –quite surprisingly for many Georgians, and not only for them –played a positive role in resolving the power crises in Tbilisi and Batumi in November 2003 and May 2004 respectively. It was surprising that in both cases Russia openly helped pro-Western Saakashvili who never misses an opportunity to reaffirm his ambition to join NATO and EU. In Ajaria, Abashidze's regime was considered the stronghold of Russian influence, and now he is gone with Russia's help. Little wonder that the Russian government is strongly criticized for this by local nationalists.

On the other hand, Saakashvili seems to be ready to make an important concession to Russia, previously refused by Shevardnadze's government : undertaking not to invite other foreign military bases if the Russian ones go. This –as well as a change of regime in Ajaria –may help resolve the very painful issue of the withdrawal of the Russian bases from Georgia.

Of course, it is still too early to speak about a sustainable improvement in Georgian-Russian relations: the Russian elite will continue to be unhappy about Saakashvili's pro-NATO and pro-EU leanings, the bases issue continues to be a problem, as will Russia's role in Abkhazia and the alleged presence of Chechen fighters in Georgia.

There may be an obvious question about European involvement in the Caucasus. The answer to this is that Europe (whether at EU level or at the level of member-states) is largely seen in the Caucasus as a non-player in security issues. Europe, however, (again both at the level of European institutions as well as individual states) does play a role in other areas: technical assistance, the promotion of democracy , etc., but is not involved in security matters.

There are, of course, other security problems in the Caucasus, that are often referred to as "untraditional threats", such as the narcotics trade, human trafficking, etc.

There are problems with regards to the integration of ethnic minorities in Georgia and Azerbaijan. However, if we are to believe that the three above-mentioned problem areas should take priority – improving the security situation in the region requires three major undertakings:

- Finding a sustainable settlement for the ethno-territorial conflicts in Mountainous Karabakh, Abkhazia and South Ossetia;
- Increasing effectiveness, efficiency and legitimacy of state institutions;
- Overcoming the strategic competition of the big powers for influence in the South Caucasus.

In conclusion, I shall present several notes on the strategies of the international community with regards to the region.

For a long time, participation of the international community, was primarily focused on conflict resolution. The assumption was that conflict resolution was the key to everything else, therefore, first and foremost these conflicts had to be solved. As there was no progress in this direction, it was felt that the South Caucasus should be penalized for its failure to solve its conflicts: the non-inclusion into a Wider Europe framework can be considered as a kind of penalty. But while it is certain that parties concerned should take primary responsibility for solving such conflicts: these have become internationalized to such an extent that their governments are effectively incapable of solving them. Solving such problems requires very strong and legitimate governments: but this is exactly what these governments lack. Moreover, the international community (that is 'the West') shares responsibility for the no-resolution of these conflicts, because it is the West which creates the normative environment enabling conflicts to be solved in an acceptable way. But, as the post-World War II experience shows, such conflicts can be solved in two ways only: either by letting the parties settle the issue through war, or by imperial imposition, such as was the case in the former Yugoslavia (more precisely, in two of its parts: Bosnia and Serbia-Kosovo). The recent example of Cyprus shows that conventional conflict-resolution techniques do not work. Therefore, if nothing changes dramatically, these countries are doomed to continue living in a climate of unresolved conflicts, and it may be unfair to put the blame for this on the leaders of the new generation.

Therefore, while conflict resolution remains an important task and further efforts should be made to that end, these countries need help in setting up effective and legitimate public bodies capable of dealing with their own challenges.

Another erroneous approach of the international community is putting too great an emphasis on “regionalization” in the South Caucasus. It may be a great prospect to have strong regional cooperation in the region, but for the time being it is totally unrealistic and insistence on such projects are perceived in the region itself as extremely naïve –or as an excuse to disengage oneself from the region. Yes, the prospect of regional cooperation should be there, but for the time being each country has to move forward on its own.

CULTURAL PERCEPTIONS AND MISPERCEPTIONS

Jaakko HÄMEEN-ANTTILA¹

During the last decade, since 1993 to be exact, we have been hearing much about a clash of civilizations, a term which was made universally known by Samuel Huntington first in his article in *Foreign Affairs* in 1993, where the title was still accompanied by a question mark (*Clash of Civilizations?*), and the next year in his book of the same title, but now without a question mark.

It is not my intention here to go into a detailed analysis or critique of this book, but let us pose ourselves the question as to whether there is indeed an on-going clash of civilizations between the West and the Islamic world, or a fundamental difference in the basic values and mentalities of the two cultures and the peoples which form these cultures, or civilizations.

It would delight me, as a historian, to go deep into the history of the question but let me just resume here some basic facts about the Islamic culture and its history. The Islamic culture is a direct descendant of the Late Hellenistic Near East: Aristotle and Plato were just as familiar to Medieval Arab scholars as they were to Renaissance Europeans and even more familiar than they were to our Medieval ancestors. One of the main formative elements of Classical Islamic culture was Greek thought which influenced even such rather surprising fields as Muslim theology and Islamic philosophy.

The other formative element of Islamic culture is, of course, the religion itself, which is very similar to Christianity and Judaism. Many features which we may find alien in Islam are, in fact, remarkably close to Medieval Christianity and Judaism. And even in modern Christianity, all the most important concepts, the Holy Trinity excepted, find very

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close parallels in Islam: monotheism, the creation, prophecy, eschatology, ethics, are all rather closely related in Islam and Christianity.

If common principles build a bridge between Islam and Western culture, then it is not possible to speak about any far-reaching differences between the cultures. The shared cultural basis is of some importance in modern times too, and it is not only a matter of theory bearing no practical relevance. We do carry our history with us and central cultural features develop and change only slowly, over centuries, if not millennia. Differences that come to the fore are more easily negotiable if their roots do not go back into the core of civilizations and religions. The common ground between Islam and the West means that there are always possibilities to find common values.

There are differences between the Islamic world and the West; there is no denying that. The two civilizations may share much common history and many religious ideas but the West has undergone profound changes during the last two centuries. To keep things simple, these changes were caused by the Enlightenment and the beginning of industrialization, the first paving the way for the second. The Enlightenment changed the ideological basis of Western culture from religion to science, and this, however, has not always been beneficial in all aspects as the social problems of many Western countries today show. Industrialization, on the other hand, changed societal patterns by changing patterns of production. In brief, one might say that industrialization put business structures in the place of families.

These two developments changed the face of Western culture into a progressive instead of a traditional culture. The intellectual change was momentous: religion became a matter of private worship, social life was secularized and the attitude towards knowledge underwent a deep change, from a God-given static knowledge into an ever-changing flux of information and theories where nothing can ever be taken as absolutely certain. Many environmental and social problems, still unresolved, evolved out of this very same development but we will leave these aside in this paper. Still, it has to be stressed that all these developments were not only beneficial, and the existing problems in our culture have often been seen in the Near East in even darker shades: the problems of Western society are often emphasized in Muslim media and rhetoric.

What concerns us here is that the Islamic world has never undergone the same development which, in Europe and the West, took

more than two centuries. Moreover, in the West these developments were the result of inner structural changes in the culture and their extant tendencies, whereas the Near East was faced quite abruptly with the results of these developments being applied by outside influence if not pressure. In the 18th and 19th centuries European development directly evolved out of the Europe of the 17th century but the 20th-century development in the Near East was caused more by external factors, first colonization and later Western economic hegemony. Ideologies and social realities are not easily exportable and need to find fertile soil in the culture into which they are seeded. Thus, the Near East, and the Islamic world in general, have rather abruptly been confronted with processes that need considerable time to adapt to.

In short, the Near East is still lacking many of the immediate premises of the Enlightenment, and the social conditions for a major economic transformation into an industrial pattern have not yet been internalized. This does not, however, mean that the Near East is lacking the preconditions for these changes. It only means that it will take some time to create a suitable context for such changes to happen which cannot, as present-day Iraq has already shown, be merely imported from abroad. Technologies and industrial inventions may be easily imported, but thought patterns and ways of seeing the world are more intricate and they need more time to be adopted by other civilizations and to develop within the countries themselves.

Islam as a religion, or the Near Eastern civilization as a culture, does not, however, shun modern ways of thinking, *per se*. Enlightenment, or rational thought, was in earlier times (especially in the tenth century) favored by many Islamic scholars, and the idea of profitable business and commerce is, in fact, quite familiar to Islam, whose Prophet was a merchant himself. The basic structure of Islam is hostile neither to rational thought nor to modern economic doctrines. Some streams of Islam, such as militant Fundamentalism, may be hostile to many Western values, but these are only part of the spectrum of Islam. I will later come back to the prospects of Islamic Fundamentalism.

One might briefly take democracy as an example. The Western world now takes democracy for granted, but it has to be stressed that real democracy started developing in Europe only some two centuries ago. If we take the French Revolution as its starting point then the present ideal of democracy is actually not much older than one century. In other words,

it took more than two centuries to develop full democracy. Against this background, one might say that the development towards democracy in the Near East has actually been rather fast, even though the lack of democracy is a well-known problem in Islamic countries. In spite of this they have proceeded at a quicker pace than Europe did some two hundred years ago.

Now, it is not easy to speak about Islam as an ideology without referring to violence. Many Islamic countries, both in the Near East and in the area covered by the former Soviet Union, today face severe economic as well as political problems which interact to create favorable conditions for violence. But before drawing any far-fetched conclusions from this, it might be salutary to remember that if we turn our attention from the last few decades to the first half of the twentieth century, the area where violence prevailed and wars were almost continuous is, of course, Europe with its two "World Wars." This, however, hardly leads us to consider either Christianity or Western culture as the *cause* for violence or its natural origin. The World Wars were caused by economic and political factors, not by ideologies. On the contrary, it is easy to see the ideologies, such as National Socialism, as the result of economic and political developments in the Germany of the 1920s.

Problems there are between the East and the West, but they are caused neither by religion nor by culture without even mentioning anything as ambiguous as mentalities and without having to shatter the basic structures of the religion or culture in question. East may remain East and West may remain West, yet the twain do indeed have a fair chance to meet.

The problem of present terrorism follows the same pattern. One should not forget that in the twentieth century, terrorism was mainly a European and American phenomenon while Islamic terrorism only came about at the end of the century. The reasons, that caused for example the Bader-Meinhof group to lose its popularity, will do the same for al-Qa'ida. Terrorist ideology is not basically tied to religion but, on the contrary, religion is brought into the picture only to legitimize the violence caused by other factors. The roots and causes of such violence lie not in religion but elsewhere, in economic and social conditions, not to mention nationalistic tensions which are perhaps best exemplified by the situation in the Balkans where nationalistic tensions still remain unresolved despite all attempts to the contrary.

As the targets of Islamic terrorism have been Western, it may be necessary to emphasize that Islamic terrorism does, indeed, choose its targets. The West is not seen as a monolith, but the targets have been carefully chosen, with US targets topping the list, whether in the USA or such as embassies abroad, with of course Israel as the main target of the Palestinians. In the Caucasus, and more generally in the area of the former Soviet Union, similar attacks have been made against Russian troops, Russian civilians and those who, in the eyes of the attackers, are collaborators.

Instead, it is hardly feasible to speak today about any general anti-Western feelings in the Islamic world. The European countries clearly differ from the USA or Russia even though close military cooperation between some European countries and the USA may occasionally blur the difference.

This is not a minor issue. The clash of civilizations, envisioned as a deep gulf separating the Western world and its values from, among others, the Islamic world is not an accurate description of the present situation but it might develop into one if the present situation deteriorates and if separate blocks are formed. In view of this situation, both the EU and moderate Muslim countries must keep in close contact with each other to build bridges between the two.

It is necessary to seriously reconsider the image of the "Other" from both sides. The Western media has often been criticized for the one-sided image it gives of Islam: violence and disturbances are given much more coverage than the everyday, peaceful life in the Near East. This, of course, is partly a general problem in the media: no news is good news, but this works also the other way round, good news not being news at all and thus dropping totally out of the picture. In the case of the Near East, this is a more serious problem than in Europe where the news is more nuanced and more detailed and thus, less one-sided.

On the Near Eastern side, or the Muslim side, this is equally crucial. If the West is seen as a monolith of moral corruption and political intrigue, coupled with military adventurism, the general atmosphere may turn hostile towards the West in general and not merely the US policy in the Near East. This has not yet happened and the position taken by leading European powers, such as France and Germany, or, on a smaller scale, by Finland, has counteracted any such tendencies by showing that

neither is the West a monolith nor does it consider the whole Islamic world as its enemy.

In the South Caucasus too, problems arise from economic and social conditions, as well as nationalistic tensions, not from any far-reaching differences between religions or civilizations. It is true, though, that Islamic counterparts easily tend to legitimize themselves through religion. Yet here, we have to be very careful in not seeing causes where, in fact, we have effects and vice versa. The Islamic identity and ideology are something rather new in the area, following the Soviet period. The presence of Russian troops and various national conflicts, as well as international politics on a wider scale, have caused instability in the area, and this instability has taken the shape of the newly found Islamic ideology. I leave open the question of whether the same troops may also have had some stabilizing influence at the same time.

The fact that the ideology sought after was in some cases Islamic, may be explained by the general prestige of religion in the area. Islam is a legitimate ideology in the eyes of most Muslims and, thus, it is easily adopted to further one's cause. However, in this process it is an effect and not a cause.

Militant Islamic fundamentalism is without doubt one of the most important and urgent problems faced by the modern world. The events of 11/9/2001 and subsequent attacks in Madrid and elsewhere have drawn much attention in the West and even created widespread fear caused by what is perceived as an Islamic threat.

Militant fundamentalism has gone beyond its heyday and is clearly waning, despite the spectacular attacks aimed against Americans and some of their closest allies. In the 1980s, there was in the Islamic world a widespread enthusiasm for Islamic revolutions, following Ayatollah Khomeini's model in Iran. During the Iran-Iraq war, the problems of the Islamic Republic of Iran could still be explained as having been caused by the heavy war, but after the war, both in Iran and elsewhere, it was quickly realized that the revolution had not been able to do what it had promised and what people were expecting. The popularity of militant fundamentalism started to decline.

This has provided the motivation for the spectacular attacks by Bin Laden and his allies in a desperate attempt to turn the tables, to polarize the Islamic world and to gain at least some support through this polarization among the populace as it is well known that extreme

conditions favor extreme political thought whereas moderate conditions tend to lead to a moderate policy.

On the other hand, Islamic fundamentalism and often a rather spurious self-identification of minor terrorist groups with al-Qa'ida, has given legitimacy to these groups. A tightly knit al-Qa'ida network has given way to a loosely organized al-Qa'ida ideology: to take arms against non-Islamic, or especially American, values, has become synonymous with belonging to al-Qa'ida.

Some resonance of this may be seen in the Caucasus, too. The means and manifestations of resistance have become remarkably close to what happens in other Islamic areas. The latest example of this was the murder of President Ahmad Kadyrov (Qadirov), which was carried out in the same way as the similar attacks in both Palestine and Iraq. Although those responsible are still unknown, as far as I know, it might seem a reasonable guess that Islamic resistance is behind this attack.

Yet the basic question is hardly religion itself, as may be seen in the background to President Kadyrov's case. What we have seems to be a relentless fight over power, nothing more. In this game, the potential leaders have to choose their sides, and the anti-Russian side has as its most obvious choice an Islamic ideology which creates a potential link to other Fundamentalist groups around the world and, thus, may hope to find potential supporters and funding from among richer fundamentalist groups.

But turning away a moment from these militant and extremist issues, one has to stress that there is no fundamental schism between the two cultures, Islamic and the Western, nor any deep-rooted differences in the mentalities of the two civilizations. Although this may seem an elementary observation, it is, after all, important to point out that the conflicts are on the surface and, thus, may be settled by economic and political means. Or, put more simply, an economically prosperous town with bright views of the future does not produce terrorists.

Although this gives us much hope, it is also a responsibility. If there were an unsurpassable gulf between the West and the Islamic worlds, then nothing could be done and we could merely ignore the issue, being content with protecting ourselves from the "Other". As it is, one can build bridges and one should. To be effective, though, this requires a considerable willingness to invest in a peaceful future.

The stabilization of the Caucasus, too, will inevitably need much economic support and political forbearance. What it definitely does not need is any kind of binary opposition between Islamic values and Western secularism.

RUSSIA, TURKEY AND IRAN: REGIONAL ACTORS AND THEIR RESPECTIVE SECURITY POLICIES IN THE SOUTH CAUCASUS

Pavel K. BAEV¹

Introduction

The Caucasus has probably never in its turbulent history constituted what political scientists define as a 'security complex', an entity where essential security features are determined through interactions between regional actors. Instead, at least since the expeditions of Peter the Great in the early 18th century, it has been a crossroads of interaction between three powerful empires – Russian, Ottoman, and Persian – that could easily qualify as civilizations (in the non-Huntingtonian sense of the term). The main form of those interactions was limited wars, and the key content was Russia's imperial expansion. Both the wars and the expansion stopped in the early 1920s, but most of the interactions stopped in the second half of the 1940s, when a 'cold peace' rather than a 'cold war' separated the USSR from its southern neighbors, Turkey and Iran. There is, therefore, a considerable historic legacy of wars but hardly any legacy of real peace.

Since the late 1970s, all three states one after another have entered into a period of deep and painful transformation, and it was the collapse of the USSR at the end of 1991 that unexpectedly created a new political space with the 'big three', when the three brand-new South Caucasian state-building projects were launched. The emergence of Armenia, Azerbaijan and Georgia has further aggravated the complicated identity crises in Iran, Turkey and newly born Russia, but – significantly – no clash of interests between these three potential regional hegemonic

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powers has developed. The early 1990s saw a massive growth of conflict potential in the Caucasus; however, that did not provoke any triangular confrontation or classical geopolitical power play. It was more the lack of sustained attention from Ankara, Moscow and Tehran rather than interference or manipulation that resulted in the pattern of conflict mismanagement.

Aspirations, intentions, interactions

The three states in question, reflecting on their dissimilar historic experiences, may cherish far-reaching ambitions regarding the Caucasus, where many ethnic groups have strong cross-border ties and numerous diasporas. Nevertheless, these ambitions have remained suppressed and subordinated to larger foreign policy goals that treat the Caucasus as a secondary priority area.

Russia has been struggling since the middle of Yeltsin's era to reassert its 'Great Power' status, relying primarily on its nuclear capabilities and hydrocarbon wealth. With the arrival of Vladimir Putin at the Kremlin, this goal has been emphasized even more, while the formally chosen path to 'greatness' through modernization has remained ill-defined. President Putin, after a difficult start, has achieved remarkable success in making himself into a valuable partner for key Western leaders, skillfully exploiting every opportunity to forge personal ties. This presidential diplomacy has particularly targeted the trans-Atlantic security disagreements, also paying serious attention to relations with China. The Caucasus could only occasionally provide a minor opportunity to score a point or two in asserting this elusive 'greatness', so Moscow has shown little appetite for the aggressive advancing of its agenda in the region against the risks of spoiling 'strategic partnerships' with the US or major European states.

Turkey at the start of the 1990s found itself with alarmingly turbulent neighbors, with the First Gulf War giving a strong impetus to the Kurdish cause, the Balkans deeply destabilized by the impact of the violent collapse of the SFRY, and the Caucasus engulfed by violence accompanying the disorganized efforts at state-building. The strategic choice made by Ankara was for joining the European Union, so it concentrated its foreign policy activities in the directions most relevant to this goal; the Balkans were one of these directions, but the Caucasus was

not. The country has also been experiencing a complicated and, at times, bitter internal political struggle, which significantly undermined the old elites. At the start of the new decade, a new political force based on the broad grass-roots Islamic movement came to power and, against many expectations, further accelerated the drive towards Europe. Overall, Turkey has been reluctant to make any sharp move towards the Caucasus that could jeopardize its EU bid.

Iran has been experiencing sustained pressure from the United States and that has determined the concentration of its foreign policy efforts on breaking out of the US-created external isolation. Seeking to disprove the image of a 'rogue' state belonging to the 'axis of evil', Tehran has been carefully cultivating political dialogue with Europe and building itself a reputation as a responsible player on the world energy markets. Relations with Russia have also been of importance in this respect, while the arms imports and nuclear contracts have attracted much criticism from Washington. The Caucasus has been of only marginal relevance for advancing these key Iranian foreign policy goals, so Tehran has generally refrained from taking any risky steps in this direction. In particular, the cross-border relations between the Azeri population of Iran and Azerbaijan have been perceived as a liability rather than as an asset.

It is sufficiently clear that there has been no intrinsic conflict between the major foreign policy goals of Iran, Russia and Turkey; neither was there any serious contradiction in their secondary priority aims in the Caucasus. The escalation of the unconventional military conflict between the US and *al Qaeda* and the Second Gulf War have seriously complicated the interactions inside this triangle. Before examining the most recent trends, it might be useful, however, to revisit the moment when the pattern of these interactions was set.

Isolating and ‘freezing’ Nagorno Karabakh

The early stages of the violent conflict around Nagorno Karabakh developed inside the USSR, and Moscow firmly blocked any attempts from the neighbors to contribute to its resolution. The ‘sudden death’ of the Soviet Union in December 1991 re-formatted the conflict as an inter-state confrontation, opened it to external interference and resulted in its sharp escalation. The authorities in Iran, Russia and Turkey all had the impression that important, but certainly not vital, interests of their respective countries could be at stake in that isolated spot of the Caucasus, but the whole region was so much in flux that it was indeed problematic to substantiate that impression. It is important to remember that at that moment the high-value issue of transporting the Caspian oil was not as yet a part of the picture, so Shusha and Lachin were not stakes in the ‘Great Game’ (misleading as this cliché undoubtedly is). Iran and Turkey responded very positively to Russia’s decision to withdraw all its forces from Azerbaijan and to reduce its military presence in Armenia, and the three states engaged in cautious political maneuvering seeking to establish some sort of an equilibrium around this center of conflict. Nobody expected the spontaneous meltdown of Azerbaijan’s disorganized military forces, much in the same way as today nobody expects a collapse of the thoroughly corrupt political regime of Aliiev Jr.

It was only in spring 1994 that Moscow, awakened by the US-Azerbaijan contacts that would later in the year result in the so-called ‘deal of the century’ (in hindsight, a serious exaggeration), took the initiative in negotiating a cease-fire. It obviously sought to launch yet another ‘peace’ operation but, met by a lukewarm attitude in Tehran and much skepticism in Ankara, Moscow decided against enforcing its plan upon reluctant Baku. After carefully evaluating that fragile peace without peacekeeping, the three neighbors concerned gradually arrived at the conclusion that it could in fact be the best way for accommodating their interests. Iran and Turkey’s natural preference was for preserving the less-than-perfect stability,, but it took the First Chechen War with its massive demand for Russian military manpower to turn Russia into a status-quo power in the Caucasus. This state of affairs was steadily consolidated during the second half of the 1990s, so when the newly-elected President Bush surprised Moscow with his first foreign policy initiative aimed at solving the Nagorno Karabakh conflict, there was

nothing to contribute and a no-deal at Key West was accepted. By that time, however, Russia, as well as Iran and Turkey, had significantly re-evaluated their security interests in the Caucasus adding such a key variable as the oil.

Caspian energy and Caucasian security: the three perspectives

There is a solid body of academic literature and a continuous avalanche of political commentary on the energy-security nexus in the Caspian area, so only several relatively obscure angles deserve attention in this abbreviated analysis. It may be useful to reiterate, for that matter, that none of the three big neighbors of Armenia, Azerbaijan and Georgia (nor any of these three states themselves) needs much extra oil for domestic consumption, while there are significant markets for natural gas, primarily in Turkey. It is also essential to keep in mind that both Iran and Russia are 'major league' players in the international energy markets and their estimates of the Caspian resources are influenced by the fluctuating intensity of competition. They tend to have increasingly complicated relations with major international oil companies which are perceived both as competitors and partners in various projects.

In seeking to increase their participation in developing the Caspian hydrocarbon deposits, Iran, Russia and Turkey have shown strong preference for maximizing their own profits at the expense of smaller states of the South Caucasus. This attitude has seriously reduced opportunities for making the development of new oil and gas resources into an instrument of conflict resolution. In fact, the so-called 'energy corridors' were charted in such a way that the conflict zones do not touch them. Russia, for that matter, has made sure that Chechnya, traditionally a hub for the oil industry, is now completely isolated from the key energy flows. The key Western BTC pipeline project linking Baku via Tbilisi to the Mediterranean port of Ceyhan is being constructed a safe distance away from Nagorno Karabakh and around the troublesome Georgian province of Ajaria.

From the very moment that the so-called 'contract of the century' was signed in September 1994, granting a consortium of Western companies the right to develop three oilfields in Azerbaijan, Russia took a strictly negative view on the BTC project. This turned the pipeline into the target of bitter geopolitical rivalry, where Russia and Turkey were at

odds while Tehran was seriously offended by Baku's readiness to tow the US line and turn down any options going through Iran, even if they made plenty of economic sense. On the surface of it, the intensity of this rivalry has noticeably subsided since the start of this decade, but in fact Moscow has pursued with remarkable consistency its strategy of undermining the economic efficiency of the BTC by channeling the Caspian oil through its terminal at Novorossiisk and also by engaging in 'swap' deals with Iran. This 'hostile' pipeline might in the near future become a magnet for terrorist attacks and local conflicts²

Another relevant angle of the energy-security nexus can be found in the complicated legal-political disputes about delimitating the maritime borders in the Caspian Sea. In 2000 and 2001, Moscow made a high-profile effort at hammering out a comprehensive solution and when Tehran spoiled that initiative in mid-2001 (Turkmenbashi also contributed), it was possible to speculate about a clash of interests between Russia and Iran. Two years later, however, a careful observer would instead find a perfectly constructed deadlock that suits the interests of both powers. Iran is able to maintain its claim on some oil/gas fields in the Southern Caspian and prevent their exploration by Azerbaijan and Turkmenistan, while Russia could claim the role of security provider in the Caspian basin, backing it with unquestionable naval and military superiority.

A place where the energy/security interests of Iran, Russia and Turkey intersect most directly is certainly Azerbaijan. All three have supported and instantly approved the quasi-democratic transfer of political power to a new generation of Aliiev's dynasty and none has any intention to foster internal unrest, despite occasional irritation at the lack of gratitude. That, quite possibly, explains the remarkable absence of Islamic radicalism in the country, despite the steady growth of social tensions due to the residual pains of the military defeat, unresolved problems with refugees, widespread poverty and a scandalous level of corruption in the political elite. The longevity of this unnatural stability cannot, however, be taken for granted, so the visible decline of attention to Azerbaijan in Moscow could prove to be a serious blunder.

² For my more elaborate and updated analysis, see:
http://www.cacianalyst.org/view_article.php?articleid=2525

Georgia on their minds

The chain of exciting crises in Georgia has obviously caught all its neighbors unprepared despite the long-obvious fragility of Shevardnadze's regime. The dynamic and even reckless Mikheil Saakashvily has demolished not only the thoroughly corrupt foundations of the pyramid of power but also the pattern of maintaining the status quo, so comfortable for external actors. Iran, Russia and Turkey now have to adjust their plans to the inevitability of further sharp moves by Tbilisi, since Saakashvily is personally strongly committed to mobilizing the dysfunctional society towards new 'victories' and his political survival depends upon delivering them. The three neighbors have to make a quick inventory of the political instruments they can use for influencing this maverick and restraining his ambitions.

While Iran remains formally neutral (and informally worried about the exaggerated pro-US orientation of the new Georgia), Turkey wholeheartedly welcomes new developments, as long as they do not create risks of violent conflicts that are perceived as unhelpful for advancing its EU bid. Russia in late 2003 found itself in a situation where it had no good options – and opted for providing a helpful hand with removing Shevardnadze, while remaining very skeptical about the new regime. The US influence was only a part of the problem but, more fundamentally, the revolutionary-democratic nature of this regime was perceived as a challenge to the Russian model of 'managed democracy'. It was Saakashvily's visit to Moscow in February 2004 that helped to ease that skepticism and created a certain space for maneuvering by winning Putin's lukewarm approval.

That space was used to the last inch in Spring 2004 when Tbilisi put to use every available lever of political and military pressure to re-establish its control over mutinous Ajaria. That crisis presented Ankara with some uncomfortable choices, since it had for a long time encouraged cross-border links with Ajaria and had warm relations with its leader. Saakashvily, however, was seen as the best bet, but Turkey's prime concern was about a possible Russian military interference in this confrontation that was so quickly spiraling out of control. Moscow did not rule out intervention but saw it as an undesirable option, not least due to warnings from Turkey. In assessing the fluid situation, it obviously overestimated Abashidze's control over his domain and focused instead

on a probable attack by Georgian US-trained forces. Being too slow with its reactions and coming too late with its responses, Moscow again had no good options at the moment the crisis culminated – and granted Saakashvily a favor by removing Abashidze from the arena.³

This outcome – welcomed in Ankara – left plenty of bitter taste in the Kremlin. After re-assessing the parameters of the Georgian problem, Russia has identified two key directions for advancing its agenda. The first one involves a direct deterrence of any new ‘peaceful-or-else’ advances by Saakashvily. In this respect, Moscow exploits every opportunity to reiterate that Chechnya now consumes much less of a military effort, so there is enough ‘muscle’ available for new engagements – unlike in September 2002, when Putin had to withdraw his ultimatum. The second direction is centered on a massive export of Russian investment capital to Georgia, which badly needs reinvigorating its ruined economy. Moscow expects that its effective control over Georgia’s energy infrastructure and key industries would make Saakashvily’s successor (this leader is not expected to last long) more attentive to its opinions.

Conclusion

It is quite remarkable that since the mid-1990s, Iran, Russia and Turkey have all seen the Caucasus as a region of high risks for their secondary priority interests, and have so refrained from engaging into any triangular geopolitical ‘great games’. They quite rightly see it not as several ‘chess-boards’ but as a concentration of fragile and even failing states-to-be, bedeviled by endemic corruption and victorious secessionism. The status quo policies have perhaps been the most constructive approach to the situation so perfectly described by Dr. Seuss: ‘And this mess is so big, and so deep and so tall, we cannot pick it up. There is no way at all!’

It looks increasingly probable, however, that these policies are no longer applicable. The spectacular regime change in Georgia has opened new opportunities for re-launching this state-building project but involves the risk of reigniting the ‘frozen’ conflicts and intensifying the internal power-struggle on different levels. Incidents on the line of the cease-fire

³For my more elaborate and updated analysis, see:
http://www.cacianalyst.org/view_article.php?articleid=2377

in Nagorno Karabakh and militant rhetoric in Baku, South Ossetia's renewed efforts to join Russia and Armenia's pronounced desire to build links with NATO, the fast approaching opening of the BTC – these are all symptoms of forthcoming shifts in the security environment of the South Caucasus. The three neighbors know perfectly well that any new violent conflict in this region would be nearly impossible to isolate, while it might easily set off a chain reaction of troubles exceeding those of the early 1990s. The strategies of engagement for the South Caucasus are indeed necessary – but as yet they remain to be drafted.

THE SOUTH CAUCASUS: PIPELINE POLITICS AND REGIONAL ECONOMIC INTERESTS

Alexander RONDELI¹

The South Caucasus has emerged in recent years as an important focus of international affairs for a combination of political, economic and geo-strategic reasons brought about by the collapse of the Soviet Union, the creation of new independent states and the international competition for influence in the region.²

The region attracted more international attention from the mid-90s, mostly because of its sizeable oil and natural gas reserves. The South Caucasus is expected to play an important role for the viability and stability of global energy supplies and diversification of supply from the areas other than the Persian Gulf. One has to mention also the geo-strategic location of the South Caucasus, taking into consideration Caspian energy resources and links to Central Asia.

Oil is not a new phenomenon in the Caucasus where the oil industry has existed for more than a century. However, the current situation is completely different from the previous one. The newly independent South Caucasus states have emerged on both the political and economic maps of the world and have become international actors and objects of international rivalry. The South Caucasian states became the objects of significant interest both for their more powerful neighbors

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² On this issue see: *Energy and Conflict in Central Asia and the Caucasus* edited by Robert Ebel and Rajan Menon. NBR, Rowman and Littlefield Publishers, Lanham, 2000; *The Security in the Caspian Sea Region*. Gennady Chufrin (Ed.). SIPRI, Oxford University Press, 2001; Brenda Shaffer, "U.S. Policy Towards the Caspian Region: Recommendation for the Bush Administration" *Caspian Studies Program Policy Brief*, N5, Harvard University, July 2001; "U.S-Russian Relations: Implications for the Caspian Region", with an Executive Memorandum by Brenda Shaffer, *Caspian Studies Program*, Harvard University, June 2001; Fiona Hill, "The Caucasus and Central Asia" *Policy Brief*, No.80, May 2001, The Brookings Institution; Vadim Rubin, "The Geopolitics of Energy Development in the Caspian Region: Regional cooperation or Conflict?", *CISAC*, Stanford University, December 1999

and the main international powers – not only because of significant Caspian energy resources, but also because of the region's potential role as a corridor between Europe and Asia and the security interests of the leading powers.

There are two main regional economic interests that can be singled out. One is the promotion of regional economic cooperation that faces numerous political obstacles and the second is making the region attractive to foreign economic actors and promoting development. Oil reserves and the transit potential of the region is expected to play an important role in the achievement of the above economic objectives. However, it is important to note that the economic and political interests are closely intertwined and the region appears to be in the grip of a 'vicious circle': On the one hand, the lack of economic development reduces the political bargaining power of the newly independent states vis-à-vis their own regions and neighbors, contributes to the perpetuation of unresolved conflicts and hinders internal political consolidation and cohesion. On the other hand, political instability and persistence of conflicts make the region too risky and unattractive to foreign investors, which in turn hinder both the economic development and political consolidation of the South Caucasian states. This paper deals with some of the main economic and political issues facing the region, with a special emphasis on the prospects and difficulties of regional cooperation and on potential consequences of Caspian oil politics for the newly independent states of the South Caucasus.

Prospects of Regional Economic Cooperation

During the Soviet period, the South Caucasian states formed the so-called "Transcaucasian Large Economic Region". The Soviets, as we all know, were obsessed with planning and regionalization. The whole country was divided into 'large economic regions', which represented territories with similar geographic conditions, economic specializations and which were considered appropriate territorial units/regions for socio-economic planning.

Three very different South Caucasian Soviet Republics never formed a genuine economic region, i.e. they never reached the level of economic integration enabling them to become an integrated unit. As

even Soviet authors mentioned in the 80s, the economic development of Transcaucasia was strongly influenced by the process of development of an all-union territorial division of labor on the one hand, and by the formation of each republic's economic complexes on the other. Thus, the formation of inter-republican economic linkages within the region was slowed down and regional economic cooperation never gained momentum. Each republic's economy remained separate and oriented towards the all-union market rather than towards the local or regional market. As a result, regional cooperation never really developed.³

When the Soviet Union collapsed, each of the post-Soviet South Caucasian republics suffered, mainly from the severed links with Russia, and other republics such as Ukraine and Kazakhstan, and not because of the disintegration of the "Transcaucasian Large Economic Region".

Within the USSR the three South Caucasian republics never ranked economically and socially among the most developed members of the Union. They occupied the middle position in the table of social and economic indicators of the Soviet Republics. They were highly specialized, small economic entities with a limited number of well-developed sectors of the economy. The central authorities in Moscow never considered the dependent role of these republics as a problem; on the contrary, they tried to perpetuate their dependence on Russia and encourage their narrow specialization.

The break up of the USSR created an absolutely new political and economic environment for the South Caucasian republics. They lost their sources of raw materials, energy, markets, and previously well-defined economic functions. As sovereign nations, these republics had to start a new life, become viable political and economic entities, and find their niche in the international division of labor and international trade. Most importantly, however, they had to create market economies and establish stable democratic regimes.

All three South Caucasian states have found themselves in exceptionally difficult economic and political conditions since independence. As Edmund Herzig observed, some of these difficulties were specific to the Caucasus and stemmed from the ongoing conflicts

³ R.G. Gachechiladze, M.A. Nadzhafaliyev, A.D. Rondeli, "The Regional Development Problems of Transcaucasia", *Geoforum*, Vol. 15, No.1, 1984, pp.65-73.

and blockades, and from the peculiar characteristics of state-building and political development in the three countries.⁴

In the beginning of the 90s all three newly independent states were plunged into a profound socio-economic crisis (plummeting rates of economic growth and production, rising inflation, dramatic decline in standards of living) and shared a number of "transition" problems. However, each of them also developed its own political subculture as well as a distinctive economic environment.

All three states have put aside the traditional Soviet economic planning, but Georgia's government uses indicative planning, which serves as the basis for budgeting. Azerbaijan and Armenia rely mainly on economic forecasting.

The strategy of social and economic development is defined in their respective "Poverty Reduction and Economic Development Programs" (PRSPs). It is worth mentioning that the three South Caucasian states have almost the same level of poverty of about 50%.

Since 1994-1995, due to the implementation –in some degree or other– of economic reforms slow economic recovery has begun. However, the consequences of the USSR's collapse for the three small post-Soviet states of the South Caucasus are still so profound and severe that the real economic recovery is still quite far. While some impressive achievements have been made, it is undeniable that these young states still have a lot to achieve before it can be said that they have developed an economic system based on the principles of the free market.

These countries also require enormous investments to rehabilitate, modernize, and increase their capital stocks. Bad governance, corruption and the lack of appropriate strategies have already damaged them and will severely impede the substantial, self-sustained economic take-off in the immediate future, even if these states receive a high level of financial support and foreign direct investment.

The South Caucasus is still a region of socio-economic crisis and dislocation, fragile statehoods and so-called "frozen conflicts". These conflicts and the region's immature political development do not contribute to regional economic and security co-operation, both of which the South Caucasus is so much in need of, so as to attract more foreign investors especially in sectors other than oil and energy. In addition, each

⁴ Edmund Herzig, "The New Caucasus: Armenia, Azerbaijan and Georgia", *RIIA*, London, 1999, p. 119.

of the newly independent states has different political priorities and internal difficulties that impede the development of genuine regional cooperation.

Economic growth in Armenia since 1994 can be described as an island with a cluster character, because it concentrated in certain small clusters based either on foreign investments, import substitution, or the export of processed raw materials previously imported (e.g. the jewelry industry and diamond finishing).⁵

The essential problem for Armenia is to resolve its conflict with Azerbaijan over Karabakh and improve relations with Turkey in order to escape from economic isolation and fully realize its regional cooperation potential. One-sided economic dependence on Russia can also be considered as a problem.

Azerbaijan's regional cooperation potential is limited due to the ongoing conflict with Armenia, as well as relatively complicated relations with Iran, the isolationist position of Turkmenistan and the economic weakness of the bordering region of Russia. Georgia and Turkey are Azerbaijan's main regional partners and relations with Iran have great potential. Given its location, Azerbaijan possesses great transit potential but its realization requires solving the regional ethno-political conflicts, as well as serious investments.

The central challenge for Azerbaijan is the development of the oil and natural gas sector and the beneficial use of the oil revenues for a sustainable development of the country on the one hand, and balanced economic growth through the development of the non-oil sectors on the other.⁶

A serious economic problem for Georgia is to reduce its "shadow" economy segment, create a competitive business environment and attractive conditions for foreign direct investments. Improving relations with Russia, still Georgia's biggest actual and potential market, remains a problem of extreme economic importance. The Rose revolution of November 2003 created new conditions for economic reforms and development.

⁵ Armen Egiazarian, "On the Strategy for the Steady Economic Development of Armenia over the Long-term Perspective", *Central Asia and South Caucasus Affairs*, 2003, edited by Boris Rumer and Lau Sim Yee. The Sasakawa Peace Foundation, Tokyo, 2003, p. 305.

⁶ Raul Motika, *Azerbaijan (1989-2002). On the way towards Democracy and Market Economy. Report on the Status of the Economic and Political Transformation in Azerbaijan (1989-2002)*. Sponsored by the Bertelsmann Foundation, at www.bertelsmann-stiftung.de/Transformation.de

For all three South Caucasus newly independent nations, which lack internal investment capacity (Azerbaijan is in a better situation because of oil revenues), attracting foreign direct investments is a strategic imperative.

Apart from the obstacles mentioned above, there are other factors and conditions that directly hinder economic recovery and development in the region, as well as economic cooperation. The most obvious of them is the existence of the so-called frozen conflicts in the South Caucasus (Karabakh, Abkhazia, and South Ossetia). These frozen conflicts, along with their legacy in the form of the three unrecognized territories, claiming sovereign statehood, make the whole region less attractive to foreign investment not only because of high investment risks, linked with political instability and conflict renewal potential, but also because of disrupted means of transport and communications. The railway, connecting Georgia and Armenia to Russia does not function because of the conflict in Abkhazia/Georgia. Armenia cannot use another railway line through Azerbaijan to Russia because of the unresolved conflict with Azerbaijan over Karabakh. And Russia is the most important economic ally of Armenia. Armenia is also unable to engage in economic relations with Azerbaijan and Turkey because of the unresolved Karabakh conflict. These frozen conflicts hinder economic co-operation among the South Caucasian states as well as their co-operation with regional powers such as Russia and Turkey.

The frozen conflicts and their ‘products’ - unrecognized political entities - disrupt normal economic processes and trade in the region. Their territories became the sources of illegal trade and trafficking. For Georgia, for example, the South Ossetian separatist enclave became an economic ‘black hole,’ serving as a conduit for illegal trade. The same can be said about Abkhazia.

Big international energy projects create good economic prospects for the South Caucasus but without solving the problems of Karabakh, Abkhazia and South Ossetia, the prospects of full-fledged economic development in the region, let alone regional economic co-operation and integration, look rather bleak.

An additional impediment to economic development and regional co-operation is a burdensome tax system (especially in Georgia) hindering the creation of a competitive business environment and contributing to the widening of the shadow economy and the corruption.

The level of regulatory functions exercised by the state with respect to entrepreneurial activity is still very high. Tax regimes in the three South Caucasian States differ significantly, which poses obstacles to economic co-operation and to the realization of the region's transit potential.

Sectors of the economy that are not based on raw materials remain unattractive for foreign investors.

Another important impediment to economic cooperation in the region is an asymmetry in their relations with international financial institutions and economic organizations. For example, Georgia joined WTO in 2000, Armenia in 2003 but Azerbaijan does not intend joining WTO in the near future because of internal economic and social concerns.⁷ Hence, trade regimes within the region also differ significantly, which does not contribute to greater regional co-operation.

Caspian Oil: Promise or Menace for Regional Development and Security

The South Caucasus can seriously benefit from Caspian energy reserves both politically and economically. But paradoxically enough, Caspian energy reserves became both beneficial and dangerous to the South Caucasus because of Russia's fear of losing its political and economic monopoly over the region and its perception of Western, and, first of all of American, influence in the Caspian region as posing a threat to its security and economic interests.

Russia failed to stop oil exploitation in the Caspian but it pursued an active and rather aggressive policy in order to preserve its monopoly over the Caspian oil and gas transportation. The construction of the CPC (Caspian Pipeline Consortium) oil pipeline and the 'Blue Stream' gas pipeline are sound arguments confirming Russia's strategic interests. Hence, the conflict of interest between Russia on the one hand and Azerbaijan and Georgia on the other is clear, and Russia has never tried to hide this.

At the same time, one can see that part of Russia's emerging business class sees clear benefits in a stable investment environment in

⁷ Fuat Rasulov, "The Social-Economic Situation and the Prospects for the Economic Development of Azerbaijan" *Central Asia and South Caucasus Affairs*, 2003, edited by Boris Rumer and Lau Sim Yee, The Sasakawa Peace Foundation, Tokyo, 2003, pp.333-334.

the South Caucasus. Their commercial interests include access to pipelines that will be built even outside Russia to increase their overall market share in the energy exports to international markets.

Over the past few years, there has been a certain success in pipeline development in spite of the region's instability and Russia's pressure. The Baku-Supsa oil pipeline has been operational since 1999. The construction of the big Baku-Tbilisi-Ceyhan oil pipeline is in full swing and it will become operational by the spring of 2005. Next October moreover, the construction of the big Baku-Tbilisi-Erzurum gas pipeline is planned to commence.

At the beginning of the 20th century there was only one significant pipeline (Baku-Batumi) in the region, now at the beginning of the 21st century there are already two operational pipelines (Baku-Supsa for oil, and Russia-Armenia for gas), and others are under construction (the Baku-Tbilisi-Ceyhan oil pipeline, the Trans-Armenia and Baku-Tbilisi-Erzurum gas pipelines). The region is slowly being transformed into a pipeline junction.

Political elites in Azerbaijan and Georgia view energy resources and their transportation to global markets as key factors in securing their independence and economic development. Azerbaijan is interested in exporting its oil and gas, which will also benefit Georgia due to its unique position in the region provided by its access to the open sea.

Armenia, it seems, because of its confrontation with Azerbaijan over Karabakh and its specific geographic location, will benefit less from the pipeline business. One has to think how to better involve Armenia in the region's ongoing energy projects, which will be beneficial not only for Armenia but also for the entire region. At the moment it is difficult to predict how, and to what extent, this might happen. Giving Armenia a stake in the unfolding Caspian energy projects or using an Armenian route as a 'catalyst for peace', as some hoped, have failed to become a reality.⁸

The energy resources of the Caspian region represent a great opportunity for future development and stability and at the same time can ignite the conflict potential of the region and thus become a danger. The existence of these resources and the favorable location (as the transit route) of the South Caucasus have drawn the interests of leading powers

⁸ Rajan Menon, "Treacherous Terrain: The Political and Security Dimensions of Energy Development in the Caspian Sea Zone", *NBR Analysis*, February 1998, Vol. 9, No.1, p. 22.

and neighbors, whose interests differ and who, unfortunately for the South Caucasian states, view energy business in the region as a zero-sum game. Both cooperation and conflict in the South Caucasus are greatly influenced by the interests and strategic engagement of more powerful outside states. At the same time, as Friedemann Müller argues, ‘not all those forces are considered to be counterproductive’ and ‘the region is also a test field for a transformation process towards more efficient and competitive rules of cooperation.’⁹

Energy projects play a decisive role in Azerbaijan’s and Georgia’s strategic calculations. Azerbaijan’s leadership considers its oil and natural gas reserves as a foundation for economic development and the future of the country. Georgia’s political elite sees the Baku-Tbilisi-Ceyhan oil pipeline and especially the Baku-Tbilisi-Erzurum gas pipeline not only as instrumental in putting an end to energy dependence on Russia (which brings serious political problems, because Russia uses its gas supply to exert pressure on Georgia,) but also as the means for attracting serious foreign investment in the country’s economy.

Moreover, both Azerbaijan’s and Georgia’s political elites believe, not without justification, that the energy and pipeline business, apart from their economic benefits, will bring security guarantees and seriously change the whole security environment in the region. The construction of the already mentioned pipelines is expected to lead to significant progress in regional development and cooperation.

One has to stress that a quick solution of the so-called ‘frozen Karabakh conflict’ would contribute not only to the peace and stability of the region but would also divert the path of the growing Azeri oil wealth from military spending (hence, the threat of a new war over Karabakh) towards peaceful objectives.

The U.S. geo-strategic interests in the region remain crucial factors in defining U.S. policy toward the region and energy is central to the U.S. policy for the South Caucasus.

The Russians, meanwhile, tend to view the region in terms of its vital importance for Russia’s national security. At the same time Russia sees the development of the Caspian energy reserves by multinationals

⁹ Friedemann Müller, ‘Energy development and transport network co-operation in Central Asia and the South Caucasus’ in *Building Security in the New States of Eurasia*, edited by Renata Dwan and Oleksandr Pavliuk, East West Institute, M. E. Sharpe, Armonk, New York, 2000, p.196.

and the transportation of Caspian oil and gas to international markets avoiding Russian territory, as economically detrimental.

Europeans tend to consider the South Caucasus from an economic, energy and transit perspective, and are only now starting to adopt a more comprehensive approach (adding security interests). The main “products” of the European vision of the region remain) the TRACECA (Transport Corridor Europe Caucasus Asia) program for the development of a trade corridor from Europe to Central Asia via the South Caucasus and the Caspian Sea; and 2) the INOGATE (Interstate Oil and Gas Transport to Europe) program, aimed at rehabilitating and modernizing regional gas, oil and refined oil products transportation systems.

The attitude of the main international actors towards the South Caucasus proves that it is an important geopolitical as well as a geo-economic region. Russia has continuously stressed its geopolitical importance to its national and security interests and never really considered developing the region’s geo-economic potential. It is becoming increasingly clear that the South Caucasus as well as the greater Caspian region would benefit significantly from overcoming their legacy as a battleground of geopolitical rivalry and from developing into a major geo-economic unit. Without this transformation, the future economic and political development of the region as well as the normalization of its relations with neighboring powers will continue facing difficulties.

THE NAGORNO KARABAKH, THE ABKHAZIAN-GEORGIAN AND THE GEORGIAN-SOUTH OSSETIAN CONFLICTS

Thomas de WAAL¹

Ten years ago yesterday a ceasefire was signed to halt the Nagorno Karabakh (NK) conflict. The event has drawn more attention to the Karabakh problem than it has been given for many years. The BBC Russian Service has opened a special new website which I recommend and my own organization IWPR, has published the first ever joint collaboration by a Karabakh Armenian and Azerbaijani journalist.

It is a sad anniversary, because although large-scale war is over, people are still dying on the front-line and the problem is not resolved. Alongside Abkhazia and South Ossetia (S. Ossetia), it is a situation of ‘ho war, no peace’ in the Caucasus.

All three conflicts have similarities:

- 1- their roots are to be found in the Soviet Union’s policies on nationalities, the peculiar architecture of autonomy in Soviet times. These three unrecognised states did not accept the terms of the break-up of the USSR into fifteen new states in 1991.
- 2- the smaller side won in each case, with help from Russia in the case of Abkhazia and S. Ossetia and from Armenia in the case of Karabakh.
- 3- in each case there is a clash between the realities of a military victory won on the ground and international law, which says that the breakaways are the sovereign territory of Azerbaijan and Georgia.

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Why are things at such a standstill? It is customary in the region to blame the lack of will of international mediators and the meddling intervention of Russia. This is true up to a point but the main obstacle to resolution lies within the societies themselves.

If we make a diagnosis we can begin to find the cure. In all cases the problem dates back to the Soviet legacy and certain elements:

- 1- In terms of political centralism, the Soviet Union was the most centralized state in the world. Regions were in competition with one another for the favour of Moscow. That meant that the autonomous regions often bypassed Georgia or Azerbaijan, people built and preferred to build their careers directly in Moscow. NK, Abkhazia and S. Ossetia were all heavily Russianized areas and still are today. This also means that the idea of "autonomy" is a devalued concept for them because it is associated with the decorative and powerless meaning it had in Soviet times.
- 2- There was no democracy or dialogue. If you study the beginnings of the Karabakh dispute in 1988 you find that Gorbachev made "appeals to the workers" and tried to handle everything directly from Moscow. There was no debate, no media coverage. Crucially, no attempt was made to sit the Karabakh Armenians and the Baku leadership at the same table. The same thing then happened in Georgia.
- 3- Another element that is often overlooked, is that the Soviet Union did not abolish nationalism, it conserved nationalism. The Union Republics in the Caucasus, Georgia, Armenia and Azerbaijan, all built up strong "national" identities from the 1960s onwards in every thing except politics. This resulted in a strange paradox. On a personal level, relations between communities were excellent; there was inter-marriage, friendship and trade. At a higher level, relations were already quite poor. One might say that historians were making the kind of black-and-white arguments in the 1960s and 1970s that later erupted into politics in the late 1980s.

For example Armenian historians were arguing that there were never any Azerbaijanis in Karabakh before the 19th century. And Azerbaijanis were arguing that all the Armenian churches in Karabakh with Armenian inscriptions were actually built by "Caucasian

Albanians,” not Armenians. All this, despite all neutral outsiders knowing that Armenians and Azerbaijanis have lived there together for centuries.

A similar historical row has poisoned the Georgian-Abkhaz dispute with Abkhaz historians claiming Abkhazia has unbroken descent from an ancient Abkhaz medieval kingdom and Georgian historians saying that the Abkhaz are a North Caucasian people who came down from the mountains and never lived in Abkhazia.

To sum up, the Soviet legacy left all sides with mutual insecurity – political, intellectual and physical. Georgia and Azerbaijan believed they had a fifth column of a disloyal minority in their midst, NK, Abkhazia and S.Ossetia feared they faced assimilation by an aggressive metropolitan republic.

The last decade has basically left this problem intact and added the extra complication of international borders.

What has happened over the last decade then?

A peculiar political economy has developed around the shadow status of the unrecognised states. This is less true of NK, which has basically become a remote province of Armenia, but has strongly affected Abkhazia and S.Ossetia. S.Ossetia in particular is now the main transit route for smuggling and contraband between Russia and Georgia. This is its main source of revenue. Abkhazia is also a smuggling route and Georgian partisans cooperate with their Abkhaz comrades across the border.

This helps perpetuate a situation where, for example, everyone knows that to open the railway from Russia, down through Abkhazia to Georgia and Armenia, would help everyone but this cuts against the short-term interests of the criminalized groups in S.Ossetia and Abkhazia who will do everything to stop this.

These three unrecognised states have built themselves up. There seems to be a law that no territory can exist in a vacuum, especially economically. Abkhazia and S.Ossetia are now a de facto part of the Russian economic space – they use the rouble, Russians are buying and selling there, while NK is basically part of Armenia. A new generation is growing up that barely remembers Georgia or Azerbaijan or associates

them only with war. By international standards they live miserably, but they live far better than they did ten years ago and that is the standard they themselves judge their situation by. So appeals to future prosperity if these territories 'return' to Georgia and Azerbaijan fail to impress – they prefer the comfortable if rather miserable status-quo to an uncertain if potentially more prosperous future.

The biggest losers have been the Internally Displaced Persons, the IDPs. Driven out by one side, they have been poorly looked after by their host governments in Azerbaijan and Georgia. Many in fact have long gone and are working in Russia. There is a lingering suspicion that the governments have used their miserable plight as a political argument and therefore done little to improve things. In recent months things have begun to change in Georgia and the Georgian government is embarking on a 'count' of its IDPs, which it hopes will lessen the suspicions of the Abkhaz and save a lot of money, which is being spent on 'dead souls.' Things are moving much more slowly in Azerbaijan. Perhaps only 10 per cent of the IDPs are actually still living in tents, which is good news but even those with a roof over their heads still live in miserable conditions. And although for example 90 percent of Azerbaijani IDPs could have gone home under the provisional Key West agreement of 2001, this was never voiced in public in Azerbaijan.

Finally, Russia's role has changed. This is less true in Georgia than in Armenia and Azerbaijan. But broadly speaking, if the Defense Ministry dominated Russian foreign policy in the Caucasus in the early and mid-1990s, now the Foreign Ministry and economic players are much more in evidence. No one expects overt military intervention by Moscow any more. Igor Ivanov's intervention in the recent Ajaria crisis is an indication of this more pragmatic line. But its most dramatic symptom is the thaw in relations between Russia and Azerbaijan which began under President Putin with Heidar Aliyev and is continuing with Ilham Aliyev.

This has led to a more balanced policy on Karabakh, and Russia is no longer an impediment to a solution there. And allow me to repeat again that outside forces are no longer the biggest obstacle to a peace settlement in Karabakh, it is the internal political forces that hinder positive development.

What happens now? Actually two paradoxical observations can be made.

First, that these conflicts are long-term problems; they are undergoing a kind of Cyprusisation. There will be no quick fixes.

Secondly, that a shift in the balance of power is occurring around all the conflicts, that is basically positive in Georgia and negative in Armenia and Azerbaijan.

Georgia now has a government that enjoys real legitimacy and can make bold decisions. The appointment of the moderate Giorgi Khindra as Minister in charge of conflicts is a sign of fresh thinking. Khindra is already talking about performing a count of Georgian IDPs, of lifting the blockade on Abkhazia and supporting new dialogue initiatives.

Armenia and Azerbaijan have both retreated from democracy over the last year and their leaders are struggling to assert their domestic authority. In that context it will be hard for them to negotiate any compromises over Karabakh.

The atmosphere in Azerbaijan in particular is very aggressive and bellicose at the moment. There is lots of talk in the media about spending oil money on war.

Another war would be a catastrophe not just for Azerbaijan – how many thousands of young men would they use just in the minefields around Karabakh –but for the wider region as a whole. But if war is a remote prospect the bellicose talk already has the negative effect of obstructing the peace process.

NATO PROMOTING STABILITY AND SECURITY IN THE SOUTH CAUCASUS

Charles BLANDY¹

Introduction

Looking at the situation in the Caspian area on a global scale, which is much like repairing a hole in one's socks or in a pair of trousers, one has to consider a bigger area than the hole and use a bigger patch.

A previous paper² of mine identified some of the threats to the future stability of the Caucasus Region and Caspian Basin, which would hinder or even prevent the creation of a stable political and social environment essential for the economic development of the region. It also outlined the increasing dangers of miscalculation and collision due to certain factors on six inter-related and overlapping levels as summarized briefly in Table 1 below:

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² C.W. Blandy "The Caspian: Commensurate Cross Currents", S40, CSRC, January 1999, p.3. Other papers on this subject by the author include: "The Caucasus Region and Caspian Basin: Change, Complication and Challenge" S36 CSRC, April 1998; "Oil is not the Only Stake" S28 CSRC, February 1997; "The Caspian: A Sea of Troubles" S31 CSRC, September 1997; "The Caspian: A Catastrophe in the Making" S32 CSRC, October 1997; "Impact of Baku Oil on Nagorny Karabakh: Waxing Western Influence: Waning Russian Power" S33 CSRC, November 1997.

Table 1 - Summary of Dangers of Collision and Miscalculation

Serial	Mutually Inter-Related Level	Annotation
1.	Declining Russian power	Change
2.	Legal confusion over status of Caspian Sea	Complication
3.	Traditional regional power rivalry and proxy manipulation by minor players	Complication and challenge
4.	Extension of Western influence and global interest	Change, complication and challenge
5.	Russo-Islamic relations in the Caucasus	Complication and challenge
6.	Environmental and ecological issues in and around the Caspian.	Complication and challenge

“It has become even more apparent that from being imprisoned within the rigid, restrictive confines of Soviet Communist power for over 70 years, the Caucasus-Caspian Region has now emerged from the shadows and has now become the focus of global attention and interest. In acquiring an increasing geostrategic significance, not only do the interests of the United States, Western Europe, Russia, Iran and Turkey cut across one another at a regional level, but on a wider plane the global dimension is emphasized and illustrated by companies representing a world-wide diversity of states ranging from Argentinean and Japanese participation on the one hand, to the interest expressed by Afghanistan, Pakistan and India³ in wishing to obtain future benefit from its energy resources on the other hand.

Giving rise to future apprehensions on the part of the Western powers, in addition to those concerns already stemming from the instabilities present in the Russian Federation and Moscow’s predilection, capacity and potential to cause trouble in the form of ‘conflicts in the Caucasus which threaten the interests of the USA’⁴, there

³ *Nezavisimaya Gazeta*, No 231 (1802) of 10 December 1998: “*Energicheskiy defitsit v Indii - Rossiya otchasti pomozhet ego preodelet’*” by Aleksey Tamalin provides further details on India’s energy deficit (author’s translation).

⁴ *Rossiyskaya Gazeta*, 28 November 1998, “*Konflikt na Kavkaze ugrozhayut interesam SshA*” by Ariel Cohen, leading analyst of the Heritage Fund (USA). This is a reference to Russian ‘meddling’ in the Transcaucasus Republics, providing support to Abkhaz separatists and Karabakh Armenians.

stands the recent activity of the People's Republic of China, currently occupied in taking 'fills' of Kazakh oil, Turkmen oil and gas from the eastern littoral of the Caspian to augment future serious shortfalls in domestic supplies⁵. But of course as a result of 9/11 much has changed in state relationships.

The emergence of the Caucasus-Caspian Region on to the world stage and with an ever-increasing cast of actors can only increase the potential for miscalculation and collision in the region, in particular, not only existing and probable pipeline routes but also states such as Syria, Iraq and Iran, bordering the southern periphery of the region with the potential to destabilize the Middle East and further afield⁶.

NATO is a Military Alliance, established for the mutual defense and security of its members. And therefore one must first turn to and concentrate on possible threats to the South Caucasus.

When looking at the Caucasus-Caspian Region, it is important to bear in mind that one cannot just look at the South Caucasus in isolation. Whilst I fully understand the reason for wanting to get away from the past by replacing the Transcaucasus with the South Caucasus, the title of South Caucasus in my opinion only explains part of the dynamics. To my mind, Transcaucasus - even though seen from the Russian viewpoint - provides a wider concept than just South Caucasus, which in turn embodies a sense of history and geography. South Caucasus on its own seems to convey an impression of seclusion, a stand-alone quality, devoid of links, when in fact it not only provides a land corridor from North to South and from East to West and vice-versa.

The Caucasus region not only serves as a meeting place between East and West, namely Central Asia and Europe, to some extent epitomized by the concept of the 'New Silk Road', the 'Eurasian Transportation Corridor' - TRACECA - but is, perhaps more important from the perspective of security.

⁵ Keun-Wook Paik "Tarim Basin Energy Development: Implications for Russian and Central Asian Oil and Gas Exports to China", Central Asian and Caucasian Prospects, No 14, November 1997, Royal Institute for International Affairs, London, p.1: "Security of energy supply is crucial for sustaining Chinese economic development, so the disappointing results from exploration of the Tarim Basin during the past seven years have sent an alarm signal to Chinese energy planners. In particular, since 1993, when China became an oil importer, the Chinese government has begun to recognise that the problem of oil and gas supply in the coming decades may be far more serious than had been anticipated".

⁶ op cit., Blandy, "The Caspian: Commensurate Cross Currents", S40, CSRC, January 1999, p.3.

On the North-South axis, the Transcaucasian land corridor facilitates contact or indeed confrontation between European Russia and the southern regional powers of Turkey and Iran. In more general terms, it is on this axis that the division of influence lies between Christianity in its various forms, Russian Orthodox, Catholic, Armenian and Georgian Churches, and Islam with Sunni Muslim (Hanafi and Shafi'i schools) and Shiite Muslim branches.

The South Caucasus is inextricably linked to the North Caucasus. In the words of one Eduard Ozhiganov, in an article by Maksim Shevchenko and Aleksey Malashenko which appeared in *Novaya Gazeta* – *NG Religii* on 17 June 1998:

*“The North Caucasus and Transcaucasus must be considered as a part of a whole ‘security complex’ which includes: the southern oblasts and national republics of Russia; Georgia, Armenia, Azerbaijan, and also Turkey and Iran. This is reflected in the fact that the North Caucasus continues to play a decisive role in the fate of the Transcaucasus and Caucasian security complex as a whole.”*⁷

Therefore, events, which occur in the North Caucasus, will have an impact on life in the South Caucasus (Transcaucasus). Likewise, problems and events in the South Caucasus have an impact on life in the North Caucasus.

Recent examples of events impacting on the South Caucasus from the North, to name but a few, are both the Russo-Chechen conflicts, in particular the second one. When the cause of Chechen separatism was overshadowed and taken over by the more extremist objectives of the *Wahhabity* under the aegis of the evil, disruptive forces were operating under the banner of Islamic fundamentalism.⁸ Chechen refugees at Shatili struggled through the upper reaches of the Chanti-Argun to Itum-Kale and experienced a subsequent humanitarian transfer to Pankisi in September/October 1999.

⁷ Eduard Ozhiganov in *NG- Religii*, No 6 (18) of 17 June 1998, pp.12-13; “*Faktozy destabilizatsii religiozno politicheskoy situatsii v Dagestane*” by Maksim Shevchenko and Aleksey Malashenko. This fact is again underlined in *Nezavisimoye Voennoye Obozreniye* No 48, 1998, p.2; “*Terror v Dagestane vryad li prekratitsya*” by Il'ya Maksakov, which is concerned with the recent deaths in Dagestan of five Internal Troops Special Forces (Omontsy) from Murmansk.

⁸ N. N. Novichkov, V. Ya Snegovskiy, A. G. Sokolov, V. Yu Shvarev, “*Rossiyskiye Vooruzhennyye Sily V Chechenskom konflikte*”, Kholveg-Infoglob - Trivola, Paris & Moscow, 1995, p.187.

Other examples are:

- The peregrinations of Ruslan Gelayev from Pankisi –2001/2002 ;⁹
- The use of Pankisi by Chechen separatists and Wahhabi extremists;¹⁰
- Before the assassination of Akhmad-Khadzhi Kadyrov, the conflict in Chechnya itself was seen as moving towards the surrender of the official Chechen separatists under Maskhadov.

Very little effective action seems to have been devoted towards curtailing the increasing acts of terrorism originating from Chechnya and carried out by extremists in other North Caucasus republics. Let alone the possible future impact on the South Caucasus sovereign states, for example Georgia and Azerbaijan.

It can be argued that the Kremlin's approach has left itself open to the serious charge of not controlling the situation around Chechnya. As Ramazan Abdulatipov, an Avar and well-known politician, Chairman of the People's Assembly of Russia and member of the Federation Council remarked earlier in January of this year:

*"I have been repeating for a decade: we are not in control of the situation in Chechnya which is explainable, but we claim to be in control of the situation surrounding Chechnya! In fact, the situation around Chechnya is no better than inside the republic. In some directions, including the Daghestani problem, the authorities are unaware of the actual situation."*¹¹

Almost as if to confirm the remarks made by Abdulatipov, an article appeared in *Zavtra* on 12 January 2004 by Andrey Fefelov, which included comments from interested readers. One such comment from a certain Shamil' Abu-Idris, who is none other than Shamil' Basayev, read:

"Praise to Allah, this year will be commemorated with the widening of the zone of combat operations and territories, where the

⁹ C. W. Blandy "Pankisskoye Gorge: Residents, Refugees & Fighters" P37, CSRC, March 2002, p.13.

¹⁰ op cit., Blandy, p.7.

¹¹ *Nezavisimaya Gazeta* No 279 (3112) of 26 December 2003, p.4, "Ramazan Abdulatipov: Na Kavkaz kazhdyy avtoritetnyy politik imeet svoyu boyevuyu gruppirovku – Predcedatel' Assamblei narodov Rossii schitayet, chto u federal'nogo Tsentra net dolgosrochnoy i gramatnoy politiki na Yuge Rossii" by Andrey Riskin.

Dzhikhad will be conducted against the aggressor, and the creation of new military sectors. In particular, the Ingush sector, the Ossetian sector, the Aukhovskiy sector, [and] the Stavropol' sector have been formed and the Daghestan operational direction has also been activated.”¹²

The sectors selected by the terrorist extreme elements mentioned above by Abu Idris have endemic issues and long-standing grievances, which are ripe for exploitation by an outside party intent on fostering discord, instability and conflict against Moscow.

The spectre of Shamil' Basayev's Operation Boomerang, with its ever-widening span of terror beyond the boundaries of Chechnya, has been intensified by the recent assassination of Zelimkhan Yandarbiyev in Doha, Qatar.

In the aftermath of the assassination of the Chechen pro-Russian President Akhmad-Khadzhi Kadyrov, President Putin's one word "retribution" – whatever that entails - may well start another flood of refugees from Chechnya seeking sanctuary in the South, possibly leading to another Shatili.

Escalation of the Terrorist Campaign

Sabotage Attempts Against Economic Targets

An example is the recent act of terrorism against strategic economic targets in the vicinity of Karabudakent, Manas (Manaskent) and Stantsiya Uitash in Daghestan on 2 April 2004. This is a copy of the map showing the location of the terrorist attack against an economic target in Daghestan:

“The railway, the federal highway, the main electricity power lines, the Baku-Novorossiysk pipeline, along which Azerbaijan oil flows to the Black Sea port, the gas pipeline Mozdok - Kazi-Magomed along which Russian gas goes to Azerbaijan.”¹³

¹² <http://zavtra.ru/cgi/veil//data/zavtra/04/529/13.html> p.4 of 5: "Chechnya trevorgi nashey" by Andrey Fefelov, comment by Shamil' Abu-Idris 12/01/04 0545:46:42.

¹³ <http://www.kommersant.ru/archive/archive-aterial.html?docId=463528> Gazeta "Kommersant b" No 60/P (2899) of 5 April 2004; "Shamil' Basayev zanyalsya zlostnym khuliganom – Terrorist No 1. pereklyuchilsya gazoprovody" by Sergey Dyupin.

Not only are there pipelines, roads and railways concentrated together, but the strategic importance of the railway station at Manas should not be overlooked. Manas was used as one of the off-loading points in August 1999 for the ‘51 tanks, 369 BMPs and 14 BTRs’ for federal operations connected with halting the first ‘invasion’ of Basayev and Khattab at Ansalta and Tando and the later attack and destruction of the Wahhabi complex at Kadar, Karamakhi, Chabanmakhi.¹⁴

The ability of saboteurs to show a greater sophistication in target selection aiming at inflicting the maximum amount of economic damage, not just on one system at a given time, but on a combination of economic systems is a new departure from those previously seeking arresting headlines based on sheer horror and terror against helpless and peaceful communities.

No doubt this could add to the concerns of Tbilisi and Baku over the possibility of sabotage and disruption of the Main Export Pipeline (MEP) Baku-Tbilisi-Ceyhan and other strategic road and rail communication links in Georgia and Azerbaijan.

The above could be used as an example to counter attacks on economic targets in which NATO’s assistance in contingency planning would be of value to both Georgia and Azerbaijan.

Georgia

Georgia occupies a more or less central position in the Caucasus with a coastline on the Black Sea to the West and borders with the Russian Federation.

It is helpful to remember that having been under the direct rule of Russia and later the USSR for over 200 years, Georgia experienced a double-edged protection, which deprived the Georgian nation of independence and decision-making capacity in foreign affairs.

To this one should add one of the worst and most pervasive aspects of Communist life: the blight of corruption. It is perhaps not surprising that political institutions in the comparatively new sovereign Republic are not fully developed.

14 C. W. Blandy under general heading of “*Dagestan: The Storm*”, “*Part 1 – The Invasion of Avaristan*”, P30 CSRC, March 2000; “*Part 2 – The Federal Assault on the “Kadar Complex”*”, P32 CSRC, June 2000; “*Part 3 – The Expulsion of Chechen Bandit Formations From Novolakskiy Rayon*”, P33 CSRC, October 2000.

Very explicit is an article written by Dr Alex Rondeli in 1998. The following passage, in particular, encapsulates the problems faced by all three comparatively new sovereign states in the South Caucasus:

*“New, independent states are particularly sensitive to security problems, as they lack the experience that comes from independent statehood. They have not had the opportunity to develop a defined culture for strategic planning or foreign policy engineering. Furthermore, newly independent states - only just emerging as sovereign, autonomous actors feel insecure and quite uncertain about what their security interests and priorities should be, and how to go about defining them. Thus, they tend to underestimate certain security threats, exaggerate others and, sometimes, even miss vital factors in the game of national security planning. Their strategic visions, and corresponding calculations, are mainly based on historical memories, which themselves are constructed with reference to ethnic lines.”*¹⁵

As Alex Rondeli pointed out, many of Georgia’s present ills have their origins in its long relationship with Russia. The large mass of Russia to the north totally dominates the small Republic. Quoting from Dr Rondeli again in a later article:

*“It is very hard to find common language with a country which is much bigger and stronger and which has assisted two secessionist parts of your territory with military force, has given [Russian] citizenship to people who live there, did nothing to restore Georgia’s territorial integrity, aggravated Tbilisi’s relations with the regions and keeps applying pressure on Georgia.”*¹⁶

Maybe that form of relationship between Georgia and Russia is beginning to change for the better judging by recent events. But of course, the promotion of stability and security in the South Caucasus cannot be the work of NATO alone.

¹⁵ *Perceptions*, June-August 1998, Volume III, Number 2, p.43, ‘Security Threats in the Caucasus: Georgia’s View’ by Aleksander Rondeli, Director of Foreign Policy Research and Analysis Centre, Ministry of Foreign Affairs, Republic of Georgia.

¹⁶ <http://www.civil.ge/cgi-bin/newspro/fullnews.cgi?newsid1031040820.47411>, Aleksander Rondeli: ‘Russia Should Try to Generate Some Trust’, *Civil Georgia on-line magazine*, 3 September 2002.

It has to include dialogue with Russia, particularly in the identification and eradication of threats to stability in the region, making use of the greater cooperation, which followed 9/11 and developed into a campaign against global terrorism.

Headlines such as '*Chaotic Pluralism in a Weak State*'¹⁷ are not helpful. They make no recognition of the rich legacy of Georgia's outstanding cultural heritage, which covers a lengthy span from the 5th century to the present time.

Whilst Georgian culture might appear to have little relevance to high-level politics, economics and security, it helps to describe the depth of the Georgian soul and its many contradictions.

One of the heartening features of the situation in Georgia at the present time is the number of young people, well educated professionals, eager to participate in the future of their country. This contrasts with the cynical lack of interest of many young people in the former USSR.

There is a need for a degree of understanding about the legacy of history, before looking at where and how NATO can best provide the necessary ingredients for its Partnership for Peace programs (PfP) on an individual country basis, remembering that each state in the South Caucasus has differing requirements. Furthermore, within the states themselves and because of different backgrounds, occupations, social standing and financial matters, perceptions vary amongst the population about what needs to be done. Even to the point of asking what NATO is all about.

Here I would make two points:

- First: despite the past, there is quite obviously a need for Georgia and Russia to cooperate against the growing threat of terrorists operating under the banner of Islamic Fundamentalism and again the whole operation would benefit further from NATO participation.
- Second: to overcome the differences of background and to explain what NATO is about, there is a requirement for a NATO Information Specialist in the South Caucasus –or even two or three of them ?

¹⁷ *IASPS Policy Briefings and Geostrategic Perspectives*, No 39, 21 November 2003, p.1, 'Georgian Elections and Aftermath: Chaotic Pluralism in a Weak State' by Vladimir Socov, IASPS Senior Fellow.

South Caucasus States – Relationship with NATO

Georgia

Georgia believes that future integration with NATO would provide the best way of insuring security, stability and peaceful development for the country.

In the mind of Georgian elites not only does the concept of NATO membership strengthen the state, but it would also enhance its position internationally. I equally suspect that there is a strong body of opinion according to which NATO membership would also assist in resolving the Abkhaz problem.

Whilst Georgia has serious political and economic problems, the approach to these issues by the new Georgian President, the Speaker of the Georgian Parliament and the Prime Minister has engendered a new spirit of optimism and recognition from the USA and Europe, whereas before the Rose Revolution, NATO membership could be considered to be a very far-off dream. Even now there are still many obstacles to membership.

Obstacles to Membership

Let us select some negative points, namely: weakness in law enforcement, economy, corruption, etc.

NATO Supportive Action

NATO should initially concentrate on supporting and strengthening the democratic transformation process, with emphasis on:

- Civilian control over all armed forces;
- Reorganization of the army and the command and control system.

It has been suggested that NATO should assume a role in coordinating the material and technical aid offered by its members. NATO should consider opening an Information and Documentation Center, and establish a Regional PfP Training Center.

Azerbaijan

Azerbaijan wants to escape from Russia, while at the same time Baku does not seek a new 'Big Brother' relationship with Turkey, but is anxious to secure approval and partnership with the West, in particular with the United States.

Over a long period of time Azerbaijan has been trying to establish closer cooperation with NATO. Perhaps, it is true that the fervor of Azerbaijani interest has not been reciprocated by a totally positive and unfettered reaction from NATO.

However, Azerbaijan hopes that the level of participation by the West and NATO will grow on account of:

- The Caspian Sea –hydrocarbon deposits.
- Protection of transit routes.
- US Policy towards Iran.

Again, one wonders how much the burning desire for the return of Nagorno-Karabakh, the resumption of vertical control by Baku and the restoration of territory currently under Armenian occupation, assumes a dominant role in its policy and desire to cooperate with NATO.

Obstacles to Membership

- Azerbaijan's financial weakness;
- Disillusion over OSCE and the West in general over Nagorno-Karabakh;
- Low level of implementation of Western democratic standards, absence of the rule of law and human rights for minority peoples.

NATO's Supportive Action

In establishing closer relations, NATO's supportive action should include:

- Democratic reforms;
- Preparation for peacekeeping operations;
- Adoption of NATO standards and inter-operability bolstered by a military education program.

NATO should accept the Azerbaijani request for opening a NATO Information Office, as this could be a means of furthering cooperation as part of the PFP. Maybe in time, the establishment of a Regional Training Center would be possible.

Armenia

Small and landlocked Armenia sought reassurance and security through a Treaty of Friendship, Cooperation and Mutual Assistance with Russia, which was signed by President Yeltsin and President Ter-Petrosyan on 29 August 1997.¹⁸ This treaty, to a very large extent, remains the bedrock of Armenian security policy.

Furthermore, the Russians appear to respect the Armenians for being leaders in the military arts and for other qualities that Vanora Bennett mentions in her book.¹⁹

Armenia makes no mention of NATO membership, but regards cooperation with NATO as a means of diversifying its foreign policy. Armenia is bound by an alliance with Russia through the "Treaty of Friendship, Cooperation and Mutual Assistance."

Obstacles to NATO Membership

Obstacles to NATO membership include:

- Economic problems;
- The malfunction of the political system;
- Total lack of reform.

However the main stumbling block is the issue of Nagorno-Karabakh –state of Cold war with Azerbaijan, occupation of up to 19% of Azerbaijani territory (Treaties of Moscow in March 1921 and Kars in October 1921).

Armenia does not see NATO membership as a goal in itself, but as being useful to widen its circle.

¹⁸ Signed in Moscow by Presidents Yeltsin and Ter-Petrosyan on 29 August 1997.

¹⁹ Vanora Bennett, "Crying Wolf - The Return of the War to Chechnya", p.15: "(.). though she (Yevgeniya) did concede that Armenians were hard-nosed businessmen, drivers of vicious bargains."

NATO's Supportive Action

Nevertheless, despite Armenia's apparent lack of interest in NATO membership, NATO's supportive action in the first instance could include:

- Encouragement towards the launching and creation of institutional reforms;
- To settle disputes with its neighbors –Azerbaijan and Turkey in the first instance;
- Enhance NATO information policy with a view to dispelling the negative image of NATO and changing the Armenian perception of NATO as a pro-Turkey organization and therefore hostile to Armenia;
- Continue attempts at mediation between Armenia and Turkey.

Finally, NATO can only do so much –it is up to the governments of the three South Caucasus republics to do the lion's share.

PROSPECTS FOR REGIONAL COOPERATION IN ECONOMIC AND SECURITY MATTERS

Sir Garry JOHNSON¹

The Need for Incentives: Cooperation is not a ‘given’

‘The West’ automatically assumes that regional cooperation is so naturally desirable that the case for it does not need spelling out. This is not necessarily so. To be successful, cooperative ventures need to provide all participants with benefits greater than the disadvantages, which inevitably accompany them. There need to be shared aims and objectives towards which participants will move willingly and not through coercion or arm-twisting.

The recent history of another region of the Former Soviet Union illustrates this. On regaining their independence all three Baltic States shared the common and compelling foreign and security policy objectives of entry into NATO and the EU. Nevertheless cooperation was slow to get off the ground as each nation feared either that NATO would use the excuse of effective cooperation to obviate the need for full NATO membership, or that a poor preparation by one would disadvantage all. As the realisation grew that these fears were groundless, cooperation picked up speed and a number of multinational regional programmes got under way: BALTDEFCOL, BALTRON and the air surveillance programme, to name a few. The key to this was a clear incentive and, after some hesitation, the response of NATO and the EU was equally clear, cohesive and positive.

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Where are the Security Incentives in the South Caucasus?

The situation is different in the Caucasus. The security policies of the three nations are not in harmony with one another. Georgia has clearly set its goal at becoming a full member of the Euro-Atlantic community and, specifically, a member of NATO and the EU. Armenia looks to Russia and the CIS for its security guarantees. Azerbaijan is ambivalent. Thus there is no unity of purpose in macro-security policy objectives, and no common perceived incentive or benefit in security terms.

The situation is not helped by weak or conflicting signals from 'the West'. NATO works as best it can within the PfP framework, but there are restraints on its flexibility for action, and there is no NATO policy on Georgian membership. The EU has been conspicuous in the past for its minimalist profile, particularly in the security field, although there are signs that this is beginning to change. Individual nations give different signals. The US strongly supports Georgia, would like to support Azerbaijan more effectively, but finds cooperation with Armenia unappealing. The only NATO nation with a land border with the Caucasus – Turkey – is welcome in two countries, but not in the third.

Two powerful regional neighbours – Russia and Iran – provide no real encouragement towards regional cooperation, and the intra-regional situation is not helped by the prolongation of internal tensions. Abkhazia and Ossetia engage the attention of Georgia and Nagorno-Karabakh provides an excuse for Armenia and Azerbaijan to avoid meaningful cooperation. Linguistic and cultural differences complicate the picture.

Are economic incentives sufficient to act as a spur?

In an age where security is defined as much, if not more, by banks as by tanks - are there no economic incentives, which engender a positive and cooperative urge? Leaving aside the generalisation that all nations have a vested interest in economic growth and increasing prosperity, and that these are enhanced by cross-border trade and ties, it is apparent that the 'Caucasus Corridor' for oil, gas and surface trade links only two out of the three nations, and thus again fails to provide the glue of mutual and individual self-interest in cooperation.

Should 'the West' care?

Of course it should. Georgia is now the back door to Europe and Azerbaijan the front door of Asia. Natural resources, vital to our economies, flow through these doors. Having endured the turmoil of the Balkans, there is no wish to be sucked into chaos in the Caucasus. The strategic position of the Caucasus, at the centre of the geo-political compass which links North with South and East with West, matters to the security of the region. Stability and security are the *sine qua non* to establishing the conditions in which the giant market called the Euro-Atlantic community –trading nations all –can do business and prosper. There are many commonly shared incentives for them to encourage regional security.

What can be done?

NATO and the EU should agree on a division of labour in the security field, similar to the burden-sharing concept of the Cold War days. The lines should be clear. If it concerns hard security, it is NATO business. If it concerns softer security, the EU should take the lead. Because of the past hesitancy of the EU, NATO has tended to expand its activities into areas away from its core business of defence. The two organisations should coordinate their programmes. Overlap should be eliminated. The core of the joint efforts in the security field should be centred round the reform and modernisation of the security sectors in all three countries. The old Soviet systems are dysfunctional, out of date and unsuited to the modern world. The NATO programmes should concentrate on the modernisation of the defence field, acknowledging that there will be resistance to too deep an involvement in Armenia and, to a lesser extent, in Azerbaijan. EU programmes should focus on modernizing the interior functions, on policing, border-control, security services and so on. Here there is real incentive for all three nations to cooperate against the commonly acknowledged threats of terrorism, illegal immigration and drug trafficking. Harmonisation of the issues contained in the 'home and justice' area is of mutual benefit to all.

It should be recognised that the biggest obstacle to cooperation and progress lies in the existence of the commonly called 'frozen conflicts'. Until these are at least neutralised as *realpolitik* issues,

meaningful cooperation remains a dream of the idealists. One commentator recently made the point that it is not so much the conflicts, which are frozen, as the political processes required to solve them. The time has come for this to be seriously addressed. There is need of international support for Georgia in its efforts to bring resolution to the impasses in Ossetia and Abkhazia, and of a meaningful peace process for Armenia and Azerbaijan over the Nagorno-Karabakh issue. Short of full UN involvement, out of the two organisations under discussion, these tasks are more suited to an EU initiative than to a NATO one. The involvement of Russia, Turkey and Iran in these issues is necessary for a durable outcome. Investment –in infrastructure, training and education at all levels, and economic development should go hand in hand with political development. Apart from the pipeline issue, other intra-regional economic projects should be developed in which all three countries have an interest and a stake. The Baltic States should be encouraged to take a substantial part in all programmes where their successful transition experience can prove perhaps more helpful than theoretical knowledge.

Finally, it should be acknowledged that it is self-interest rather than idealism which is the spur to cooperation, and programmes should be constructed with this in mind.

MAKING COOPERATION MORE VISIBLE AND MORE TRANSPARENT

Leila ALIEVA¹

With the ongoing EU and NATO enlargement the Caucasus is now closer to the borders of the Euro-Atlantic Area. This makes cooperation more significant, because the Caucasus is the area of energy resources and transportation routes, the gates to Central Asia, Iran's neighbor, and Russia's 'soft underbelly'. The importance of all this is strengthened by the transit nature of the region, which connects the East and the West, the South and the North. Regional security is undermined by 'frozen' conflicts and uncontrolled territories, where the routes of weapons, drugs and human trafficking cross. Exclusive policies, autocratic regimes and weak societies characterize the domestic conditions, making the region vulnerable to the influences of radical and fundamental movements from the outside.

As the prospects of integration into NATO look more realistic than integration into the EU, the role of NATO in reforming these societies has become more important. Cooperation with NATO is seen in the Caucasus as one of the ways of integrating Europe and the Western world and as a way of addressing individual security concerns. Azerbaijan and Georgia see it as an important means to counterbalance Russia's traditionally ambitious behavior through the weakening of the insurgent states in the region. In fact, states in the Caucasus, and especially Azerbaijan, contributed more to mutual cooperation in the security area than they received in return. Azerbaijan was the first among all of the Former Soviet States to make the Soviet troops withdraw from its territory; it created conditions for Western participation in the Caspian oil projects, joined the coalition on war against terrorism and sent

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peacekeeping troops to Iraq. Georgia was the first to announce its desire to become a member of NATO. Armenia's conflicts with Azerbaijan and Turkey, and its alliance with Russia, hamper its full-fledged cooperation with NATO.

In spite of the progressing cooperation with the Caucasus states, particularly with Georgia and Azerbaijan, NATO's contribution to security cooperation is perceived as mainly related to the protection of pipeline and energy resources and issues of terrorism, which are not of primary importance for the states in the Caucasus. Unless this cooperation addresses national security concerns and democratic reforms more closely and is more transparent, there is a danger that Caucasus-NATO cooperation will be seen by the public as supporting the domestic regimes, which have doubtful legitimacy and are associated with significant corruption. Modern threats and events on a global scale support the idea of a direct connection between security and transparency. Cooperation between ruling elites only proved to be a rather fragile basis for long-term security.

The Caucasus states are on the margins of Europe –with a strong European identity, but a mixed post-Soviet political legacy. The leaders carry only partial legitimacy, enjoying relatively strong rule and monopoly over resources in at least two of the countries –Armenia and Azerbaijan – holding a grip on power, but insufficiently so as to guarantee long-term stability. The corruption and the illegal economy, as well as the suppression of moderate opposition, are a potential source of threats to national, regional and international security. As there is no real independence of the three branches of power, and most of the elections have not been free and fair, the most popular opposition is acting outside the parliamentary arena, which is quite often mistakenly disregarded by foreign actors. All the elites and broad sections of the population, particularly in Georgia and Azerbaijan, are pro-Western but the sustainability of such an attitude can best be promoted by the West's non-partisan approach to the conflicts, and through the success in balancing value-based and interest-based foreign policies. As the recent events in all three republics have shown, the West, unlike Russia or Iran, is perceived first of all as the bearer of democratic values and as a non-partisan broker in the resolution of conflicts. Thus consistency in the value-promoting policies of the West is of the utmost importance in preserving the population's foreign stance and pro-reform elites.

Cooperation with the Caucasus represents a challenge shaped by a few factors.

1. The unresolved conflicts are an obstacle to the reforming of societies; it hinders democratization, economic development and regional cooperation, as well as hampers the consolidation of independence of each of the three states and their integration in the West. Frozen conflicts also block enhanced NATO cooperation with the parties involved in the conflicts, as well as provide an excuse for Russia's continuous military presence in the region, first of all in Armenia. Although the conflicts represent threats stretching beyond the region, the interests of the West do not seem to be strong enough to induce the parties to reconcile. However, given Russia's ambitions in the region, there is a need for the West to become more active in the resolution of the conflicts in order to promote both the development of the region and the West's own interests. NATO should contribute more substantially to the resolution of the conflicts to accelerate integration.

So far, regional cooperation as a concept has been promoted by the EU and NATO, but none of the proposed projects promoted the perception of these states as the subjects of international relations in their own right. Typically regional cooperation is not used as a tool for developing a sense of interdependence - cooperation is just enforced. Secret negotiations between only semi-legitimate leaders without using the negotiating potential of public society cast doubts as to the sustainability of the solution. Cooperation within the region represents a challenge because of the deep security divide - the dividing line is between Azerbaijan, Georgia and Turkey - which unanimously and openly expressed their intention to join NATO, or which is already a NATO member, - on the one hand, and the Russia-Armenia-Iran axis on the other. To make cooperation more effective NATO should play a more active role in addressing the individual security concerns of the Caucasus states, contribute more actively in developing the rules and standards of behavior in intraregional relations. In the case of Georgia and Azerbaijan - NATO could contribute to the implementation of the principle of territorial integrity, along with the promotion of minority rights, while in the case of Armenia - it could increase the awareness that a safe and prosperous future depends on its ability to share in common values of the states in the region.

2. Complexities in state and democracy building in the countries in transition. The domestic political situation in the Caucasus states, according to many observers, represents a façade of democracy resulting from some of the following factors:

First, it was influenced by the leadership assets and how they were used by each leader for consolidating power. After the failure of the first post-Soviet “dissident” leaders, the success of later leadership was dependent on its ability to make use of the assets in domestic and foreign policy strategies. In the case of Armenia, the strategy was built through the consistent creation of a centralized army with strong support from the diaspora and Russia. In Armenia the “war economy” allowed a small group of people to mobilize economic resources through the centralized control of certain ministries. The leadership of Azerbaijan used suppression to monopolize rich oil resources after establishing almost full control over major strategic resources. This laid the basis for the development of growing authoritarianism in these two states. In Georgia, the only foreign policy strategy asset in attracting resources from the West was Shevardnadze’s reputation as a reformer, which together with the lack of material resources, put some restrictions on his ability to monopolize all the economic assets and led to greater liberal freedoms.

Second, the course of integration in the global economy affected the power balance of the government/official power versus society. The political integration of the states into Europe lagged behind the economic integration and weak, corrupt and non-democratic institutions of power could not digest the sudden wealth and investments. In other words, without parallel political reforms, economic integration was strengthening ruling elites, through a greater monopolization of resources into the hands of a small group, creating the patronage system and feeding endemic corruption. The direction and type of integration determined the character of transition and more specifically - which segments of society and institutions were empowered and strengthened as a result.

Third, the political situation was influenced by the balance between the support for civil society –on the one hand, and foreign direct investments along with the aid, which was channeled through the official agencies – on the other. This imbalance was particularly profound in Azerbaijan, where relatively small (as compared to the neighboring republics) support for civil society contrasted significantly with foreign

direct investments in the oil sector, which were controlled by the ruling elite. A decline in people's power in Azerbaijan as compared to the increased power of the government was evident in the outcome of last year's post-elections clashes. These factors partly explain the different outcomes of the post-election crises following major distortion in recent elections in all three states, except for the 'post-rose revolution' Georgian elections.

Besides the common characteristics of post-Soviet Caucasus states, some individual problems should be addressed in each of them. Special attention should be paid to the reforms in the relations between the military and civilians in Armenia, where the military has excessive control over the society. In Azerbaijan democracy building, creating transparency in the activities of the oil industry and the demonopolization of economic power should be a priority, as all the reforms in the security and defense areas are dependent on overall liberalization and democratization. The new leadership in Georgia faces a challenge to channel the energy of the 'rose revolution' into the creation of strong state and democratic institutions, to eradicate corruption and consolidate control over three breakaway regions. It should also attract investments and resources to achieve a major breakthrough in economic growth and make it sustainable.

Since traditionally in the post-Soviet Caucasus, leaders come to power as a result of various degrees of fraud in the elections, and suffer lack of legitimacy, cooperation should be extended to the broader layers of society by establishing information offices in the states with a direct outreach to the grass-roots level. While the elites might be vulnerable to pressure from outside, in spite of their strongly pro-Western attitude, civil society, the opposition and intellectuals are closely watching for consistency in the West's support of democracy. The ruling elites in the Caucasus draw conclusions on the seriousness of the West's intentions as regards reforms, as do the opposition and civil society in regards to the sincerity of the West's declared support for reforms.

All of the above makes transparency in cooperating with the Caucasus states particularly important. As the leaders do not have a tradition of being accountable or consulting with their constituencies and other political forces, there is a need to monitor public opinion before implementing certain sensitive projects, such as, for instance, certain kinds of regional cooperation. There is also a need to empower and

strengthen civil society, particularly in Armenia and Azerbaijan through cooperation with the non-governmental sector, which may help in reforming security, defense, conflict resolution and other areas.

3. Problems, associated with Western policies. There are a few factors affecting the success of promoting values and other objectives of cooperation with the Caucasus.

First, an understanding of the societies in transition, of their values and institutions, by distinguishing between the ‘negative’ Soviet legacies and nation specific ‘positive’ ones, realizing the importance of soft power and identifying groups which are the bearers of democratic values. This means not only looking to the groups who control material and financial power, but also to those who enjoy the social and moral support of the population. Support for civil society should not look like manipulation, and thus post-colonialism, but rather as support for local initiatives. For that to happen local consultants should be involved in the development of aid strategies. On the basis of this, coherent and consistent policies should be formulated. The timely and relevant reaction to the way reforms are conducted is the shortest route to national and international security. The proper conduct of elections is particularly important since the slogan of the European organizations ‘another step towards democracy’ was discredited in all three states.

Second, sending a clear message to partners. This will prevent unrealistic expectations and hence disappointment and distrust in partners.

The West should lift the contradiction between the unilateral and multilateral agendas of their relations with the Caucasus, as well as in their economic and political agendas, between security, democracy building and stability. In the case of NATO, promoting values should not be sacrificed for security in the Caucasus as these objectives are closely related.

Third, making sure that NATO’s policies do not create an impression of biased treatment of the states in the region, particularly between Muslim and non-Muslim states. The individual states should be ‘rewarded’ by NATO according to their contribution to this cooperation.

Thus NATO cooperation with the states in the Caucasus should take into account the interaction of the factors mentioned above. Greater transparency requires the development of cooperation at all levels, the

inclusion of civil society in major initiatives and the dissemination of information through the state and private and public channels. NATO can help develop common rules and standards of behavior between the neighbors in the region. It can also help in transforming the exclusive or expansionist forms of nationalism into ones based on democratic principles, as well as human and minorities rights. Limiting cooperation to the top level only may become counterproductive, as it will be seen as a way of supporting non-democratic regimes that have a significant record of corruption, and may cause resistance even in the strongly pro-Western society. Security cooperation without the parallel promotion of reforms may create an impression that the Western democracies give greater priority to oil and stability over democracy. This image should be turned around, as it seems to undermine the West's intended sincerity in promoting values and hampers its leading and stimulating role in reforming the societies in the Caucasus.

EXPANDING COMMON ACTIVITIES: COMPREHENSIVE COOPERATION INVOLVING POLITICAL, MILITARY AND SECURITY DIMENSIONS

Svante E. CORNELL¹

The enlargement of NATO in Spring 2004 and the new geopolitical reality of Alliance members' security interests are prompting NATO to refocus its energies southward and eastward. As most countries of Central and Eastern Europe, where much of Partnership for Peace activities were concentrated, have become NATO members, PfP's geographic focus is clearly shifting.

PfP's success beyond expectations in fostering military reform and cooperation, has meant that it is seen as an instrument with great potential to accomplish similar success in other areas, where PfP has either been involved with lesser intensity or not at all. This means increasing assets are now available for programs in the western Balkans, South Caucasus, and Central Asia. Of these, the South Caucasus stands out as being a region with a serious and acute security deficit. The three new and weak states of the region all have serious and unresolved territorial problems that have provided excuses for outside interference. All have sought refuge in external security arrangements, Azerbaijan and Georgia with bilateral links to the U.S. and Turkey and increasingly NATO's Partnership for Peace, and Armenia through limited contact with NATO and the PfP but an extensive security treaty with Russia. Russia

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also maintains three bases in Georgia, a large base in Armenia, and has provided Armenia with a billion dollars worth of modern armaments.² Other security issues threatening the region can be summarized under the headings of transnational crime, political violence and external intervention. Meanwhile, the enlargement of the Euro-Atlantic institutions into Eastern Europe and the security interests of western states in Central Asia, Afghanistan and the Wider Middle East have made the South Caucasus a strategically important region. Security in the South Caucasus is increasingly important for the West, yet no institutional structures exist in this region that have a potential to foster security, resolve conflicts, and counter transnational threats. Among existing states and international organizations, NATO is the best-placed and only feasible option to build security in the South Caucasus.

The Security Deficit

Since before independence, the South Caucasus region has been plagued by conflict and instability. The ethno-political conflicts in the region that raged in the early 1990s led to the death of over 50,000 people, great material destruction, and contributed significantly to the political instability, economic hardships and the increase in transnational organized crime that characterized the region in its first decade of independence. The conflicts came on the heels of the weakening and subsequent break-up of the Soviet Union. These conflicts centered on the territorial status of three regions populated by ethnic minorities: the mainly Armenian-populated Mountainous Karabakh Autonomous Province of Azerbaijan; the Autonomous Republic of Abkhazia, and the South Ossetian Autonomous Province, both in Georgia. At present, none of the conflicts in the South Caucasus has found a negotiated solution, and the conflicts are often referred to as “frozen” along unsteady cease-fire lines. More correctly, the processes to resolve these conflicts are frozen. A relapse into warfare is a distinct possibility in all three conflict areas, as negotiations have yielded no positive results. Besides these active conflicts, other minority regions in the three states have witnessed tensions between the central government and representatives of ethnic minority populations, demanding higher levels of autonomy. Areas with

² *Washington Times*, 10 April 1997; Richard F. Staar, ‘Russia’s Military: Corruption in the Higher Ranks’, *Perspective*, Volume 9, no. 2, November-December 1998.

conflict potential include, significantly, Georgia's mainly Armenian-populated Javakheti region, whose links with the rest of Georgia have weakened continuously since independence. The Spring 2004 standoff between the Georgian Central Government and the leadership of the Ajarian Autonomous Republic was resolved peacefully, nevertheless the military build-up that briefly took place illustrated the conflict potential in the region outside the overtly secessionist territories. Perhaps most worrisome is the deadlock in the Armenian-Azerbaijani conflict over Nagorno-Karabakh, with frustration increasing primarily in Azerbaijan with the occupation of Nagorno-Karabakh and in seven formerly predominantly Azerbaijani-populated provinces. The mood of the elite as well as that of the general population in Azerbaijan is becoming increasingly belligerent, and as a consequence the risk of a resumption of warfare is gradually increasing.

In addition to ethnic tensions, which have been the region's main type of conflict, all three countries have been afflicted by the use of violent means to alter the leadership of the respective states. This has included armed insurgencies that managed to overthrow existing governments in Georgia in 1991, in Azerbaijan in 1993, as well as several unsuccessful attempts made to alter the political environment since then. Assassination attempts have also been made against leaders, including two failed attempts on the life of Georgia's President and the assassination of Armenia's Prime Minister and Speaker of Parliament in 1999. In a positive development, Georgia's regime change in 2003 took place in a peaceful, non-violent manner; but it underscored the fact that no transfer of power in these three countries has taken place in an entirely peaceful and constitutional manner. To compound this unruly picture, the South Caucasus has in the last few years been increasingly affected by other security threats of a more transnational nature, including organized crime, specifically trafficking of narcotics, arms, WMD materials, and persons, and the rise, though slow, of Islamic radical movements.³

While these are all predominantly internal security threats, the international environment surrounding the region compounds the regional

³ Svante Cornell, "The Growing Role of Transnational Crime in the South Caucasus", *The South Caucasus: A Challenge for the EU*, ed. Dov Lynch, Paris: EU Institute of Security Studies, Chaillot Papers, 2003; Tamara Makarenko, "Smuggling Operations Degrade Security in the Caucasus", *Jane's Intelligence Review*, November 2003; Anna Matveeva and Duncan Hiscock, *The Caucasus: Armed and Divided*, London: SaferWorld, April 2003; Douglas Frantz, "Nuclear Booty: More Smugglers Use Asia Route", *The New York Times*, 11 September 2001, p. A1.

scene, primarily through foreign involvement in the ethno-political conflicts. The South Caucasus has gained importance through its strategic location and its energy resources. The region's strategic position between Russia and Iran and connecting Europe to Asia, as well as its oil and gas resources and location as the chief route for the westward export of Caspian energy resources, has gradually attracted greater geopolitical attention. Especially since September 11, 2001, the South Caucasus is no longer a backwater of international politics. With the U.S. and allied military presence in Central Asia, Afghanistan and the Middle East, the South Caucasus is a crucial area enabling the connection between NATO territory and military operations in Afghanistan and staging areas in Central Asia. Yet, as Alexander Rondeli has pointed out, the important geopolitical location of the South Caucasus has been as much, if not more, of a liability as an asset to the regional states.⁴ International interest in the region has tended to increase the polarization of regional politics, entrenching existing conflicts, thereby making the region's road to stability more complicated. Having dramatically differing and existential threat perceptions, the three South Caucasian states have developed diverging strategies to ensure their security: Armenia perceiving threats from Turkey and Azerbaijan, has sought security through ties with Russia; Azerbaijan, perceiving threats from Iran, Armenia, and to a decreasing extent from Russia, has sought Western and Turkish support; while Georgia, mainly perceiving threats from Russia and internal challenges with links to Russia, has sought mainly American protection. The alignments emerging out of these differing threat perceptions are contradictory and potentially devastating to regional security.

In this sense there is an acute security deficit in the South Caucasus. In spite of the manifold security challenges to the region, there are no functioning security mechanisms or institutions that help build regional stability or meaningful conflict management or resolution. International efforts at conflict resolution, sponsored mainly by the OSCE and the UN, have so far brought little result.⁵ International security

⁴ Alexander Rondeli, *Foreign Policy of Georgia and Priorities of National Security*, Tbilisi: UNDP Discussion Paper Series, no. 3, 1999.

⁵ Istvan Szönyi, "The False Promise of an Institution: Can Cooperation between OSCE and NATO be a Cure?", *Center for International Security and Arms Control*, January 1997. John J. Maresca, "Resolving the Conflict Over Nagorno-Karabakh: Lost Opportunities for International Conflict Resolution", in *Managing Global Chaos: Sources of and Responses to International Conflict*, eds. Pamela Aall, Chester A. Crocker, and Fen Osler Hampson, Washington DC: United States Institute

assistance to the regional states has had limited results, while their integration into Euro-Atlantic institutions has progressed slowly. Meanwhile, the increasing strategic value of the region and the actual and potential exacerbation of security threats over time imply a prohibitive potential cost of inaction on the part of the international community, especially Western powers with increasingly vital interests in the stability, openness and development of the region.

The Need for Security

This security deficit stemming from the interrelated and uncontrolled security threats described above have plagued the region for a considerable time. The increasing importance of the South Caucasus in the aftermath of the anti-terrorist operation in Afghanistan and the war in Iraq have now made the security deficit a threat not only to regional security but to that of Euro-Atlantic interests as well. The need for institutionalized security arrangements to manage, reduce and if possible resolve the security threats in the region has become palpable. In fact, it is increasingly apparent that failure to provide security is impeding the building of viable sovereignty in the region.

The insecurity of the South Caucasus impedes political stability, accountability and democratic development in several ways. Most prominently, insecurity in the early-to-mid 1990s derailed the political liberalization processes ongoing in the region and legitimized the return of authoritarian rule in all three states. The popular urge for order and stability therefore allowed the governing structures to backpedal on institutional reform of both a political and economic nature. Political instability followed as a direct consequence of the conflicts, as government performance led to the rapid loss of popular legitimacy and encouraged armed political contenders to challenge authorities. Moreover, corruption and the criminal infiltration of government bodies at a national and regional level were facilitated by the weakening of the government as a result of the conflicts.

of Peace Press, 1996; Rexane Dehdashti, *Gewaltminderung und Konfliktregelung in ethnosozialen Konflikten. Möglichkeiten und Grenzen internationaler Akteure in der Kaukasusregion*, unpublished dissertation, Frankfurt am Main 1997. Rexane Dehdashti, *Internationale Organisationen als Vermittler in Innerstaatlichen Konflikten: Die OSZE und der Berg Karabach-Konflikt*, Frankfurt: Studien der Hessischen Stiftung Friedens und Konfliktforschung, 2000.

In an economic sense, the conflicts and the insecurity they bred severed regional trade linkages. Moreover, fighting brought material destruction, and created an economic burden as well as a fall in economic production due to the displacement of hundreds of thousands of people who became refugees in their own countries. The downfall in economic production exacerbated problems with corruption and organized crime, since the collapse of the labor market made corruption and crime not only attractive alternative sources of income, but for some people the only possible source of income. Moreover, the loss of licit trade was replaced by illicit trade partially concentrated in separatist areas or territories practically outside government control at various times in the last decade, such as Ajaria, Javakheti, and Lezgin-populated areas of Azerbaijan.

On a societal level, the refugee populations remain un-integrated into the general population, with specific problems and both material and psychological suffering that impact society as a whole, especially in Azerbaijan and Georgia. In addition, the unresolved conflicts are contributing to fanning the flames of nationalism in the region, thereby impeding the development of civic-based identities and democratic politics more generally.

Western aid to the region and to other conflict-ridden areas have often attempted to go around the hard security issues and approach the multi-faceted problems of the region from the other end; by trying to work at a grassroots level with confidence-building, encouraging economic exchanges, supporting civil society, and hoping that these efforts would help bring about a more positive climate that would in turn lead to improvements in conflict resolution and regional security. The record so far shows the pitfalls of this process. While Western assistance has undoubtedly been immensely beneficial to political and economic development in the region, it has failed to generate a positive trend in relation to the security problems of the region. It is becoming increasingly apparent that insecurity lies at the base of the problems of the South Caucasus, and that only through addressing the security deficit in the region directly will it be possible for the South Caucasus to develop economically and politically into stable and peaceful societies that will be net security providers rather than net security recipients.

Inadequate Security Mechanisms and NATO's Role

The number of interested parties in the South Caucasus is already significant. Russia, the U.S., Turkey, Iran, the CIS, and the OSCE are some states and organizations that have interests in the region and a stated agenda to promote security and stability, as they define it, in the region. After a decade of independence, it has nevertheless become clear that no single power –or combination of two powers –has sufficient influence to act as an arbiter of the security of the South Caucasus. Russia has continually had this ambition; and has concluded an implicit alliance with Iran for that purpose. Yet the states of the South Caucasus, especially Azerbaijan and Georgia, have eschewed Moscow's attempts to re-impose its dominance over the region and have sought security through relations with Turkey and the United States. However, Turkey and the U.S., while seeking to boost security in the region, have no agenda to seek dominance over the South Caucasus, although Iranian and Russian voices may suspect this. As a result, there are two models of integration for the South Caucasus: one that envisages the region's eventual integration into Euro-Atlantic security and economic systems, linked with internal evolution towards the building of strong state institutions and the rule of law. Another, led by Russia, attempts to regain dominance over the region by the setting-up of military bases, by controlled instability, and economic coercion through the take-over of state industries in debt-for-asset swaps.

The UN and the OSCE, while potentially having a role in the security, were useful in ending the overt warfare in the region and the setting up of cease-fire regimes. However, they have failed to move toward resolution of these conflicts. The UN's engagement in the region is limited in the security sphere; while the OSCE has a more important agenda in the South Caucasus, it has largely failed to meaningfully contribute to security in the region, its mediation roles mainly concerning the conflicts over Nagorno-Karabakh and South Ossetia. It should be noted that the OSCE has proven useful in monitoring the Chechen sector of the Russian-Georgian border and in contributing to lowering tensions there; but the OSCE's potential to contribute to a significant improvement of the security situation in the region is limited.

In this context, NATO and its wide array of programs in the region, mainly under the auspices of Partnership for Peace, appears to be

the most promising organization, with a good track record in Central and Eastern Europe, not least through its programs to bring new accession countries to European standards in both military and political terms, and through its role in providing security in the western Balkans. Moreover, NATO's Partnership for Peace is the only multilateral security mechanism that involves actively all the three states of the South Caucasus.

The second enlargement of NATO into Eastern Europe in 2004 brought NATO into the territory of the former Soviet Union, through the accession of the three Baltic States. Moreover, by extending into Bulgaria and Romania, NATO moved into the Black Sea area even more forcefully than Turkey's long-standing membership had already implied. This brought NATO even closer to the South Caucasus. Enlargement also meant the inclusion of states with significantly closer relations with the South Caucasus and Central Asia, and with a much closer interest in the security of these regions. NATO's emphasis, however, is clearly shifting to focusing on bolstering cooperation with the countries of the South Caucasus and Central Asia. This renewed focus, ushered in by NATO's Istanbul summit of June 2004, stems largely from the security realities of NATO and its member states, and the new character of security threats as perceived by leading NATO states.

NATO in the South Caucasus: Why Engage?

NATO's increasing engagement is a direct result of the Alliance responding to ever-greater security interests in the Caucasus, Central Asia, and the Wider Middle East. NATO member states are now deeply committed militarily in both Afghanistan and Iraq, generating a much greater interest in the Wider Middle East. They are also operating military bases in Central Asia, which are crucial to the campaign in Afghanistan. As an organization, NATO is in charge of the peacekeeping mission in Afghanistan. If Balkan operations in the mid-to-late 1990s were NATO's first out-of-area operations, Afghanistan stands out by its distance from NATO member countries. As Stephen Blank has noted, 'NATO is undergoing a profound transformation into an organization whose main missions are collective security and crisis management and whose main center of activity is increasingly located in the Muslim

world”.⁶ As such, plans exist to extend Partnership for Peace to several countries in North Africa and even possibly Qatar.

On a strategic level, the increasing NATO focus on the Caucasus and Central Asia stems from the fact that national security interests of NATO and its member states in the South Caucasus and Central Asia, especially concerning the war on terrorism, NATO’s obligations in Central Asia and Afghanistan, and the role of the Alliance in the Wider Middle East, have grown to such a degree that its interests would be significantly affected negatively by instability and unrest in the South Caucasus. The individual and collective interests of NATO members therefore suggest that a larger role of the Alliance in strengthening the security of the South Caucasus is warranted, and this realization is gradually being turned into practice. Among NATO members, the United States defense planning community was the first to identify the way the South Caucasus fits into Euro-Atlantic security interests: first, the South Caucasus forms an integral part of the arc of instability stretching from North Africa to Southeast Asia, which the U.S. has identified as a most likely source of threats against U.S. and Western security interests in the foreseeable future. Yet the region, in spite of its stability being fragile, constitutes a basis on which to work in the regional countries, which are led by friendly governments. On a practical level, the South Caucasus and Central Asia actually function as springboards for U.S. and coalition military operations, and may continue to do so in future contingencies. The South Caucasus and Central Asia were both crucial to the allied military campaign in Afghanistan. Central Asian states, especially Uzbekistan, Kyrgyzstan and to a lesser extent Tajikistan provided bases for the military campaign, which were crucial to the successful overthrow of the Taliban regime. The South Caucasus, and especially Azerbaijan and Georgia, were a logistical corridor crucial for the access of coalition aircraft to operational theaters further east.

The importance of the South Caucasus was also further boosted by the operation in Iraq. While attention to the region on a political level may have suffered in both Europe and the U.S., Azerbaijan’s and Georgia’s support for Operation Iraqi Freedom were important to the U.S. due to their proximity to the Middle East, especially in view of U.S. disagreements with Turkey. Furthermore, given U.S. tensions with Iran, the strategic importance of Azerbaijan, as the only country bordering both

⁶ Stephen Blank, ‘NATO’s Drive to the East’, *In The National Interest*, February 11, 2004.

Iran and Russia, coupled with its symbolic value as a moderate, secular and pro-Western Shiite Muslim majority state, is becoming increasingly clear. It is, moreover, one of the parts of the Islamic world where anti-Americanism arguably finds the least following.

In sum, immediate concerns such as the peacekeeping operation in Afghanistan, as well as deeper strategic considerations of NATO member states are making Central Asia and the South Caucasus increasingly important areas of concern for NATO. What forms could a NATO engagement in the South Caucasus take? Both Azerbaijan and Georgia, the latter more forcefully, have declared an ambition to obtain membership in the Alliance. This is unlikely to happen under any circumstances for many years. While this is obvious to most observers, NATO may be the *sine qua non* for security in the South Caucasus. The most promising and perhaps single means of redressing the 'security deficit' in the South Caucasus is through the gradual extension of the widest possible range of NATO programs into the area. Local states have tended to view NATO as a question of membership, of 'To Be or Not To Be?' Regional states, including Armenia, are now gradually realizing that their relations with NATO are in fact concerned with how to select, develop, and compound NATO programs that will, together and increasingly over time, transform the regional security picture overall. By this point the region will also have evolved to a point at, or near, the doorstep of both NATO and the EU. In fact, it is pointless to talk of NATO membership at present, given that NATO itself is an organization which in 7 to 10 years – a point where the membership of the regional states could become realistic – would be very different from what it is today. As such, membership today and in 10 years time, are probably incomparable.

Challenges to NATO's Role

Two main challenges to NATO's success in Central Asia and the South Caucasus are its relations with Russia, and the internal debates among member states. Russia's knee-jerk reaction to increasing NATO activities in its self-proclaimed 'Near Abroad' are zero-sum; to most Russian actors, NATO activities of any type are against Russia's interests. This is clearly the case as far as Russian perceptions of NATO activities in Central Asia and the South Caucasus are concerned. NATO's

mission in this context is to drive home the point that its activities are not directed against anyone; furthermore, by increasing regional security in these regions, NATO's programs actually increase rather than decrease Russia's security. With the dominance of power ministries over Russian foreign and security policy-making, this point is unlikely to be accepted easily in Moscow. Moscow's opposition must nevertheless not be taken as an obstacle to NATO's efforts to increase regional security.

Secondly, NATO member countries clearly have differing views of the Alliance's role and specifically its out-of-area ventures. The U.S. is clearly much more positive toward NATO expansion into the South Caucasus than are most European powers. Whether European states will gradually see the need for a greater engagement in the South Caucasus is unclear; nevertheless, it is likely that the U.S. lead is going to be followed by a number of NATO members, most obviously its new member states. Internal debates over NATO's role may for some time mitigate the Alliance's effectiveness in these regions. The state of transatlantic relations, more than anything else, will determine the effectiveness of NATO, including in Central Asia and the South Caucasus. However, it is important to note that NATO interests in the South Caucasus are not exclusively or even primarily synonymous with American interests. In fact, Europe has an even wider range of interests and challenges in the South Caucasus that are beginning to generate greater engagement. Europe's lack of a coherent foreign and security policy is delaying the formulation and implementation of a European policy in the South Caucasus; but this is likely to be only a matter of time. The challenges and potential threats to Europe emanating from the South Caucasus as well as the opportunities it finds there, will likely gradually raise the level of European interests, including security interests, in the region, for which NATO will provide the most useful framework, in possible cooperation with the European Union.

Looking Forward: How to Engage?

The crucial point in formulating NATO's future engagement in the region is that NATO is not an issue of membership or non-membership. To the countries of the region, NATO's wide variety of programs will, over time, serve to transform the regional security picture overall – with or without membership. PfP is building political and

military bridges between member countries, both between NATO members and non-members but also among non-members themselves. This in itself increases security in these regions and accelerates military reform, while simultaneously having a positive effect in general on political development and accountability. Most importantly, through training programs, participation in peacekeeping missions, and exercises, PfP helps foster a new generation of military officers whose thinking differs markedly from the Soviet military mentality of their predecessors.

There is a long list of steps that can be taken which, short of membership, will both symbolically (through NATO's very engagement in the region) and through very practical steps bolster the security, statehood and political development of the South Caucasus.

This process has already begun with the role of PfP in the region. Through its activities, which began slowly in the mid-1990s but accelerated since, PfP proved effective in contributing to security sector reform. The weak, ineffective, and Soviet-style defense and security sectors in the South Caucasus states were exposed to western military structures. Moreover, in addition to multilateral cooperation, PfP helped expand bilateral cooperation between the three regional states and NATO members, of which Turkey, the U.S., the U.K., Greece, and Germany have been some of the most active. In so doing, PfP contributed to capacity-building in the regional militaries, but also contributed to bringing democratic principles into these government structures, including civilian control over the military forces. These processes are far from accomplished, but PfP and Western bilateral cooperation has contributed to much of the progress that has been achieved.

In NATO and PfP relations with the South Caucasus, the extent and depth of cooperation with Azerbaijan and Georgia is of a different order than that with Armenia. Azerbaijan and Georgia have been enthusiastic contributors, providing peacekeeping forces in small quantities to operations in the Balkans, Afghanistan and Iraq from the outset. Azerbaijan and Georgia have contributed ever-larger troop numbers to peacekeeping, beginning with platoon-size deployments in the Balkans, force contingents in Afghanistan, and significantly larger numbers in Iraq, despite immense pressure against it from Moscow.

⁷ "Azerbaijan Ready to Send Soldiers to Iraq," Pravda, April 22, 2003; and "Azerbaijan: Staunch Ally and Strong Partner," Azerbaijan Newsletter, released by the Embassy of the Republic of Azerbaijan, Washington DC, March 5, 2004.

Since 2002 and particularly 2003, Armenia has become a much more active participant in PfP, seeking to diversify its security relationship with Russia through links to the West.

NATO's Istanbul summit is ideally timed and placed for the overdue political recognition by the Euro-Atlantic community of Georgia's and Azerbaijan's aspirations to eventual membership in NATO. Most important for these two countries, and Armenia should it choose to join in this initiative, is not the issue of membership per se but that the Euro-Atlantic community, through NATO, asserts that the security of the countries of the South Caucasus is an integral part of the Euro-Atlantic security architecture, and recognizes the role of the regional states in this process.

Concrete initiatives, of course, should naturally follow from this. The recent report produced by the Central Asia-Caucasus Institute on this issue, on which this article is based, provides a list of specific recommendations both for NATO and the South Caucasus states.⁸ The most important of these include:

- Exploring the possibility of creating a special format for NATO's dialogue with the three nations of the South Caucasus, on the model of those set up for Ukraine and Russia;
- Exploring the possibility of creating a Regional Defense College in the South Caucasus, similar in concept to that of the Baltic Defense College (BALTDEFCOL) and building on its experience;
- Greatly increasing the number of regional officers receiving training through PfP in order to foster a cadre of officers benefiting from contact with Western militaries who, in turn, are able to share their knowledge and expertise with colleagues;
- Raising the profile of the region in NATO's own hierarchy by appointing a political/military specialist on the region as an advisor to the Secretary-General; creating a 'Security Working Group' under NATO in order to optimize security assistance efforts; and prioritizing the development of expertise amongst NATO's planning staffs on the IPAPs (Individual Partnership Action Plans) of the regional states.

While this suggests an *à la carte* approach to NATO involvement as being the most promising for South Caucasus countries, it recognizes that such an approach is impossible without a focused and strategic view of the South Caucasus as a whole on the part of NATO.

⁸ The policy paper in its entirety is available at <<http://www.silkroadstudies.org/nato.pdf>>.

Central to such an approach is that the definition of NATO and U.S. interests and goals must be outlined initially without regard to Russian responses. Russia itself is in flux and its policies half a decade hence, may differ from those of today, especially as they relate to former Soviet territories. If NATO and the U.S. demonstrate that their policies in the South Caucasus are compatible with Russia's legitimate security concerns (as opposed to political aspirations), and can even be supportive of them, it enhances the possibility that Russians not committed to zero-sum thinking may gain influence in Moscow. Clarity by NATO in defining its own strategy, directness in articulating it, and flexibility in its execution are the hallmarks of any future success.

In short, anchoring the South Caucasus to the Euro-Atlantic system must begin by projecting security to this region. The costs and the draw on resources would only be a fraction of U.S. and NATO efforts elsewhere; the social and political environment in this region is friendly and receptive; and the strategic payoff to the Alliance would be of historic proportions. Until now, the U.S. has taken the lead in this effort, with only nominal support from other Alliance members. At present, U.S. global overextension means that European allies must increase their contributions to projecting stability and security in the South Caucasus. NATO's new members such as the Baltic States and Romania, familiar with this region and sharing their recent experience as post-Soviet legacy states and NATO aspirants, are enthusiastic about contributing to this effort alongside older allies.

Such recognition can at this time take the form of offering Azerbaijan and Georgia a clear prospect of membership through Individual Partnership Action Plans (IPAPs) leading to Membership Action Plans (MAPs). With their established benchmarks, standards and timetables for progress, such plans hold built-in incentives to the aspiring countries, as well as amounting to non-declaratory political recognition by the Alliance of their membership goals.

AZERBAIJAN AND GEORGIA: PERSPECTIVES FOR NATO MEMBERSHIP

Duncan HISCOCK¹

Introduction

First of all I would like to say thank you for your invitation, for what has been a fascinating seminar and I hope that the dialogue and cooperation that has been shown here will extend and develop in future.

When I first looked at the programme for this seminar, I saw that I was, metaphorically speaking, at the end of a long road. As NATO and the states of the South Caucasus travel further down the road of cooperation, will NATO membership be at the end? Is NATO membership desirable for the governments of the South Caucasus? Is it desirable for NATO? What obstacles lie in the path of NATO membership? How quickly can they be overcome?

Perhaps to talk of the road to NATO membership is misleading. It is clear that there is not only one path which future cooperation between NATO and the states of the South Caucasus can follow; indeed, one of the tasks of this seminar has been to map out the different options for increased cooperation. Indeed, many commentators have noted that the Partnership for Peace programme contains a lot of room for flexibility in terms of destination. Some states eagerly see PfP as the first step towards NATO membership. Others participate actively in PfP but consider it as purely a confidence and security building initiative. Others again appear to be hedging their bets, unsure about how far they can or should move towards eventual membership of the Alliance.

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South Caucasus Attitudes towards NATO Membership

This range of attitudes is reflected by the three governments of the South Caucasus. At one end of the scale, Georgia has never hid its ambitions to join NATO. Former president Eduard Shevardnadze formally declared Georgia's will to become a member state at the Prague Summit in November 2002, though it has been proclaiming its enthusiasm for membership for much longer. Georgia has repeatedly said that it sees NATO as a guarantee of peace and security. This means not only that NATO would not allow further separatist conflicts of the sort that have severely damaged Georgia for the last 15 years. It also means protection against the country that Georgia sees as chiefly responsible for undermining its security: Russia – though this is rarely said directly. Furthermore, Georgia would see membership as confirmation of its integration into Euro-Atlantic structures, something that would bear huge political weight within the country. In fact, the goal of NATO membership is so widely shared both among the political elite and the general public that it is rarely questioned at all.

At the other end of the scale, Armenia has never indicated an interest in NATO accession. Armenia's membership of the Collective Security Treaty Organization indicates that in security matters it continues to look northwards rather than westwards – therefore, there seems to be little point in discussing Armenia's prospects for NATO membership at this seminar.

Somewhere in between these two poles lies Azerbaijan. Azerbaijan and Georgia are often lumped together as keen advocates of NATO membership but, if Azerbaijan is eager to join NATO, it has an odd way of going about it. It is true that Azerbaijan has often indicated that it is interested in enhancing its 'integrational' relationship with NATO. In April 2003 the late Heydar Aliyev stated publicly at a meeting with Bruce Jackson of the now disbanded US Committee for NATO that Azerbaijan considered PfP as a step towards membership, saying that Azerbaijan had been 'working in this direction without making too much noise.' However, Azerbaijan has not formally applied for membership, and when I inquired recently with the Delegation in Brussels, I was informed that it is not currently Azerbaijan's policy to seek membership. This was publicly confirmed less than two weeks ago at a conference to mark 10 years of PfP, when Deputy Foreign Minister Araz Azimov was

quoted as saying ‘I would not start speaking of Azerbaijan's membership in NATO because we intend to continue cooperating with the alliance on a realistic basis proceeding from the national interests of this country.’

To what should this caution be attributed? One argument is simply that the Azerbaijani government is more realistic than the Georgian government about its chances of joining NATO in the near future, and is therefore pursuing all available opportunities for integration without overstating its case. It is certainly true that Azerbaijan has made a considerable contribution to PfP, though recent events in Budapest have somewhat taken the shine off that. But I think that Azerbaijan's caution also reflects the fact that Azerbaijan is much more ambivalent about NATO membership than Georgia is. I would suggest at least three reasons for this.

Firstly, in terms of foreign policy, while increasing its links with the West, Azerbaijan has tried to maintain reasonable relations with Russia. Though there is genuine suspicion of Russia, particularly because of its military support for Armenia, Azerbaijan has opted for conciliation and negotiation over confrontation. It is well aware that opening official accession negotiations would impact very negatively on Russian-Azerbaijani relations –it will at least have to pick an opportune moment to do so. It is probable that Russia has used the transition of power to Ilham Aliyev to take a firmer line towards Azerbaijan regarding military and security issues, I doubt such a moment is likely to happen soon, given that it is still unclear exactly how much control Ilham Aliyev has internally.

Secondly, there seems to be little will within the ruling elite for the kind of political reforms that NATO would demand. While military reforms, supported especially by Turkey, appear to be having some effect, NATO is of course a *politico*-military organization. Inasmuch as this is understood by the Azeri leadership (and I am not sure how much it is), there appears to be little will to implement large-scale reforms in areas such as demonstrating commitment to the rule of law and human rights, and establishing appropriate democratic and civilian control of their armed forces.

Thirdly, some of Azerbaijan's original enthusiasm for NATO was related to its hopes that NATO might offer a more successful mode of conflict resolution than the OSCE has so far provided. As it has become clear that NATO will not itself be directly responsible for

regulating the Nagorno Karabakh conflict, this enthusiasm may have waned somewhat.

All this is not to say that Azerbaijan is not interested in joining NATO eventually. If or when it is forced to choose, it seems highly probable that Azerbaijan would join. But at the current moment, it appears easier for Azerbaijan to sit on the fence and keep its options open, and its relations with Russia manageable.

In summary, Georgia strongly believes that NATO membership is in its interests; Azerbaijan is also interested in integrating into NATO structures, but pursues a more circumspect policy towards joining the Alliance; Armenia participates in PfP but prefers military cooperation with Russia to further integration with NATO. But is it actually in NATO's interests to have Georgia and Azerbaijan join the organization?

NATO's Interests in the South Caucasus

NATO's concerns in the South Caucasus include: fears that the region acts as a transit zone for various trafficking activities; concerns that terrorists could exploit weak states, poverty and disillusion; maintaining energy security; fears that conflicts in the region could further destabilize the wider area; and the region's role as a corridor between the current NATO area and Central Asia; and its proximity to both the Black Sea region and the Middle East. As a result, the South Caucasus has been recognized as a 'strategically important' region, and NATO has indicated that it intends to re-direct some of its focus and resources to the area. But would NATO's cause be served in any way by offering membership to Georgia and/or Azerbaijan?

Not instantly. Article 10 of the Treaty of Washington leaves the door open to 'any European state in a position to further the principles of this Treaty and to contribute to the security of the North Atlantic area.' At the current time, it would be difficult to argue that either Georgia or Azerbaijan is in a position to *contribute* to security; they are yet to successfully resolve a number of issues relating to internal security. While the two countries continue to have a number of unresolved conflicts directly on their territory as well as incompletely-reformed security sectors, low defence budgets, high levels of corruption and weak institutions, admitting them into NATO would simply bring serious internal security challenges within the organization's borders.

Furthermore, even with international support, Georgia has so far been unable to force Russia to close its two remaining bases in the country. Though Azerbaijan has no Russian bases on its land, it recently agreed a ten-year lease to Russia of the Qabala radio station. All of these issues run directly counter to NATO's interests.

External security presents no less of a problem. Careful consideration is needed of how inviting Georgia and/or Azerbaijan to join the Alliance would affect the wider geo-political situation. Expanding NATO into the Caucasus would clearly aggravate Russia. In itself, this is no different from the previous rounds of NATO enlargement in 1999 and earlier this year. Both of these rounds led to serious disagreements between those who feared that expansion was a 'policy error of historic importance', largely because of the damage it would cause to NATO-Russian relations, and those that felt that the benefits of expansion far outweighed the risks. In effect, the expansionists won, and so far they appear to have been vindicated. Though, on occasion, Russia has vocally criticized NATO's eastward expansion, particularly to the Baltic States, it has put up little serious opposition. This is partly because NATO has expertly diffused Russian objections by establishing various co-operation mechanisms (the latest incarnation being the NATO-Russia Council) without ever allowing Russia any real influence over decision-making. However, it is also because at the end of the day, Russia has had little choice but to acquiesce, lacking the power to prevent NATO's expansion.

This has emboldened the expansionists to imagine that the same trick can be pulled off again and again. But there are plenty of reasons to think that NATO may find it harder to establish itself in the Caucasus. In Central and Eastern Europe, expansion filled a security vacuum left by the collapse of the Warsaw Pact, and Russia did little to keep these states within its sphere. NATO was able to argue that expansion in no way constituted a threat to Russia. This argument gained weight after September 11, when Russia agreed that the main threats to the security of both NATO and Russia emanated from the South and East.

The same argument cannot be used in the Caucasus, however. The Caucasus falls directly on the path of these threats. On the one hand, this could enable NATO and Russia to form a genuine partnership aimed at jointly counteracting mutually identified threats. But in that case, Russia is unlikely to see the need for Georgia or Azerbaijan to join NATO. Why else, after all, do Georgia or Azerbaijan want to join NATO,

if not because they think it will provide them a security guarantee against Russia? If this is not the case, why should Georgia or Azerbaijan have any more of a case for membership than Armenia, or even Russia itself? And would not including Georgia and Azerbaijan without Armenia not be drawing 'dividing lines' across the South Caucasus, the same dividing lines that NATO has repeatedly committed itself to avoiding?

All of this necessitates the development of a clear NATO policy towards the South Caucasus, whether this is aimed at developing a genuine partnership with Russia in the region, or at minimizing its influence. At the moment, it appears to be trying to do both. If this backfires, the scrap for influence is likely to get messier, as Russia's power, though diminished, is still significant. In particular, it is widely acknowledged that Russian backing will be crucial for the successful resolution of all of the region's conflicts. As NATO cannot realistically accept Georgia or Azerbaijan until their territorial disputes have been settled, Russia can use its support for separatist regimes to effectively veto their accession into the Alliance.

NATO also has internal issues that it would be better to resolve before it expands to a region as complicated as the South Caucasus. Firstly, though NATO does not appear to be facing the same kind of growing pains as the European Union, the absorption of 10 new members in five years will still take some time to get used to.

Secondly, there does not yet appear to be sufficient consensus amongst NATO's member states about the appropriate level or mode of engagement in the Caucasus. Currently, some states (most obviously the US) are deeply involved in the region, while others appear to have very little interest. Some countries are allied more strongly to one country than the others – for example, Turkey has close links to Azerbaijan, while Greece has close links to Armenia. Military assistance and training by NATO member states appears largely uncoordinated. In the short term, this suggests a need for better cooperation between those offering assistance. In the long term, a clear NATO policy towards engagement in the region must be developed, including the question of enlargement. A further question to ask is what level of priority expansion to the Caucasus should be afforded – is it more or less important than potential expansion, say, to the Balkans or Ukraine?

Thirdly, NATO is still in the middle of a huge transformation and redefinition of its role. Crisis management, fighting terrorism and

combating the proliferation of WMD have all been added to its roles. NATO member states are attempting to transform their militaries from large standing armies stocked with tanks and heavy weaponry to smaller, much more mobile forces which can be deployed rapidly across large distances. Out-of-area operations in the Balkans and Afghanistan have demonstrated that NATO increasingly sees itself as having a global role. All of this has diminished the importance of Article 5, the basis of collective security, and Article 6, defining the limits where this security will apply. Some, such as Heinz Gärnter of the Austrian Institute for International Affairs, have gone so far as to suggest that collective security is basically dead, and that NATO increasingly resembles a 'military 'toolbox' of allied forces. a pool of armed forces with similar operational doctrines that could fit into alliances of the willing'. Whether you believe this or not, it is clear that there is a lack of clarity on both sides as to what NATO stands for. If, despite NATO's protestations to the contrary, collective security is an increasingly irrelevant part of the Alliance, would Georgia and Azerbaijan really benefit from membership? And how does the emphasis on new security threats, mobile forces and rapid reaction square with their small, under-funded forces, who can offer NATO little beyond contributions to peacekeeping operations, at the same time as they continue to suffer from very clearly 'old school' threats to security, not least the far from 'frozen' conflicts on their own territory?

In summary, then, Azerbaijan and Georgia still need to resolve the conflicts on their territory, reform their security sectors, entrench democracy and the rule of law, and increase their defence budgets. They must also be clearer about what kind of NATO they are entering. At the same time, NATO needs to develop a clear strategy towards the South Caucasus, in particular with regard to how to deal with Russia. It must also ensure greater consensus and coordination between member states on how to interact with the region.

Managing Expectations

Everything I've just said should indicate the scale of the obstacles that lie on the road to NATO membership for Georgia and Azerbaijan. But I do not want to imply that NATO expansion to the South Caucasus is impossible, or necessarily undesirable – only that it cannot, and should not, happen overnight.

This may seem like a pretty obvious conclusion to come to. But it is not, unfortunately shared by everybody. This is a problem particularly in Georgia. Shortly after officially announcing at the Prague Summit that Georgia wished to join the Alliance, former President Eduard Shevardnadze announced on state television that membership would require ‘a minimum of three years’ though friends in the West had told him it could happen even sooner. These extremely optimistic assessments of Georgia’s readiness to join NATO, and the timescale that is involved, play well at home, where unrealistic expectations abound about the West’s (and especially the US’s) ability to solve Georgia’s problems. To most Georgians, entrance into NATO would be a happy day indeed, so politicians have been keen to promise more than they can deliver. Maybe it is too early to tell, but it appears that this trend will continue under the Saakashvili government. To the best of my knowledge, Saakashvili has not yet predicted a date for NATO membership, but he has already made exceedingly optimistic comments about Georgia’s chances of joining the EU, when he claimed in Brussels in April that Georgia could meet accession criteria within 3-4 years, and is only 3-4 years behind Bulgaria, which is hoping to join by 2007.

So far, the West has done little to dispel Georgian hopes of joining NATO in the near future. It is probably felt that keeping the carrot of membership only just out of reach will encourage Georgia to make the necessary reforms more quickly. But eventually, more honesty will be required from both sides. No one would deny that the new government is making tremendous efforts to reform, and that these reforms are in the right direction. But Georgia will have to be more sensible about how soon it can really solve its problems. Likewise, if NATO is serious about allowing Georgia to join, it will need to tell Georgia honestly what is expected of it. The closer to membership Georgia comes, the less it will be possible to brush these messy details under the carpet.

Currently, Azerbaijan and Georgia are not even at the first stage of official preparations for membership: an invitation to join the Membership Action Plan (MAP). Instead, it has offered IPAP, the Individual Partnership Action Plan. This has successfully delayed, but not resolved, the issue of what to do with those countries wishing to deepen cooperation beyond PfP, but who are not thought by NATO to be ready to offer a MAP. The new Georgian government presented a revised IPAP

to NATO in April. Azerbaijan presented an IPAP proposal in 2003, which I believe is still under consideration.

Sooner or later, a decision will have to be made about whether to offer Georgia and/or Azerbaijan a MAP. There have been rumours from some quarters that they may even be invited to join at the upcoming summit in Istanbul. Perhaps these rumours are even true –it may be felt that an invitation to start a MAP would send a powerful signal of support to the new leaders in both countries. After all, it does not actually commit NATO to anything: the MAP expressly states that joining the Plan does not guarantee future membership of the Alliance, nor does it set a timescale for making the final decision.

Nonetheless, I think it would still seem rather premature. IPAP is still in its infancy, and as far as I understand, there is still a lot of room for improvement there before moving on to the next step. Furthermore, for some time, no substantial progress has been made in resolving any of the conflicts in the region –and the situation in Ajara has added new tensions to the list. Offering a MAP in such circumstances would send the wrong signals –and we only need to look at recent events in Cyprus to realize that the carrot of membership into a regional organization does not always lead to the successful resolution of a conflict.

In conclusion then, Georgia and Azerbaijan remain a long way from NATO membership, though if they were to carry out the reforms that NATO expects, and meanwhile NATO develops a coherent strategy towards engagement in the region, there is nothing to stop them eventually joining the Alliance. Just how far away is this? Well, I don't want to make an exact prediction.

Solomon Passy, speaking at the accession ceremony on 2 April, said:

“As Chairman-in-Office of the OSCE for 2004, we have concentrated our efforts in fostering stability and security in Western Balkans and the region of Caucasus. In fact, the situation in these unstable regions is similar to ours 14 years ago, just after the end of the Cold War.”

CONCLUSION

Lionel PONSARD¹

The Western world has long regarded the South Caucasus as a boundary separating Europe from Asia and as a region belonging to a different world. Today's strategic imperatives have relegated that perception to history. NATO's enlargement to the Western Black Sea and the enlargement of the European Union are bringing the South Caucasus into the West's immediate neighborhood. At the same time, anti-terrorist coalitions projecting power into Central Asia and Afghanistan have de facto drawn the South Caucasus inside the perimeter of Euro-Atlantic strategic interests. Obviously, the international community has a compelling interest in the emergence of strong democratic fundamentals in that part of the world. However, politics in the region are still in an amorphous state. Conflict, fear and instability have also greatly complicated the transition towards market-oriented structures in the South Caucasus.

Three ethno-political conflicts emerged in the early 1990s during the course of the break-up of the Soviet Union: Nagorno-Karabakh, Abkhazia and South Ossetia. At first glance, they seem to share a number of similarities, but over the years their divergences have become clearer. Nagorno-Karabakh and Abkhazia pose a far more acute security threat, given these conflicts' larger-scale, tension and potential for wide-scale violence. There have been cease-fire agreements aimed at preventing the re-emergence of friction, but no real progress has so far been made towards achieving a final settlement. All parties involved seem to have accepted a status quo, which represents a serious handicap for any future development. While cease-fire regimes are by and large working, there is

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no guarantee of a lasting peace. The eventual resolution of these conflicts could be envisaged through regional cooperation. However, this approach does not seem to work. Without the resolution of these conflicts, the prospects for economic development in the region, let alone regional cooperation, look rather bleak. Instability has also led to the emergence of safe havens for the illicit economy. Criminalized groups with short-term interests actually have no interest in conflict resolution since stability would in the end jeopardize their situation. With persistent economic and political instability in the region, combined with the South Caucasian governments' inability to gain control over their territory, transnational threats remain a challenge to the region.

Both cooperation and conflict in the South Caucasus are greatly influenced by the interests and strategic involvement of more powerful outside states. For historical and cultural reasons, Russia is a major player in the game and believes it should be dominant in the region. Moscow seeks to reaffirm its great power status in the South Caucasus and views the West's presence there as interference in its own backyard. And yet, we cannot really identify any well-integrated policy on the part of Russia. As for the US presence in the region, it should mainly be viewed through the prism of the global fight against international terrorism. Obviously, US interests are also based on economic interests and its stakes in oil and gas issues. Turkey and Iran are two other key players. While Turkey wants to secure its prospects for EU membership and sees the Caucasus as a potential spoiler, Iran views the Caucasus as a means of breaking out of its isolation.

Oil and gas issues are also key factors in the region. Over the past few years, there has been a certain amount of success in pipeline development despite the region's instability. The Baku-Tbilisi-Ceyhan pipeline should be operational by spring 2005. Transporting these energy resources to global markets is a crucial element for securing the South Caucasian states' independence and economic development. Because of its specific location, Armenia will benefit less from the pipeline business. We should therefore consider ways of enhancing Yerevan's involvement in the region's ongoing economic projects.

Georgia, Armenia and Azerbaijan are situated quite differently along the scale of democratization and internal reforms. The January presidential elections in Georgia have created new expectations and new hopes. However, these positive developments are still hampered by the difficulties pertaining to Georgia's unity. Will Abkhazia's and South Ossetia's quest for self-government be tolerated or will there be an effort to reintegrate them into Georgia? Recent events suggest that a softer line may prevail. This was certainly true in the case of Adzharia province where, with quite unexpected Russian support, the issue of separatism was resolved without bloodshed. Tbilisi should continue to improve its relations with Russia, which is still Georgia's biggest potential market. The good example set by Georgia could become a role model for the other countries in the region. However, the Georgian government is still unable to exercise effective control over all its territory and define precisely what assistance it needs from external actors. Its institutions are not having much success in coordinating outside support and advice efficiently, primarily because of overlapping competencies, insufficient staff and anti-reform elements. At the same time, however, Georgia has now understood that NATO is not a panacea and cannot provide an answer to all of Georgia's political and security ills.

In Azerbaijan, Aliyev's departure has left a vacuum in internal politics. The main challenge for Azerbaijan is the development of the oil and gas sector and the beneficial use of the oil revenues for the country's sustainable development. Georgia and Turkey are Azerbaijan's main regional partners and relations with Iran have great potential. While Baku seeks closer cooperation with NATO (troops sent to Kosovo, Afghanistan, and Iraq), the Alliance has so far not reciprocated this attitude. The pending resolution of the Nagorno-Karabakh conflict and the insufficient implementation of democratic fundamentals still represent the major impediments to rapprochement with Euro-Atlantic structures. Building democracy, transparency in oil activities and the demonopolization of economic power should be top priorities as all the reforms in the defense and security areas are dependent upon overall liberalization and democratization.

While Azerbaijan and Georgia seek closer cooperation with NATO, Armenia is a member of the Collective Security Treaty

Organization and thus cooperates with Russia. President Kocharian has been in office for six years and there have recently been clashes between those who support the president and those who think that he should leave office. The essential problem for Armenia is to resolve its conflict with Azerbaijan over Karabakh and improve relations with Turkey in order to escape economic isolation and implement the necessary reforms. Armenia is also expecting concessions from Turkey by using the genocide issue to put pressure on Ankara with the prospect of Turkey's admission to the EU. Special attention should be paid to civil-military relations in Armenia, where the military exercise excessive control over society. Cooperation with NATO is seen in particular as a means of diversifying foreign and security policy options since the Collective Security Treaty still constitutes the basis for Armenian security. The frozen conflict over Nagorno-Karabakh, the absence of diplomatic relations with Turkey, and heavy reliance on Russia are the main obstacles to further integration into Euro-Atlantic structures. In addition, NATO is often perceived as an antagonistic pro-Turkish alliance.

While still years away from qualifying for NATO membership, the South Caucasian states have already graduated from the situation of pure consumers of security to that of net consumers and incipient providers of security, as irreplaceable, geo-strategic assets of the Euro-Atlantic community. As early as 2000, Georgia and Azerbaijan made public their goal of joining NATO, each in its own right. Georgia officially became an aspirant for NATO membership at the Alliance's Prague Summit in November 2002, Azerbaijan in April 2003. These achievements could eventually provide an attractive example to Armenia. It is also important to note that even though increased relations with NATO will not necessarily lead to full membership, reform in itself is mandatory for Partner countries. As for the Alliance, it needs to develop a clear strategy towards the South Caucasus, in particular with regard to how to deal with Russia. It must also ensure greater consensus and coordination between the member states on how to interact with the region. Understanding the societies in transition, their values and institutions is therefore essential. Support for civil society should not look like manipulation, but rather as support for local initiatives. Outside actors must remember that externally imposed solutions will inevitably fail. In short, assisting is appropriate, while directing is not.

